DEVELOPING Pittsburgh

Spring 2023

CRE'S ADVOCACY ISSUES

NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
PITTSBURGH CHAPTER

CONTENTS

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President's Message

It would have been hard to imagine a little more than three years ago how our industry, and the world for that matter, would change over the next 36 months. While change is constant, our industry has been tasked with several related but distinct challenges beginning with COVID in 2020, surging commodities prices and labor shortages of 2021, and the unravelling in capital markets of 2022. So, what's next? Many anticipate gloom for the foreseeable future as we have yet to fully feel the domino effect of these three interchanging storms. So, I guess we'll just drink craft beer and play duckpin bowling until the storm passes? No, we'll adapt. The reality is our industry is always adapting and will continue to in order to keep business moving forward.

NAIOP Pittsburgh has adapted as well but not in the way of a Zoom option for chapter meetings or outdoor availability at our annual banquet. NAIOP Pittsburgh focused on what our members needed from its organization. Beginning five years ago, a shift in priorities took place with a greater emphasis on advocacy and member experience. Starting with the hiring of executive director, Brandon Mendoza, who has a background in government affairs, and our advocacy consultant, David Caligiuri, the advocacy committee has never better-informed our members of issues impacting their business, nor has it taken such a proactive approach with elected officials by voicing the opinions of membership. Developing Leaders have been our primary growth area in terms of membership and our board now reflects it. Our board has been expanded, one of many positive outcomes of Jamie White's leadership, to include the Developing Leaders Chair. The make up of our board is reflective of our membership and the course our board sets is in the direction of where our members' needs are.

On May 11th, we'll celebrate many of our region's most inspiring projects at our annual awards banquet. This year, we are returning to the convention center. We'll enjoy a plated dinner during the awards ceremony at seated tables. Hard to imagine just a year ago. While the awards banquet is one thing, it does represent a shift to return to what works best. It most importantly represents the lead the CRE industry has taken on the return to work in person. Restoring the daylight populations in our cities is one of our greatest challenges as an industry and the answer isn't adaptive reuse. The answer is in leadership, and it will take cooperation and coordination by both the private and public sectors.

NAIOP Pittsburgh is the organization most looking out for our industry, and this is a responsibility members need to own. We encourage greater participation in our committees and from those willing to voice their encouragement for the betterment of our city, our communities, and our industry. In order to continue making an impact, we need tomorrow's leaders to get involved today.

Brandon Snyder
Al. Neyer LLC
NAIOP Pittsburgh President

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NAIOP COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION PITTSBURGH CHAPTER

EXECUTIVE DIRECTOR'S MESSAGE

As we prepare to celebrate some of the top projects from 2022 at our 30th Annual Awards Banquet, Pittsburgh's commercial real estate (CRE) sector is at a crossroads. And we will need to row in the same direction to steer the ship through murky waters. CRE is dealing with high interest rates, labor and materials inflation, and a possible economic downturn. In addition, many of our elected officials seem unmindful of the particular economic risks ahead. NAIOP Pittsburgh is working for the Pittsburgh region's CRE industry and ensuring that our policy makers understand what our industry needs to get back to robust investment.

The macroeconomic realities have certainly caused undue stress on our industry, with interest rate hikes leading the concerns. In addition to high interest rates, the general lack of corporate leadership that has allowed general workplace pandemic flexibilities to creep into a "work from home forever" sentiment now threatens downtowns throughout the country. Pittsburgh's downtown is no different, having seen office vacancies skyrocket to above 20 percent, our city is facing a looming revenue shortfall as property owners Downtown look to reassess or sell. Add to this a slowdown in the tech and life sciences sectors, both of which expanded business investment even throughout the pandemic, our sector is seeing strong headwinds.

Given the macroeconomic headwinds, one would think policy makers would partner to alleviate some of our industry's concerns. Unfortunately, many policy makers are stuck in a pre-2020 policy mindset. To them, helping developers is the last thing they want to do, regardless of the broader economic benefits. In the past few months, NAIOP Pittsburgh has been in dialogue with our city's leadership about the recent changes to the city's zoning review fees, which would increase the city's planning review fees by 2,000 percent. While we are hopeful we can peel these fees back to a reasonable number, it is a perfect example of this disconnect between our elected officials and the current economic environment.

While the aforementioned points may seem bearish on our market, I remain optimistic that we can forge the needed public-private partnerships to foster robust growth. NAIOP Pittsburgh is committed to ensuring our members and the broader CRE industry is at the table to offer real solutions. While the macro-environment is challenging, NAIOP Pittsburgh needs our members' support to continue to advance our industry's concerns and interests. Thank you for supporting our chapter and our industry. Let us move together and forge ahead through these current headwinds.

Brandon J. Mendoza
Executive Director
NAIOP Pittsburgh

ELMHURST IN THE HEART OF OAKLAND

For over 45 years, Elmhurst Group has been committed to the Pittsburgh region and the Oakland neighborhood in particular. In 2006, Elmhurst developed the RAND Building (top) on the corner of Fifth Avenue and Craig Street. This building has been home to prime Pittsburgh tenants such as Carnegie Mellon University's Software Engineering Institute.

Ten years later, Elmhurst constructed Schenley Place (middle), situated on Bigelow Boulevard and Ruskin Avenue in the Schenley Farms Historic District. For the past decade, this Class A office building has provided state-of-the-art space to national tech companies like Meta and Philips Electronics, as well as local innovators from the University of Pittsburgh.

Now, in 2023, Elmhurst has purchased the historic Webster Hall (bottom), a mixed-use property with opportunities for student housing, office, and retail, all within easy walking distance of the best of Oakland's attractions. With the redevelopment of this building, Ellmhurst plans to maintain and strengthen its relationships with the communities in the heart of Oakland.

Elmhurst
GROUP

RENOVATION – OFFICE

M & J Wilkow
Dollar Bank Center

The renovations of the 80,000 square foot headquarters space for Dollar Bank highlighted the successful transformation of the 20-story office building at 20 Stanwix Street by M & J Wilkow. The design and construction team of Strada Architecture LLC and MBM Contracting transformed the top three floors of the building and added meeting and event space to the roof top. The lease for Dollar Bank provided M & J Wilkow the opportunity to re-brand the riverfront property as the Dollar Bank Center.

SUPPORTER OF DEVELOPMENT

Rich Fitzgerald, Allegheny County Executive

The county's top elected official, Rich Fitzgerald is in his third and final term as County Executive. Rich is one of the county's biggest champions and is well known for bringing together people and organizations on regional issues.

Under his leadership, the county has concentrated on economic development and job creation and boasts high-quality jobs and a diverse and growing economy. During his tenure as County Executive, conservative budgeting with modest increases in line with the cost of living have been the trend. The county has benefitted from a large volume of new construction, allowing the county to support its ongoing needs with no property tax millage increase, bringing stability that businesses and organizations rely on to grow here.

During Rich's terms, the county's bond rating has been upgraded five times and is at its highest level since 1983. The region has a diverse economy which includes health care, finance, education, manufacturing, arts and culture, robotics, artificial intelligence, autonomous vehicles, and clean energy. Through unique partnerships, the county continues to build a strong workforce while investing in our infrastructure, collaborating with our municipalities, and providing opportunities for all residents.

Rich is also Chair of the Southwestern PA Commission and a member of the board of the County Executives of America, the Remake Learning Council and is part of the National Association of County Officials (NACo) Large Urban County Caucus. Raised in Pittsburgh's Bloomfield-Garfield neighborhood, Rich graduated from Carnegie Mellon University with a B.S. in Mechanical Engineering with a business minor. He and his wife, Cathy, a pharmacist, live in Squirrel Hill. They have eight children.

Photo by Eric Cramer Photography. Used courtesy NEXT Architecture

TECH FLEX – RENOVATION

Faros Properties NOVA Place, Gecko Robotics/Castle Biosciences

Faros Properties successfully leased and managed the tenant improvements for two emerging technology companies at Nova Place. Gecko Robotics, which does robotic infrastructure inspections, leased nearly 70,000 square feet and Castle Biosciences, which does innovative testing and patient diagnostics, occupied another 20,000 square feet in 2022, with an agreement to expand to 43,000 square feet by 2025. The projects included approximately $2.5 million in leasehold improvements, part of an effort announced by Faros Properties in 2021 to upgrade Nova Place further to attract life science and robotics companies.

Photo by Nic Wilson

MULTI-FAMILY – NEW OR RENOVATION

Milhaus Arsenal 201 Phase II

Following upon the successful development of the first phase of its Arsenal 201, Milhaus developed the second phase in 2021-2022. Phase II added 343 apartments, 445 additional parking spaces in a multi-level garage, and an easement connecting the Strip to Highland Park via the proposed Green Boulevard.

SUPPORTER OF DEVELOPMENT

Chris Caruso, Findlay Township Manager

Chris Caruso has served Findlay Township for 32 years, first as their Planning and Zoning Administrator and Assistant Manager (a role he held from 1991 – 2015). Since 2015, he has served as the Township Manager.

During his time with the township, he has played a pivotal role in the growth and development that has occurred there while providing an array of services to the township's residents and businesses. His expertise in planning, review of development plans and experience have afforded the township and its developers a pro-business landscape in which to build. Findlay Township provides prompt and thorough reviews for commercial development that allows developers to efficiently work through permitting process and receive timely approvals.

Under Chris's leadership, Findlay Township implemented Tax Increment Financing and Local Economic Revitalization Tax Assistance programs that spurred investment in seven business parks during the past 15 years. Those parks - Findlay Industrial Park, Westport Woods, Chapman Westport, Clinton Commerce Center, McClaren Woods, Skyview, RIDC West, and Neighborhood 91 – comprise 8.2 million square feet of development, generating more than $7.5 million in tax revenues and creating 2,500 new jobs.

DEVELOPER OF THE YEAR

Regional Industrial Development Corporation (RIDC)

RIDC traces its history back more than 60 years, to a time when business and political leaders in the region joined together to create an entity to acquire and develop properties that would support our then-thriving industrial base. RIDC believed that the large properties left behind by the steel industry and others could be an asset for the region's emerging new economy. Over the last 60 years, RIDC has been a significant driver of regional asset redevelopment in Western Pennsylvania.

Developing projects that transform communities requires combining the community service orientation of a nonprofit entity with the entrepreneurial approach of a private sector business. Their mission-driven efforts can directly be tied to job creation through creative financing, regional marketing, and strong execution and delivery.

While they have a long resume of development successes, some of the most notable over the last three years include the catalytic redevelopment of the former Pittsburgh Jones & Laughlin Steel Company mill into Mill 19, a green, sustainable advanced manufacturing research center, the development of 25 vacant acres in the Fairywood neighborhood in partnership with the Urban Redevelopment Authority, and the redevelopment of 55 acres at the former Carrie Furnace site along the Monongahela River.

RIDC has been at the forefront of the adaptive re-use of former industrial sites to create the space needed for the emerging technologies, like robotics and autonomy, to research and manufacture. From Lawrenceville to New Stanton, RIDC has redeveloped millions of square feet for tech companies that require innovation, flexibility, and the ability to rapidly expand. The developments at RIDC Westmoreland, Tech Forge, Mill 19, Carrie Furnace, Armstrong Industrial Park, and Fairywood continue RIDC's legacy of industrial development.


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SPECULATIVE – OFFICE

Wexford Science + Technology
The Assembly

The Assembly is Pittsburgh's first speculative lab product consisting of 108,000 square feet of office/lab with state-of-the art infrastructure and unparalleled amenities. The Assembly includes a theater, showers, parking garage, new retail, event and collaboration space, and a refurbished crane shed in a structure that spans five stories in height. The project was completed in 2022 and was 100 percent leased by the first quarter of 2023.

Photo by Burns Scalo Real Estate

CATALYTIC RETAIL

Burns Scalo Real Estate
The Piazza

The Piazza is a 49,000 square foot restaurant and entertainment destination situated directly off I-79. This new development includes popular destinations like Pizzaiolo Primo, Firebird's, Primanti Brothers, Mezeh Mediterranean Grill, and Stride Fitness. The Piazza provides residents and visitors relaxing green spaces and water features that gracefully transition to the surrounding neighborhood. The mix of popular high-end dining options, outdoor gathering spaces, and curbside pick-up opportunities brings a highly demanded experience to South Fayette Township, providing residents the opportunity to work, dine, shop, and play all within a vibrant, walkable setting.

BEST MIXED-USE

Somera Road South Side Works

Somera Road purchased Pittsburgh's iconic South Side Works in 2020 and has since invested in major renovations of the public and green spaces and converted the former theater into a 77,000 square foot creative office building, known as The Box Office. Major improvements include a new town square with food vendors and upgraded streetscaping, a performance stage, a dog park, a new children's playground, and public art installations. Somera Road also invested heavily to re-position the existing retail properties and apartments. Construction started in 2022 on 246 new upscale apartments

SPECULATIVE – INDUSTRIAL

Al. Neyer LLC Hempfield Commerce Center I

Hempfield Commerce Center I is a 150,000 square foot, Class A speculative industrial project located on Excel Drive in Hempfield Township, Mt. Pleasant PA within the Westmoreland County Industrial Development Corporation's (WCIDC) Tech Park II. In September 2020, Al. Neyer purchased approximately 14 acres from the WCIDC at Lot 13 within the industrial park and started construction. In December 2020, after exterior panels were erected, Al. Neyer halted construction and marketing to pursue a drastic redesign of the building and additional land areas for a significant prospective tenant. After the tenant withdrew from the project, Al. Neyer recommenced marketing and construction to finish the original design in September of 2021. By December of 2021, the project originally launched as speculative for lease was under agreement to be purchased at completion by a user, Flynn's Tire. The project sold to Flynn's Tire in November of 2022 after the issuance of a certificate of occupancy.


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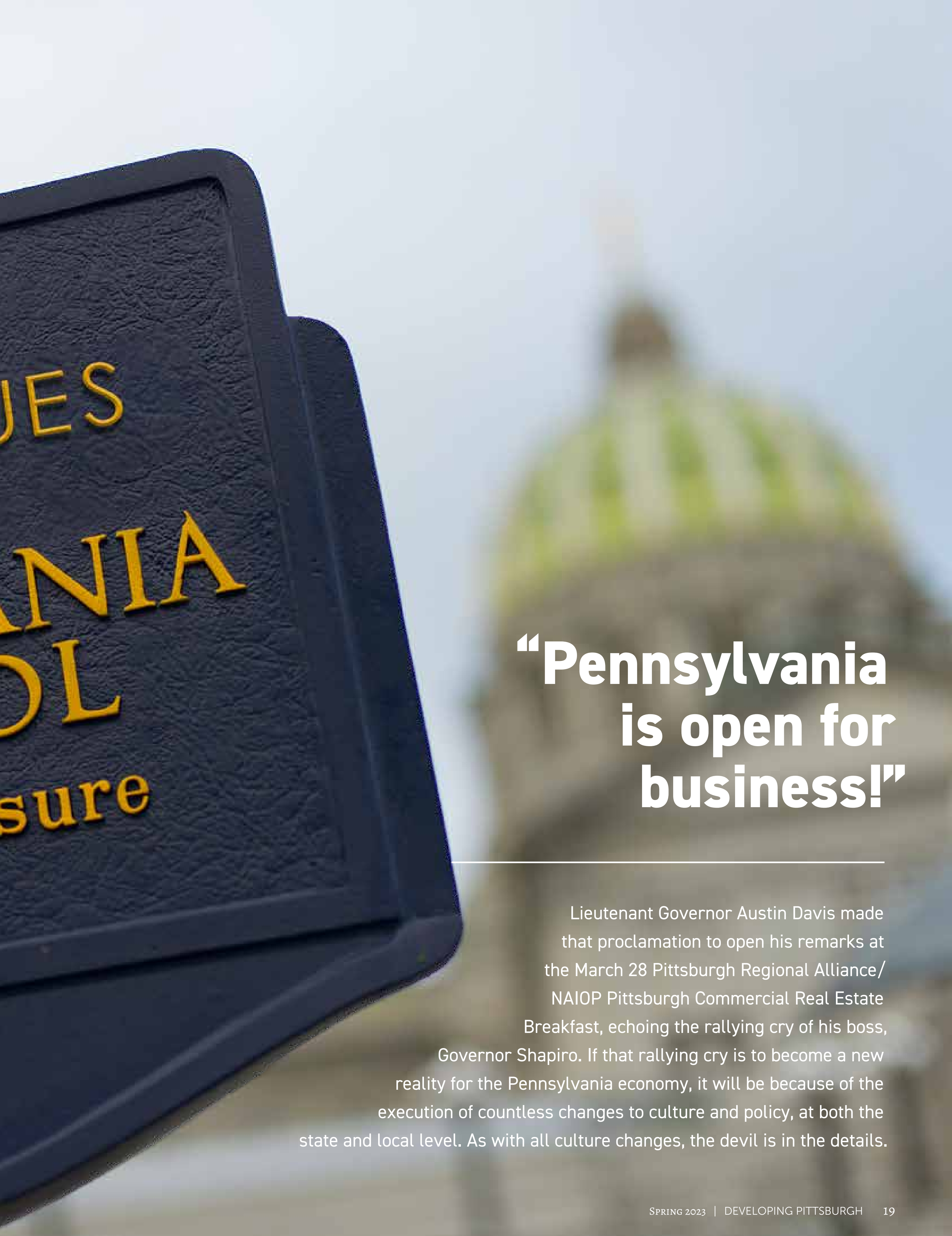

“Pennsylvania is open for business!”

Lieutenant Governor Austin Davis made that proclamation to open his remarks at the March 28 Pittsburgh Regional Alliance/ NAIOP Pittsburgh Commercial Real Estate Breakfast, echoing the rallying cry of his boss, Governor Shapiro. If that rallying cry is to become a new reality for the Pennsylvania economy, it will be because of the execution of countless changes to culture and policy, at both the state and local level. As with all culture changes, the devil is in the details.

Lt. Governor Austin Davis addresses the annual real estate breakfast hosted by the Pittsburgh Regional Alliance and NAIOP Pittsburgh. Photo courtesy of Allegheny Conference on Community Development.

The fact that such a declaration was part of a gubernatorial campaign platform is a testament to how uncompetitive the business climate in the commonwealth has become. Pennsylvania has struggled to rebuild its employment base since the loss of heavy manufacturing 40 years ago. While the exodus of the steel industry led the economic disruption in Western PA, it is worth remembering that companies of all types also left towns like Scranton, York, Williamsport, Lancaster, and many others scrambling to replace employers that were the economic foundations of the community. There have been many success stories since that difficult time. Today, however, with a more diverse economy, Pennsylvania finds itself wrestling with a new challenge, one that comes in a climate of opportunity instead of loss.

When Shell Chemicals made its final investment decision to build its polymer manufacturing complex in Beaver County, it seemed that decades of hard work and policy change had accomplished the mission of rebuilding the Pennsylvania economy. The shale gas boom had delivered tens of thousands of jobs statewide, and the Shell cracker symbolized that the promise of downstream manufacturing had been delivered. Breakthroughs in technology and life sciences seemed to promise countless new jobs. A decade later, that promise remains unfulfilled.

Moreover, events have unfolded during the last decade that could have created even more opportunities for Pennsylvania to expand its economic prosperity. Instead, Pennsylvania leaders have watched billion-dollar opportunities pay off for Ohio, West Virginia, and other states deemed better for business.

These lost opportunities for the Pennsylvania economy are lost opportunities for commercial real estate. The fortunes of commercial real estate are always tied to the macroeconomic and microeconomic business climate; however, in an economic climate that is rife with growth opportunities in technology, energy, and manufacturing – in industries that should be in Pennsylvania's sweet spots – failing to land those opportunities is more disappointing.

Economic opportunities like the Intel chip plant, the Lordstown electric vehicle plant, or the Form Energy battery plant, all of which landed within three hours of Pittsburgh, will continue to emerge for as long as the current economic trends hold. Since one never knows how long those trends will continue, the time to improve Pennsylvania's competitiveness is now. There is an urgency in the communications of the Shapiro administration, local government, and regional leadership structures, like the Allegheny Conference on Community Development. Success will depend on translating that communication into action, which means breaking down bureaucratic policies and passing legislation. That is a daunting task.

As an advocate for commercial real estate, NAIOP Pittsburgh is an active participant in the process of policy change. Its leadership has devoted significant resources to supporting legislation and has drafted a lengthy and detailed plan for making Pennsylvania competitive for business. How Pennsylvania's and Pittsburgh's elected leaders respond will make the difference between campaign slogans and competitive transformation.

NAIOP's Agenda

Economic Incentive Competitiveness: The commonwealth should seek to bolster our economic development tools to pushback against competitor states. Invest in competitive incentives and economic grant programs. The governor and the legislature should pursue a bipartisan agenda to restore and increase funding to critical agency budgets.

Economic Incentive Recommendations:

Business in Our Sites Grants/Loans (BOS): This program should be recapitalized and should offer both grants and loans for job creating private sector projects. The program should maintain its current requirements, but it should allow private developers access to the grant program for portions of their projects that have public value (infrastructure, etc.).

The Redevelopment Assistance Capital Program (RACP): RCAP should see increased funding, and the increase in funding should prioritize projects of economic necessity (multifamily housing, mixed-income housing, downtown office-to-multifamily conversion projects, projects of regional significance, innovation cluster tech-flex projects).

Office-to-Multifamily Conversion Grant Program: The commonwealth should enact an annual $100 million office-to-multifamily fund to help spur conversions in cities across the commonwealth. The pilot program in Pittsburgh has shown strong success. The governor should pursue robust funding in his budgets. Legislators should seek a bipartisan agreement on this critical issue.

PENNVEST: PENNVEST serves the communities and citizens of Pennsylvania by funding sewer, storm water, and drinking water projects. Expediting program delivery would help the development community unlock PENNVEST's full potential. This program should see increased funding to help cities and municipalities meet their water infrastructure needs.

Pennsylvania Industrial Development Authority (PIDA): PIDA provides low-interest loans and lines of credit for eligible businesses that commit to creating and retaining full-time jobs and for the development of industrial parks and multi-tenant facilities. This program is one of the best run programs in the commonwealth and should see increased funding to expand its mission.

PA First Program: Pennsylvania First (PA First) is a comprehensive funding tool to facilitate increased investment and job creation within the commonwealth (current uses include: machinery/equipment; job training; infrastructure; land and building improvements; environmental assessment/remediation; acquisition of land, buildings, rights-of-way; working capital; site preparation). This program should be fully capitalized and redeployed to meet the needs of current and prospective Pennsylvania businesses.

TIF & TRID Modifications: The commonwealth's cities need more flexibility in utilizing TIF and TRID for job creating projects. This flexibility should allow for capture of sales and state income tax (along with basic real estate taxes) for new jobs. The flexibility should also enable the usage of TIF proceeds for project gap financing of Commercial Real Estate activity that can show strong public value. TIFs should also be allowed to be utilized for affordable housing strategies.

Corporate Net Income Tax and Tax Competitiveness (CNI): Pennsylvania's legislature and Governor Wolf took an important first step in reducing the CNI rate. The phasedown should continue, and business attraction would benefit by expediting the final 4.99 percent rate. The full Compete PA Coalition's tax reform agenda should be adopted.

DCED Tourism & Marketing Budget: The commonwealth needs to brand itself and tell the story of our growing competitiveness and innovation. This will require significant resources. Legislative leaders should seek a bipartisan agreement with the governor to fund these important functions.

DEP Permitting Improvements: Improving DEP's procedures for site approval is critical for long-term growth in investment in the commonwealth.

DEP Improvement Recommendations: Consistency in the application of rules across all DEP regions.

- A measured approach in assessing wetland impacts for speculative development.
- DEP should revert to old interpretations and/or establish new interpretations to allow for an efficient review process for speculative land development.
- Removal of review timeline barriers, public transparency on the review process by defining the DEP stakeholders at each phase gate. Review/approve permits within 60 days and increasing staffing if that is a barrier.
- Clear and consistent rules and transparency into the models and calculations used for engineers. NPDES permits in less than three months.
- Adherence to deadlines. Pre-application meetings or project meetings in a timely manner.
- More online options for submission, review and response and approval

issuance. Allow developers to transfer NPDES to others in cases where necessary.

- Improve the Southwest office of DEP, as it has been the hardest in the state to work with.

City of Pittsburgh YIMBY Agenda: The City of Pittsburgh should enact a Yes in My Backyard (YIMBY) investment agenda. Given current economic realities, it is more important than ever that Pittsburgh embrace pro YIMBY policies.

YIMBY Strategies:

- Developing investment growth goals across multiple departments.
- Utilizing resources like CONNECT, benchmark planning and zoning approval processes against suburban communities in Allegheny County.
- Developing a comprehensive administrative policy agenda aimed at removing barriers to investment.
- Developing a plan to scrap exclusionary zoning rules that add costs to projects and act as barriers to development.

TIF for Affordable Housing: While there are many policy options on the table to maintain Pittsburgh's affordability, there is one option that has not been fully examined in our market, a Tax Increment Financing (TIF) policy. This option could support affordable housing by providing an additional fund for mixed-income and affordable developers. The policy would also have the benefit of using taxes from fast growth areas to help build affordable housing in those same or other neighborhoods.

In Pittsburgh, TIF for affordable housing could produce three policy goals: more affordable housing; lower levels of displacement in growing markets; and more integrated neighborhoods. However, because of historic tax reassessment challenges in Western Pennsylvania, it will be important in analyzing which neighborhoods are right for TIF districts. Importantly, TIFs work best in areas that are increasing in value and that are seeing new investments.[1] Because our region does not conduct periodic tax reassessments, our TIFs will need to be in areas seeing strong new investment. It will be important for policymakers to identify those neighborhoods poised for investment to set TIFs that will produce adequate revenue.

TIF for Affordable Housing Recommendations

- The City of Pittsburgh should evaluate the potential efficacy of TIF for affordable housing and publish its findings.
- If analysis demonstrates positive potential impacts, legislative action should be taken to implement a Pilot TIF for an affordable housing district.
- The City of Pittsburgh should partner with NAIOP Pittsburgh, affordable housing advocates, and business and community groups to encourage other taxing bodies (i.e., county, school district) to evaluate and support this policy in their jurisdictions.

Inclusionary Zoning: Amidst the strongest surge in material and labor inflation in decades, we should look for ways to curb the costs of developing in Western PA. While the goals of inclusionary zoning are laudable, adding additional costs will hold back multifamily development when more supply is needed to moderate rent growth. Further, as has been observed in other regions, cities that have gone forward with inclusionary rules have seen little positive impact without marrying the policy with incentive programs to offset costs. As was pointed out by Up for Growth[2], cities that do not consider the economic tradeoffs of inclusionary zoning can harm housing production. However, by developing a funding mechanism to offset requirements, Pittsburgh could make our inclusionary rules manageable so that it does not disincentivize housing investment.

Inclusionary Zoning Recommendations

- Link LERTA to developments in existing inclusionary zoned neighborhoods. Currently, a developer is favored to receive a LERTA if they voluntarily partake in affordable set asides, but this is not automatic. We recommend codifying LERTA so developers in existing inclusionary zoned neighborhoods are automatically eligible for LERTA but can opt-out of the incentive if they choose.
- Develop a strategy to get full cooperation from the school district on LERTAs in inclusionary zoned areas or on projects of significance.
- Extend the time of LERTA for those projects within inclusionary-zoned neighborhoods. According to Up for Growth[3], cities that have implemented inclusionary rules responsibly have also extended tax abatement programs to better offset costs of the requirements.
- Resist expanding the inclusionary rules citywide. While there are some neighborhoods that are experiencing rapid rental growth, most Pittsburgh neighborhoods are seeing modest or

negligible rent growth. Rent growth has been concentrated in a minority of neighborhoods.[4] Because of this, there is not a compelling argument for citywide inclusionary rules.

- Create a partnership to jointly lobby for housing investment from the commonwealth. Currently, more than $6 billion—of the $7.29 billion appropriated to Pennsylvania for American Rescue Plan (ARP)—remain on the table. Develop a joint strategy to target those funds to help develop a mixed-income housing fund.
- Make mixed-income developments that exceed 10 percent of units at lower than 80 percent AMI eligible for funds from the Housing Trust Fund.

Downtown Office-to-Multifamily Conversion Program

The Gainey administration should be applauded for stepping up to help fund the pilot Office-to-Multifamily Conversion program. As we emerge from the pandemic, our downtown is facing underutilized office space, a drop in retail demand, and an aging infrastructure. To help with office absorption rates, Pittsburgh needs the ability to convert outdated office buildings to multifamily developments. This pilot program will go a long way in advancing that goal. However, we need to partner on the next phase of securing state and federal funding for this program.

Downtown Office-to-Multifamily Conversion Recommendations

- Spend additional funding from the commonwealth's/city's ARP funds on these conversions.
- Couple tax abatement programs with the funding.

Adaptive Reuse: The federal government should incentivize the adaptive reuse of vacant and underutilized office buildings and other structures to help address the severe shortage of affordable housing in many communities. Property conversion of underutilized structures is a cost-effective means of developing new housing supply while reducing environmental impact. Adaptive reuse of underutilized and vacant buildings will promote economic and job growth in communities dealing with the permanent impact of post pandemic workplace changes on commercial real estate markets. (A white paper can be viewed at www.naiop.org/globalassets/advocate/naiop-federal-issues-adaptive-reuse-2023.pdf.)

Tax Policy: Federal tax policy should

Members of NAIOP Pittsburgh's advocacy delegation meet with staff in Harrisburg. Photo courtesy by NAIOP Pittsburgh align with the economics of real estate development and investment, promote capital formation and foster economic development. Lower capital gains tax rates are a critical factor in ensuring sufficient investment for long-term, productive real estate assets. Cost recovery and depreciation rules should reflect the useful economic life of structures and their component parts. (A white paper can be viewed at www.naiop.org/globalassets/advocate/naiop-federal-issues-tax-2023.pdf.)

Regulatory Policy: The commercial real estate industry supports properly structured and reasonable efforts to protect our nation's wetlands and address the negative impact of climate change. Regulations proposed by the EPA, Army Corps of Engineers, and the SEC should set forth applicable standards of compliance clear enough that the regulated community and regulators can ensure timely, predictable, and consistent outcomes across the nation and be consistent with Supreme Court opinions governing agency regulations. (A white paper can be viewed at www.naiop.org/globalassets/advocate/naiop-federal-issues-regulatory-2023.pdf.)

The Focus Issues

While advocates will attempt to move the ball forward across the entire agenda, there are a few initiatives for which more rapid advances, if not conclusions, are sought. For commercial real estate in Western PA that boils down to incentives and permitting.

There are two layers of incentives that drive commercial real estate. The more obvious set of incentives are those which make the financial pro forma of development work better. These incentives, like Redevelopment Assistance Capital Program (RACP), Business in Our Sites, and Historic Tax Credits, fill out the capital stack of a proposed project. Adding incentives to a proposed development allows the developer to bring higher returns to its investors, often taking a project from unfeasible to successful. Development incentives also help with growth industries or emerging communities, where current market rents will not support the project but future rents will. The incentives for the early developments in Robotics Row or Hazelwood Green are recent examples of the this type of assistance.

Incentives used to attract businesses and business investment are a different type of driver of commercial real estate. It is this type of incentive that has gained dramatically more urgency since the 2022 election cycle. All the states that border Pennsylvania have moved to fund business attraction programs. During the past few years, these programs have been essential to successful business attraction wins for Ohio and West Virginia. In Ohio, $2.5 billion is budgeted annually for use in attracting businesses. Ohio's governor has the discretion to both offer a project-specific incentive or to support existing employers with capital that keeps them competitive and growing.

When businesses hear that Pennsylvania is open for business, they look to the commonwealth's budget to see how that

"To get something done I think you have to talk about jobs. Creating jobs is bipartisan," Caliguiri says. "One of the things I would highlight is how we are losing to our neighbors. Those states that are succeeding have empowered their governor to act quickly and respond to opportunities. They have programs with incentives that are very well capitalized."

business-friendly attitude is supported. For 2023-2024, Pennsylvania is not backing up its slogan with funding.

"Our number one issue is economic incentives at the state level. We have this opportunity with the governor who's saying the right stuff although his budget wasn't great for incentives," says Brandon Mendoza, executive director of NAIOP Pittsburgh. "We have this window where the state is in decent financial condition. It's time to make a commitment to incentives."

"The governor is saying all the right things. He's only been governor for three months. It is critical that the administration understands what it is up against and understands the process. I think they are getting there," says David Caliguiri, founder of The Caliguiri Group, a public affairs consultancy.

Caliguiri acknowledged that the Shapiro administration will be limited in its effectiveness by what it negotiates with a narrowly-divided legislature. He sees a path for finding bipartisan solutions to business problems.

"To get something done I think you have to talk about jobs. Creating jobs is bipartisan," Caliguiri says. "One of the things I would highlight is how we are losing to our neighbors. Those states that are succeeding have empowered their governor to act quickly and respond to opportunities. They have programs with incentives that are very well capitalized. When there is a business that is looking to come into the state or expand, they can go to those incentives and deploy them within a reasonable amount of time."

Caliguiri points to the RACP as a program that has been effective but has been limited by inconsistent funding and an approval process that is too long for meet many business's needs. Caliguiri thinks a serious reform of RACP or the Business in Our Sites program could be accomplished by focusing on the impact of projects on their communities.

"Those programs are about jobs," he says. "I think the governor can work with all four caucuses in both legislative chambers to create programs that add or keep jobs in Pennsylvania."

Gov. Shapiro has begun to address one of the more challenging targets of reform: the Department of Environmental Protection. In his proposed 2023-2024 budget, which has yet to be approved, Shapiro added $13.9 million to DEP's budget to allow for the hiring of an additional 40 staff persons. He appointed Rich Negrin to be the department's secretary and Negrin has spent his months as acting secretary communicating to businesses and environmental activists that the administration understands that changes are needed.

For real estate developers, the most significant changes would be to the department's responsiveness and its lead times for review. Engineers complain that DEP is often arbitrary and inconsistent in its interpretation of regulations. Negrin is looking to add 30 people to staff for reviews to bring the lead time to a short, and predictable, duration. He has also proposed the use of new technologies and systems for monitoring environmental problems, and the use of task forces to tackle emergencies and ad hoc projects that require more resources than DEP's current processes can reasonably manage. Shell's polymer plant review would have been one such task.

While the business community wishes to see DEP improve its processes and oversight completely, it is not realistic to expect an entrenched bureau of government to be reformed in one gubernatorial administration. There are valid constituencies that need to be heard as a counter balance to the interests of business. But, what the development community expects to see for near term reform is a more timely review and reliable application of environmental standards.

"When the governor says we are open for business, if you can't provide the level of incentives that other states are providing, then you need to be able to help businesses have more certainty with the permitting," says Caliguiri. "That's what we have to do right now, and I think this governor gets it."

Mendoza offers that the federal government has an opportunity to assist with the conversion of obsolete buildings, especially office buildings to help solve two nagging problems. The U.S. is facing an affordability problem for housing, which is the result of an insufficient inventory of homes and apartments. There is also, at least for the short term, a surplus of office space as a result of the entrenched work-from-home shift that started during the pandemic.

"There are a number of bills at the federal level that we are supporting to get more tax credits for adaptive re-use of old properties to multifamily," he says. "The U.S. did a pretty good job creating incentives for reclaiming brownfields. We need a similar program for Class C office."

Converting existing obsolete buildings to multi-family would be a boost to the inventory of housing alternatives in Pittsburgh, where new construction fell by 21.6 percent from 2021 to 2022. An increase in adaptive re-use of offices would be a particular boon to Downtown Pittsburgh right now. Incentives for doing so would help make unprofitable projects pencil out and bring activity to streets that are languishing.

Incentives are not the only solution needed for housing affordability. Pittsburgh has its own share of "not in my backyard" opposition that has limited or eliminated proposals for new apartments (along with other types of development) that would increase the supply and put downward pressure on prices. Mendoza says that a "yes in my backyard" attitude change should begin on Ross Street and pervade the layers of government that make daily decisions that encourage or dissuade development.

"YIMBY is more than just zoning. It's having policies that encourage growth in the city. There's no economic indicator that suggests we have an overheating economy in any part of our region. Even in the counties where there is the best growth there are still soft spots," Mendoza says. "We need to create an atmosphere that encourages investment."

Referring to the recent controversy caused by the city's exorbitant increase in plan review and permitting fees, Mendoza jokes, "You might start that by not charging half a million dollars for a plan review. That seems like an entry point for being investment friendly."

The 2010s were good to the Pittsburgh region. The shale boom boosted population and added jobs while other regions were struggling to recover from the Great Recession. The technology and life sciences advances that rolled out of Carnegie Mellon University and University of Pittsburgh brought global notoriety and the promise – or potential promise – of new industries that would attract the best and brightest. The spotlight on Pittsburgh may have created a sense of accomplishment that was not yet justified and an institutional arrogance that allowed regional and state leaders to take their eye off the ball on business attraction. The pandemic shook up the status quo, which may not have been quite so rosy as it seemed. It is time for going back to the basic blocking and tackling of economic development while the opportunities to compete still exist.

"We have a great city, a great region, and a great state. We're well positioned but we must be able to act on it," says Caliguiri.

"The governor must have the ability to make quick decisions. The programs we have are good programs, but we have to recapitalize them and fund them with money that will make a difference." **DP**

[1] *https://www.portlandoregon.gov/citycode/article/553338*

[2] *https://www.upforgrowth.org/news/national-coalition-says-retooling-lerta-tax-incentive-program-could-enhance-pittsburghs-new*

[3] *https://www.upforgrowth.org/news/missed-opportunities-assessing-and-leveraging-requirements-incentives-tradeoffs-affordable*

[4] *https://www.rentcafe.com/average-rent-market-trends/us/pa/pittsburgh/*

The Marketplace at Moon

Burns Scalo's Diamond Ridge development is shown on the rendering with Kossman Development's proposed Luna Ridge Apartments to the left and the Village at Marketplace single-family residential community beyond on the right. Rendering by NEXT Architecture.

Construction is well underway on what may be the largest mixed-use, master-planned development in Western PA and there is a good chance you have not heard much about it. Depending on the marketing approach of the individual developers involved, you may have heard about some of the individual projects, but the Marketplace at Moon has proceeded largely under the radar as a transformative development.

Ron Tarquinio and Lynn DeLorenzo, the principals at TARQUINCoRE, began exploring a development solution in 2016 that would result in the Marketplace after Chevron cancelled its plans for building an Appalachian headquarters off Montour Run Road in Moon Township.

DeLorenzo, a Moon resident and former member of the Moon Township Planning Commission, had been in discussions with the Sullivan Trust, which owned over 200 acres at the site. Tarquinio represented NVR Inc. in its search for residential land to develop new homes. DeLorenzo believed that the potential for success lay in creating a master plan that would facilitate integrated residential and commercial development.

"Lynn is a forward thinker, and she presented the idea to the township four or five years before this project," says Tarquinio. "She encouraged them to change their thinking to do a master plan for a piece of property that could be 500 acres or more."

By 2016, the township had watched development along Marketplace Boulevard languish. After Chevron cancelled its plans, Burns Scalo Real Estate purchased that property and the former Gander Mountain property with the intention of developing Class A office. Tarquinio helped NVR identify land to the north of Burns Scalo's property and facilitated a deal with Sippel Enterprises to develop a large residential community there. As the developers, including Kossman Development, began approaching Moon Township about their plans, the supervisors saw an opportunity to act on DeLorenzo's suggestion.

"We had just adopted a comprehensive plan and the board decided to create a comprehensive plan implementation committee. We knew we wanted to make some revisions to the township's zoning code," says Scott Brilhart, assistant township manager and planning director. "We knew Marketplace Boulevard was an area that we needed to focus on. There was clearly a market for multi-family and high density residential. We thought Marketplace would be a good location for that, but we still wanted commercial development. We asked John Trant from Strategic Solutions to help us draft a zoning ordinance with a new zoning district that would encourage mixed use development."

Moon Township adopted traditional neighborhood development (TND)

zoning, known as Marketplace TND, that covered roughly 350 acres and could be expanded to include another 150 acres.

"My background in Florida was in master planned communities, specifically business parks that integrated residential and accessory uses into the parks. This seemed like it was ripe for that type of a plan, even though the topography appeared to be challenging," says DeLorenzo.

"We had shuttled NRP and several other groups through that site over the years," she recalls. "They all liked the location but said they didn't want to be there by themselves. The Outback and the hotel were not enough to sustain other development. We thought there should be a master planned community there. It's just very difficult to do that in Pittsburgh because the topography doesn't lend itself well. But, if you have enough land and you figure out the right uses, you can make it work."

The location was attractive in isolation, but with a master plan in place Marketplace Boulevard became a hot property.

"It made sense for us because the entire site will end up being the largest mixed-use site in Western Pennsylvania. The ability to have a community with this live/work/play aspect to it is attractive," explains Joshua Mowrey, division manager for NVR's Heartland Homes.

"The biggest thing that attracted us to the property was that it was at the back door to Robinson Town Center. When you're doing residential like we are, that's such a plus and it is a few minutes off the Parkway and close to the airport," notes Gary Sippel, CEO of Sippel Enterprises.

The NVR community features a mix of luxury townhomes and detached homes. According to Mowrey, the current phase of the community, the Village at Marketplace, includes 327 townhomes and 121 detached homes. There are additional residential properties in the TND, including the Prism at Diamond Ridge apartments and Harmony at Moon, a senior living community from Smith Packett of Roanoke, VA.

"If you look at the location, at the development across the highway, there are so many retail amenities. That is what we look for in a site," says Cameron Swengel, development manager for Smith Packett. "It's the demographics, the competition in the market, the land characteristics, and then the infrastructure and the neighboring amenities. We see this site as an up-and-coming area."

A key component of the TND and the future success of Marketplace at Moon is the improved transportation infrastructure. As the first of the developers came to Marketplace, they were asked to study the impact on the infrastructure and estimate the cost of the improvements. According to Lynn Colosi, from Delta Development Group, who acts as executive director of the Moon Transportation Authority (MTA), the solutions of the individual developers were inadequate to what would be needed. For Tarquinio, an integrated solution was the best option for the development and for the township.

"There are more than 500 homes. There are 450,000 square feet of office buildings. You have senior living and hundreds of apartments. Imagine if all those properties had to exit down Marketplace Boulevard to Montour Run Road. That would have been a mess," he says. "In a development that big you need a relief valve and multiple access points."

In Moon Township, the supervisors established the MTA in 1986 to plan and facilitate improvements to the community's infrastructure. To fund improvements, any new commercial structure developed in the TND pays its real estate taxes to the MTA instead of the regular taxing bodies, for 10 years through a Local Economic Revitalization Assistance (LERTA) and Revenue Allocation Program (RAP), so that infrastructure can be developed and maintained to support the new vertical construction. That mechanism was a key to creating upgraded infrastructure for the Marketplace without breaking the developers' banks.

"The township agreed that Village at Marketplace was a residential neighborhood with a low-speed roadway and didn't want the traffic of this overall master plan using it as a thoroughfare to connect to other roads in the township," says Colosi. "When the plan was submitted to the township and PennDOT, those regulatory bodies determined that amount was inadequate. That's when those regulatory bodies directed MTA to elevate the marketplace project and create a transportation master plan."

The plan, which was designed by Larson Design Group, has two phases. The first phase, which should get underway this year, will improve the Montour Run Road intersection with Marketplace Boulevard, including Montour Run Road between I-376 and FedEx Drive. Major improvements to Marketplace Boulevard are also included in the first phase, which will eliminate a dangerous curve and upgrade the utilities. The second phase will extend Marketplace Boulevard to Hookstown Grade Road, potentially opening up the other 150 acres for development. Another valuable infrastructure upgrade involves converting Hirshinger Road, a dilapidated underused township road, into a pedestrian and biking path that runs parallel to Marketplace and connects with the Montour Trail.

Larson Design's estimate of the cost of the overall improvements is $20 million, with half that needed to cover the first phase. Colosi notes that the LERTA allows this work to proceed without making the site work cost prohibitive for development.

"It's not uncommon in cases like this that the sins of the past are loaded onto the developer of today. Without the MTA and the transportation plan the developers would have been handed a bill for $10 million dollars," says Colosi. "This is an effective public-private partnership. MTA is the public partner, and the developers are the private partners."

Each of the developers is contributing significantly to the improvements that are a result of the individual projects. Congressman Conor Lamb earmarked $3.5 million for the project. Moon Township's Pennsylvania representatives secured $1.5 million in assistance in November 2022. MTA received PennDOT multimodal funds for a portion of the work. The developers give the township, and Colosi in particular, credit for working to create a solution that was affordable for the market and kept the projects moving.

"Lynn has been the driving force on the public side. She is a real driver of development," says Jim Scalo, CEO of Burns Scalo Real Estate, which has invested roughly $4 million to prepare the pads for the second and third buildings in Diamond Ridge and build the roadway that will serve the completed project.

Construction is well underway on Diamond Ridge's first building, a 175,000 square foot Class A speculative office being built in an 8 million square-foot office sub-market. Scalo has no illusions that the market is flooded with prospects, but he is building an amenity-rich building that he hopes will outcompete existing buildings. Scalo is betting that the amenities and location will be attractive, especially at a time when companies seem to be seeking higher quality and less space when their leases renew.

"I know we are the only people building new office now, but we have to have the supply inside the cycle of demand. More than anything else, what we need is more of a return to the office. We are hoping that timing is right when Diamond Ridge opens in a year," Scalo says. "We don't need to move the market; we just need a slice of the market. The building is loaded with amenities. There will be a large conference center, pickleball courts, fishing ponds, outdoor cooking and eating space, and hiking all connected with the residential."

Diamond Ridge is one of three major commercial projects under construction adjacent to one another. Harmony at Moon is getting started to the north of Diamond Ridge. To the south, Thompson Thrift is underway with the 376-unit Prism at Diamond Ridge apartments. To the west, Kossman Development is planning the Park at Luna Ridge, a mix of apartments and retail. Nearby, Alpha Residential has 24 acres on which it is proposing townhouses and apartments branded as Apex at Luna Ridge. Sippel Enterprises plans to develop neighborhood commercial on 15.6 acres it is just preparing, along with another 190 lots for single-family in another phase of the Village at Marketplace that has not been submitted for approval.

"What is great about the Marketplace project is that there are six developers with six different products. Nobody is competing with another developer, so the product types mesh well," says Sippel. "When you have six developers working on their own projects at the same time, the development goes faster than if one developer is bringing six phases to the market."

When it is completed, Marketplace at Moon will be home to nearly 2,000 residential units and 1,150 new jobs. The other developers seem to share Gary Sippel's opinion that the total development will be better than the sum of its parts, largely because the public improvements could not have been done by aggregating the contributions of each developer to the infrastructure.

"The most important party was Moon Township and its willingness to support such a venture. It became a true public-private partnership when the LERTA was expanded and the MTA became involved to create the transportation district," says DeLorenzo. "It would be next to impossible to create a master plan with site owners and developers all building their piece of the infrastructure. There has to be a connection for the overall trafficways, pedestrian connections, bike paths and most importantly, the main infrastructure dollars necessary to improve the roadways outside of the development."

"It's a big lift. I don't think it would happen any other way," agrees Colosi. "Our job is to have the vision to improve the transportation to accommodate what will be there in the future. The private developers were open-minded enough to be my champion and I am their champion."

"It was good that the township was able to take on the investment and get the developers of the individual projects to participate," says Tarquinio. "Without that planning and investment it couldn't have happened." **DP**

Heartland Homes is building 327 townhomes at the Village at Marketplace.

PROJECT FEATURE
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The Buncher Company

BUNCHER COMPANY

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Like almost all closely held family businesses, the public - and even the industries it served - knew as much about The Buncher Company as founder Jack Buncher wanted known. During Buncher's six decades leading the company and the nearly three decades that the Buncher Company was led by his successor, Tom Balestrieri, the culture hewed closely to the philosophy that "the spouting whale gets harpooned." So, it has been a shock to the company's culture and to the commercial real estate industry that the Buncher Company intentionally reversed its attitude about publicity when new CEO David Heaton was hired in 2020.

"We are a quiet company. There's the 'Buncher way,' which was seen as rigid and stubborn. Buncher doesn't borrow money. Historically those things have been correct, but the transition was an opportunity for the board to change that," says Heaton.

The transition Heaton refers to was the change in leadership that was necessitated by Balestrieri's retirement after 57 years with the company. Buncher's board decided that the change in leadership should lead to a more significant transition, that of sharing the unique structure of the organization and its goals. The Buncher Company is owned by six non-profit organizations, one of which is the Jack Buncher Foundation. Jack Buncher created an estate that transferred his 100 percent ownership of the Buncher Company to his foundation, the Carnegie Library, The Pittsburgh Foundation, The Jewish Federation of Greater Pittsburgh, Carnegie Mellon University, and the American Jewish Joint Distribution Committee. The dividends from The Buncher Company's operations go entirely to those non-profits, five of which are in Pittsburgh. Almost 20 years after Buncher's death, the company's board of directors felt it was time that its story was better known.

"The company had been so quiet because it was Jack's personality. I have tremendous respect for the fact that he never wanted to boast," Heaton says. "Now, we want to celebrate the vision Jack had to create this type of structure. I don't think it will be replicated that there are six non-profit shareholders of a private company. It is so unique that it took the IRS eight years to sign off on it. Our purpose to develop real estate to provide dividends to our shareholders so they can do the work in the community."

The Buncher Company evolved from the family scrap business founded by Jack Buncher's father, Harry, in 1917. At age 24, Jack Buncher began managing the family business in 1935. The following year Buncher landed an opportunity to participate in the massive cleanup and salvage effort in the wake of Pittsburgh's severe winter flood. That experience led to a similar contract at the Jones & Laughlin Aliquippa Works, which became the foundation of Buncher Company's dismantling, salvage, and scrap business.

In 1950, Buncher purchased a riverfront industrial site in Leetsdale to salvage. When the structure of one of the buildings was discovered to have been bolted, Jack Buncher decided to dismantle and reassemble it as rental property. That was the beginning of Buncher's development business. Buncher Commerce Park Leetsdale now has 27 buildings covering 1.7 million square feet.

Over the next six decades The Buncher Company (which was formerly incorporated as a consolidated corporation in 1970) steadily grew its holdings and developments. Buncher Rail Car Service was founded in 1960. Buncher Commerce Park in Youngwood, PA was begun in 1966. Multi-Service Supply, Inc. was purchased in 1976 to support the rail car business. In the

Tom Balestrieri (left) and Dave Heaton flank a portrait of Jack Buncher.

Buncher Commerce Park Leetsdale

1980s, a vast swath of properties was assembled along the Allegheny River from the Convention Center through Lawrenceville. Tri-County Commerce Park in New Sewickley Township, Beaver County, was begun in 1994. In 2001, the development of Riverfront Landing began with what is now Waterfront Place. In 2007, Buncher began assembling the property for Jackson's Pointe in Butler County. In 2008, construction started on Clinton Commerce Park in Findlay Township. In 2015, Buncher purchased land and built in Findlay Industrial Park and was named master developer for the innovative Neighborhood 91 adjacent to the Pittsburgh International Airport five years later.

The transition in leadership and approach involved more than new management, more publicity, and re-branding. The board tasked Heaton with developing a strategic plan that would guide the next development projects and internal reinvestment in the company. There was also another key leadership transition when Brian Goetz announced he would retire in mid-2023.

"We appreciate that Brian gave his intentions in advance after 40-plus years. Knowing his intentions, we were able to connect with Gregg Broujos, with whom I've been friends for many years, to take the reins from Brian and lease our portfolio. It's given us a chance to give some recognition to Brian. He doesn't like to talk about it, but he was a critical part of the successes of the team prior to my coming here."

"After 35 years in the brokerage business, it was the right time to do something different. It was a combination of three things that attracted me," Broujos says. "First was David's leadership. I wanted to work with him to continue Brian's legacy. And when you can help six non-profits do better and provide for their constituents, it's a compelling opportunity."

Goetz jokes that he is retiring to bring the average age of the employees to under 65. The claim is only partly in jest. Tom Balestrieri was in his 80s when he retired. Several former executives worked into their 80s or beyond in second careers after working in banking and construction. Longevity is also a legacy of Jack Buncher's.

"The other important thing about how Jack operated was his belief in his people. Jack's philosophy was that if you were contributing to the company and it was benefiting you, you could be an employee for life," says Goetz.

The result of that philosophy is that 60 percent of Buncher's roughly 100 employees are older than 50 and 35 percent are over 60 years old. Heaton sees that as a strength and an opportunity for recruiting.

"When I came on board the board gave me a variety of areas to address. At the top of the list is the goal to become an employer of choice," he says. "There is tremendous knowledge that we need to pass along but also start replacing. That means there's a great opportunity for young people to join this company and advance, probably more quickly than with other companies. We have this wave of very experienced knowledgeable employees that are going to start moving on to the next phases of their lives.

"There are no family members in the business, no heirs who have been predetermined to be leaders. We are being very intentional about mentoring redundancy and succession planning. We are identifying the people that will be the future vice presidents of our various operations. That will lead to the plan for who will replace me. I'm not going anywhere for a while, but the time will come when someone has to transition from running a department to running the company."

One important component of the change in culture has been internal communication. Goetz explained that the company did lots of surveying of the employees during the transition in leadership and learned a lot about what they thought about the company. He admitted that many were unaware of the company's non-profit shareholders. The internal communications gave Buncher's leadership an opportunity to respond to the concerns and questions of its workforce. That set the stage for a significant change in culture.

The company's new offices at Waterfront Place are symbolic of the new culture. Buncher's former Penn Liberty Plaza offices were something of a throwback. There were massive hallways and large private offices for most employees.


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Co-workers could go weeks without encountering each other. Designed by Perkins Eastman, the new offices are colorful, denser, and designed to create collaborative opportunities. Fewer than one-third of the employees, including many managers, have private offices, and those have glass walls that allow for light and visibility.

"I'm very proud of the office. It's a comfortable space. It's very collaborative. At lunch time there are 10 to 15 people in the break room, eating and talking," Heaton says. "There's also no place to hide. I can close my door, but everyone can see if I'm in there, so if they have a question, I have to be available. This environment improves the efficiency of sharing of that knowledge."

Part of the move to new offices was an upgrade in technology. New equipment and information systems allow widespread sharing of information between departments, which was more difficult to do previously.

"It is amazing how quickly people are adapting and utilizing the new technology and the collaboration rooms. Don't get me wrong. There are those of us who have been around a long time for whom the transition has been slower," Goetz laughs. "There has also been a response to people's concerns, whatever they are. People are making the cultural transition."

The Buncher Company is not relying solely on changing the workplace culture to drive growth. Heaton says that there is more willingness to change the way Buncher does business – such as selling properties or borrowing – if there is a strategic purpose that rewards the shareholders. Buncher is adding third party property management services to its offerings and plans to use Broujos's considerable experience and relationships to expand its leasing services.

"We are starting Buncher Realty Services, which will be third-party brokerage services. Gregg is not just going to manage leasing our own properties but offer those services to others," continues Heaton. "Again, we have these people that are knowledgeable of the market, experienced at leasing, and have relationships. Why not help tenants in the market?"

Jackson's Pointe

"We're a little nimbler. We're definitely more confidential," says Broujos. "We're not looking to become a big shop but we're working with long-time clients and some institutional investors who like the idea that we are a boutique brokerage operation."

The Buncher Company is also looking at its portfolio to match its strategic goals. Roughly 80 percent of its more than eight million square feet of properties are industrial. Most of the remaining properties are Class B offices. Heaton says they are studying the feasibility of converting some of that to residential and are looking at developing other property types.

"Part of our mission, driven by our shareholders, is to provide sustained moderate growth. We are not going to swing for the fences and take large speculative risks," he says. "We want to diversify the portfolio some so that we are less exposed to swings in the market."

While there is no specific next development announced, The Buncher Company is looking at more core industrial development in Findlay. There are also early discussions about potential multi-family, and a mixed-use project that would honor Jack Buncher's Mulberry Street roots. Heaton is grateful that the financial foundation of The Buncher Company gives his team the ability to make decisions that will stand up over time.

"We are fortunate for the efforts of Jack and Tom to get us to the point where we are that we have this financial strength. When we decided to move to new offices and make all these changes, the investment was very significant, but we didn't have any trouble doing it," says Heaton. "We were fortunate to be able to ask what the right thing was to do, not what we could afford to do."

"I like to say we're a 75-year-old startup," says Broujos. "The new office is emblematic of where our company is going. Everything is more collaborative. We're committed to new technology. The new space is bringing in new people with new ideas and new skill sets."

"A lot of work went into building that 8.5 million square foot portfolio when Jack was the sole shareholder, so that it could benefit our current shareholders," says Goetz. "The board is 110 percent behind Dave's strategic plan, and it will be successful in all facets. It will make the shareholders happy, and it would make Jack Buncher proud." **DP**

Property Owners, Builders Should Be Plugging in Plans for Electric Vehicles – By Derek J. Markle

The future of American transportation — and the communities it links together — is electric.

That's not just a knee-jerk reaction to 2022's gas price explosion. Rather, we see long-term factors, such as the long-growing demand for more efficient vehicles and automaker promises to produce all-electric fleets by the next decade, and it is clear a major sea change is in the offing.

The trends present challenges for public and private leaders alike, as they seek solutions to prepare infrastructure for a changing world. From new zoning policies to construction considerations and real estate concerns, there are several factors that parties must contemplate today — and plenty that most of us will be unable to predict in the coming years.

In Pittsburgh, for example, the city's Electric Vehicle (EV) Task Force released a set of recommendations to align infrastructure with an electric future, and the city council has adopted an initial set of ordinances for EV charging and proposed more. What follows is a brief breakdown of the city's plans and how they impact other parties in the real estate and construction sectors.

Pittsburgh ordinances

Pittsburgh is at the forefront for EV infrastructure in Pennsylvania. Among the most relevant ordinances for builders is the rule that all new building and parking facilities constructed on city-owned property, as well as all major renovations to city-owned facilities (particularly those related to electrical or parking overhauls), must include a certain percentage of EV-ready or EV-capable parking spots.

"EV-ready" is defined as parking spaces built with necessary electrical wiring, conduits and dedicated electric panel space at the time of construction, allowing for charging stations to be added cost-effectively at a future time or as part of the original construction. "EV-capable," on the other hand, means parking spaces built with conduits that allow for future wiring and installation of charging stations. The full regulations include specifics on equipment, sizing, voltage requirements and more.

The number of required EV-ready or EV-capable spaces depends on the total number of spaces in the lot or parking facility:

- 1-5 spaces: Discretion of the Intradepartmental Electric Vehicle Task Force
- 6-19 spaces: 20 percent EV-ready spaces; 40 percent EV-capable spaces
- 20+ spaces: 10 percent EV-ready spaces; 40 percent EV-capable spaces

Other communities around the nation are implementing similar or even more far-reaching ordinances. Certainly, we can expect to see more locally in Pittsburgh, in Pennsylvania and beyond in the near future.

What it means for private parties

There are a set of exemptions to the Pittsburgh ordinance, including one on city-owned properties that are leased or operated by organizations other than the City of Pittsburgh. But private entities and builders who fall into that category, or even those who are entirely unconnected to city-owned property, should consider the city's existing ordinances as an early blueprint for the future.

While there are no proposed EV charging ordinances or guidelines for private sector projects in Pittsburgh yet, the increased demand and uptake of EVs will likely put pressure to incorporate infrastructure to support them. Businesses would be wise to consider the regulations as guidance, even if they don't fall under their influence. Not only is it a form of future-proofing properties, but it is also simply good business.

Take, for example, an apartment building in a trendy part of town seeing a dramatic increase in EVs. If that building has zero charging spaces, but its neighbor's parking facility has 20 percent of them, EV drivers or those who plan on acquiring one are likely to go where they can plug in. You can extrapolate that for most property in the future, from shopping centers to office buildings.

Unsettled questions

As communities take initial steps toward preparing infrastructure for an EV future, there are plenty of questions to answer and challenges that local governments, businesses and consumers will need to overcome before that new world hits another gear.

For starters, is the power grid prepared? Last year's federal infrastructure bill dedicated funds to badly needed upgrades, and in announcing an initiative to modernize the national grid, the Department of Energy cited estimates that our electricity transmission systems will need to expand by 60 percent by 2030. At a state and local level, leaders will need to collaborate with stakeholders to upgrade systems.

At a more micro level, property managers and real estate owners with individual charging stations must consider who is going to pay for the power. Does a higher electric bill at an apartment complex result in rising rents for all tenants, or will there be a surcharge for individual EV drivers? Wording in lease agreements will need to address such factors.

Certainly, as more and more drivers make the electric switch in the coming years and decades, full-scale commercial charging stations will become commonplace. Instead of paying at the pump, drivers will "pay at the plug" or simply swap batteries. Such a drastic overhaul to how we power our vehicles will likely require public-private partnerships and, again, put more pressure on the power grid.

What to do today

We're still many years away from roads being filled with more EVs than gas-powered vehicles, but governments, clearly, are preparing for that reality — and business leaders, particularly real estate developers and property managers, should be paying attention. Contractors, too, will want to turn their focus to this infrastructure, recognizing how it will fit in with their own projects.

For now, businesses and property owners who are making significant renovations to an existing property or building new facilities may want to consider designing spaces that are EV-ready or EV-capable, regardless of whether they fall under a municipal ordinance or not. Legal counsel with expertise in real estate matters can help with those decisions, explain what current regulations are and offer guidance on what the future might bring. **DP**

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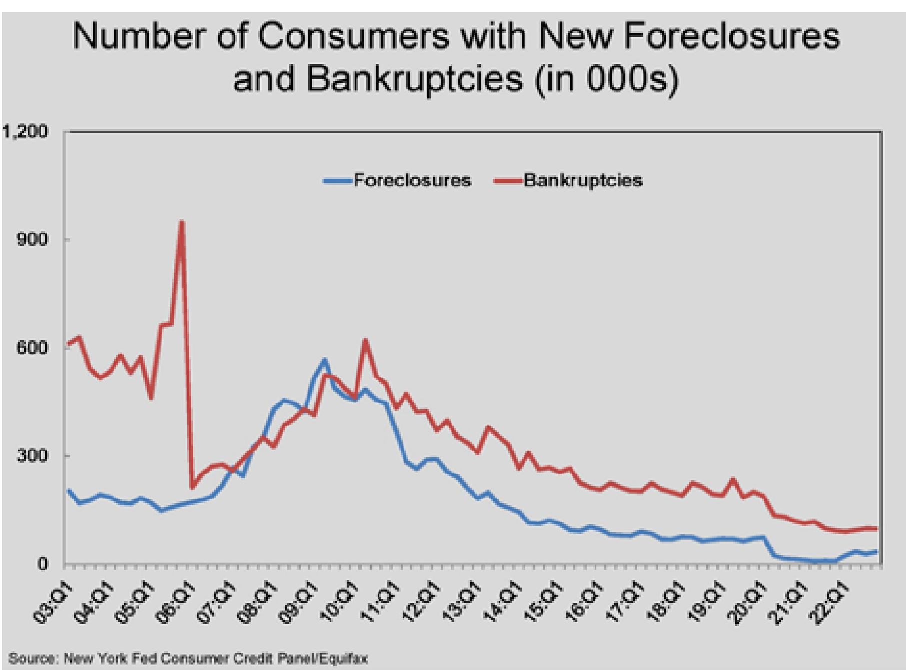
Roller coaster rides are built to give the rider ups and downs that do not end until the ride is over. The March 10 collapse of Silicon Valley Bank was a reminder that the current economic roller coaster is still on the tracks.

After months of almost monthly forecast reversals, the combination of the February inflation report and the strong, but slower, job growth during February had moved more economists into the soft-landing camp in early March. For example, PNC's Gus Faucher predicted a 40 percent chance of recession in 2023 at the annual State of Pittsburgh Economy event presented by PNC and Pitt's Institute for Entrepreneurial Excellence on March 1. That represented a significant uptick in sentiment from what PNC's economists were forecasting 45 days earlier. Faucher pointed to the fundamental trends in the U.S. economy and noted that the data pointed towards a recession that would be mild. He also admitted that conditions were hardly clear, as the labor markets and consumer behavior were not foretelling a downturn. PNC's quarterly survey of small business owners also offered a counterweight to the recession forecast, with 60 percent expressing high optimism about the fortunes of their businesses in the coming six months, a 20-year high.

Business and consumer sentiments are two key targets of monetary policies such as the Federal Reserve's aggressive rate hikes in 2022. The intent is to cool off spending enough that prices fall in response to lower demand. Lower demand erodes profits and often leads to a recession, as companies shed overhead, and unemployment grows. To judge the effectiveness of tighter monetary policy, which generally has a lead time of nine months to a year before impact, the Fed looks for early signals that demand is eroding. Some of these include lower consumer spending, increased layoff rates, higher unemployment, declining savings rates, and/or increased use of credit. A full year into a rate hike cycle, few of these signals are clearly recessionary.

The report on fourth quarter borrowing from the Federal Deposit Insurance Corporation (FDIC), issued at the beginning of March, shows some early indications that credit began to erode at the end of 2022. In Pennsylvania, deposits fell by nearly two percent and loans increased by nine percent in the fourth quarter of 2022. The FDIC reported that the 130 insured banks in the state increased reserves held against losses by more than 500 percent, although actual loan charge-offs fell by 17 percent compared to 2021.



Consumer credit is eroding more quickly. Although foreclosures, repossessions, and bankruptcies have not increased significantly, delinquency has risen to levels unseen since the Great Recession. Consumer loan delinquency of all types – including auto, credit card, and consumer finance – jumped from a decades-long low of $10.5 billion in May 2021 to $24.8 billion in January 2023. Of that total, 54.4 percent is higher-interest credit card debt.

Several key pandemic-related safety nets are expiring this spring. More generous Medicaid and food stamp benefits expire in April and March. Student loan forbearance will end when the COVID-19 emergency ends May 11. These will add pressure to low-income households already struggling with high inflation. With 40 percent of GDP coming from the lowest 60 percent of earners, the combination of soaring credit card debt, high delinquency rates, and evaporating aid may slow the economy quicker than the current trends suggest. Should unemployment grow significantly, the consumer contribution to GDP will decelerate even faster.

March's report on inflation showed that year-over-year consumer inflation slowed to 6.0 percent (although the monthly pace of inflation increased slightly). More encouraging was the rapid disinflation of producer prices, which are a leading indicator of consumer inflation. The headline producer price index was flat from February to March and from November to March. Year-over-year producer prices were up 4.6 percent.

The delinquency rate on consumer loans has spiked since mid-2021. Source: Federal Reserve.

The Philadelphia Fed's manufacturing index for March declined 23.2 percent compared to the previous year, much lower than expected. The University of Michigan's index of five-year expectations for inflation came in at 2.8 percent, an encouraging sign for the Federal Reserve that inflation has not become entrenched.

This data was part of a persuasive argument that the Fed could pause rates, probably at the May meeting, and observe the impact of a 500-basis point hike. What changed on March 10 was that a key cog in the economic system broke down. The strain that created insolvency for Silicon Valley Bank, Signature Bank, and – to a degree – First Republic Bank was the swift withdrawal of large depositor positions. That exposed the decline in the value of long-term securities that the banks held as liquidity. The result was a self-fulfilling liquidity crisis that ended with receivership and an FDIC guarantee of uninsured deposits.

In the immediate aftermath, it appeared that the federal government was prepared to use some of the policies that had preserved the banking systems in 2008 to limit the systemic damage to global finance. Larger, healthier banks acquired the troubled institutions that remained in business. Assuming these corrective measures ease depositor's fears, however, the crisis caused systemic damage to the economy that has significantly increased the chance that the U.S. will see a recession within the next six months. The chance of a mild recession slipped lower as a result.

While the liquidity crisis – which has since eased – did not alter the Fed's expected 25-basis point hike in the Fed Funds rate at its March meeting, it is likely that the change in tone of the FOMC was a result of the heightened concerns about the impact on the economy.

Lingering uncertainty is likely to make credit more costly and tighten lending standards, particularly to non-financial sectors like real estate, business loans, or mergers and acquisitions. In that scenario, businesses will reduce investments and hiring plans, which in turn will reduce GDP growth. A self-reinforcing cycle of tighter credit causing slower growth, which leads to tighter credit would lead to a contraction of the U.S. economy that is steeper than the 0.5 percent to one percent that was widely expected in the second half of 2023. That would push the unemployment rate above five percent, reflecting the loss of 2.5 million jobs.

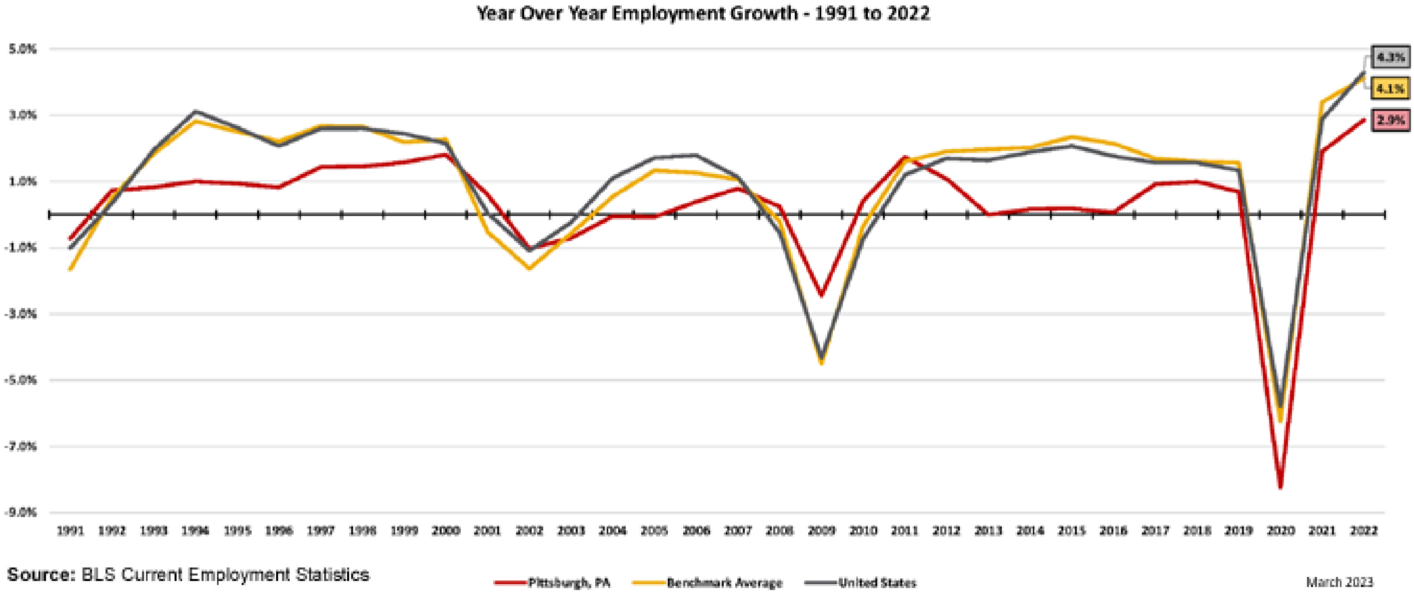
One potential mitigating factor that could limit the severity of the fallout for banking is the overall credit strength. The banks that were threatened did not fall due to loan defaults, as occurred in 2008. Illiquidity is a problem for the banking system, but it can be managed easier than a dramatic increase in bad loans. And the upshot of tighter credit conditions will be a decline in overall demand that brings inflation back in line.

Battling global inflation pressures may become more difficult as the year progresses. The response to the pandemic varied widely across the globe, de-coupling what had been an increasingly integrated economy. The development of highly effective vaccines that were widely (if not universally) accepted in the U.S. set its economy on a recovery path that was unmatched by other nations, most notably China. U.S. monetary policy differed from other central banks in 2021, resulting in an economic imbalance that pushed the U.S. dollar higher and exports lower. Exports will remain a net drag on U.S. GDP through most of 2023; however, the global economy is recovering, and the normalization of the Chinese economy will boost demand from overseas as the year unfolds. If interest rates do fall in the U.S. during the fourth quarter of 2023, expect the dollar to weaken against other currencies.

A weaker dollar will reduce the trade imbalance for the U.S., a boost for the manufacturing sector, and lower the cost of goods imported to the U.S. Coupled with the improving Chinese and overall global economy, however, the weaker U.S. dollar will slow disinflation globally.

Pittsburgh's economic outlook is not notably stronger than that of the overall economy, but few of the extremes or elevated risk-taking are adding to the potential problems in Western PA. Construction of commercial real estate, including multi-family, slowed significantly from 2021 to 2023. Regional developers and property owners have refrained from taking on too much leverage, and regional Pittsburgh banks did not loosen lending standards over the past 12 months. Pittsburgh's main economic problems relate to its demographics and stagnant population.

Those challenges were manifest in the employment growth during 2022. From January 2021 to January 2022, total employment reached 1,147,500, a gain of 2.9 percent. That was higher than



Employment growth in Pittsburgh was stronger than normal in 2022, but still lagged the state and national growth rates. Source: Pittsburgh Region Employment Update from Pennsylvania Economy League of Western PA.

during any of the past 30 years, but still lower than the 4.3 percent U.S. growth rate or the 4.1 percent average rate for the benchmark cities to Pittsburgh. Unemployment edged 10 basis points higher to 4.1 percent in Pittsburgh, beating the Pennsylvania unemployment rate of 4.3 percent.

Taken in total, consumers and businesses seem to be behaving as though the current economy is strong, while preparing for slower conditions within the next year. Recessions, particularly those precipitated by tightening of credit, have a self-fulfilling quality. Setting aside the downstream effects of March's banking "crisis," the evidence of preparation for recession that consumers and businesses are demonstrating suggests that a steep recession is unlikely. The health of the banking system has now overtaken persistent inflation as the biggest risk that a potential soft landing will deteriorate into a credit cycle recession. **DP**







Pittsburgh Office Market Overview

- The Pittsburgh metropolitan statistical area (MSA) includes 20 submarkets, 143 million square feet of office space.
- 21.3 percent vacancy rate (as of Q4 2022)
- Market average rental rate of $26.56 per RSF (Class A & B office properties)
- Nearly 700,000 square feet of new office space is currently under construction.

Year in Review

Although the office leasing stats for 2022 lagged pre-pandemic norms, transactions certainly happened, and activity continued to tick upward. Companies continue to pay sharp attention to their office footprints and are reacting to the demands of their workforce in real time; whether growing, shrinking or retaining the same office footprint, companies are focused on "right-sizing" their space and providing more versatile space for their employees. The "flight to quality" movement continues as evidenced by some of the largest leases signed in the Pittsburgh MSA in 2022:

- Dickie, McCamey & Chilcote signed a lease that formalizes its eventual relocation from long-term home at PPG Place and contraction of its office footprint. The law firm signed a new lease for 80,000 square feet at 4 Gateway Center, a soon-to-be fully renovated Class A office building and the trophy building as part of Gateway Center office campus.
- Citizens Bank also formalized a new lease to relocate from its home of more than 20 years at 525 William Penn Place in favor of 4 Gateway Center. Citizens will take 60,000 square feet within the building, which represents a dramatic reduction from the 125,000-plus square feet it leased at its prior location.
- Apple, Inc. plans a relocation from its current office at 3 Crossings in Pittsburgh's Strip District and expansion of its footprint in Pittsburgh by signing a lease for 72,000 square feet at The Assembly at 5051 Baum Blvd, a newly constructed Class A facility on the edge of Pittsburgh's Oakland submarket.
- Castle BioSciences signed a new lease for 43,000 square feet at Nova Place, a former urban indoor shopping mall on Pittsburgh's North Side (part of Pittsburgh's Greater Downtown submarket) that has since been renovated into a Class A office complex and has established itself as a local hub for tech and life science companies. The new lease represents an expansion of Castle-owned subsidiary, Cernostics, Inc.
- Duolingo signed a new lease for 38,000 square feet as the first office tenant at Liberty East a brand-new Class A office project located in Pittsburgh's East End submarket. Liberty East is within walking distance within Duolingo's 40K square foot headquarters building, which it has partially occupied since 2015, before growing into the full building in 2019, and the new lease represents a doubling of its office footprint in Pittsburgh.

Large relocations that also align with the "flight to quality" movement have already been announced to kick off 2023 in the form of the Federal Home Loan Bank of Pittsburgh's decision to relocate from the 87,000 square feet of office space it maintains at 601 Grant Street in favor of a two and a half floors at One Oxford Center (approximately 57,000 square feet) in Downtown Pittsburgh. Further, Emerson Electric Company announced that it has committed to 142,000 square feet for a 15-year lease term at Westinghouse's Corporate Campus in Cranberry Township, which represents one of the largest office transactions in the Pittsburgh MSA in the last several years.

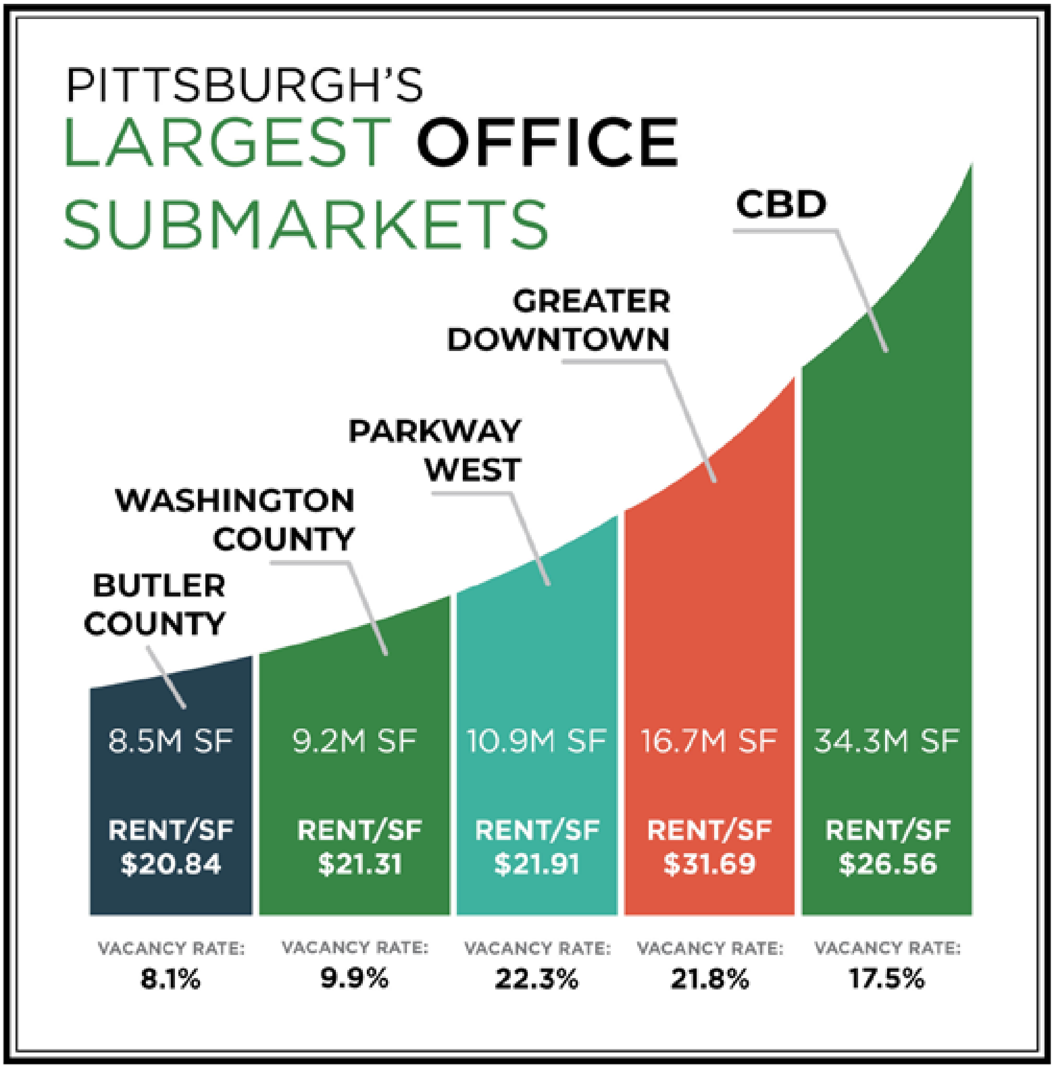
Overall, while companies are hyper-focused on extracting the most value from their CRE spend during a time when leasing incentives are likely as aggressive as they have ever been, we are seeing companies make substantial space commitments that they feel are best for

THE PITTSBURGH MSA INCLUDES:
20 SUBMARKETS
143 MILLION SF
OF OFFICE SPACE

Market average rental rate of
$26.56
per RSF
for Class A & B Office Properties

21.3%
vacancy rate
(as of Q4 2022)

668,000 SF
of new office space is proposed or under construction



employee productivity and hiring/retaining top-quality talent. Thus, companies are being attracted to buildings and spaces that provide them with the most value at that moment in time, which can vary dramatically between companies and their respective agendas.

(Not-so) Bold Predictions for Pittsburgh's Office Market in 2023:

1) "Back to the office" will be the theme of the year.

What was considered a trend not so long ago, the "flight-to-quality" movement has become a measurable fact in the world of office leasing for over a decade and has actually made material progress in the last several years despite the existential threat to the office market posed by the COVID-19 pandemic and related stay-at-home orders.

The foundation of the flight-to-quality trend was built on the concept that companies seeking to hire top-performing talent should invest in their real estate as a recruiting tool by occupying Class A buildings in exceptional locations that feature on-site amenities, etc.; companies should fit-out their spaces in such a way that simultaneously provides employees with a desirable workspace and acts as a physical representation of the company's culture.

Flash forward present day as barriers to get employees back to the office have been essentially eliminated (stay-at-home orders are lifted, company's in-office gathering policies have been relaxed, etc.) all while companies had strategized about how to justify their office footprint, mitigate costs, finalize a space plan, commit to a long-term lease and build out brand new office space, only to be confronted with a new hurdle: how to address the portion of their employee base that is refusing to return to the office in favor of the work from home routine they've become accustomed to.

Every company's handling of this dilemma will be different. However, it is likely that more employers will take a harder stance in favor of in-office attendance in an otherwise predominately hybrid work format. As mentioned previously, the data suggest that employers are relocating to high-quality facilities and investing in their spaces to maximize the employee experience and in-office productivity. Even though the result hasn't changed, the primary motivation behind companies investing in their spaces has shifted from maximizing the in-office experience to creating space and in-office amenities that put companies in the best position possibly to get employees back through the door at all, which is a dramatic paradigm shift from where the flight-to-quality movement began.

Having said that, and at a minimum, employers will push employees to come back to the office just to increase the chances of getting a return on the investment they're making in their office spaces. What employers truly hope for is that employees realize on their own that the office is a desirable place to be, and where they feel most productive and fulfilled in their careers. Either way, we will see the return to the office mandates increase sharply throughout 2023.

NOTE: Several large employers in the Pittsburgh MSA have already implemented back-to-office mandates at the start of 2023.

2) The effects of "phantom vacancy" will materialize in 2023 and could result in a dramatic rise in vacancy rates for next several years.

Phantom vacancy is becoming a commonly used term to describe the amount of space that is currently under lease or control but has been mothballed by the occupant with zero chance of being reoccupied during the remainder of the occupant's lease and will not be included in an eventual lease renewal or relocation; the intrigue surrounding phantom vacancy is that it is incalculable by the marketplace.

By way of example, and using a sample size of 23 Class A/B+ office buildings in the Pittsburgh Central Business District (CBD) (representing 13.8 million square feet and more than 40 percent of office space in the CBD), the availability rate (space that is being actively marketed either directly or as a sublease, regardless of occupancy status) is approximately 22.96 percent while the weighted average vacancy rate for the sample size is 19.23 percent.

NOTE: This sample does not include FNB Financial Center (expected to be ready for occupancy Q1 2024), or Three Gateway Center due to speculation surrounding the building being converted to residential use.

The delta of 3.73 percent between the current availability rate and vacancy rate in this sample represents an additional 514,740 square feet of space (3.73 percent of the 13.8 million square feet sample size) that is currently available but is not accounted for as true "vacancy".

An additional 500,000 square feet of vacant space represented as an existing building in the Pittsburgh CBD would be comparable to Liberty Center, the Grant Building, 11 Stanwix Street or Four Gateway Center.

To watch phantom vacancy unfold in real time, look no further than BNY Mellon's master lease of 500 Grant Street in Downtown Pittsburgh. With its lease for the 1.6 million square foot skyscraper (of which BNY Mellon occupies 284,000 square feet) expiring in 2028, BNY Mellon has confirmed plans to upgrade their client services center at 500 Ross Street and gradually relocate staff to the facility from the tower that carries their name. As of the end of Q1 2023, BNY Mellon has declined comment when asked whether they intended to extend its master lease for 500 Grant Street.

Availability rate compared to vacancy rate is a great way to forecast vacancy in the immediate future, but the crux of the phantom vacancy issue lies in the amount of space that is not being advertised, and therefore is incalculable. As the phantom vacancy threat comes to fruition in 2023 and beyond, it will be a race to normalcy to mitigate the effect it has on the office market.

3) More challenges await the capital markets sector overall, especially for office sales.

Despite hopes that interest rate hikes will hit their peak in 2023, there's no question that higher rates will make it increasingly more difficult for owners and purchasers to meet on market pricing.

Owners will continue to come to grips with extended hold periods for their office assets until values enter a palatable sales range, especially if they've experienced successful leasing traction in the past three years since the United States issued its first stay-at-home order because of the spread of COVID-19.

With the combination of climbing interest rates, lack of supply and the issues that occupiers are navigating, office sales volume is expected to be non-existent compared to pre-pandemic levels.

4) "Location, Location, Location" (the Golden Rule) will continue to triumph.

What makes the best location for office occupiers differs dramatically based on industry, and the purpose of the office, especially if it's just one of several locations that a company has within the same region.

From analyzing the Pittsburgh CBD, however, and determining the "best location" by the most robust leasing activity in recent years, the unequivocal winner would be the Stanwix Street corridor which has attracted the likes of Dollar Bank (80,000 square feet) at 20 Stanwix; Dickie McCamey & Chilcote

(80,000 square feet), Citizens Bank (60,000 square feet) and Metz Lewis (19,000 square feet) at Four Gateway Center; TriState Capital Bank (44,000 square feet) and Whiteford Taylor Preston (17,000 square feet) at 11 Stanwix; and most recently Steptoe and Johnson (23,000 square feet) at One PPG Place. All aforementioned complexes feature exceptional access into and out of the CBD and boast on-site amenities that are either already in place or will be completed in 2023.

Much like how the Stanwix Street corridor has garnered unquestioned support and interest from office occupants, "epicenters of opportunity" will continue to come online throughout the Pittsburgh market to the benefit of those companies that need to make space decisions in 2023. (Honorable Mention: Westinghouse's Corporate Campus in Cranberry Township, which has secured more than 340,000 square feet of new deals since March 2020, including 142,000 square feet for Emerson Electric Company.) **DP**

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The Pittsburgh industrial market enters the Spring of 2023 with sound fundamentals and reasons for encouragement, while also experiencing regional, state, and macro-economic issues that weigh down the market's growth. Market fundamentals, user demand, new construction activity, and market challenges are examined further below.

Market Fundamentals

The fundamentals of the Pittsburgh industrial market remain relatively strong through the first quarter of 2023 despite signs of economic headwinds and continued macroeconomic uncertainty. The overall market vacancy rate of 4.26 percent represents a tight market, particularly considering that 2022 saw the highest level of speculative construction deliveries in the market on record at nearly 1.2 million square feet. Given the relatively low amount of product added as a percentage of the total market, we expect vacancy to remain low throughout 2023.

Low vacancy rates as well as new construction comprising a significant portion of available space, has resulted in lease rate growth to an extent that the Pittsburgh market has not previously experienced. Weighted average asking rates are now squarely in double digits in the City of Pittsburgh and Cranberry Submarkets, with several other submarkets (West, Northwest, and Northeast) trending in that direction. Submarkets showing lower average lease rates, such as Beaver, Butler and Washington County, are all examples of submarkets with limited or no speculative construction available. Rent growth in the Pittsburgh market has not been as pronounced as, Tier 1 markets but has been notable nonetheless.

A key item to watch for the remainder of 2023 is the ripple effect that new construction lease rates are having on functional, well-located second-generation product. With relocation options for certain users being made up primarily of new construction availabilities, users with expiring 10-, 7-, and even 5-year leases are facing sticker shock on renewal increases which in some cases are as high as 30 percent-50 percent. The increased cost of tenant and base building improvements is also putting significant upward pressure on rental rates in existing product.

ANNUAL LEASE VELOCITY: 100K SF +

Year / Quarter	100K SF - 249K SF	250K SF +	Total # of Leases
2016	4	2	6
2017	1	1	2
2018	1	2	3
2019	5	2	7
2020	6	3	9
2021	9	3	12
2022	6	1	7
1Q2023	3		3
Average Annual Stats	**4.57**	**2**	**6.57**

Demand and Tenant Velocity

The key item driving the differences in terms of rent growth and new development for Pittsburgh compared to many other industrial markets ultimately comes down to demand and tenant velocity. The pool of users with active space requirements is often not as deep, resulting in more extended lease-up periods for new development and more muted rent growth.

Setting aside any comparisons to other Northeastern and Midwestern markets, the Pittsburgh market, when compared to its own historical performance, remains consistent to strong. Despite a significant slowdown in touring activity and lease executions in 4Q2022 (a trend that was seen nationally), 2022 ultimately outpaced 2020 and 2021 in terms of the total number and aggregate square footage of new leases signed. Since 2018, the market has averaged 64 new lease transactions above 10,000 square feet annually with an average transaction volume of 3.39 million square feet. In 2022, there were 81 new lease transactions, representing 4.1 million square feet.

One area where 2022 fell short when compared to 2020 and 2021 was larger leases over 100,000 square feet. In 2020 and 2021, there were nine and 12 leases, respectively, over 100,000 square feet and three leases each year over 250,000 square feet. The number for 2022 dropped to seven leases above 100,000 square feet with one new lease over 250,000 square feet. However, large leasing velocity remained consistent with data since 2016, in which the region averages 6.57 lease transactions annually above 100,000 square feet and 2.67 lease transactions annually above 250,000 square feet. Through 1Q 2023, there have been three leases executed above 100,000 square feet:

- Steelite International: 121,369 square feet at Turnpike Distribution Center (existing building)
- UPMC: 100,000 square feet at Gateway View Plaza (existing building)
- City Brewery: 111,500 square feet at RIDC Westmoreland (existing building / expansion)

The slowdown in activity at the end of 2022 carried over into the first 45-60 days of 2023. Since then, tenant activity has picked up significantly, particularly with what is widely considered the "bread and butter" of the Pittsburgh industrial market, which are user requirements between 10,000 square foot and 50,000 square feet. Bread and butter activity was strong in 2022 with 79.01 percent of the total leasing activity executed in that size range. Consistent user activity between 50,000 square feet and 100,000 square feet in

PITTSBURGH INDUSTRIAL MARKET - COMPETING MARKETS OVERVIEW

Market	MSA Population	Inventory (SF)	Vacancy (SF)	Vacancy Rate (%)	2022 Deliveries (SF)	Under Construction (SF)	2022 Deliveries % of Total Inventory	References
Baltimore	2,355,000	260,454,767	16,180,137	6.21%	4,345,399	2,720,450	1.67%	*CoStar
Cincinnati	2,259,935	341,885,769	10,719,681	3.14%	3,846,820	9,900,567	1.13%	*CoStar
Cleveland	2,088,251	354,836,992	14,281,514	4.02%	1,080,809	6,859,404	0.30%	*CoStar
Louisville	1,107,000	245,321,764	9,657,179	3.94%	9,617,488	6,405,824	3.92%	*CoStar
Raleigh-Durham	2,240,903	147,001,535	6,587,958	4.48%	7,044,785	9,144,413	4.79%	*CoStar
Richmond	1,324,062	145,302,805	4,168,090	2.87%	10,038,688	7,152,087	6.91%	*CoStar
Pittsburgh	**2,353,538**	**162,343,816**	**6,915,939**	**4.26%**	**1,932,509**	**2,714,184**	**1.19%**	***Genfor**

particular has been slower to return. As new speculative developments deliver in 2023, a key gauge on the market will be how users respond to increased options for new space. It is important to remember that 1) new speculative construction deliveries are largely focused on the Parkway West/Airport area and to a lesser extent, Westmoreland County; 2) most submarkets are experiencing limited to no speculative new construction; and 3) new construction continues to make up a small percent of the total market; and 4) Pittsburgh's new construction deliveries are a smaller percent of the total market than a variety of other small-medium sized markets.

New Construction – Past, Present, and Future Supply

In terms of new construction activity, over 1.9 million square feet was delivered in 2022, the most space delivered in the region since 2016. 62 percent of the product delivered to the market in 2022 was built speculatively, representing a high water mark in terms of speculative square feet delivered in the region. Notable speculative construction deliveries (100,000 square foot +/-) since 2022 include:

- 276,702 square foot Westport Ridge, Building 1 / Parkway West/Airport submarket.
- 191,025 square foot Westport Ridge Building 3 / Parkway West/Airport submarket.
- 280,826 square foot SkyView Business Park Building 1 /Parkway West/Airport submarket.
- 250,200 square foot Commerce Crossing Building 1 / Westmoreland County submarket.
- 150,231 square foot Hempfield Commerce Center Building I / Westmoreland County submarket.
- 99,000 square foot Chapman Westport Building 300 / Parkway West/Airport submarket.

2.7 million square feet of industrial space is currently under construction in the region. From 1Q2022 through 1Q2023, there has been 1,550,010 square feet of speculative space delivered. Of the 1.55 million square feet delivered, 52 percent (808,362 square feet) of the square footage is available. With an additional 920,133 square feet of speculative space currently under construction, a strong market indicator for future spec development is how the available space is absorbed. There is currently 2.83 million square feet of space planned in the pipeline.

Large Project Updates

Western Pennsylvania has not experienced a significant industrial investment (new or expansion) upwards of $500 million since Shell announced in the spring of 2012 that they selected Western Pennsylvania for their polymer plant in Monaca. Several large and well documented projects have landed in Ohio and West Virginia over the last 24 months. With the current potential to re-shore and expand domestic manufacturing, this presents an opportunity for the region. The good news is that large projects selecting neighboring states has been recognized as an issue and steps to correct this are being discussed.

Flex Market: Tech/Robotics and R&D Updates

Similar to most other markets with a tech presence, Pittsburgh's tech industry has evolved over the last 24-36 months. M&A, technology changes, and universal challenges with emerging industries

ANNUAL DELIVERIES (SF) BY SUBMARKET

SUBMARKET	2016	2017	2018	2019	2020	2021	2022	2023 YTD	Under Construction	Planned Development	Total Deliveries	% of Total Delivered SF
Parkway West	1,021,022	439,000	199,000	799,124	1,306,368	880,000	557,528	290,025	797,161	1,154,200	5,492,067	50.80%
Northeast/Route 28							89,500				89,500	0.83%
Northwest				19,950			100,000			150,000	119,950	1.11%
Parkway East			21,000								21,000	0.19%
South				35,000			141,400		180,377		176,400	1.63%
City of Pittsburgh		64,000	66,240	95,000	63,400				150,000		288,640	2.67%
Cranberry	496,704	173,000	54,800	220,000	60,000	60,000	35,124			132,490	1,099,628	10.17%
Butler County	108,821	43,000	57,000				280,000			245,000	488,821	4.52%
Beaver County	222,390				105,000		52,725				380,115	3.52%
Washington County	25,000	25,000		759,000		251,709	80,000	60,000	55,296	360,000	1,200,709	11.11%
Westmoreland County	499,400	67,100	111,500			145,000	596,232	35,100	1,531,350	342,000	1,454,332	13.45%
Total	**2,373,337**	**811,100**	**509,540**	**1,928,074**	**1,534,768**	**1,336,709**	**1,932,509**	**385,125**	**2,714,184**	**2,383,690**	**10,811,162**	**100.00%**


BOROUGH OF FOREST HILLS

and new businesses are all normal and to be expected. Generally focused in the City of Pittsburgh, but even when covering the entire market, flex and R&D transactions were down significantly in 2020 and 2021, with very limited leasing activity above 20,000 square feet. Activity picked up slightly in 2022 but there remained an absence of large transactions pertaining to flex and R&D product. While challenges with the tech-industry remain and no one will confuse Pittsburgh with more mature tech markets such as Boston or Austin, corporate R&D requirements have increased which will hopefully lead to a positive market impact in 2023 and beyond.

Market Challenges

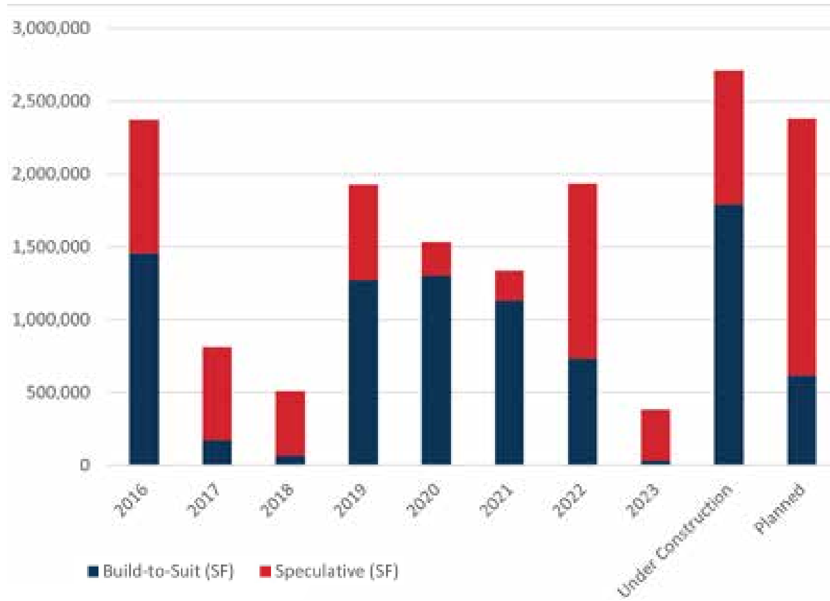
Pennsylvania's Regulatory Climate: In addition to the region's lack of large projects in the last 10 years, Pennsylvania's well documented permitting issues and challenging business climate negatively impact all businesses, including existing businesses contemplating expanding locally. Permitting uncertainty and prolonged timeframes hit small businesses and local manufacturing operations as hard, if not harder, than large operators.   While the discussions about regulatory reform from the Shapiro-Davis administration are encouraging, the real question is what reforms and permitting improvements will take place and what is the timeframe to implement those changes.

Workforce and Population Trends: Workforce issues remain a major challenge for industrial companies in the region. While challenges finding & retaining workers for industrial positions are certainly not unique to Western Pennsylvania, the region's population decline is. This continued population decline is a drag on market growth in a variety of ways: workforce availability challenges, diminished investment in the region, lack of job growth, etc. Other than a brief period of regional population growth from 2009-2012, which was largely the result of the oil and gas industry, and an increase from 2019-2020, the Pittsburgh MSA has been losing population since 1960. Discussions about how to turn around the region's population decline are lacking on a regional level and there remains no cohesive regional strategy to grow the region's immigrant population, which is the only way for any midwestern or northern MSA to currently achieve population growth, particularly in a market like Pittsburgh where deaths continue to outpace births.

Financing & Capital Markets: The rise in interest rates has been well documented and challenges are starting to emanate from projects that were underwritten in red-hot conditions in large markets. Given the conservative nature of the local market, we have not seen that here and while there has been more new spec construction in the Parkway West than in previous years, Pittsburgh has not traditionally experienced the highs and lows of many markets. Despite a much more challenging financing environment for new developments, we expect supply and demand in the region to generally remain in balance and local market conditions to remain stable.

It will be interesting to see where the capital markets shake out on a few investment sales currently underway (as of April 2023). Since cap rates reached their low points (4 percent - 4.5 percent) in the region for premium product in late 2021 to early 2022, there has been an absence of investment sale transactions closing since June 2022. Certain projects have tested the market but not transacted. All indications are cap rates have increased 150 to 200 basis points or more since their low point roughly 14-18 months ago.

Macro-economic challenges remain and are well documented (inflation, interest rate uncertainty, corporate layoffs, etc.) but Pittsburgh's stable nature has historically served it well in recessionary climates.



Speculative product outweighs build-to-suit deliveries in the current market.

Summary

While challenges certainly exist, both in the industrial market and within the regional economy, Western Pennsylvania and its people are resilient. The Pittsburgh industrial market should maintain its steady pace in 2023 with strong potential for future growth. **DP**

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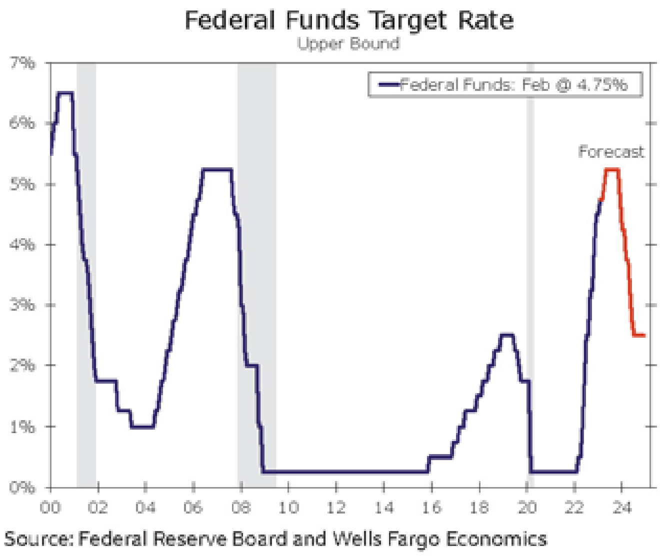


The combination of an unfavorable rate environment and multiple recession fears has the capital markets in a position that reminds many of the post-financial crisis period. The underlying market fundamentals are significantly better than in 2009-2010; however, the net effect will be a more difficult market. Financing commercial real estate deals will be more challenging in 2023. Borrowers can expect higher costs and tighter lending conditions. Expectations for return and value will have to be adjusted. Unlike a decade earlier, however, capital markets are not frozen to deleverage. Deals will get done.

"For the right project and the right client banks are still lending money," says Greg Sipos, executive vice president/ corporate banking executive for First Commonwealth Bank.

"The lenders that were active in the market a year ago are still quoting deals, including Fannie Mae, Freddie Mac, and the life insurance companies," says Dan Puntil, senior vice president at Colliers Mortgage. "Everyone that we have talked to is expecting that the market will be slower in the first half of the year, but the second half of the year should be robust."

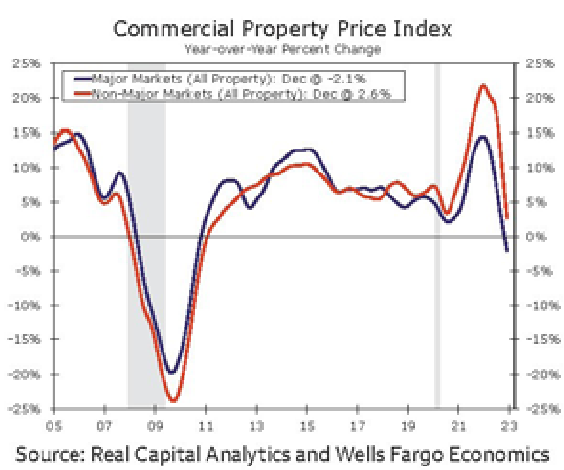
The impact of higher rates on new development has been to chill new activity and demand for space. For the bread-and-butter of commercial real estate finance – acquisitions and refinancing – the rapid rise in rates resulted in a recalculation of risk and value. After a decade of compression, capitalization rates rose steadily throughout 2022. The quick pace of rate hikes – including 225 basis points in 90 days – pushed numerous deals off the table between the time of agreement and scheduled closing. Coming into 2023, the rate environment was going to be more stable, but the elevated cap rates had pushed values lower than sellers were prepared for. The Fed's implied intent to lower rates once inflation was under control added a further complication to the market conditions.

"As we went into 2023, even without the recent banking problems, the mindset was that owners weren't going to do anything unless they had to," says Nick Matt, senior managing director and co-head of JLL Capital Markets' Pittsburgh office. "If an owner had a loan maturity to refinance or sell then they would make a deal, but there are almost no voluntary transactions. Why would they?"

"For many years the market was being driven by financial engineering. The base rate was zero and the spread was 200, so I could buy a property at a four or five cap rate, and it was accretive to the deal from day one" Matt continues. "Even when rent rates bumped up a little bit there was so much liquidity that buyers went in with negative leverage in the first year expecting rents to increase to make money the second or third year and beyond."

With cap rates 50 percent higher than in 2021, and loan-to-value ratios lower by five percentage points or more, cap rates on most properties need to be six percent or higher for the buyer to make the return-on-investment work. Sellers, which may have purchased properties when cap rates were four percent, cannot or will not accept a price that reflects the higher costs of capital.

In early March 2023, the collapse of the Silicon Valley Bank (SVB) highlighted another risk to the capital markets from the elevated rate environment. SVB faced a liquidity crunch that it was unprepared to manage. SVB also held a significant amount of long-term U.S. Treasury bonds with low yields set prior to the Fed's monetary tightening. When depositors emptied SVB's cash reserves, the bank was forced to realize the losses in the long-term assets for sale, taking it into insolvency.



The rapid increase in interest rates in 2022 reversed the trend in cap rates and exerted downward pressure on property values.

The March shock to the financial markets caused unexpected reflection by the Fed, which vowed to stay the course until inflation retrenches when it raised rates 25 basis points on March 22. But the language of the Fed's announcement signaled that a pause in hikes was imminent.

In isolation, SVB's insolvency was not problematic for the banking system. But, because the global financing system is underpinned by the confidence depositors and investors have in the financial institutions, SVB's demise raised questions about the fragility of other lenders. The collapse of SVB is likely to impact capital markets in several ways in the coming months.

Scrutiny of financial institutions will likely increase. Tier one capital lenders will reduce commercial real estate exposure. SBV's problem was illiquidity not poor credit quality. The same was true of Signature Bank. Common wisdom has been that banks have trillions in liquidity since the pandemic, but clearly not all liquidity is the same. One month later, overall liquidity in the capital markets seemed solid, if fragmented.

"I don't think the lending appetite has been impacted by it. There is still ample liquidity in the market," says Puntil. "There may be a ripple effect with the national banks and money centers, which had already started to reel things in a bit. For Pittsburgh, that will allow the smaller regional banks to step in and fill the void. The challenge will be that the regional banks can't do the same size loans as the national banks can with larger capacity."

"The national banks were not really our competition," notes Sipos. "For the meat-and-potatoes business, like our local developers, they are not dealing with those national banks. They're dealing with banks like ours or our regional peers. I don't think the pullback of the larger banks is going to affect our market."

The March shock to the financial markets caused unexpected reflection by the Fed, which vowed to stay the course until inflation retrenches when it raised rates 25 basis points on March 22. But the language of the Fed's announcement signaled that a pause in hikes was imminent. The consensus forecast of business economists predicted that Fed Funds would top five percent this spring but would begin a decline that would bring that rate 200 basis points lower by the second quarter of 2024. The Fed's own forecast was more conservative, predicting that Fed Funds would be 4.3 percent at the end of 2024.

Bond markets responded quickly to the turmoil, with the 10-year Treasury slipping 50 basis points and the 2-year Treasury falling more than a full percentage point by March 31. Almost overnight, the negative spread in the yield curve fell by one-half. From a cyclical high of 1.07 percentage points on March 8, the yield curve spread fell to 0.38 points on March 27 before widening to 50 basis points in early April. The yield curve remains inverted – a condition that dates to the first week of July 2022.

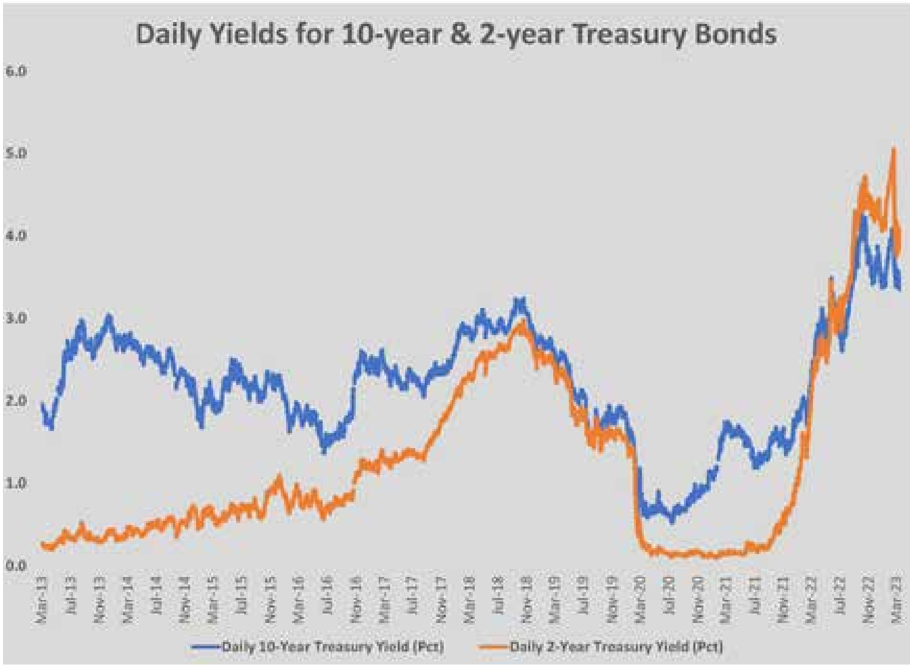
Stability in the bond markets will calm jitters in commercial real estate finance. Forced selling of long-term bonds, which puts upward pressure on bond yields, has historically led to forced selling of commercial real estate. For the time being, commercial real estate has not seen widespread selling pressure, but is being buffeted by tougher fundamentals than have existed since the pandemic.

New supply is outpacing demand in all property types except retail, which has been underbuilt since the late 2010s. That imbalance adds to the downward pressure on prices from interest rates that rose 400 basis points in 2022. Real Capital Analytics index of all commercial property values ended 2022 down 3.2 percent from its July 2022 peak. Industrial properties were the only category to avoid decline and price appreciation for industrial was nearly flat at the end of 2022. Apartments saw the steepest decline, falling 5.7 percent from July to December. Cap rates pushed upward for all property types except hotels, which peaked at nine in early 2021 and fell slightly to 8.5 percent at the end of 2022.

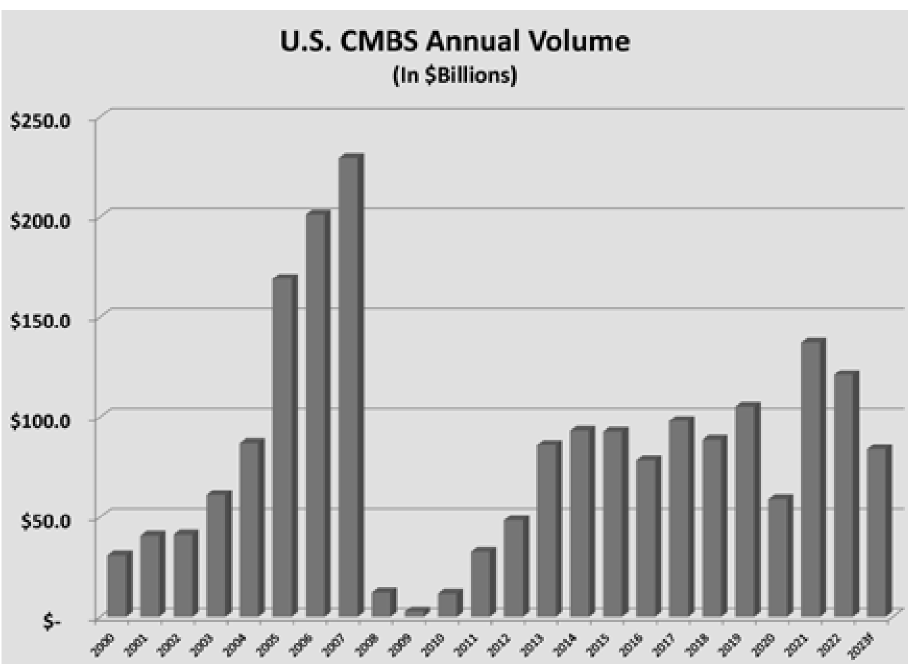
Bank appetite for commercial real estate fell accordingly throughout 2022. The Senior Loan Office Opinion Survey for the fourth quarter of 2022 showed a net of more than 60 percent of loan officers reported tighter standards. Loan demand for land development and construction fell by 62.1 percent. According to the Mortgage Bankers Association, originations fell by more than 60 percent. The Federal Reserve's survey of lenders found that standards had tightened for multi-family in 56.7 percent of banks at the end of 2022, and in 57.6 percent for nonresidential construction of all types.

Loan volume is expected to decline significantly for commercial-backed mortgage securities (CMBS) again in 2023. Following a resurgent 2021, which saw $180 billion in CMBS issuance (including Freddie Mac K-series transactions), volume dipped by 35 percent in 2022 and is forecast to fall below $85 billion in 2023. The fundamentals of the CMBS market have barely deteriorated; in fact, delinquency and loans moved to special servicing declined in 2022, but the prospect of recession and lower occupancy is anticipated to reverse that trend in 2023. The higher pricing for risk and the perception of higher risk in commercial property for the next year or so will dampen demand for the securitized loans. Investors seeking yield will find low-risk Treasury bonds or selected corporate bonds more appealing until conditions in commercial real estate stabilize.

"The market is segment-driven in a big way right now. Office is going to become exceedingly difficult to finance. When the refinancing of two office buildings is making the headlines in the Business Times, that tells you something about



Source: U.S. Treasury



Source: DBRS Morningstar.

office finance," Sipos jokes. "In other segments, like hospitality, banks will have more of an appetite for lending than a couple years ago. People are traveling again. The properties have been right-sized from additional equity. Deals can get done at 60 or 65 percent loan-to-value. Other than hospitality, I'm not sure that the other segments have changed all that much for us since last year."

Appetite for retail properties improved during 2022, while industrial properties cooled off in recognition of likely overbuilding. Multi-family remains one sector for which demand is continuing to grow, even in the face of high levels of construction.

Multi-family rent growth reverted to the long-term trends in 2022, following a year of torrid rent growth in 2022. This was true in Pittsburgh, although to a lesser degree, and in the U.S. as a whole. While annual rent growth was slightly higher in Pittsburgh than the overall U.S. market ahead of the pandemic, local rents declined a bit more in 2020 and grew at a slower rate since then.

While multi-family construction jumped 14.5 percent nationwide, permits for new apartments in metropolitan Pittsburgh fell by 26.1 percent compared to 2021. The slowdown in the seven-county market last year added projects to a robust pipeline and an increase of more than 20 percent is forecast for 2023. By all indications, the financing should be there.

Fannie Mae and Freddie Mac set the tone for residential finance, including multi-family, as the largest buyers of mortgage-backed securities. The multi-family allocations for the two government-sponsored enterprises remained at $75 billion each for 2023. Fannie and Freddie are offering 30-year amortizations at up to 80 percent loan-to-value (higher for qualifying affordable housing). Life insurance companies require 75 percent loan-to-value for apartments (as well as for industrial and grocery-anchored retail centers). Money will be available for multi-family.

"It's just a matter of resetting expectations. To be able to do a multi-family refinance or acquisition at 5.5 percent fixed for 10 years on a 30-year amortization is still a pretty good interest rate. I will grant you that it is not 3.25 percent, but it is also not the double-digit interest rates that we had in the 1980s," Puntil says. "Unlike in 2008, when the market effectively seized, this time is something of a reset to where rates probably should have been all along." **DP**

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Maintaining Momentum at Critical Project Phases

By Michael Takacs, RLA, ASLA

Land development delays can significantly impact a developer's ability to deliver projects on time. Taking control of timelines – and budgets – requires collaborative, proactive approaches to each critical phase throughout the development process. Here are a few strategies and insider tips for maintaining momentum during due diligence, site planning, entitlements, and construction.

Due Diligence Must-Haves

When faced with time constraints due to lease obligations or simply managing a tight budget, an expedited due diligence period may seem like the only option. While it may be tempting to cut corners during due diligence, an incomplete understanding of the project could lead to schedule or budget expansions as the project progresses.

The development of sites in Southwestern Pennsylvania presents a distinctive set of challenges both above and below the surface. The region's industrial history has resulted in the presence of brownfield sites, as well as underground and surface mining, which can pose obstacles to development. Additionally, the area's scenic topography of hills and valleys requires early consideration and understanding of potential issues related to site development. By identifying and addressing these concerns proactively, we can mitigate any negative impacts and ensure successful project outcomes.

Whether evaluating an undeveloped site or assessing a potential redevelopment, developers should keep these six items on their due diligence checklist to minimize unexpected costs and delays.

1. Geotechnical and Environmental Investigations: Identify whether soil conditions and environmental challenges pose risks or design constraints and determine the estimated cost of potential solutions.
2. ALTA Survey: Review public records as part of this survey to identify easements, restrictions, and other encumbrances that can significantly impact the site's development potential.
3. Conceptual Grading: Protect the budget by giving the design team the

opportunity to strategize earthwork and stormwater management and identify cost-effective ways to work with challenging topography.

4. Utility Service and Impact Fees: Determine if existing infrastructure can meet the proposed project's utility demands or gain an understanding of the off-site connections, extensions, or upgrades required.
5. Cursory Traffic Access Review: Evaluate site access and traffic circulation patterns to identify obstacles that could impact layout, design, and the entitlements timeline.
6. Pre-Application Meetings with the Jurisdictional: If off-site roadway or intersection improvements are required to support an increase in employee and truck traffic, proactively meet with key stakeholders to streamline the approval process.

Site Planning Strategies

Site planning sets the stage for a successful land development project by uncovering, assessing, and organizing critical factors that will influence the final outcome. A strategic site planning approach helps the development team conduct a comprehensive site analysis, anticipate and proactively address site challenges, and adhere to municipal requirements. And with guidance from the right land development consultant, site challenges can be transformed into valuable opportunities.

One wise approach is to borrow strategies from those who regularly face and resolve highly complex site planning challenges. Specifically, multi-site retailers and developers.

Developers dealing with multiple sites concurrently use proven, effective approaches to streamline their processes, including carefully crafted due diligence and site selection strategies, prototype models, and design standards.

Increase the efficiency of your site planning process by applying their approach.

Standards and Checklists for All Markets

Development standards provide a reliable, flexible guide for site design. This saves multi-site developers from having to start from scratch with each project and keeps project delivery on track. Use their comprehensive checklist to help your development team make design decisions faster:

- Drive-thru layout (if applicable)
- General site circulation
- Parking requirements
- Preferred parking space locations
- Loading needs
- Entrance requirements and traffic movement
- Visibility and branding requirements

Industrial Applications

Although industrial developers may not have standardized design specifications or prototypes as multi-site retailers have, many industrial end users do follow a specific operational model. Learning tenant or end user operations can help the design team maximize site layout efficiency for warehouse and distribution center development.

Understanding areas of repetition can also be a useful tool when optimizing site circulation and flow. If a layout requires every truck to slow down unnecessarily at the same point on a property, for instance, it affects every single truck every single time. This results in countless lost time for the tenant over time.

To avoid this type of site planning design flaw, consider using the following checklist for warehouse and distribution center projects.

- Location of building(s) on site
- Existing features
- Number of truck parking spaces
- Employee parking spaces
- Circulation routes
- Standard building sizes
- Bay dimensions
- Number of bays
- Exterior lighting requirements
- Parking ratios
- Ceiling heights
- Track and loading dock size needs
- Aesthetic preferences

Residential Applications

A solid understanding of a developer's products and preferences leads to better outcomes for residential communities. This means that large and small residential developers can benefit by establishing a set of design standards and prototypes as much as multi-site retail developers do.

- Preferences for community look and feel
- Model and unit options
- Intended market and density factors
- Planned amenities
- Grading parameters
- Elevation considerations

Regardless of the industry, an experienced land development consultant – one that asks the right strategic questions at the optimal time and provides a market-tested checklist to guide decision-making – will streamline the process and prevent or minimize delays long before they become an issue.

When that consultant also works across many markets (multi-site retail, industrial, residential, and more), they're able to transfer invaluable knowledge across the sectors. As a result, developers benefit not only from a consultant's experience in the market but from their experience in every market.

Permitting and Entitlements Best Practices

In today's quickly evolving land development industry, real estate developers are facing increasingly long entitlements timelines and permitting challenges that can easily interrupt or sideline projects. In Southwestern Pennsylvania in particular, there is some uncertainty when a developer begins the entitlements process in terms of what they may be required to provide or permitted to do with a site.

Here are three best practices for a more collaborative experience during complex and often lengthy approval processes.

1. Engage the Design Team Ahead of Site Due Diligence: Looping in your design team ahead of due diligence kick-off allows them to help you develop a systematic approach to the research process. Design teams can help developers determine how to allocate budget, establish realistic timelines, and identify due diligence milestones – key factors that can impact your deal structure.

2. Approach Permitting Strategically: Whenever possible, run zoning, grading, drainage, site planning, and construction document plan sets concurrently. Processing these reviews parallel with each other shortens the overall project schedule and can also help the permitting timeline.

   In some cases, obtaining an early clearing or mass grading permit can allow the contractor to move forward faster. As that work is being done, the design team can finalize the rest of the permitting and allow the developer to deliver on or ahead of schedule.

3. Collaborate with Local Stakeholders: Meet with local community stakeholders and ask for feedback. This allows developers and design consultants to discuss project considerations quickly and offers an opportunity to explain design rationale. In many jurisdictions, an influx of unseasoned staff can make for a painfully slow experience for developers. Design teams can take the initiative to educate reviewers through the process to help expedite reviews and secure approvals.

Construction Process Imperatives

Unexpected conditions discovered during construction can stall a project and stretch the budget. While some challenges may be unavoidable, ensuring the site civil engineer is designing with constructability in mind will streamline the overall bidding and construction process.

Here are five ways to keep land development projects moving forward – especially during construction:

1. Utility Profiling: Utility profiling identifies depths and intersections of underground utilities, which helps to limit conflicts with crossings. This is a critical step in avoiding time-consuming change orders or the need to modify plans on-site. Involve a utility specialist to get access to up-to-date plans from utility companies

2. Geotechnical Due Diligence Early On: Geotechnical due diligence is important early in the process to provide clarity for other obstacles like groundwater, buried objects, rocks, and more. While it may seem expensive, it can help avoid delays and costly adjustments once construction begins.

3. Quality Documentation: Construction documents that are detailed yet easy to understand provide peace of mind. Contractors can consider constructability before they begin, consult plans at any time, and project more accurate costs and timelines.

4. In-Person, On-Site Kick-off Meetings: In-person and on-site meetings with contractors allow the site civil engineer to go through the construction documents before construction begins and provide a forum for contractors to get all their questions answered. As a result, the entire team heads into the construction phase with confidence.

5. In-Depth Local Knowledge: Having extensive knowledge and understanding of your jurisdiction's process, as well as trusted local relationships, plays a critical role in streamlining construction and permits.

Moving Forward

While expanding timelines may be inevitable, engaging a land development consultant early on results in a more comprehensive strategy for keeping your projects moving forward through all critical phases – due diligence, site planning, entitlements, and construction. Doing so will also help your development team formulate more accurate cost and timeline estimates and identify better solutions for addressing potential schedule slowdowns. **DP**

Michael Takacs is an associate in the Pittsburgh office of Bohler Engineering. He can be reached at mtakacs@bohlereng.com.

What one legislative or regulatory issue do you think is most important for NAIOP Pittsburgh to influence?

Bill Hunt
President & CEO
The Elmhurst Group

"My recommendation is for NAIOP Pittsburgh to go one step further beyond issues involving legislation, and encourage our state officials, at all levels, to up their game with promoting a fully integrated pro-business culture within the Commonwealth.

Our state government should incentive employees to communicate to corporate prospects that Pennsylvania sincerely wants their companies to locate and/or grow within our state.

Let me explain with an example. My company, Elmhurst, had owned an operating business headquartered in Tennessee. We also had offices in Alabama and Georgia. When the Alabama auditors came to review our sales tax figures, they treated us like we should feel fortunate to be doing business in their state. But when the Georgia auditors came to our headquarters, they first thanked us for doing business in Georgia, apologized that they needed to review the taxes, and even attempted to coordinate a meeting with their Economic Development Department for us to further grow our operations in their state.

Many private companies have been successful by creating a strong marketing culture created by providing incentives to treat every interaction as a possible sales call. Why not create a similar culture in the Pennsylvania state government. If it works in Georgia, it can work here."

Louis V. Oliva
Executive Managing Director
Newmark

"I can't pinpoint the single most important legislative or regulatory issue for NAIOP to influence but rather for NAIOP Pittsburgh to continue to act as the advocate for commercial-industrial real estate development and investment in Southwestern PA. Based on recent press reports and public meetings, it appears the new administration in Harrisburg is touting that "PA is now open for business!" All I can add is "from their lips to God's ears!" We need our state, county, and local public officials to be pro-business and pro-development to grow Southwestern PA into a region worthy of our many positive attributes!

As an industrial real estate practitioner in this region for over 35 years, my focus has to been advise local, regional, and national developers and investors as well as owners/occupiers operating in Southwestern PA on how to navigate the challenges and opportunities inherent to our region. I am pleased to report that there are numerous locations that have proven to be pro-business and pro-development over the past twenty years and as a result have experienced tremendous growth in employment, development, and tax base. Specifically, I applaud Findlay Township and North Fayette Township (and West Allegheny School District) in Allegheny County and Westmoreland County in general for trying their best to meet the needs of the industrial real estate market. I think that regional leaders, elected and public officials should follow their lead in promoting investment in infrastructure and streamlining the entitlement process to allow for industrial development to continue into the future throughout Southwestern PA!"

Brian Walker
Chief Financial Officer
Piatt Companies

"I'd say permitting, and when I say permitting, I am thinking everything in the full entitlement process up to getting a final building permit. We're talking preliminary reviews, planning, zoning, historical reviews, variances, community engagement, land acquisition or options, which you may have to carry for long periods of time, for example. These costs add up very fast, and the developer is at risk for far too long before they get a final decision that they are allowed to build what they proposed. You're talking years of work, all the while their investment is at risk. It doesn't need to be easy; it just needs to be simpler."

Don Smith
President
RIDC

"The one regulatory issue that NAIOP Pittsburgh should tackle is our byzantine and counterproductive entitlement process for development. It needs to start with active participation in zoning reform by the development industry.

But simple zoning, planning, building, and occupancy permits and inspections take too long, cost too much and are far from consistent and transparent. NAIOP should advocate to require full transparency, disclosure, and measurement online of each and every permit or approval that the city or other municipal entity issues. Fairfax County in Virginia offers a simple, effective model that we should push to implement here."

Jamie White
President and CEO
LLI Engineering Inc.

"Downtown Pittsburgh is at a turning point. NAIOP Pittsburgh needs to emphasize the importance of a fully viable and vibrant downtown district to the entire 10-county southwest PA region. While Oakland and the North Shore are doing well, the downtown market has been ignored too long. Three years ago, homelessness and crime were not on the list of issues CRE professionals needed to be concerned with. As someone who has considered moving LLI Engineering's offices and employees back to the downtown neighborhood we moved out of 15 years ago, I can tell you the negatives currently outweigh the positives.

Developers outside of the downtown region will be affected if the downtown continues to move towards social decay due to the absence of working individuals spending money downtown. It is hard to attract growing companies to move their operations to a 10-county region that does not have a vibrant central business district.

As someone who splits their time between Tampa and Pittsburgh, I see Tampa is also dealing with similar issues. However, they realize promoting the base of tax paying entities helps solve those issues. The City of Pittsburgh does not seem to care that their biggest taxpayers are moving out.

The Pittsburgh Downtown Partnership has been on the front line with a fire hose trying to put out the fire of crime and decay. NAIOP Pittsburgh, the Allegheny Conference, the Commonwealth of Pennsylvania, and the 10-county region need to step in to ensure the face of the Pittsburgh Region (downtown) gets a makeover that reflects the dignity and values of the hardworking men and women of the region."

Lynn DeLorenzo
Principal
TARQUINCoRE

"Advocacy is so critical to NAIOP and our members. It's always been a driving force of why I became a member many years ago. While we try to select priority items annually on which to focus, it seems as though we continually have to direct and redirect our energies to the City of Pittsburgh permitting process or at this time, review fee increases that appear to be arbitrary and egregious. Cities should be working hand in hand with development given the ever-increasing obstacles faced today including but not limited to rising interest rates, the supply chain, lack of affordable housing, office building vacancies and deteriorating downtowns.

Transportation and transit have always been an important focus as we annually face funding shortages for infrastructure projects. Transportation, transit, and mobility are critical to a region's health and vitality as they connect people, jobs and our rich regional assets.

Lastly, Pennsylvania needs to step up its investment in economic growth. We need to advocate for more dollars to create a more competitive environment for business and industry. Expansive investment today will ensure a strong economy for the future."

NAIOP Pittsburgh - RMU CRE Summer Camp

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

NAIOP Pittsburgh and **Robert Morris University** present a unique learning experience that will immerse 25 rising juniors and rising seniors in the world of CRE. **Through the camp taking place June 18 - 23, 2023, students will:**

- Explore a potential career path.
- Examine placemaking and the built environment.
- Begin to grow their professional networks.
- Build lasting relationships with fellow program participants.
- Small stipend upon completion of program.

ACCELERATING CHANGE IN PITTSBURGH CRE

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

ABOUT THE PROGRAM

In-depth CRE instruction over five days will provide a balance of academic theory and practitioner instruction. The experience will end with a capstone case-study project. Planning is underway for year three of this program as an in-person, overnight camp. There is no cost to attend. The program will commence on June 18 - 23, 2023. The Application Deadline is April 30, 2023.

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

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

THIS PROGRAM IS HOSTED BY **ROBERT MORRIS UNIVERSITY** AND SPONSORED BY **NAIOP PITTSBURGH**, AS WELL AS CORPORATIONS INVESTED IN SUPPORTING THE NEXT GENERATION OF COMMERCIAL REAL ESTATE TALENT IN PITTSBURGH.

RMU ROBERT MORRIS

SCHOOL OF BUSINESS

RMU.EDU

NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
PITTSBURGH CHAPTER

NAIOPPITTSBURGH.COM

APPLY ONLINE:

https://bit.ly/3Yn9xDo

PRESENTING PARTNER

SAMPSON·MORRIS GROUP

PROGRAM PARTNERS

CEC Civil & Environmental Consultants, Inc.

Turner

PJ DICK

CBRE

mascaro

SIOR

NAIOP COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION

LLI ENGINEERING

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News from the Counties

Allegheny County

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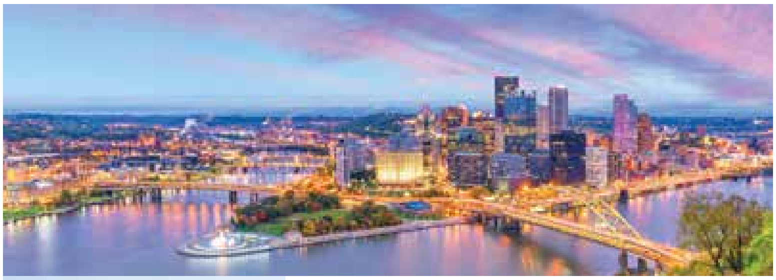
How do you measure success? In Economic Development, that's a question that we are perpetually focused on, and the answers really depend on who you ask. As an agency, the county's Economic Development Department utilizes funding to invest in areas like affordable housing, public infrastructure, commercial/industrial development, brownfield reclamation, parks and recreation, and more. We also partner with entities throughout the county to maintain and enhance the economic, social, and environmental quality of life for everyone who calls Allegheny County home.

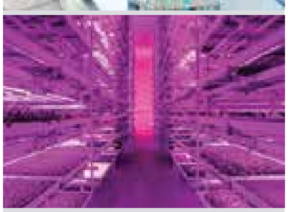
A point in time isn't always the best determinant of success, and so as this administration is coming to an end, we've looked back over the last decade. We're proud of the work that we've done. We have seen:

- 300 new businesses
- $14 billion in wage growth
- 33 percent increase in average weekly wages (inflation is 29.67 percent over the same period)
- Unemployment rate has fallen from 7.1 percent to 3.3 percent
- County GDP has grown by $30.1 billion or 37.76 percent

We also know that there are jobs for those seeking one. As of January 2023, there are 34,706 online job listings in the county. And we continue to see high wage, high growth areas of the economy like research and development, biotech and information technology grow.

To our residents, though, it's the day-to-day impacts on their lives that reflect success. The county has continued to invest in the Allegheny County Home Improvement Loan Program providing eligible residents with 0 percent-1 percent loans for emergency needs as well as general improvements. We have continued to invest in affordable housing while also preserving historic buildings. The $17 million development of the Clairton Inn Apartments is just one example of that work. The Vacant Property Recovery Program is an ongoing asset as the program works with individuals, non-profits, developers, and municipalities to reclaim vacant, blighted properties and return them to the tax rolls as the property is improved. The Minority, Women & Veteran Loan Program offers small business loans for technical assistance and capital, allowing these businesses that are the heart of our communities, to growth and thrive.





In Allegheny County, we focus on improving standards of living through job creation, supporting innovation and new ideas, and creating higher wealth and an overall better quality of life. In the span of the last decade, we've welcomed over 300 new businesses, saw a 33% increase in the average weekly wage and $14 billion in wage growth. Our unemployment rate has fallen, the county's GDP has grown, and there are 30,000 good paying, family sustaining jobs in the county. While that's the trajectory we want, we know that there's more work to do.

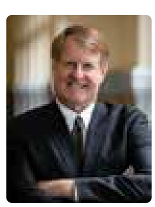
We look forward to a future of continued growth, sustainability and maintaining our public and private partnerships to further our mission of making Allegheny County a national and international destination for years to come. We can't do it alone though.

We have been fortunate to have partners at the local, state, and federal levels of government who have stood with us and championed projects and funding that has been impactful in our community. These relationships are integral to our work and our success – and cross political and geographic lines.

As a partner with our municipalities, we remain focused on economic development and jobs, starting with our community's traditional business districts. By working with local leaders, we can better understand the type of support and resources that our small businesses need. Through Allegheny Together, organizations have access to strategic planning and technical support that can help them direct public investment, spur private investment and revitalize our communities.

We also have collaborators in the business and labor community as well as in philanthropy, education, and non-profit organizations. We are grateful to have the opportunity to work with those businesses and organizations that call this region home. We continue to stand as a willing partner in strengthening our neighborhoods and business districts to ensure a diverse and welcoming community for all.

Won't you join us?



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ALLEGHENY COUNTY
ALWAYS INSPIRING

And, of course, each year we talk about the Carrie Furnace site. It has long been a priority for redevelopment, but because of the various issues with the site, it has taken a decade plus to move the site to a place where redevelopment can begin. Working with the Regional Industrial Development Corporation, that work is now beginning as phase 1 involving building roadways and infrastructures to serve two new 60,000 square foot tech-flex buildings is underway. Plans are also in place to develop the region's first purpose-built film production studio. When built out, the site is expected to be a hub for a variety of organizations with uses including research and development, life sciences, workforce training, light manufacturing and more.

Quality of life remains one of the biggest keys for us to draw people to this region – and keep them here. And that includes our vast trail system. This past year, the newly created Allegheny County Trail Development Funding distributed nearly $25 million to projects that created new trail opportunities, expanded or enhanced existing ones, or facilitated local connections. Trails make communities better places to live by preserving and creating open spaces, encouraging physical fitness and healthy lifestyles, and strengthening local economies. This historic investment is one which will bring significant benefits to these communities for generations to come.

We have made substantial and important progress on so many of the different factors that drive economic development and remain committed to pushing the envelope and thinking about growth and success in new and different ways that meet the needs of this county. Our dedicated team works on your behalf each day, taking on new opportunities and challenges that come to grow our economy and develop vibrant neighborhoods.

Beaver County

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The Beaver County Corporation for Economic Development (CED) is continuing its efforts to promote and encourage the economic and general welfare of Beaver County. Currently, CED's efforts have been focused on expanding business development ventures in our business/industrial parks, our below market rate loan program designed to assist business growth and job creation, and the creation of an innovation hub titled the "B-HIVE' in Beaver Falls.

First, we have brought in two additional businesses to the Westgate Business Park. CED's spec building in the park is now fully occupied by Triumph Modular and R&R Pipeline.

R&R has expanded their operations, and Triumph Modular has established Beaver County as their Pittsburgh/Cleveland Headquarters.

CED also has a very successful below market rate loan program to assist local companies with their growth opportunities. In the previous fiscal year, the program closed on seven loans that totaled just over $1.8 million lent out. This assisted in the retention of 100 jobs and the creation of 26 jobs.

Lastly, CED received a Redevelopment Assistance Capital Program grant to perform renovations on the future location of the Beaver Valley Hub for Innovation, Venture, and Entrepreneurship. This grant is assisting CED in performing the renovations that total over one million dollars to ensure that the location is ready to house the B-HIVE and its programs that include coworking/flex space for entrepreneurs, a business accelerator that provides technical and creative support to local businesses, educational services for small businesses, a digital makerspace for local artists and innovators, and job training programs. CED held a "wall breaking" event that was attended by local government officials and community leaders from all organizations that are involved with bringing the B-HIVE initiative to life such as Penn State Beaver, Geneva College, the Community College of Beaver County, Job Training of Beaver County, and the Beaver County Chamber of Commerce. Construction has begun and is expected to be completed by the end of summer.

Butler County

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Collaboration is a large part of Butler County and the success that the County has had in recent years. The Butler

County Growth Collaborative was unveiled in the Spring of 2019 and since that time it has enabled our County Representatives to speak with one voice. The Growth Collaborative includes the Butler County Tourism and Convention Bureau, The Community Development Corporation of Butler County, the Butler County Chamber of Commerce, the Butler County Community College, the Housing & Redevelopment Authorities of the County of Butler. These and other Butler County entities are committed to "speaking with one voice" and showcase Butler County to prospective businesses and residents. "By speaking with one voice, we are committed to eliminating the duplication of services and providing current and prospective business owners with the information that is needed for them to relocate or expand in Butler County," stated CDC Executive Director, Joe Saeler.

The Capital Environmental Risk Transfer Alliance (CERTA) purchased the AK Steel Plant 2 property in late 2020. This 30-acre tract is adjacent to the Pullman Center Business Park. An environmental cleanup of the land took place and several of the buildings on the parcel were demolished. The CDC partnered with CERTA on conceptual plans for transforming the area into a business park for manufacturers. This site has all the utilities as well as rail access making it very attractive to manufacturing firms. Look for some announcements on the companies interested in relocating to this site soon.

Infrastructure improvements are also a vital component of Butler County's success. Work on the MSA Thruway was completed in Cranberry Township. The thruway will alleviate traffic delays on Route 228 and connect Interstate 79 to the Cranberry Springs Business Park.

Work on the Route 228 corridor in Middlesex Township is also continuing. The Balls Bend area will be reconfigured to accommodate growth in this area. New signals in the area will alleviate delays as the shops at the Middlesex Crossings Strip Mall begin to open.

The Community Development Corporation of Butler County is working with Petrolia Borough and Chicora Borough on stormwater and infrastructure upgrades in the northern portion of Butler County. Both boroughs received H2O grants to modernize their stormwater systems and the upgrades are set to begin in 2023.

Greene County

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Smart Sand, Inc. received a $1mm Redevelopment Assistance Capital Program (RCAP) grant in October 2022 to be used for excavation, construction of access roads, and rail upgrades for their transload facility in Waynesburg at the former prep plant site at Emerald Mine.

Another October RACP grant for $34,726 will support Waynesburg University's renovations to the first floor of the Stewart Science Building.

Strad Inc., a major gas and oil vendor, moved into their new office located in EverGreene Technology Park in Franklin Township. Their new office is a 12,000 square foot building located on two acres and their equipment area is adjacent to a 10-acre site.

Greene County commissioners continue to upgrade broadband throughout the county with additional grants from CNX ($1mm) as well as new matching funds for the overall project from Windstream Communications. This is in addition to federal broadband funds.

East Dunkard Water Authority received a state grant for $1,939,000 for a systems upgrade.

Work continues on the Wisecarver Recreation Facility located on 360 acres in Franklin Township with an 18.5-acre lake; and County grants were made for the Home Program, solid waste projects, EPA Brownfields and the Cares Act.

Indiana County

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Indiana County is located one hour east of Pittsburgh. It's a proven location for companies seeking excellent transportation infrastructure and a highly skilled workforce. The County's resources encompass a number of business parks, available office space, along with a strong community relationship with Pennsylvania State System of Higher Education, Indiana University of Pennsylvania, (IUP). IUP makes significant contributions to the workforce education and cultural strength of the region.

The Indiana County Development Corporation (ICDC) purchased the former Carriage House and Essex House apartment complex for a redevelopment opportunity. This 6.5-acre property may be aided by incentives available through the site's inclusion in a Federal Qualified Opportunity Zone, which encompasses most of Indiana Borough west of North and South Fifth Streets. A $2.5 million RACP grant was approved to redevelop the site. Interest in this attractive site remains high due to its strategic location and proximity to surrounding amenities, such as the University, Indiana Regional Medical Center, and the Jimmy Stewart Airport. Additionally, Local Economic Revitalization Tax Assistance (LERTA) has been approved to assist with abating local real estate taxes.

The Windy Ridge Business & Technology Park located at the intersection of US 422 and SR 286 in White Township has seen an uptick in site activity in recent months. Windy Ridge is a designated Keystone Opportunity Zone (KOZ) site through December 2029. The business park recently received a $1.5 million Redevelopment Assistance Capital Program (RACP) grant to prepare additional acreage for development.

The Corporate Campus Business Park is designated as a KOZ through December 2028. This location has pad-ready sites as well as office building space for sale or lease. Recently, with the release of a $1 million RACP grant additional infrastructure funds are being targeted to develop 16-acres within the park.

Office space is available with 25,345 square feet of net rental space available at the Corporate Campus Office Building. This is a multi-tenant office building located in the Indiana County Corporate Campus Business Park in Burrell Township.

At the 119 Business Park, located in Center Township, roadway construction is currently underway to access a 10-acre tract with the help of an Appalachian Regional Commission (ARC) grant, a Commonwealth Financing Authority (CFA) grant and County Liquid Fuels funding. A CFA Pipeline Investment Program (PIPE) grant in the amount of $1,491,402 was also received to construct the last few miles of natural gas distribution lines.

Various financial and tax incentive programs offer significant cost reductions for companies wanting to locate or expand in the County. Many of these programs offer capital at low interest rates and flexible terms. For more information, contact the Indiana County Center for Economic Operations at 724-465-2662 or visit, www.indianacountyceo.com.

Lawrence County

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Forward Lawrence's economic development group, Lawrence County Economic Development Corporation (LCEDC), continued to promote progress in business development with its government and business partners in 2022, received a PEDA (PA Economic Development Association) Program of the Year Award, and is in process of assisting more small businesses with a successful new loan program.

Stonecrest Business Park, a 200-acre site located in New Beaver Borough, continued to take shape in southern Lawrence County. The LCEDC successfully assisted the park developer, LaCarte Development Company, Inc., in receiving a $500k RACP (Redevelopment Assistance Capital Program) grant award to help fund construction of a 150,000 square foot multi-tenant building. Total project cost is estimated at $8 million, and construction begins this year. Another $7 million will be spent to complete sitework and the utility extensions. LaCarte estimates the park at final build-out can accommodate 1.5 million square feet of building space and employ up to 1,000 people.

With assistance from LCEDC, Steelite International secured its second RACP grant of $3.5 million to help fund the company's second warehouse expansion project. Warehouse construction is expected to begin in 2023 and is estimated to cost $7 million. This project retains 70 jobs in Lawrence County and creates 10 more.

Additionally, LCEDC secured a $1.5 million RACP grant that will be used to help Keystone Compliance expand. Keystone Compliance, an electronic regulatory compliance testing facility located in the city of New Castle, will acquire an additional building, add onto their existing building, and construct a new free-standing structure. The total expansion project is estimated to cost $3.5 million.

The International Brotherhood of Electrical Workers Local 712 Western PA Joint Apprenticeship Training Center in Neshannock Township, Lawrence County, is a 23,000 square foot, state-of-the-art training center which serves the continuing education needs of journeymen and apprentices for the IBEW Local 712. The LCEDC assisted in successfully securing three RACP grants totaling $3 million to fund the Apprenticeship Training facility and, as a result, received the 2022 PA Economic Development Association (PEDA) Program of the Year for work on the training program.

The LCEDC's new low-interest loan fund saw early success throughout Lawrence County. Opening on October 17, 2022, the LCEDC low-interest, SSBCI (State Small Business Capital Initiative) loan program generated four financing projects that were in the pipeline for review and approval at the close of 2022. The SSBCI loan program welcomes businesses from all sectors including manufacturing and industrial, retail, service, and more to apply for low-interest public financing. The program is designed to enhance bank or other private financing by offering to fund up to half the total project cost. Businesses considering a capital asset purchase project and need help financing the cost of land, building, new construction, renovations and used/new machinery and equipment can consider applying. Loans range from $5,000 to $250,000. Additional applications are expected throughout 2023.

Forward Lawrence began efforts to implement three of the recommendations from the Elevate Lawrence County economic development action plan in 2022. First, improving the esthetics and gateways at Lawrence County business parks commenced with the design of a prototype park entrance sign, designed by Cerebral Concepts. Final approval, fabrication, and installation of signs are slated for 2023. Secondly, pre-application for $90,000 in ARC (Appalachian Regional Commission) funding is in process for a feasibility study regarding the creation of an Entrepreneurial Center that would include a small-business incubator and makerspace. Finally, Forward Lawrence continues to provide the forum and informational updates to the League of Municipalities organized by the Lawrence County Planning Office to support the creation of a consortium of county communities for municipal planning, zoning, and development. Moving forward collectively starts here in Lawrence County.

Washington County

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In Washington County, private and public sector leaders appreciate the necessity of connectivity, especially as it relates to broadband access. That mindset will continue to catalyze growth in business and residential development and has been a primary focus in Washington County over the past six months.

However, this is only one of many aspects that contribute to the positive momentum and growth of Washington County's economy.

Washington County Authority has launched a signature initiative over the last year, a commitment to invest $50 million in broadband expansion for unserved and underserved areas around the county. The pandemic helped to accelerate an already increasing trend of telecommuting, hybrid or remote working arrangements which was already being experienced across the business community and Washington County recognized the need for increased broadband access and investment. The widespread work-from-home requirements and remote schooling activity reinforced the need for increased connectivity in the county. Currently in the second phase of a multi-phase project to reach these un-and-underserved areas, the increased connectivity will continue to encourage opportunity, as well as additional residential and business growth across Washington County.

On the theme of connectivity, infrastructure investment is another priority in Washington County. One such investment is the new Southern Beltway segment from Route 22 to Interstate 79, just north of Southpointe Business Park. When the fully completed ramps connecting to both north and southbound I-79 opened in summer 2022, this infrastructure investment by the Turnpike Commission provided convenient access to a whole new area for development in the northwestern portion of Washington County. Nowhere is that more evident than the Fort Cherry Development District in Robinson Township. This mixed-use project is in the first stages of utility and road development and the long-term projections for this light industrial and flex business park will make it the largest business park in Washington County by developed land area when completed. It is an exciting start to realizing the potential created by this generational investment in the county's transportation infrastructure.

While the office market remains mixed, it is the market that will ultimately determine what the future looks like at Southpointe and other office developments. The fundamental changes to how businesses and employees utilize remote and hybrid working environments, however, are clear. Although the resolution is unknown, the county remains bullish on the properties in Southpointe and even in proposed projects like Cool Valley, a mixed-use park currently under development in Cecil Township. These parks are well positioned to respond to the market and reconfigure or reimagine the best uses because of the strategic advantages of the county (and region). The convenient interstate access to major north/south and east/west arteries and the county's location within a day's drive of nearly 50 percent of the U.S. and Canadian populations, leaves the county well-positioned to capitalize on whatever the future holds.

The impact and success of the tourism industry in Washington County remains a key piece of the economic mix. State data ranks Washington County second in the region in key tourism indicators and this impactful industry supports thousands of jobs and hundreds of millions in direct and indirect visitor spending. The wide variety of sports and outdoor recreational facilities that bring visitors of all ages to the county helps emphasize the county's inviting environment as a great place to live and raise a family. The county's green space and "country charm" is a key benefit for visitors, particularly the county park system and rails-to-trails assets. In addition, major investments in improving the visitor experience, like the new Barstool Sportsbook at Hollywood Casino at the Meadows, the Liberty Pole Spirits campus distillery project, and the Pennsylvania Trolley Museum's Welcome and Education Center continue to grow this important sector. The county is also home to several major events each year that attract people to the county, including the Washington County Agricultural Fair - the oldest fair in Pennsylvania, which will celebrate its 225th Anniversary this summer – as well as the West Alexander Fair, and the Canonsburg Fourth of July parade. These are just a few examples of the premier events that attract hundreds of thousands of visitors every year to the county.

Energy and manufacturing also continue to be major economic drivers in the county. Washington County receives the most impact fee revenue and remains one of the top natural gas producing counties in the Commonwealth. This positively impacts the county in many ways - provides family sustaining job opportunities, royalty payments, and impact fee revenues to support important county priorities, such as infrastructure projects, county park improvements, and rails-to-trails development. On the manufacturing side, the county continues to cultivate a diverse mix of manufacturers, including the Perryman Company, which announced a major expansion of its titanium melt operations and die forge press at their California Technology Park facility.

Overall, this is an exciting time in Washington County, with positive momentum on many fronts including broadband infrastructure, energy development, manufacturing, and tourism. As we like to say in Washington County, the power to prosper is right beneath our feet and we invite you to join us.

Westmoreland County

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Development continued at a brisk pace in Westmoreland County in the latter half of 2022. To meet the demand for industrial real estate and to replenish its portfolio of properties, the Westmoreland County Industrial Development Corporation broke ground on Phase II of development at Westmoreland Distribution Park North in October and made significant headway through the rest of the year. This project will transform raw land into three lots with pad-ready sites of 21.4, 10.4 and 4.1 acres. We project that this expansion — which will be completed by summer of this year — will be able to accommodate up to 625,000 square feet of building space. The East Huntingdon park has available two other lots with a combined pad area of approximately 14.4 acres.

Also in October, county leaders celebrated multiple economic development projects with a ribbon-cutting for Commerce Crossing at Westmoreland business park. Though the 125-acre park opened just last year, four of its five lots already are under agreement; the remaining available lot has a 9.8-acre pad site with rail-spur connectivity. The ribbon-cutting was held in the first facility to be built in the park — Commerce Crossing Business Center, Al. Neyer's new, 250,200 square foot Class-A Distribution Center — and dozens of officials, economic-development professionals and media turned out for the event.

The ribbon-cutting also celebrated the completion of a $92.8 million PennDOT project to improve a stretch of I-70. That project is part of a larger, $934-million effort to modernize I-70 from the West Virginia border to New Stanton, where I-70 intersects with the Pennsylvania Turnpike. Less than a mile from that interchange is the site of the largest project currently under way in the county — SunCap Property Group LLC's development of a 1 million square foot warehouse for an unspecified client. The facility is expected to support approximately 600 jobs and serve about 180 trucks a day. The $120 million project got off to a quick start in December of 2022 on pace to be finished by the end of 2023.

Neyer also was busy in Westmoreland Technology Park II in late 2022. After closing on a 14.79-acre lot in August, the company made significant progress on its Hempfield Commerce Center- Building 2 project in late 2022. The 150,231 square foot modern warehouse is expected to be completed in summer 2023. It is adjacent to a nearly identical facility that Neyer completed early in 2022 and sold to Flynn's Tire Co. in December. The Flynn's Tire Warehouse operation has approximately 40 employees.

In August, PennDOT, the Pennsylvania Turnpike Commission and the Regional Industrial Development Corporation announced a partnership to build a $20 million, state-of-the-art test track and research facility at RIDC Westmoreland Innovation Center. The Pennsylvania Safety, Transportation and Research Track — dubbed PennSTART – will benefit emergency responders, transportation technology companies and research institutions while supporting the local economy. In addition to supporting the testing and development of automated vehicles, PennSTART will address safety, training, and research needs in key areas that range from traffic-incident management to commercial and transit vehicles to other emerging technologies.

The PennSTART, Distribution Park North and Technology Park II projects are all taking place in the hub of industrial parks around RIDC Westmoreland in East Huntington Township. About 16 miles north of there — in Delmont, at the intersection of Route 22 and PA Turnpike 66 — progress was made in 2022 on the 300,000 square foot warehouse and office facility being built for Frank B. Fuhrer Wholesale Co., the region's largest beer and drink distributor. The company expects the facility, its second, to be completed by the end of 2023.

(From left) Ross Langford, Alex Caro, Ashley Koltonski, Caroline Muse, Giovanna Brown, and Mikayla Mucci from CBRE at the NAIOP holiday party.

(From left) NAIOP Executive Director Brandon Mendoza, NAIOP Pittsburgh Board President Brandon Snyder from Al. Neyer, and Past President Jamie White from LLI Engineering.

(From left) Workscape's Amie Piz, Ann Sekely from McKim and Creed, Rachel Sweetland from AE Works, and Rob Giles from Dobil Laboratories.

(From left) BSRE's Ruby Scalo, Shannon Rometo, and Angela Gillott at the NAIOP Ski Outing at Seven Springs.

(From left) Justin McCall from McGrath McCall, Derek Markle from Meyer Unkovic & Scott, McGrath McCall's Kristen Penn, CBRE's Anthony Rossi, and Meyer Unkovic's Amanda Daquelente at the NAIOP Pittsburgh new member reception on March 9.

(From left) David Caliguiri from the Caliguiri Group, Allegheny County Executive Rick Fitzgerald, and Kevin Kinross from the Carey Group at the 2022 Night at the Fights.

(From left) Desmone's Ingrid Spear, Mitchell Ford, and Jake Heaton.

Bridging the Gap's Derrick Tillman (left) with Emeka Onwugbenu from E Properties and Development at the March 16 NAIOP Pittsburgh chapter meeting focused on multi-family.

(From left) CBRE's Mamadou Balde, Red Swing's Matt Smith, Tysen Miller from KU Resources, and Joe Johnson from Alpha Capital.

RIDC's Kelsey Kanspedos (left) and JLL's Jason Stewart at the NAIOP Developing Leaders tour of The Assembly.

(From left) Genfor's Connor Jangro, Victor Konno from BSRE, Oxford's Drew Martz, and Nick Scalo from BSRE.

(From left) Al. Neyer's Sam Willis, Gary Lasterty, and Alison Arnone.

Newmark's Jessica McKinney (left) and Austin Koch at the NAIOP/ Pittsburgh Regional Alliance Real Estate Breakfast.

Michael Galet from Gateway Engineers (left) and Rachel Barone from ECS Mid-Atlantic.

(From left) Matt Smith from the Allegheny Conference, NAIOP Pittsburgh's Brandon Mendoza, Lt. Governor Austin Davis, Chuck Betters from C.J. Betters Enterprises, and Allegheny Conference CEO Stefani Pashman.


WASHINGTON COUNTY, PENNSYLVANIA
AT THE CROSSROADS OF OPPORTUNITY
FOCUS ON PUBLIC-PRIVATE PARTNERSHIPS FOR ECONOMIC GROWTH
WITHIN 500 MILES OF 50% OF THE U.S. POPULATION
CONTINUED INVESTMENT IN INFRASTRUCTURE AND WORKFORCE DEVELOPMENT
PITTSBURGH INTERNATIONAL AIRPORT
PITTSBURGH
TO WEIRTON, WV
STARPOINTE BUSINESS PARK
SOUTHPOINTE BUSINESS PARK
WASHINGTON
DONORA INDUSTRIAL PARK
ALTA VISTA BUSINESS PARK
SPEERS INDUSTRIAL PARK
TO NEW STANTON, PA
CALIFORNIA TECHNOLOGY PARK
TO UNIONTOWN, PA & THE LAUREL HIGHLANDS
TO WHEELING, WV
TO WAYNESBURG, PA & MORGANTOWN, WV