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BUTLER COUNTY UPDATE

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PUBLISHER'S NOTE

There is an adage about good leadership/management/parenting that goes, "catch people in the act of doing something right." I have occasionally pointed out the opposite when reflecting on the role of local and state government in real estate and construction, so I want to take the opportunity in this column to catch Butler County in the act of doing economic development right.

The feature article in this edition of BreakingGround is an update on the Butler County market. As we typically do when focusing on a geographic market, we spent time talking to the elected and appointed public officials about what is happening in their backyard. This brought the usual benefits of learning about projects and trends that we would not have otherwise. But, listening to the leaders in Butler County also brought the realization that local government there was doing a lot right.

Butler County has a number of advantages that other counties in the region do not. It has lower taxes. Three busy interstate highways run through Butler County. Two of those intersect in the southwestern corner of the county. Most of the people living in Butler County are within 30 or 40 minutes of many of the lifestyle amenities of Pittsburgh. As Butler County Commissioner Kim Geyer notes in the feature, they get the benefits of city living without living in a city. And for all the buzz about the energy and coolness of urban living, it is worth remembering that there is a big slice of the population that is not enamored of city life. Butler County's consistent population growth for four decades is solid evidence of that.

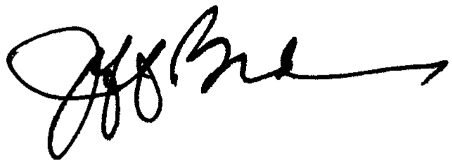
I say all that to note that it is not 100 percent fair to compare what Butler County's leaders are accomplishing to what the leaders in the City of Pittsburgh or Allegheny County are trying to accomplish. With that disclaimer posted, there are some things about how Butler County is working that are making a difference.

First and foremost is the level of private sector leadership in county government. Butler's county commissioners created some key roles that are being played by business and institutional leaders. The commissioners reorganized the county's planning and economic development departments to ensure they were both focused on growing jobs in Butler County. The head of the county planning is a retired AK Steel executive named Mark Gordon. He has taken the planning function and organized it as if it were a business. He brought a solutions orientation to the work that has transformed how his bosses, the county commissioners, think about economic development.

An example that is discussed in the feature is the Gateway 228 project, which involved more than $100 million in improvements to the Route 228 corridor that has seen massive commercial development over the past 30 years. Butler County officials had worked for at least that long on getting the project – in one iteration or another – onto PennDOT's 10-year plan, from which the project had never come to construction. Gordon suggested that the county's goal should be getting the project completed, not getting onto a PennDOT list. Ignoring the advice of regional and state officials, Gordon led an effort that collected the input of corporations and local municipalities, building a collection of funding sources (and support) that allowed Butler County to apply for a federal BUILD grant with half the funds in its pocket. The government was asked to fill the gap. The result was a project that U.S. Transportation Secretary Elaine Chao said was the top-rated project in the program.

As I listened to Gordon, Geyer, Butler CDC's Joe Saeler, and others talk about what was being done to grow Butler County's economy, I was struck by how broad the coalition of leaders working on the problems was. The current group of county commissioners removed some of the silos of county government, and then the leaders flattened the organizations further. It reminded me of the effort to pass Act 89 in 2013. (Yes, it has been that long!) Act 89 passed because employers and labor were on the same side, and multinational CEOs were willing to call legislators to urge support. Butler County is taking a similar approach to many of its problems, using what works on one problem on others.

Butler County is not Shangri-la. The growth engine of the county since the 1980s has been the Cranberry area, which has an economic base that is quite different from the long-time economic drivers of the county, farming and oil and gas. The politics of the old and new economies are different, and there are – and will be – frictions from that reality that derail progress. The county commissioners – Geyer, Kevin Boozel, and Chair Leslie Osche – seem to be happy to share the credit for what is accomplished. It is a leaner form of government that welcomes, or at least accepts, help from parties that cannot possibly agree on all issues. That may not be possible in places that are less homogenous than Butler County, but it seems worth the try.



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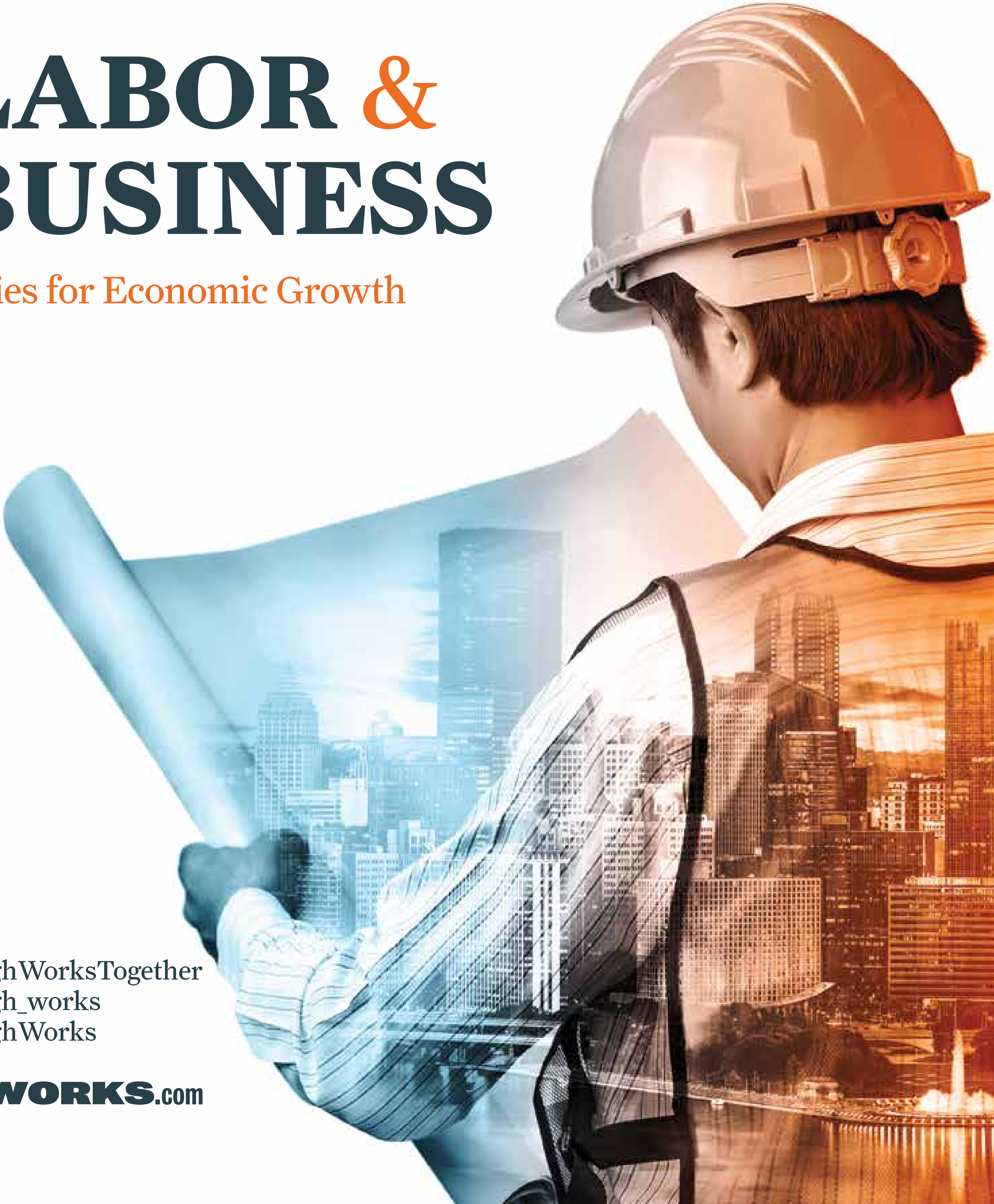

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REGIONAL MARKET UPDATE

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Through the first three quarters of 2024, the bifurcation of the residential and nonresidential/commercial sectors has widened, as the election year slowdown drags on the latter and the promise of lower financing costs boosts the former.

According to the Pittsburgh Homebuilding Report, there were permits issued for 1,539 single-family detached and 698 single-family attached units in the six-county metro Pittsburgh market from January through September. That represents an increase of 3.6 percent in total single-family homes compared to the first nine months of 2023, primarily because of a 10.2 percent jump in new detached units.

Construction of multi-family units boomed compared to a year earlier. From January through September 2024, construction got underway on 2,507 apartment units, an increase of 209.4 percent from the same period in 2023. New construction activity through three quarters of 2024 outpaced the full year of 2023 by more than 1,000 units.

Total new construction was 61.1 percent higher, with 4,744 units started compared to 2,945 a year earlier. Total spending on residential construction in Pittsburgh jumped 64.6 percent year-over-year through September 30, totaling $1.51 billion.

Demand for new apartments remained strong, pushing rents slightly higher (up 1.3 percent year-over-year) in Pittsburgh while rents nationwide have softened. New multi-family construction dipped below the 10-year averages in both 2022 and 2023 – counter to the national boom – leaving deliveries of new units below the level of demand for the past year or more. With the growing certainty that long-term financing rates will be closer to five percent by 2026, developers are more comfortable starting new projects in Pittsburgh in 2024. The new construction is still largely focused on the urban fringe neighborhoods – especially Lawrenceville and the Strip District – but there are nearly 1,000 units underway in suburban markets.

The recent Comprehensive Housing Market Analysis for Pittsburgh done by the Department of Housing and Urban Development (HUD) offers good insight into the reasons for the durability of demand for multi-family housing. Based upon consensus population and employment forecasts, HUD estimates that 10,500 new households will be formed in the three-year period beginning in May 2024. Using historical household formation-to-housing demand ratios for Pittsburgh, HUD forecasts that the demand for new homes will increase by 10,450 by May 2027. Currently, there are fewer than 1,500 homes for sale under construction. With demand for new homes growing at almost three times the rate of new construction, a greater share of new households will be renters.

HUD estimates the demand for new apartments will be 8,975 units for the three years ending in May 2027. As of October 1, 2024, the Pittsburgh Homebuilding Report showed approximately 3,700 multi-family units were under construction, two-thirds of which will not be delivered to the market until 2026. Nearly 6,200 units were in the pipeline, either as fully entitled or seeking approvals.

The supply constraints reported by HUD will boost multi-family absorption above historical levels and support more development, especially with borrowing costs falling and rents continuing to grow.

Activity slowed noticeably at the end of the third quarter for nonresidential/commercial projects. Instead of the typical post-Labor Day surge in bidding, estimators reported a significant slowdown in the first three weeks of September.

The slowdown in bidding opportunities, coming on the heels of the typically slower summer activity, created a more competitive bidding environment, at least as measured by the public bids opened. Three major projects that bid since Labor Day – the $100 million Uptown-to-Oakland Loop of the Bus Rapid Transit System, the $34 million ALCOSAN Solids Thickening and Dewatering Improvements, and the $35.4

3-Year Housing Demand Forecast

		Sales Units	Rental Units
Pittsburgh HMA	Total Demand	10,450	8,975
	Under Construction	1,425	3,350

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2024. The forecast period is May 1, 2024, to May 1, 2027.

Source: Comprehensive Housing Market Analysis for Pittsburgh, PA, U.S. Department of Housing and Urban Development.

Q3 24 - PITTSBURGH OFFICE MARKET SUMMARY

Rank	Submarket	Market Size (SF)	Average Rent PSF	% Change by Quarter	Vacancy Rate	% Change by Quarter
1	CBD	27M	$27.43	0.66%	18.70%	8.02%
2	Greater Downtown	11.5M	$25.12	-2.15%	15.30%	-5.23%
3	West Pittsburgh	11.1M	$23.56	0.17%	23.56%	1.10%
4	North Pittsburgh	9.5M	$22.43	-0.62%	14.80%	3.38%
5	East Pittsburgh	6M	$19.58	-1.17%	17.10%	-3.51%
6	Washington County	5.1M	$22.63	-0.04%	16.40%	-6.71%
7	South Pittsburgh	3.7M	$20.68	-1.45%	5.40%	-9.26%
8	Oakland	3.6M	$24.96	-3.33%	8.60%	-33.72%
9	East End	3.5M	$29.63	-0.30%	19.20%	-10.94%
10	Westmoreland County	2.3M	$17.96	-1.95%	13.10%	4.58%

PITTSBURGH MARKET STATS

20 SUBMARKETS

85.2M INVENTORY SF

$24.40 ASKING RENT

19.7% AVAILABILITY RATE

Source: Hanna Commercial Real Estate Office Market Report.

million PennWest California Science Building – all came in under budget.

The latter two projects bid at less than 90 percent of the published estimates. Given the unusual level of escalation since 2021-2022, it is possible that designers have overcompensated when preparing estimates; however, the lack of bidding opportunities has historically created an environment of lower-margin bidding. Contractors typically look to build backlog in the fall and winter, which heightens the competitiveness in the market.

Nonresidential/commercial construction activity remained strong through the third quarter, despite the decline in bidding; however, the pipeline of projects awaiting final approval suggests that the volume of starts should be much higher. Some of the current construction activity can be attributed to projects that were awarded in 2023 (or earlier) but did not start because of difficulties getting to the budget or because the projects were contracted during the design phase. Through the first nine months of 2024, $3.36 billion was started, including the construction put in place at the UPMC Heart and Transplant Hospital. That is $200 million, or six percent, higher than for the same period in 2023.

The major commercial real estate service companies released their reports on the Pittsburgh market through September 30. There were few surprises, although the industrial market seems to be recovering more quickly than expected.

Colliers Pittsburgh reported that the industrial property vacancy rate ticked up 10 basis points from July 1 to 6.4 percent. That vacancy rate was 10 basis points lower than Colliers was reporting at the beginning of 2024. The same report put the average asking rent at $7.29 per square foot, an increase of 27 cents per square foot from the second quarter. Newmark reported that the industrial vacancy rate was 6.9 percent overall, with the Class A vacancy rate falling to 5.6 percent. Its research on absorption found a net gain of 289,156 square feet. According to Genfor Real Estate, there is 9.7 million square feet available regionwide, with nearly 54 percent of the new speculative product delivered since 2022 leased. Genfor also reported that more than 2 million square feet of new industrial space,

and roughly 1.4 million square feet of spec development, is in the planning stage.

On the office front, conditions continue to be weak; however, all the metrics are showing some stabilization and some slight improvement. One of the improvements is technical, as the removal of First and Market and the Gulf Tower from the office data set reduced the available inventory. JLL cited the inventory reduction as the reason the downtown vacancy rate was 19.5 percent, compared to its overall reported rate of 21.33 percent. Even with the reduction in inventory the total available office space remained just below 20 percent. CBRE pegged the overall vacancy rate at 15.6 percent; Hanna Commercial reported that the overall availability rate was 19.7 percent; Colliers Pittsburgh showed the vacancy rate at 15.8 percent. Cushman & Wakefield reported a vacancy rate of 16.9 percent, with 1.27 million square feet of space still available for sublease. Newmark, which excludes owner-occupied space (like Tower at PNC Plaza) from its inventory, reported the overall vacancy rate as 24.5 percent.

The data on net office absorption was unusually mixed with the major real estate firms split on absorption trends in Pittsburgh for 2024, mostly due to the lack of new construction and timing. Leasing activity is much improved, but occupants are still trending towards smaller spaces when leases expire. The prevailing trend towards new leases versus renewals in place is continuing, as is the trend of older buildings with fewer capital improvements struggling to retain or attract tenants.

A transaction in September may have provided a glimpse of how the Pittsburgh office market will ultimately unfold. The owners of 11 Stanwix Street sold the property in a transfer of deed in lieu of foreclosure, effectively an exchange for the balance due on the loan. 11 Stanwix Steet was not a building in distress. Millions have been invested in updating it and the new owner pledges millions more for additional amenities. The problem with the building was the loan was coming due in vastly different and unfavorable financing conditions than when it was made prior to the pandemic. By all accounts, the new owners acquired the building from the lender at a "steep discount" and will be getting a property that is nearly 90 percent occupied with mostly new lessees.

Over the next year, as long-term interest rates fall closer to five percent, the opportunity for buyers to purchase buildings like 11 Stanwix Street will increase. Lower rates will mean discounts will not be as steep and lenders can move nonperforming loans off their books with less pain, without triggering a credit crisis. Residential conversion may help repurpose a few buildings, but more properties that are struggling will end up with new owners. Lower rates will help that happen sooner rather than later.

Looking towards the start of 2025, there should be a continued upswing in commercial projects, primarily multi-family, and progress on several of the larger projects in the pipeline.

Esplanade, the large multi-phase $740 million mixed-use development planned by the Piatt Companies for the North Side, was presented to the Pittsburgh Planning Commission in mid-October. Early site work should begin in the first quarter of 2025 for the first phase, which includes nearly 100,000 square feet of retail and entertainment space, a 304-car garage, 408 units of multi-family, and the iconic Ferris wheel. Mascaro Construction has been handling the preconstruction phase.

The conversion of the Gulf Tower is scheduled to get underway in the first quarter of 2025. The building's owner, Rugby Realty, is converting a portion of the building into 226 apartments. Rugby's development partner on the project, Left Lane Development, will be converting a portion of the building into a 130-room upscale Hotel Bardo. PJ Dick Inc. is the $120 million project's general contractor.

Rycon Construction expects to start site work in early spring on the $140 million Allegheny Health Network South Hospital in Canonsburg. West Virginia University Medicine has a similar timeline for PJ Dick to begin the early work on its $155 million Eye Institute in Morgantown.

There should be some attractive public bidding opportunities in the fourth quarter of 2024 and early 2025. The $25 million second phase of Hampton Township High School's renovations is scheduled to bid in March 2025. Quaker Valley School District has received municipal approval for its new $72 million high school, which the district says will bid in the spring.

Two other major K-12 construction projects are moving through the design development phase towards bidding

New Residential Construction Jan-Sept 2024				
	#SFD	#SFA	M/F	Total
Metro Pittsburgh 2024:3	1,539	698	2,507	4,744
Metro Pittsburgh 2023:3	1,396	764	785	2,945
% Change	10.2%	-8.6%	219.4%	61.1%
By County	SFD	SFA	M/F	Total
Allegheny	578	226	2,435	3,239
Beaver	128	8	24	160
Butler	417	263	48	728
Fayette	30	2	0	32
Washington	246	125	0	371
Westmoreland	140	74	0	214

Source: Pittsburgh Homebuilding Report.

Site work on the first phase of the $740 million Esplanade development should get underway in early 2025. The rendering of the completed Esplanade is by AE7 Architects. Use courtesy of Piatt Companies.

later in 2025. The revised program for Hempfield Area School District's $130 million high school addition and renovation has been reviewed and approved for design by Crabtree Rohrbaugh & Associates. Cannon Design is working on a major renovation and addition to realign Seneca Valley Intermediate High School and High School. The $100 million-plus project should bid in the third or fourth quarter of 2025.

The major drivers of construction in Western PA since the pandemic have been mega projects, and new buildings at the region's universities and healthcare systems. Construction at the airport will continue through September 2025, and at the UPMC Heart and Transplant Hospital through 2026. But the hospital systems will be concentrating on infrastructure upgrades and major new facilities, like the Heart and Transplant Hospital and Allegheny Health Network's new cardiovascular tower and new South Hills hospital in Canonsburg, rather than major clinical projects. Likewise, Pitt and Carnegie Mellon are both in a lull while two major buildings each are completed.

Despite the third quarter pre-election slowdown, construction activity is on pace to match the $4.4 billion forecast for the full year of 2024. Contractor backlogs have begun to fall but the pipeline of work is ample to allow backlogs to replenish by early 2025 *(Continued on p.72)*.

BreakingGround

2025 Editorial Calendar

Jan/Feb	**Closing December 13, 2024**	**The Big Picture: Project Delivery**
March/April	**Closing February 19, 2025**	**Energy**
May/June	**Closing April 23, 2025**	**K-12 Market Update**
July/August	**Closing June 18, 2025**	**What's Hot?**
Sept/Oct	**Closing August 27, 2025**	**Retail Market Update**
Nov/Dec	**Closing October 20, 2025**	**Fayette County**

Artwork deadlines are seven days following closing.

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NATIONAL MARKET UPDATE

September now appears to have marked a change in the business cycle for the U.S. Data on inflation, unemployment, and hiring suggests that the prevailing trends of the past two years have given way to stable prices and slower growth. Interest rates have begun to fall. Recession avoidance is now a greater concern than reinflation.

The Employment Situation Summary for August, which was announced on September 6, marked a significant tipping point in how the labor markets were being perceived by policymakers. While the report contained some good news – unemployment slipped back to 4.2 percent, for example – the headline new payroll number of 142,000 jobs was disappointing. Moreover, the continued downward revisions for previous months' estimates brought the three-month moving average down to 116,000 jobs. That is a decline of more than 500,000 jobs from the three-month moving average of December 2021. And the number of full-time jobs declined from July to August 2024.

(A note of explanation about the downward revisions: the response rate for the employer and household surveys that drive the Employment Situation Summary has plummeted over the past five years, making the corresponding estimates less reliable. Revisions of more than 20 percent, both upward and downward, have become commonplace.)

Source: U.S. Department of Treasury.

Job gains beat economists' expectations in September, when employers added 254,000 jobs; however, there was little in the report that indicated that there was a reversal of the softening conditions. The most positive data from the October 4 report were the decline in unemployment to 4.1 percent and the continued slowing of wage growth, which remains roughly one percent higher than the rate of inflation.

At the Federal Reserve Bank's annual summit in Jackson Hole, Wyoming, Chair Jerome Powell spoke clearly about the central bank's intentions. After signaling that the unemployment trend was surpassing the inflation trend in importance for several months, Powell was explicit that further cooling in the labor market was unwelcome. With core inflation falling below a 2.5 percent annual rate, the path is clearer for the Fed to ease off the brakes on the economy. The 0.5 percent cut in the Fed Funds rate at the September Federal Open Markets Committee (FOMC) meeting seemed to surprise the markets, but it was in line with the expectations Powell set at Jackson Hole. The updated forecasts that were released after the FOMC meetings indicated that the Fed would cut rates further this year and by as much as two percentage points by the end of 2025. As of early October, the spread between the Fed Funds rate and the annual rate of inflation was roughly three percentage points, giving the central bank plenty of room to cut before approaching a neutral rate.

The consensus forecast for the Fed Funds rate at the end of 2025 is now 3.25 percent, which would put long-term borrowing rates near five percent, roughly 1.5 to 2.0 percentage points lower than those rates are currently. A decline of that magnitude will be welcome for lenders and borrowers and will likely precipitate the re-balancing needed in commercial real estate before an expansion cycle of development can occur. Just as important, such a decline will ease pressure on household finances, particularly for consumers who have run up higher balances on revolving rate credit.

It is worth noting that neither the economic forecasts, FOMC meeting notes, nor Powell's remarks suggest a path for a Fed Funds rate that falls below three percent. Borrowers are being signaled that the "normal" the central bank seeks to return to will not be one where mortgage rates fall below five percent.

The moving three-month average for jobs added has fallen by 500,000 compared to the post-pandemic high in early 2022. Source: U.S. Census Bureau, Department of Labor.

The bad news about the easing monetary policy is that similar pivots in the past have coincided with recessions. It is nearly impossible for central banks to time the braking and easing precisely enough to avoid economic downturns. Indeed, such a soft landing has not been achieved in more than a generation. The lag in data on unemployment and layoffs means that policy makers do not have the signals that the economy has slowed to a recession until after one has occurred. In fact, the reversal of the inverted yield curve, when long-term interest rates fall below short-term interest rates, has almost always occurred after a recession is underway. Short-term rates moved lower than long-term interest rates in September for the first time in almost two years.

A recession is not a good economic event, but with the Fed shifting to cuts ahead of elevated unemployment and major credit problems, there is a better chance that any slowdown in 2025 will be milder than normal and short-lived. In explaining the rationale behind the 50-basis point cut on September 18, Powell noted that the FOMC believed that cutting while unemployment was still low would preserve the current strength of the labor market and avoid future cuts in reaction to a rapid rise in unemployment.

Economic activity is thus far showing little signs of a looming recession. Gross domestic product (GDP) growth continues to run ahead of last year's pace. The latest estimate of second quarter GDP growth was revised to 3.0 percent following an increase in consumer spending from 2.3 to 2.9 percent. First quarter GDP growth was only 1.4 percent, but more robust spending has boosted consensus forecasts for the full year to 2.4 percent.

Other indicators have, however, been signaling slowing throughout 2024. The Job Openings and Labor Turnover Survey (JOLTS) for September showed a hiring pace that has slowed to a decade-long low and was just 300,000 positions more than the level of separations. The share of the workforce quitting jobs was 1.3 percent, the lowest since June 2020.

Both initial insured unemployment claims and continuing unemployment claims are range-bound for more than a year. First-time claims remain between 215,000 and 220,000 each week; and continuing claims for unemployment have remained at 1.8 million since late summer 2023.

The manufacturing sector contracted in July for the fourth consecutive month and 20th month of the last 21, according to the Institute for Supply Management (ISM). Its Procurement Manager's Index was 46.8, down from June. Virtually all manufacturing indicators – new orders, backlog, production, employment, raw materials inventories, exports, and imports – were contracting compared to the previous month and quarter.

Construction spending fell in August for the third consecutive month. Total U.S. construction spending was $2.13 trillion, annualized, in August, the most recent month tracked by the Census Bureau. Total spending had not declined for three consecutive months since the lockdown months of the pandemic in spring 2020. Prior to that, spending had not fallen for three consecutive months since February 2011.

Pullbacks in both private residential (-0.3 percent) and private nonresidential (-0.1 percent), dragged down the overall spending number. Total private construction fell by 0.2 percent to $1.64 trillion, while public spending edged 0.2 percent higher to $469.8 billion. Among the sectors with at least $100 billion in annualized spending, manufacturing plants (up 18.1 percent year-over-year) and power projects (up 7.6 percent) were up significantly. Private commercial project spending led the declining sectors, off 13.4 percent compared to August 2023.

Housing starts hit an annualized 1.345-million-unit level in September. That was a decline of 0.5 percent from August and 0.7 percent from a year earlier. A drop in multi-family starts accounted for the lower rate of construction, as single-family starts increased by 2.7 percent to 1.027 million units.

The housing market should be an early beneficiary from lower interest rates. Indeed, the average fixed-rate 30-year mortgage fell to just above six percent following the September rate cut. That is 1.5 percentage points lower than May 2024. Lenders report that mortgage applications, and refinancing, are up since then and they expect to see further

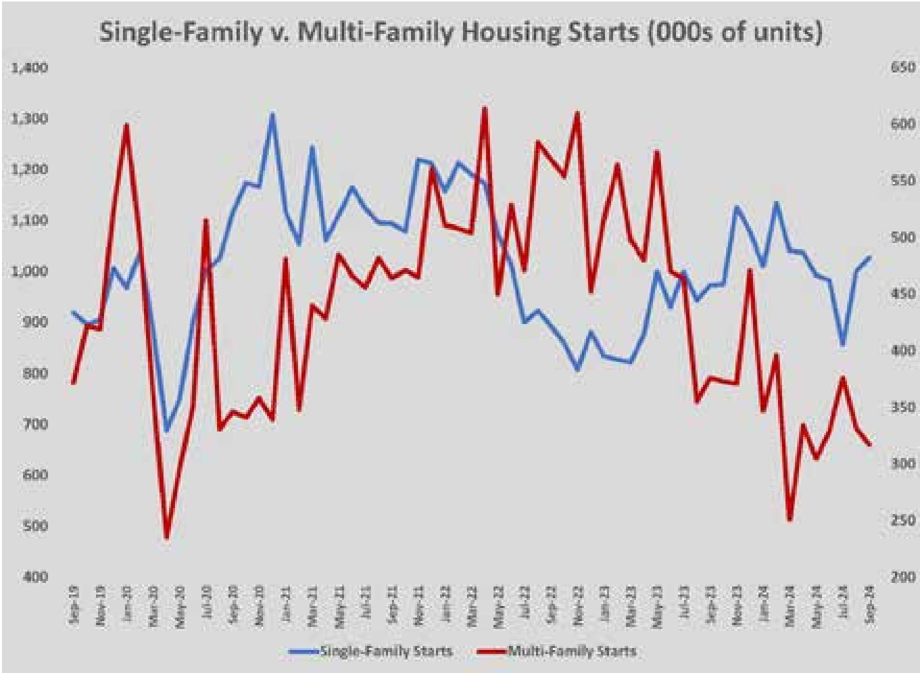
Core consumption inflation retreated to 2.5 percent by mid-year and the most recent months' data indicates further disinflation by year's end. Source: Bureau of Labor Statistics, Federal Reserve Bank of St. Louis.

increases as rates move closer to five percent next year.

Lower rates will not significantly boost home buying and homebuilding, however, unless more homes enter the market. August's existing home sales fell back to an annualized rate of 3.86 million homes, roughly the same as the cyclical bottom in October 2023. The culprit is low inventory. Even with recent increases to the inventory of homes for sale, at 1.2 million homes the inventory was 26 percent lower in August than in August 2019. More sellers will need to be willing to trade pre-COVID mortgage rates for current rates to boost the inventory and relieve the upward pressure on prices.

New home construction also suffers from lack of inventory in developed lots. Lower mortgage rates will improve demand, especially from first-time buyers, but the headwinds for new residential development have not eased. Higher site development costs, stifling regulations, and tepid interest from lenders in new residential development (which is a commercial loan) will keep the inventory of new homes for sale from offering relief to home buyers through 2025 at least.

Heading into the fourth quarter, economic activity reflected the typical pre-election caution. It will be well into the first quarter of 2025 before we begin to see the reaction, if any, to the presidential and Congressional elections. What has become clear is that the U.S. consumer and business owner have fared better in the face of a global pandemic than might have been expected. Thus far, the economy has recovered from all the policy responses to the pandemic and post-pandemic periods. By mid-2025, we should know if the final post-pandemic challenge – a soft landing – was achieved. BG



Construction of single-family homes strengthened in September, while multi-family starts slowed. Source: U.S. Census Bureau, Federal Reserve Bank of St. Louis.

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WHAT'S IT **COST?**

Against the backdrop of the dramatic swings in pricing since 2021, data on construction costs for the third quarter of 2024 suggests that the marketplace is in a period of predictable escalation.

September's data on producer prices confirmed the recent reversal in trend for escalation. After declining on a year-over-year basis for the first six months of 2024, the PPI for new nonresidential buildings was up 1.2 percent compared to September 2023. That matched the escalation rates of July and August. Such a low rate of price inflation is still good news for an industry that suffered a steep spike in escalation for nearly two years; however, there is evidence that the overall rate of escalation may accelerate as the year ends.

To some degree, the higher rate of year-over-year escalation will be due to a declining basis from 2023, when disinflation was cooling the market at a more rapid rate. But there are more material categories increasing faster than the overall escalation rate than those that are declining. In part, the rate of escalation is being constrained by double-digit decreases in energy and steel costs compared to a year ago. The price of #2 diesel fuel was 36.1 percent lower year-over-year and steel mill products were off 12.3 percent. Lumber is also lower, although only by 1.6 percent. Should diesel and steel prices turn higher, construction escalation will also. The good news is that market conditions for neither basic commodity are trending towards greater demand than supply as the year winds down.

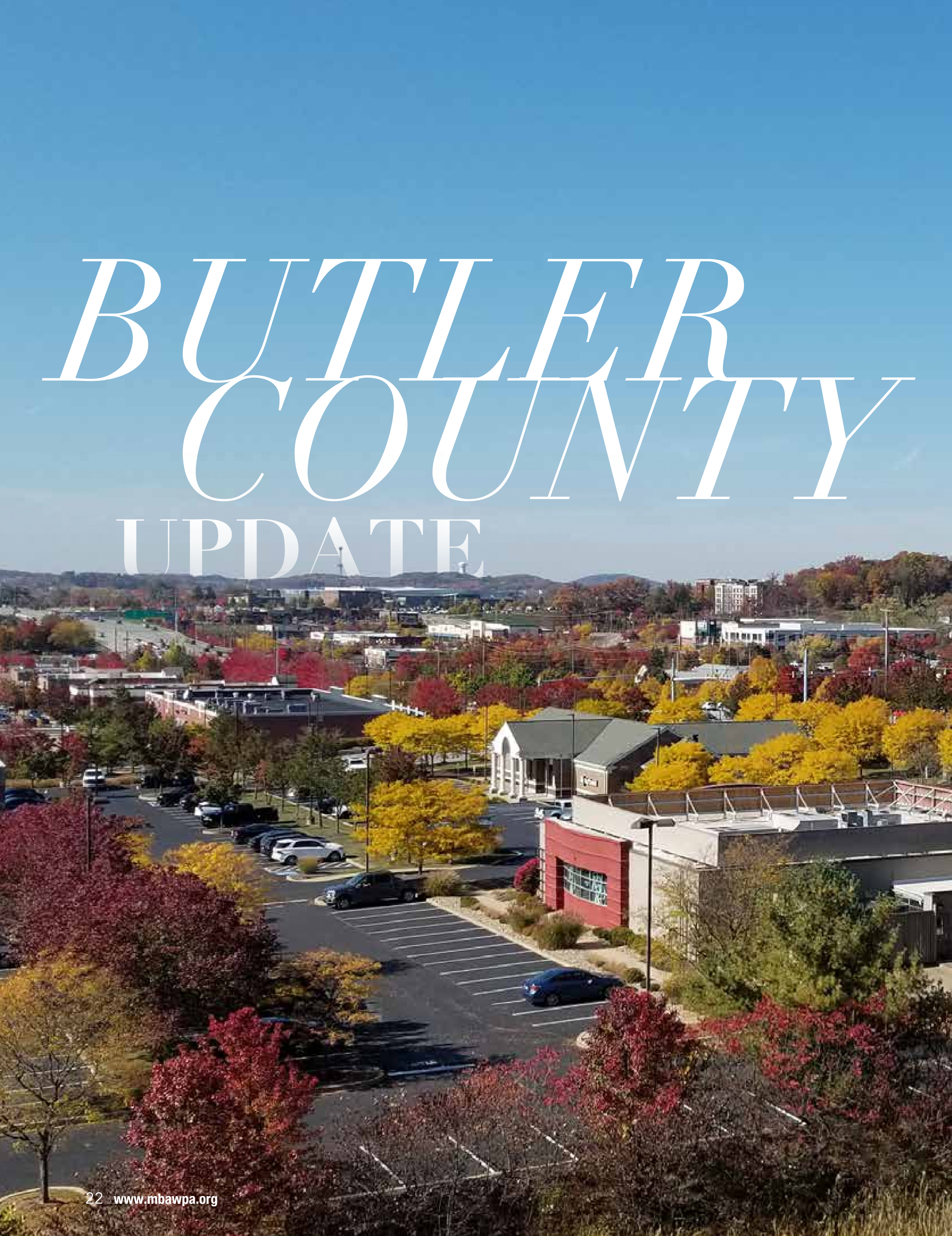
The primary drivers of higher prices are the heightened levels of residential construction, especially of apartments started since late 2022, and of heavy and highway construction. This is reflected in prices that are four to seven percent higher for drywall (up 5.1 percent year-over-year), insulation (7.2 percent), brick (4.8 percent), and flat glass (3.1 percent). Prices for materials that are heavily used in infrastructure have also outpaced the overall rate of inflation. Cement is 5.3 percent higher year-over-year. Concrete products are 4.1 percent higher and ready-mixed concrete is up 4.5 percent from a year earlier. The steep decline in diesel fuel and structural steel has kept asphalt and structural steel for bridges lower than a year ago.

Even these relatively higher materials were mostly flat or slightly lower in September compared to August and July. Should that trend continue, project owners can expect predictable pricing throughout the fall and winter. With construction put in place on a slowing trajectory, some of the labor strains on productivity should ease, providing more stability into 2025. BG

PERCENTAGE CHANGES IN COSTS	Sept 2024 compared to		
Consumer, Producer & Construction Prices	1 mo.	3 mo.	1 yr.
Consumer price index (CPI-U)	0.2	0.4	2.4
Producer price index (PPI) for final demand	(0.2)	(0.1)	1.8
PPI for final demand construction	0.1	0.8	1.3
PPI for new nonresidential buildings	0.1	0.8	1.2
Costs by Construction Types/Subcontractors			
New warehouse construction	0.0	0.0	0.1
New school construction	0.1	1.5	1.8
New office construction	0.3	1.3	2.3
New industrial building construction	0.1	0.0	0.2
New health care building construction	(1.0)	0.5	0.3
Concrete contractors, nonresidential	0.0	(0.2)	3.1
Roofing contractors, nonresidential	(0.1)	0.7	2.2
Electrical contractors, nonresidential	0.1	1.4	2.3
Plumbing contractors, nonresidential	(0.1)	0.1	0.9
Construction wages and benefits	N/A	0.1	2.8
Architectural services	0.0	0.5	2.3
Costs for Specific Construction Inputs			
#2 diesel fuel	(14.6)	(6.9)	(36.1)
Asphalt paving mixtures and blocks	(0.7)	0.0	2.6
Cement	0.0	0.1	5.3
Concrete products	0.3	1.1	4.1
Brick and structural clay tile	0.0	0.1	4.8
Plastic construction products	(0.4)	(0.1)	(0.3)
Flat glass	0.1	1.7	3.1
Gypsum products	0.0	0.1	5.1
Lumber and plywood	1.1	1.0	(1.6)
Architectural coatings	0.4	0.4	0.4
Steel mill products	(1.3)	(6.9)	(12.3)
Copper and brass mill shapes	1.1	(2.3)	10.9
Aluminum mill shapes	(0.9)	(2.5)	2.7
Fabricated structural metal	0.1	0.5	(9.5)
Iron and steel scrap	(0.8)	(0.8)	(5.6)

Source Bureau of Labor Statistics, Updated October 10, 2024
Compiled by Ken Simonson, AGC Chief Economist

BUTLER COUNTY UPDATE



Before there was a boom in East Liberty, Lawrenceville, or the Strip District, southern Butler County was home to the first post-steel industry real estate and construction recovery. The recipe was simple and exists to this day: lower taxes, convenient infrastructure, and growing population.

Cranberry Township's Route 228 business district was part of a $105 million Gateway 228 improvement.

When the residential developers began converting old farms around Crider's Corner in the mid-late 1980s, new homeowners discovered their taxes were as little as one-third of their neighbors just south of the county line. For an extra five minutes of commuting – or less time commuting once I-279 opened in 1989 – homeowners got more house for the dollar, less congestion, and more money in their pockets by moving to Butler County.

For two decades, hundreds of new homes were built every year in Cranberry Township, Seven Fields, and Adams Township. Retailers followed. Developers of office and industrial properties recognized that the huge increase in population in southern Butler County meant a large potential workforce, and southern Butler became a growing employment center. By 2010, as many people worked in Cranberry Township as lived there.

While the booming economy of south Butler County grabbed the headlines and attracted increasing investment, the historic backbone of the county's economy continued to thrive. Butler County has a strong agricultural economy, and its agri-tourism revenues and visitors rank first in the state. Oil and gas extraction and refining continue to be part of the economic foundation, including some shale exploration in the western portion of the county.

The shift in economic power had an impact on Butler County's government. The surge in population in southwestern Butler County meant more representation from people who were not long-time county residents, many of whom came from Pittsburgh and its nearby suburbs. But Butler County politics have maintained a reasonable focus on the issues that drive the economy: jobs, education, and infrastructure.

As 2025 approaches, the booming communities of the 1990s have matured and fewer new development opportunities exist. The growth has stretched to the next ring of municipalities to the north of Cranberry Township or Mars. Demographic challenges exist in Butler County that resemble the other counties in metropolitan Pittsburgh. Empty nesters make up the largest demographic cohort and have driven a lot of new development. At the same time, younger families find that the cost of home ownership in Butler County is only marginally lower than its neighbors because there are so many more buyers than sellers. Another boom is unlikely to be in the cards for Butler County, but civic leaders are working to ensure that the county is prepared to continue its growth.

The Butler Economy: A Collaborative Recipe

One of the consistently true facts about Butler County's economy is that its population is growing. That sets it apart from all other counties in metropolitan Pittsburgh. Even Allegheny County, which saw its population grow from 2010 to 2020 because of the shale gas exploration, has since seen a slight erosion in its population. Butler County, which saw 10,000 more people living in the county in 2020 than in 2010, continues to experience population growth of one percent or better. The last intermediate population estimate pegged Butler County's population at 198,413 in July 2023.

In 2022, Butler County had a median age of 43.4 and a median household income of $82,932. Between 2021 and 2022 the median household income grew from $77,065 to $82,932, a 7.61 percent increase. The median residential home value was $258,500 in 2022 and the home ownership rate was 76.2 percent, more than 10 percentage points higher than the U.S. rate.

The recipe for growth in Butler County has been pretty basic. The business environment in the county is friendlier than many of the nearby counties. Taxes are lower. County leaders and elected officials generally do what they can to facilitate business instead of hindering it. Perhaps Butler County's biggest asset is that it lies north of the intersection of two interstate highways and is 30 minutes or so from the heart of the region's most attractive amenities.

"I think it's the lower taxes and the proximity to Pittsburgh without being in Pittsburgh. It's country living with the amenities of city living," says Kim Geyer, Butler County commissioner. "We have great public schools and a variety of private schools. Butler County Community College has been the number one community college for 10 consecutive years. We have Slippery Rock University. There's a lot of affordable living. We have parks in almost every community. And the growth is not all located in the southern part of the county. There is growth and economic development in all areas of the county."

Job creation is the foundation of economic development. Population growth without job growth eventually means that the county and municipalities will bear the costs of serving more residents without optimizing the revenue needed to pay for the services. The Community

Development Corporation of Butler County (Butler CDC) is the group leading the business attraction efforts for the county. Joe Saeler, executive director of the CDC, has a similar answer to the question of why employers are choosing Butler County.

"It's low taxes. Many times, it's the available workforce. Butler is known for having a hard-working workforce," Saeler says. "The demographics are a challenge, but the wages help attract workers and that has a lot to do with the companies that are currently here. There are employers offering higher wages, which pushes other companies to raise their pay. It creates competition for workers in Butler County."

Saeler credits the elected officials serving Butler County, and the existing employers in the county for providing Butler CDC with the resources it needs to be a resource to businesses looking to locate in Butler County. He sees that as an advantage especially for smaller manufacturers.

"What works well is we can offer the technical resource for engineering, for roads, water and sewer. We help them through code compliance and the Department of Environmental Protection approvals," Saeler explains. "That allows the companies to focus on what they do best, the manufacturing."

That playbook was one that helped turn an abandoned U.S. Steel sintering facility into the Victory Road Business Park more than 20 years ago. The industrial park, which is home to Bayer Medical and Brayman Construction, as well as thousands of employees, was a brownfield that required major public investment to remediate. Prior to the redevelopment of Victory Road Business Park, the owners paid $60,000 in annual property taxes. Today, the cumulative total of property taxes from the businesses located there is $1.5 million, $900,000 of which goes to the Knoch School District.

Leveraging public funding to stimulate private investment is hardly unique to Butler County. In approaching the problem of funding investments for economic development, Butler County's commissioners took a different tack. Working with their economic development partners, the newly elected commissioners created a new position, chief of economic development and planning, and installed a retired AK Steel executive named Mark Gordon in the role. Gordon approached funding as he would have in private industry and changed the model that Butler County had been using to fund infrastructure.

Using the natural gas extraction fees that were set up by Act 13, Butler County created an infrastructure bank. The funds accumulated are used to fund larger projects or to assist municipalities fund infrastructure projects that will generate investments that lead to new businesses and jobs. Working through the county infrastructure bank, municipalities can borrow collectively at attractive lower rates and complete projects that would otherwise languish or go undone. Any of the county's 57 municipalities can nominate projects, which are vetted by a third party before recommendations are made to the commissioners.

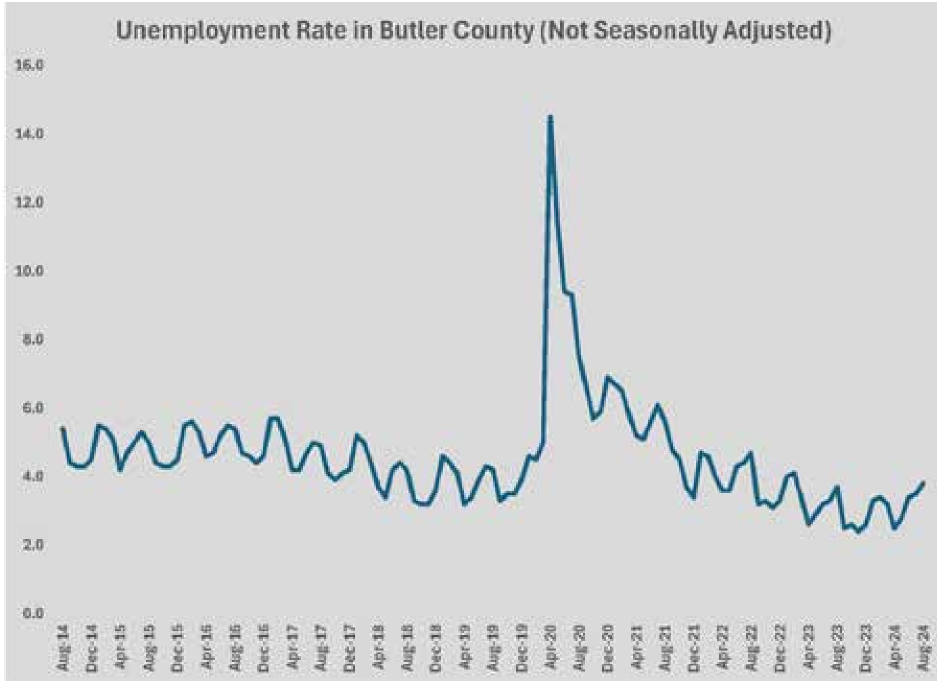
Butler County Commissioner Leslie Osche estimates that $3.826 million of Act 13 funds generated over $101.1 million in infrastructure improvements. Similarly, Butler County used $14.2 million in American Rescue Plan funds to leverage $38.4 million in municipal infrastructure improvements. These included a five-mile water line extension that connected the county's airport to the intersection of Route 8 and Route 288, where the large mixed-use Middlesex Crossing was being developed.

Gordon led an unorthodox process for the much-needed modernization of Route 228 in the Mars-to-Cranberry Township area. After being told that the county had worked for years to get the project on PennDOT's 10-year plan, he brought together the business owners located along and near Route 228 to work towards the goal of getting construction done, instead of getting on PennDOT's list. Gordon's team studied the economic impact of the activity that took place within a mile north and south of Route 228 and found that the business generated each year topped $30 billion. Against the advice of state and regional leaders, Butler County applied for federal BUILD program funding and received two grants totaling $45 million.

Along with funding from PennDOT, the Southwest PA Commission, Adams, Cranberry, and Middlesex townships, Butler County secured the necessary funding to do $60 million in improvements to Route 228. The "Gateway 228" project will ultimately connect Route 65 to Freeport in southeastern Butler County. The county is currently pursuing a similar approach for the $60 million final phase, which will modernize the section between Mars and Franklin Road in Cranberry Township.

"The mission of the infrastructure bank program is to improve the infrastructure that supports our economic development and tourism. The program is intended to accelerate schedules for local municipal authorities, which also spurs economic development," says Geyer. "It increases the tax base and the county's revenues. It improves public safety. I looked at the growth of assessed value of properties from March of 2024 through the end of September and it is $11.2 million."

Butler County has secured and invested $2 million in funding to mitigate brownfields in various communities. Most of those sites that would be prohibitive to clean up as part of a redevelopment, especially in the small towns that grew up around one industry or plant that closed decades ago.



The unemployment rate in Butler County has averaged 3.2 percent since September 2022. Source: U.S. Census Bureau, Federal Reserve Bank of St. Louis.

To ensure that county leaders and agencies are speaking in one voice, the Butler County Growth Collaborative was established in 2019, with Gordon as its chair. The Growth Collaborative has representation from the county, state, and local institutions, like the community college, Slippery Rock University, Independence Healthcare System, Butler Redevelopment Authority, the Housing Authority of Butler, Butler Chamber of Commerce, and the CDC. While economic infrastructure will be the focus of the Growth Collaborative, it is also working on solutions for workforce development and housing affordability.

Residential Market Update

As with most counties in the metropolitan area, Butler's housing market suffers from a lack of inventory. Thirty years ago, roughly 20 percent of the new homes being constructed in the seven-county metro Pittsburgh market were in three Butler County municipalities – Cranberry Township, Adams Township, and Seven Fields – that bordered Allegheny County. More than 3,000 homes were built during a five-year period when demand and supply were soaring in southern Butler County. By the mid-2000s, Seven Fields had been fully built and Cranberry Township and Adams Township had adopted zoning ordinances that would limit the density of residential development. Demand for homes in southern Butler County remained strong, however, and new construction in those two townships tallied more than 500 homes per year until the Great Recession.

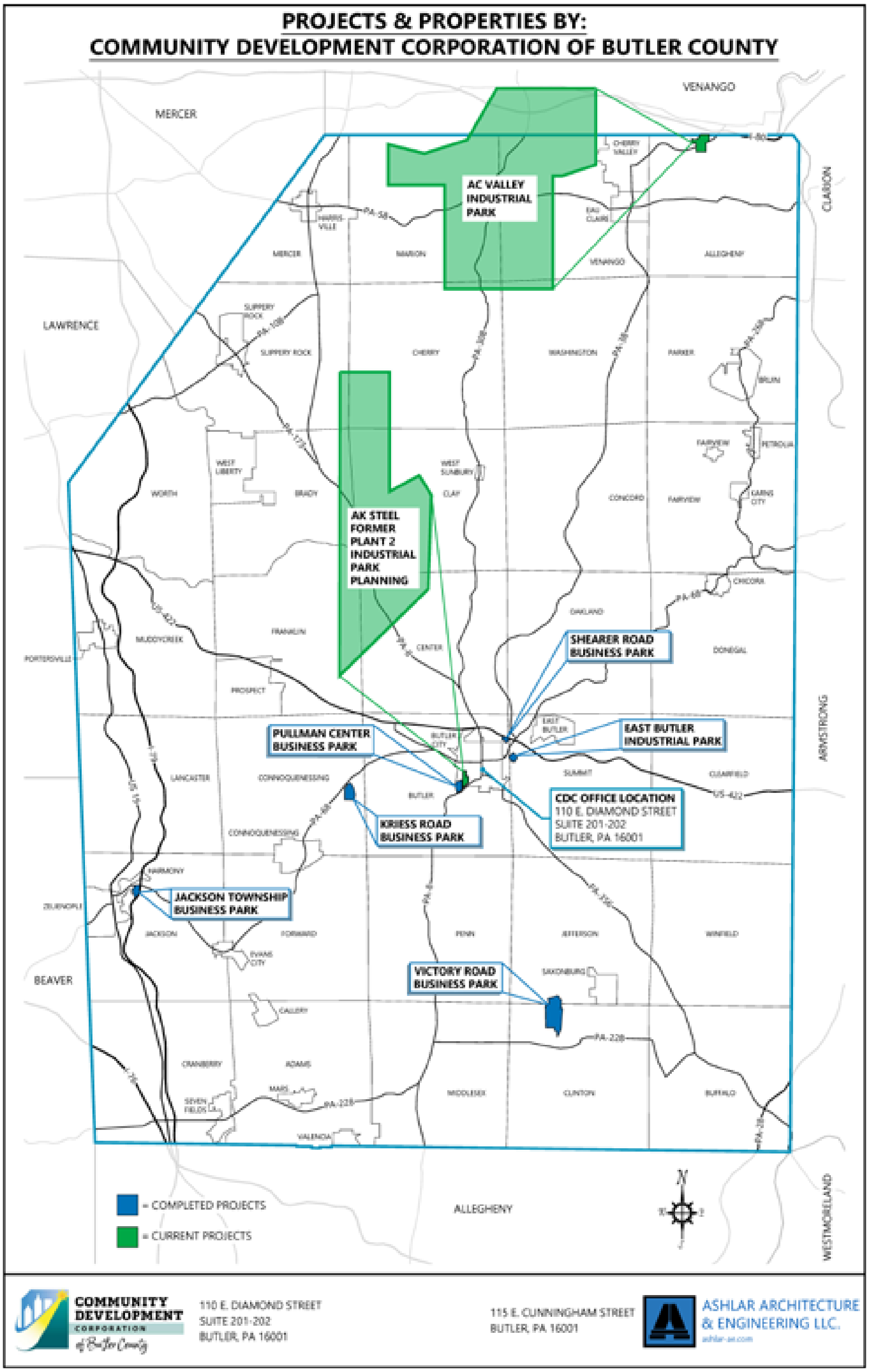


Image by Ashlar Architecture & Engineering.
Use courtesy of Butler Community Development Corporation.

In the years that followed the Great Recession, a few factors combined to chill new residential development. Federal regulations on lending made residential development more expensive, as did a marked increase in horizontal construction. State environmental regulations added time and expense to new developments. And the Marcellus Shale play pushed land prices significantly higher. These trends slowed the pace of new supply.

In 2019, there were 1,298 unbuilt entitled residential units in Cranberry Township, which represented 80 percent of the total number of entitled units. At the end of 2023, only 707 units were entitled and only 406, or 58 percent, were unbuilt. Currently, only 510 units are in the entitlement pipeline. In neighboring Adams Township, the trend is slightly better, although supply remains constrained for single-family homes. As of October 7, there were 957 approved residential units, 722 of which were available; however, roughly 350 of those were for the Quincy Heights Apartments. That leaves about 375 lots available for new single-family homes.

Even with a constricted supply of buildable lots, construction of new homes in Butler County outpaces most other counties in Western PA. Although it contains fewer than 10 percent of the metropolitan population, Butler County accounted for 44.2 percent of the new single-family homes started during the first three quarters of 2024. Among the 10 most active

City	SFD	SFA	M/F
Adams Township Total	905	395	0
Buffalo Township Total	319	112	0
Butler Township Total	205	80	50
Center Township Total	102	44	0
Clinton Township Total	23	28	0
Connoquenessing Total	63	64	0
Connoquenessing Township Total	94	84	0
Cranberry Township Total	853	850	1,230
Forward Township Total	359	36	0
Franklin Township Total	34	74	0
Jackson Township Total	763	337	48
Jefferson Township Total	30	30	0
Lancaster Township Total	391	202	0
Middlesex Township Total	651	106	0
Penn Township Total	103	0	0
Seven Fields Total	0	57	0
Slippery Rock Total	25	0	0
Slippery Rock Township Total	52	0	0
Zelienople Total	8	10	144

Permits for new homes for single-family detached (SFD), attached (SFA), and multi-family (M/F) units in Butler County's most active municipalities since 2014. Source: Pittsburgh Homebuilding Report.

municipalities in metropolitan Pittsburgh, three Butler County townships – Adams, Lancaster, and Jackson – ranked third, fifth, and seventh respectively for new home construction. In Forward Township, the easternmost community in Seneca Valley School District, fewer than 12 homes were built between 2009-2012, but builders averaged 40 homes per year for the next decade.

During the past decade, more new homes were built in Butler County than in any Pittsburgh metropolitan county except Allegheny County. Builders have started slightly more than 5,000 single-family detached homes and 2,500 townhouses. Another 1,472 units of multi-family housing, virtually all for rent, have also been built. The pace of construction has been steady as well. In 2023, for example, there were 799 detached homes and townhouses started, roughly the same as the 814 started in 2014. Builders and real estate agents are clear that demand is even stronger than the starts suggest, but the supply cannot keep pace.

New residential development has, unfortunately, lagged in recent years in those municipalities in the next ring north of the Cranberry-Mars corridor. Builders are depleting the inventory of unbuilt lots in Lancaster and Forward townships, with little new development coming behind. Only Jackson Township has seen a backfilling of new development. Aside from unbuilt lots in existing entitled communities, there are 324 single-family homes, 323 single-family townhomes, and 107 multi-family units in the development pipeline in Jackson Township.

Gordon says that the county is trying a variety of approaches to match residential development to what the market needs, especially in affordable new homes, which he says need to be priced between $200,000 and $350,000. He notes that local developer Jerry Oliver is working with national builder D. R. Horton to build that type of product in several Butler County communities. The county has also done outreach to the younger people employed in the county to identify their needs.

"Butler County Growth Collaborative developed a survey instrument for 20- and 30-year-old young people. We surveyed employees of the larger companies located in the southern tier of the county to ask what they wanted for housing," Gordon recalls. "What they told us was they wanted a mix of housing. They didn't want a lot of yard to maintain. They wanted aesthetically pleasing homes. They wanted developments that would also be suitable for their parents to live close by. They wanted a bunch of amenities but didn't want to have to maintain, like parks, swimming pools, and walking trails. Dan Santoro [Cranberry Township manager] is on that board. He shared that information with Charter Homes, which is building out Meeder Farms and Woodside, the property behind the Lemieux Center, and is now preparing to build on the Fisher farm."

Another program Gordon cited was the Butler Redevelopment Authority's gradual accumulation of blighted and tax-delinquent properties within the City of Butler. Gordon says that his office worked with the Redevelopment Authority and found that there was a pattern of properties that were chronically finding their way into delinquent tax sales outside the city. The county is now proactively clearing those tax liens and building a land bank that will eventually be subdivided into additional residential lots. None of the programs are viewed as quick fixes, but any effort that creates residential development with a low lot cost basis has an advantage for creating more affordable housing stock.

Commercial Market Update

Commercial development in Butler County has been very successful over the past few decades. Developers in Butler County have been effective at matching their projects to the demand, whether that be for office, industrial, or retail projects. The bulk of the commercial development since the 1990s has taken place along the Route 19 and Route 228 corridors in southwestern Butler County. Much of that followed at least a decade when that part of the region was underserved by commercial businesses. After a relatively short period of commercial boom, the southwestern Butler County communities revised their comprehensive plans to manage future commercial development more closely. By that time, the lifestyle amenity infrastructure had been well established.

Fewer commercial projects were developed along the Route 8 corridor, or in the area surrounding the City of Butler. Those that were, like the smaller office buildings on Meridian Road or the big box developments on New Castle Road west of Butler, developed a scale and size that were modest enough that the new construction leased up quickly.

Either through uncommon prescience or good luck, new development in almost all commercial areas throughout Butler County slowed or stopped in the late 2010s. Commercial real estate is in a period of rebalancing supply and demand since the pandemic, but the limited new supply in Butler County before the pandemic has limited some of the pain of the rebalancing.

Like anywhere else in post-pandemic America, Butler County's office buildings are less full than they were five years ago. But the county's office market problems predated the pandemic. To the degree that there was more vacancy than desirable, the problem stemmed from the business decline that Westinghouse experienced more than a decade ago. After the Fukushima reactor disaster in 2010, global demand for nuclear reactors plummeted, causing Westinghouse to cut more than 2,000 jobs, of which many were in its Cranberry Woods headquarters. In 2017, the company put 315,000 square feet in the market for sublease. That had the effect of building two speculative office buildings.

Despite the challenge of post-pandemic office occupancy, the benefits of the southern Butler County location have driven a recovery in Cranberry's office market. From 2018 to 2022 roughly a dozen small-to-medium leases were signed in the former Westinghouse buildings. Penn Energy leased 45,000 square feet. Seneca Resources took 33,000 square feet and expanded. Ally Financial signed for 25,000 square feet. South College leased 16,400 and Larson Design Group took 18,000 square feet. Then several large users came to the market.

Emerson Electric leased 142,000 square feet in the Westinghouse headquarters complex in spring 2023. Earlier this year, Giant Eagle occupied 100,000 square feet at 700 Cranberry Woods as its new headquarters. And it was announced in September that Armada Supply Chain Solutions would occupy much of the vacant new building at 2000 Innovation Drive. While the latter is in Marshall Township, just into Allegheny County, its 90,000 square feet of vacant Class A space weighed on the Cranberry market.

"That submarket is performing well primarily because of the absorption of a large chunk of Westinghouse sublease space. That space is no longer a factor, so it has lifted all boats," says Brad Totten, principal and managing director at Avison Young. "There has been a definite improvement in the last 12 to 15 months. If a company needed 50,000 square feet today there would only be two or three viable options. Two years ago, there would have been seven or eight."

Michael Connor, at Hanna Commercial Real Estate agrees that the Cranberry market has improved significantly since 2023. He notes that the activity has not all been major leases.

"Hanna owns a 45,000 square foot building that has leased up fully in the last 12 months after having some problems. That included a new 16,000 square foot tenant and a renewal and expansion. Those leases happened within four months of each other to start the year," Connor says. "We are still receiving inquiries of 6,000 to 12,000 square feet. The velocity of activity has picked up."

Both Connor and Totten pointed to the 2000 Innovation Drive sale as a big deal, given the price. (Totten represented Armada in the transaction.)

"Paying $150 a square foot for a shell is a lot," Connor says. "And they're going to put $100 or $150 a square foot in to finish the space."

Patrick Sentner, executive vice president at Colliers International, explains that the attraction of the southern Butler County office market is similar to the attraction of its residential market. It is convenient to access and chock full of amenities. He feels that concept, which was proven when Westinghouse chose Cranberry Woods as its headquarters in 2007, is even more viable in the post-pandemic world.

"The most important thing to business is employee access. For my entire career, the downtown market was attractive because it's the only market workers can commute to from all directions and it has public transportation," Sentner explains. "What we've learned is that since our population base has steadily moved into the suburbs in all directions, it's now not how many miles you are from the office but how much time you will spend getting to and from the office. Employers realized that Cranberry Township is within 45 minutes from Murrysville, Southpointe, New Castle, the airport, or downtown Pittsburgh. Employees may have to drive 10 more miles, but they are spending less time getting to work."

"The second factor is parking. After driving from home, they are parking where it's free and they are no more than 50 yards from the office," he continues. "And they are going into a building that either has daycare and restaurants within the building or it's within a five-minute drive. Employers found that their life became so much easier."

With the southern Butler County market suddenly feeling robust, is it time for some speculative office construction?

"The answer to that would have been a quick no 18 to 24 months ago. Now a 40,000 to 60,000 square foot building could come out and be economically feasible," Totten suggests. "But I would be reluctant to come out with 110,000- or 120,000-foot building without significant pre-leasing. The market is not quite there yet."

Butler County has one of the older inventories of industrial property in the region, which is one of the reasons that the county lags the overall region in both occupancy and rental rate. At 7.68 percent, the availability of industrial space is more than 1.5 percentage points higher than the metropolitan Pittsburgh average. Industrial rents are $1.70 per square foot lower. The Cranberry market outperforms the overall market by a fair amount, however, with a vacancy rate of 0.83 percent and average rents above $10 per square foot, according to Genfor Real Estate.

This bifurcation of the industrial market in Butler County is, to some degree, the byproduct of its success at creating viable business parks for small-to-medium sized manufacturing companies. Butler County has a high percentage of its population employed in manufacturing, but most of that employment is at the kind of local businesses that have thrived throughout the county. And, on the I-79 corridor, the economic growth there has absorbed most of the available land. The pipeline of new industrial projects is fairly empty.

"It's a combination of a lack of site availability and soft demand. I'm not sure there's any more land for industrial development in Jackson Township. Buncher has had success at Jackson's Pointe, but there hasn't been much other development," says Rich Gasperini, principal at Genfor. "Cranberry Township is built out and I'm not sure the municipality wants any more industrial development. The spec buildings that were built recently had a fairly long lease up."

"There is no developable land that is serviced with utilities and ready to go. That being said, some of the recent developments are seeing some softness," agrees Lou Oliva, managing director at Newmark. "Since there's been no new construction, there's not a whole lot of inventory. The challenge is who can use old inventory, older buildings with lower ceiling heights."

If all goes well, there will be some new construction in the market, likely in 2026. Earlier this year, Cranberry Business Park received approval to revise its lot lines to develop two new buildings. Building 280 will be a 21,000 square foot flex office/industrial build-to-suit project. Building 290 will be a 72,000 square foot distribution center. Butler CDC is looking to add more inventory a few years further out.

FIGURE 7: Submarket Overview

Source: CBRE Research, Q3 2024.

The vacancy and availability rates for office properties in Cranberry are among the lowest in the Pittsburgh market.

"We are looking at creating five new business parks eventually, but two are in the works. One is out by I-80, the Allegheny-Clarion (AC) Valley Industrial Park. And we are planning the AK Steel Former Plant 2 site," says Saeler. "We will do the environmental cleanups, and we currently have companies that have reached out looking for space and have entered into a letter of intent to build there. We're looking for long-term commitments and then we will create the infrastructure and help them fill the buildings."

Butler CDC is collaborating with the county commissioners and other public-private partners to invest $4.66 million to upgrade the AC Valley waste and water infrastructure to allow for new construction. Saeler says that work has bid, and the expectation is that new occupants in the park could begin building in 2025. Construction on the 60,000 square foot first building at the AK Steel Plant 2 site is about to get underway.

What Else is in the Pipeline?

The project at the AK Steel site will be one of just a few new nonresidential/commercial construction projects underway as 2025 begins. Private sector owners in Butler County have been relatively quiet since interest rates rose rapidly in mid-2022. Many of the companies located in the county continue to thrive, but few have announced expansion plans. Public owners in Butler County have invested more in infrastructure than in buildings, but there are some major public projects in the pipeline.

In the public sector, the major projects being planned are in the K-12 and higher education sectors. Although Seneca Valley School District (SV) and Mars Area School District (MASD) have done numerous projects over the past 30 years to accommodate the growth in southern Butler County, the continued new construction and shift in demographics necessitates more.

The largest project on the boards is the SV High School/ Intermediate High School, which will involve new construction, and a major realignment of the spaces allocated to the intermediate and high school. The final estimate of construction costs has not been announced but the total will exceed $100 million.

At MASD, the emphasis is on elementary schools. A 2023 demographic study found that the current elementary footprint is inadequate and misaligned to the student population. DRAW Collective is completing design development on a $19 million expansion of Mars Area Elementary School, which is scheduled to bid in spring 2025. MASD expects to invest additional millions during the rest of the decade, expanding the Centennial School after the Mars Area Elementary School project is completed.

Knoch School District is a year into a $27.5 million expansion and renovation of its high school. A $26.4 million addition and renovation of Slippery Rock Area School got underway in June 2024.

H.F. Lenz Co. is designing a $14.5 million electrical infrastructure upgrade at Slippery Rock University, but no other major capital projects have been funded or budgeted. There are two smaller university-funded projects in the pipeline: a $3 million softball field and a $3.2 million police/ ROTC site work project.

The pace of commercial and nonresidential development has slowed in southern Butler County compared to the years before the Great Recession; however, there are still projects being developed in the private sector.

Madison Acquisitions is in the late construction phase of a new multi-store retail center in Jackson Township, called Jackson Village. The development is located within one-quarter mile of the Steamfitters Local 449 complex and includes Aldi's, O'Reilly Auto Parts, West Aircomm Federal Credit Union, Starbucks, Wendy's, Taco Bell, and GetGo, which has yet to start construction.

Jackson Township is home to Jackson's Pointe, an industrial park developed by the Buncher Company. The park's first two phases were primarily large industrial buildings completed before the pandemic. The third phase of Jackson's Pointe includes 32.6 acres along Route 19 south of Zelienople near the Evans City exit of I-79. The property is zoned for office, retail, or industrial use. Buncher CEO, David Heaton, says that plans for developing the site are too early to release.

In Butler Township, plans have been approved for a three-building, 78,000 square foot dealership and collision center for #1 Cochran.

Butler Township surrounds the City of Butler and is home to most of the nonresidential construction that occurs outside of southwestern Butler County. Since the pandemic, 150,000 square feet of new nonresidential construction has been completed, including new buildings for Butler Community College, new locations for McDonald's, Eat 'n Park, Taco Bell, Dunkin' Donuts, Popeye's, and Dairy Queen, and a small retail center called Benevan Square. All of the main commercial roads leading in and out of Butler run through Butler Township, which is also home to the Butler Area Middle and High School campus. While there are few projects in the municipal entitlement process currently, a future uptick in commercial activity is likely to mean construction in Butler Township.

The recent lull in development and construction activity may be a function of the hyperactivity that occurred for almost 30 years, while the commercial real estate market built to maturity. It is not a reflection on Butler County's economy. The most recent measure of unemployment in August found that unemployment had risen to 3.8 percent due to seasonal factors. Over the past two years since the pandemic ended, unemployment in Butler County has averaged 3.2 percent. Moreover, fewer than 3,800 people were unemployed in Butler County in August.

Joe Saeler believes that finding workers may be a bigger concern than unemployment in the coming years.

"Every company we deal with now tells us that they need employees. Having enough workers is the biggest struggle for the future," he says. "The largest generation is retiring and it's difficult to account for that institutional knowledge they have. We haven't backfilled that expertise as quickly as we need. I believe that'll be a challenge, but the market will correct itself. As the salaries go up for blue collar jobs, you'll see more young people move to them, but there will be a lull while that workforce builds."

In the meantime, Saeler and Butler County's leaders will remain focused on preparing for economic growth to happen.

"We have made great investments throughout the county in the past nine years, more than at any time in our history," says Geyer. "Those investments have been catalytic for creating economic development investments at an accelerated pace."

PROJECT PROFILE

STEAMFITTERS LOCAL 449 UNION HALL AND EVENT CENTER

The Steamfitters' Union Hall and Event Center (right) connect to the Local 449 Technology Center, where apprentices and journeymen train. Photo by Massery Photography.

When the new training facilities for the Steamfitters Local 449 opened north of Harmony, PA, in 2017, it was the culmination and result of an effort to boost the rolls of the skilled workers who could meet the demand of the oil and gas industry. In particular, it met the training needs of the hundreds of additional steamfitters needed to build Shell's polymers plant in Monaca. But the Steamfitters' Technology Center was only part of Ken Broadbent's vision.

Broadbent, who is the business manager for Local 449, explains that the union had outgrown its offices off Saw Mill Run Boulevard. A second phase, which would involve new offices and a union hall for member meetings, began planning as the Technology Center wrapped up. Broadbent envisioned the second phase as an opportunity for outreach.

"We needed to move our offices next to the training center and we needed a room where the union members could meet. We chose to build an event center so we could have our union meetings," he says. "Other locals had made their event center big enough to rent out for banquets and weddings. We saw that as a way to generate revenue for the local and be a bigger part of the community."

The Steamfitters had gone the design-build route for the Technology Center, choosing Mascaro Construction because, as Broadbent says, "Mascaro is the largest general contractor that does everything all union." Mascaro brought in PWWG Architects as the architect. The two firms had collaborated on several training centers and offices for Pittsburgh area trade unions.

"We did the first Steamfitters' building together and a handful of other design-build projects with PWWG. We picked them to be our partner because they do a very good job, and they understand how we need to operate," says Chris Olivo, Mascaro's project manager.

Olivo says that the programming for the second phase was refined as the design and preconstruction unfolded, and Broadbent shared his vision for the facilities more fully.

A covered performing stage adds flexibility to events looking for outdoor entertaining space. Photo by Massery Photography.

"It was going to be a multi-use facility from the beginning, but as we got underway it really emerged as an event center and wedding destination," Olivo says. "The outdoor area was added just for those purposes. That changed it to a high-end finish building that was built to hold a variety of events, different type crowds of people."

James Pasquarelli, project manager for PWWG Architects, explains that the final program served three distinct purposes.

"It had to be offices for Local 449. It had to be a multifunctional event center. It needed to be a union hall first and foremost, but Ken always knew he also wanted to rent out the space. And it had to have tenant space," he says.

In its final form, the building is a three-story, 65,000 square-foot steel-framed structure. The exterior is brick, with metal panels and curtain wall. The Steamfitter's suite occupies 9,000 square feet on the second floor. There is a double-height event space and pre-function space that serves to host union meetings. The Steamfitters offices have a private terrace that overlooks the west side of the campus. The event center has a capacity of 600 and is served by a full-scale commercial kitchen. There is 7,600 square feet of first floor space built for use by outside tenants (now occupied by Allegheny Health Network). Additional space is available on the upper floors for tenants, although the Steamfitters have already expanded since they took occupancy.

Pasquarelli explains that the emphasis on the community usage of the events center informed the design in ways that PWWG or Mascaro might not have considered were the end use have been just for the Steamfitters' membership.

"The lobby has an abundance of light and great views to the exterior. For the event center, the tone is set by the 98-foot-long

The 20-foot display screen (left center) is the first thing visitors see upon entering the building. Photo by Massery Photography

entrance canopy. Kenny wanted a school bus to be able to pull up to the facility and be completely sheltered from the weather. The courtyard became an area that was an extension of the event center," Pasquarelli says. "The courtyard is a mix of stone pavers and concrete banding. The freestanding pavilion was designed during construction. Kenny's initial idea was a large gazebo, but Mascaro and PWWG wanted to find a better alternative. We designed a lean-to of sorts that fits the aesthetic of the building. It's flanked by a pair of gas-fueled torches and fire pits."

"The acoustics within the building are unbelievable. There are double fold-down projection screens that are larger than 20 feet. There are special rooms for the bride and her party to get ready, which is what couples expect today," continues Olivo. "It has custom gold and black flake terrazzo that matches the Steamfitters' color scheme on the first floor. There is a custom video screen in the lobby that is roughly 20 feet long by eight feet tall. It's a spectacular entrance."

Aside from some minor soil concerns early in the project, construction was relatively uneventful. The Steamfitters' Event Center was new construction, delivered by the same team that had successfully completed a similar, larger building three years earlier. Work got underway in September 2020, however, creating a set of logistical challenges that no one on the team had ever faced. Double-digit price escalation was still a year away, but the global supply chain was in disarray.

"Think about when we started the job. We built a $20 million-plus building in the middle of a global pandemic. It was just the beginning of the massive lead times in the procurement of everything," recalls Olivo. "We were lucky that we were able to release the steel package early and it came days ahead of when a giant bump in the supply chain happened or I don't know when we would have gotten steel. It was a point in time when you couldn't get drywall mud. You couldn't get caulking. If you remember there was a freeze in Texas and several factories had to shut down. We did not know what materials we could and could not get. The lead times and shortages were the most difficult challenge."

Olivo explains that the procurement process was focused on availability. He credits the design-build delivery method with giving Mascaro the opportunity to get ahead of the supply problems.

"It was an around-the-clock effort to procure the project. There was a lot of work between Mascaro and the design team, constantly looking ahead at items that we weren't going to get to until much later in the project to vet them for availability," he says. "There had to be flexibility with the designers to adjust materials and concepts to what was available. It was critical that there be early identification of every item and for everyone to be able to adjust on the fly to work with what we could get, instead of what we wanted. That was a daily, 24/7, 365-day conversation that we had. I personally checked the markets every day to take the pulse of what was available."

Pasquarelli acknowledges that speed was the biggest challenge and that the sharing of so many material and equipment selections in advance of committing them to the construction documents was unorthodox. Olivo credits PWWG and its consultants for working so closely with his team on procurement.

"One of the advantages of the design-build process is we could do these things in real time. We had the resources and contacts to check to see what would work and what wouldn't," Olivo says.

The final product hardly reveals any compromises in finish or function. Completed in the first week of January 2022, the Events Center is a community asset for Jackson Township. The facility has a full-time event planner, and it is used 52 weekends a year. The activity generated by the Steamfitters' Local 449 complex has driven other economic activity. A new retail center, Jackson Village, is under construction, with an Aldi's anchoring the center and five other retail or restaurant tenants. And Broadbent is very pleased with the building.

"The project gave the client everything it wanted for its members and the community," says Pasquarelli. "What made it successful was there was trust and familiarity between the owner, the contractor, and the architect. We also had a good working relationship with Jackson Township. That went a long way towards its success.

"There's a sense of pride and excellence associated with the trade. That's Pittsburgh. Everyone involved in the project, from the designers to the subcontractors, took pride in their work and knew the level of workmanship required."

Olivo also called out the excellence throughout the project team.

"That type of project was one that I wish we had more of. The design-build nature, the great relationship with the Steamfitters and with PWWG allowed us to stay on budget and on schedule during a very difficult time," Oliva says. "That team set the standard with the Technology Center. We had a lot of the same


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Photo by Massery Photography

subcontractors that knew the standard and the precedent that had been set. Everyone there knew their job and they just performed."

"The project went very smoothly. We might have thought a little more about the outdoor venue and probably should have made it bigger, but the facility itself is fantastic," says Broadbent. "I think it was successful because of the coordination with Mascaro and PWWG. The project turned out fantastic and Mascaro did an excellent job." BG

PROJECT TEAM

Mascaro Construction L.P.	General Contractor
Steamfitters Local 449	Owner
PWWG Architects	Architect
CJL Engineering	Mechanical-Electrical Consultant
Atlantic Engineering Services	Structural Consultant
Sippel Steel Inc.	Steel Fabrication
Century Steel Inc.	Steel Erection
Harris Masonry Inc.	Masonry
Ruthrauff Sauer, Inc.	Mechanical
Ferry Electric	Electrical
Preferred Fire Protection	Fire Protection
Pennsylvania Roofing	Roofing
Southwest Aluminum & Glass	Curtain Wall & Glazing
Easley & Rivers	Drywall/Interiors
Dagostino Electronic Services	Security & Communications
Mohawk Construction & Supply	Metal Wall Panels
Allegheny Installations	Epoxy Flooring
Roman Mosaic & Tile	Terrazzo Flooring
Overhead Door Co.	Upward Acting Doors
Greer Tile Co.	Ceramic Tile
Wenk Floors Inc.	Carpet/Vinyl Tile
NEIS Collective	Millwork/Casework
Bova Corporation	Food Service Equipment
T. D. Patrinos Painting & Contracting	Painting
A. Folino Construction	Paving
C H & D Enterprises	Landscaping

ARTIFICIAL INTELLIGENCE IN CONSTRUCTION: DECONSTRUCTING A.I.'S ROLE IN THE CONSTRUCTION INDUSTRY

BY D. MATTHEW JAMESON III, ESQ. AND DANIEL M. MAIER, ESQ.

Artificial Intelligence (AI) is not new, with the term first being coined in 1956; however, since OpenAI's 2020 release of GPT-3 and subsequent 2022 release of ChatGPT, AI has rapidly infiltrated nearly every aspect of our lives, including the construction industry. The pace of AI's industrial permeation has caused expanded use of AI assistance, often without care for associated risks. This article will discuss the core risks to be aware of when considering the use of AI resources in the operation of your construction business, both on and off the project site.

General Considerations and Risks

Broadly speaking, AI is technology enabling computers or machines to simulate human thought. From bid preparation to Building Information Modeling (BIM) to site safety compliance and autonomous construction machinery, AI has nearly limitless potential applications at every stage of the construction process. Where time is money, this broad application combined with the appearance of increased efficiency creates an enticing shortcut to decreased costs and increased operational capabilities. Despite the allure, AI should never be relied upon without the benefit of human oversight and caution, particularly when you or your business could be liable for the results.

> ***"Despite the allure, AI should never be relied upon without the benefit of human oversight and caution, particularly when you or your business could be liable for the results."***

As many AI users have learned the hard way, a core concern in relying upon AI's output is that AI, by its very nature, is capable of misstating both facts and law. Even when performing a task based upon an enclosed, limited scope of information, AI may misinterpret the information provided and produce a result which does not reflect reality. A prime example of the dangers of AI's ability to lie can be found in the legal profession itself. In what has become a widespread cautionary tale, a New York attorney was sanctioned after citing fake, non-existent case law which he obtained from ChatGPT but failed to perform any due diligence to confirm the existence, let alone the accuracy of the citations.

Applying this scenario to the construction industry – AI could be used to compile and review bidding information such as subcontractor estimates in order to develop a project bid; however, were the AI to misinterpret the information provided, or simply create its own numbers, the bid would be incorrect, potentially causing a loss of the job or worse, winning the job based on an inaccurate, unsustainable bid and leading to potentially serious liability for the bidder in having submitted an improper bid and/or being faced with performance of a project for which the costs do not match the bid. It is easy to see how an error of this kind could single-handedly drive a contractor out of business. The lesson to be learned is simple, AI is a tool to assist human analysis, not a replacement for it. This is not to say AI is the enemy of success or should be rejected outright. To the contrary, the use of AI is likely the future for many industries, including construction. AI, however, must be treated cautiously and always be provided with the human oversight and checks and balances necessary to ensure it is working as intended.

Additionally, the use of public AI models, such as ChatGPT among others, could violate confidentiality rules or agreements and expose protected information to public eyes. Inputting confidential or other protected or sensitive information into certain AI models, may cause the information to become accessible throughout the internet or by other users of that AI model, exposing you or your business to liability for disclosure of the information or the use of that information by bad actors who may obtain it.

AI's Role in Contract Drafting and Review

Given the extensive reliance upon contractual agreements throughout the construction industry, it is no surprise that AI's ability to draft language from a prompt is being considered, and in some cases used, to draft contract language in lieu of the advice of an attorney, however inadvisable (and potentially illegal given the unauthorized practice of law). Whether it be through an online legal drafting service or directly through AI language models such as ChatGPT, businesses are now presented with a misleading and dangerous (however enticing) alternative to incurring the cost associated with obtaining advice from a licensed attorney. Online legal drafting services are themselves no new phenomenon, but the rise of AI language models has potentially provided the construction industry with a new way to draft contract language. But are the risks worth the savings?

The short answer is, and will likely always be, no. Particularly in an industry so reliant upon contracts, especially the commonly used standard form AIA or ConsensusDocs documents, relying upon an AI resource to protect your company from liability is a massive, unnecessary risk. Without oversight, using AI to review, redline, or draft a contract document or provision might misinterpret not just the language in the contract but the applicable legal and jurisdictional considerations, potentially exposing your company to significant liability. Similarly, AI drafted contract provisions frequently misplace words or terms in a way which alters the effect of the provision itself. Because contract provisions often tie into one another, AI revisions to a standard form agreement, such as an AIA contract document, could expose the signer to unexpected liability or the forfeiture of contractual rights.

Regulatory Response to the Rise of AI

As a result of the rapid rise in AI's role in both the construction industry and society as a whole, regulations have not yet caught up to the implications of AI's use. Lawmakers, however, are quickly recognizing the need for updated laws and regulations in order to account for AI. Regulations related to the use of AI in the construction industry have not yet been enacted, but will soon likely include regulations for data privacy, restrictions on the scope of permissible AI decision making on projects, and increased or altered safety standards – for example, OSHA regulations related to the use of fully autonomous construction machinery. Nonetheless, while regulations are lagging behind, the legal and regulatory field is actively working to adapt to the changes brought on by AI use in the construction industry.

Why it Matters

Whether we like it or not, AI is here to stay and, in all likelihood, will become even more prevalent throughout our work and personal lives. While there are certainly potential benefits of AI usage in the construction industry, no matter how advanced or efficient AI may appear to be, the benefit of the human element, and risks associated with removing it, should never be forgotten. While AI is and will continue to be a helpful tool throughout the construction industry, the potential liability resulting from its use, or misuse, should not be overlooked. Understanding how AI's growing role in the industry will affect your business is key to avoiding liability down the road. BG

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FINANCIAL PERSPECTIVE

THE FED CUT RATES! (WHEN DO I GET MY LOWER MORTGAGE?)

On September 17, the Federal Open Markets Committee (FOMC) of the Federal Reserve Bank cut its Fed Funds rate by 50 basis points (or 0.5 percentage points), signaling a reversal in monetary policy that U.S. real estate markets and consumers had been awaiting for months. With core inflation at an annual rate of 2.4 percent and falling, the Fed acted to address its mandate of supporting full employment.

Fed Chair Jerome Powell had addressed the softening labor market following the last two FOMC meetings, and made clear at the Fed's annual Jackson Hole summit that the central bank would act to hold down unemployment before it surges. Many economists believe the Fed should have acted in May or July, and several key indicators are signaling a recession, which may have been why the FOMC members chose a larger Fed Funds reduction than the typical quarter-point cut.

Financial markets responded quite favorably to the Fed's action. Stock markets surged to new record highs. Of more importance, participants in commercial and residential finance reacted as desired, although there were differences from market to market.

Residential mortgage rates had been falling throughout 2024, as concerns about inflation eased each month. From a May high of 7.25 percent, the average fixed 30-year mortgage rate slipped more than a full percentage point by the week of the September FOMC meeting. By the end of the week, rates had fallen below 6.1 percent.

Reaction for commercial rates was mixed. The 10-year Treasury bond is a bellwether for commercial lending. The 10-year Treasury yield seemed to respond to the FOMC cut during the September 17 trading day, dipping to 3.62 percent at one point; however, demand for Treasury bonds cooled within 48 hours pushing yields back towards 3.75 percent. Since that week, however, expectations about rate cuts have moderated, and the 10-year yield has risen above four percent. That represents a significant decline from the 2024 peak on April 30 of 4.69 percent but creates uncertainty in a market looking for stability.

Most commercial construction loans and bridge loans are calculated on the Secured Overnight Financing Rate (SOFR), plus a spread. As the 10-year Treasury rate slid gradually throughout 2024, SOFR remained stubbornly at 5.30 to 5.40 percent. By September 20, SOFR had fallen 50 basis points and remained at that 4.85 level through late October.

Based upon the current trading of futures contracts, markets are forecasting SOFR to be at or below three percent by the end of 2025. Should that come to fruition, it would be very good news for commercial real estate. Few, if any, new projects getting underway now will be completed and looking for permanent financing before the end of 2025. By that time, a 10-year commercial loan rate should be at or below six percent. Capitalization (cap) rates will also have fallen, even if net operating income is lower for most properties. Loans at and cap rates at six or lower will not heal all wounds for commercial real estate, but those conditions will stimulate a significant – if not dramatic – increase in transactions. There is ample liquidity among investors, unlike in 2009 for example, and lower rates will offer opportunities for sellers of troubled assets.

Not all observers are confident that the movement of short-term rates will be mirrored by the 10-year Treasury yield. Nick Matt, senior managing director and co-head for JLL Capital Markets in Pittsburgh, notes that the conditions that pushed long-term rates higher have changed very little, despite the shift in monetary policy.

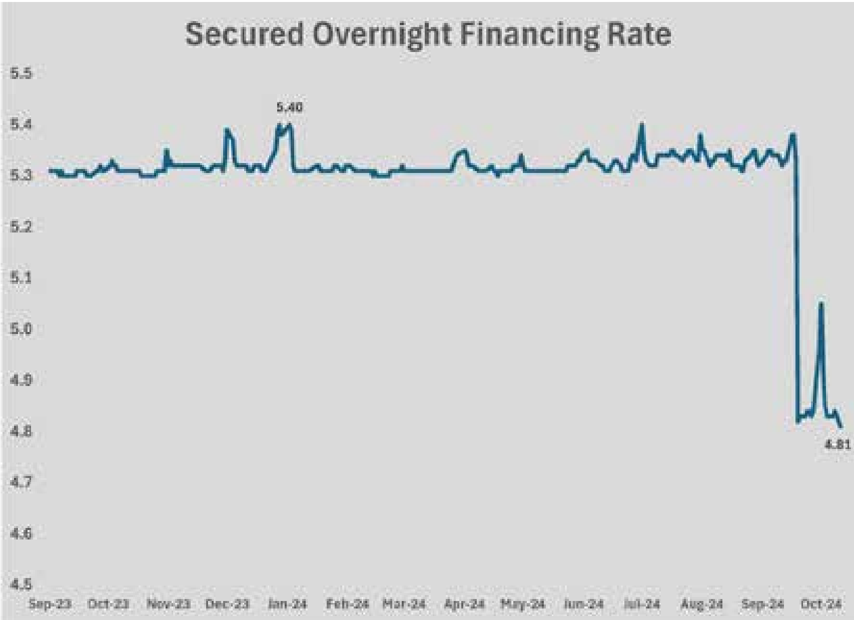
"I think the Fed will keep going because they have almost promised it, but I think that forecast is still unknown," he says. "It's good that SOFR went down, but the 5-year and 10-year rates are up about 35 basis points in that same time. I'm just not sure how much lower they will go. I don't see the market getting to three percent or even 3.5 percent on the 10-year."

Dan Puntil, senior vice president at Colliers Mortgage says that the executives charged with looking further out on the horizon at his firm see the 10-year Treasury staying two percentage points above the rate of inflation, or roughly four percent.

"Matt Rocco, the president of Colliers Mortgage, has been the chairman of the Mortgage Bankers Association [MBA] the past two years. The MBA sees the10-year yield floating between 3.7 and 4.1 percent," Puntil says. "The thinking is that the rates will stay where they are for the foreseeable future and that there will be some movement in 2025. The Fed rate cut was mostly baked into the market already."

Lower rates are unlikely to cure the problems of the office market, although a five percent rate environment should facilitate some share of refinancing that is currently frozen. Investors in office properties still struggle to forecast demand. Until that problem is resolved, there will be fewer bets made on office buildings.

Conventional wisdom also looks to lower rates to finally unlock the housing market, but the current conditions are not solely a product of higher mortgage rates. While mortgage rates of seven percent or higher certainly make home ownership more expensive, the additional financing costs pale in comparison to the unusually high appreciation that has occurred since 2019. That accelerated level of home price appreciation is attributable to the low inventory of homes for sale. There is a significant share of existing homeowners who have been



The Secured Overnight Finance Rate (SOFR) drives construction lending rates and has followed the Federal Reserve's rate cut one-half percentage point lower. Source: Federal Reserve Bank of St. Louis.

reluctant to sell their homes because their existing mortgage is below four or three percent. Mortgage rates that are at five percent are likely to remove that barrier, especially for empty nesters and move-up buyers, but long-term demographic trends and low levels of new construction will keep the inventory of homes for sale lower than the demand, even after rates level off.

The short supply of homes for sale is one of the reasons that applications for new purchase mortgages have barely increased since rates have begun to fall, while applications for refinancing have jumped more than 20 percent. Lower mortgage rates may induce greater demand from prospective buyers, but they cannot create more supply.

With the path forward for borrowing costs relatively clear, three questions seem most salient for residential and commercial real estate: How low will mortgage rates fall? When will they get there? How much relief will that bring?

The FOMC's Summary of Economic Projections, the so-called "dot plot," forecasts that Fed Funds will be cut 25 basis points twice more in 2024 and fall below three percent by 2026. That should translate to residential mortgages below five percent and 10-year commercial financing slightly above that level.

The answer to the third question is subject to debate.

"Rate adjustments will take stress off properties that were on the edge of cash flowing at higher rates. It probably makes a lot of folks more comfortable with their bank covenants and a lot of banks more comfortable with covenants that their customers may have blown through in the last year and a half. That's good news," says Dave Weber, chief strategy officer for Dollar Bank. "Will it spur additional borrowing? I think it will in the commercial space, but I think it will have a bigger impact on the retail side of our business."

The spike in home mortgage refinancing validates Weber's prediction about the impact on retail banking. Lower short-term rates will ease the strain on bank-issued credit cards and consumer loans, as those are primarily floating rates. Residential mortgage rates drifted roughly 30 basis points higher by late October to 6.4 percent. For commercial real estate, the impact of lower rates will be mixed.

"Lower rates will help push some of the projects into the feasible range, but that's also dependent upon construction costs remaining stable. They seem to have leveled out, but if they were to go up again it would wash out the benefit of the lower rates," notes David Heaton, CEO of the Buncher Company. "There are so many projects on the sideline that if many become feasible at the same time, that will push prices higher."

"Construction costs have become so prohibitive that, combined with the higher interest rate, it's almost impossible to make things pencil right now," says Tyler Noland, chief operating officer for PenTrust Realty Services, which provides equity and debt for projects using construction union pension funds. "The deals that are moving forward are moving forward on the assumption that they'll be able to take out debt in three years at a significantly lower rate. That's the optimistic approach that developers are geared towards. And I think more evidence of that will create more optimism."

"I do subscribe to the theory that all rates ebb and flow together, just not necessarily in lockstep," Puntil says. "If the short-term rates go down 150 basis points, the long-term rates will not go down 150 basis points but they will go down."

The uncertain permanent financing environment that has existed since mid-2022 chilled new development, which needs to have willing investors and lenders to take out the construction loan at completion. Higher rates may have been even more damaging to the acquisition market because of the upward pressure they created on capitalization rates, which pushed property values down by 30 percent or more. Commercial real estate transactions have fallen by more than 75 percent nationally compared to pre-pandemic levels. Permanent loan rates that come back below six percent should begin to thaw the market for multi-family, industrial and retail properties.

"We have been looking to sell some assets as we diversify the portfolio and we're looking for that point where interest rates stabilized, or even better, decreased," says Heaton. "When rates stabilize, we can be more comfortable that we will get reasonable pricing. Buyers won't be concerned that rates will be going back up. That would serve as a catalyst to get things going in the market."

Noland explains that the secondary benefit of increased transaction volume will be an increase in liquidity.

"I think there's probably a fair amount of capital on the sidelines waiting for deals; however, fewer people have gotten money out of commercial real estate in the last five years. Banks are just extending loans. Existing assets aren't turning so that owners can get proceeds from sales or refinancing," Noland says. "Once rates start creeping back down you will see a lot of refinancing to return capital to people. That's not just banks recycling their cash, but also equity partners and developers being able to pull cash out of deals to free up liquidity in the market."

More liquidity is one ingredient in the recipe for recovery in commercial real estate. The fundamentals of industrial, retail, and multi-family are strong enough to create demand. Sales of those property types will increase when rates recede. More liquidity, in the hands of bargain hunters, should facilitate the rebalancing needed in the office market.

In recent months, there are more anecdotes that suggest that owners of distressed office properties have begun to capitulate. Sales transactions like the one involving 11 Stanwix Street in Pittsburgh have made headlines in Manhattan, Los Angeles, Austin, and Charlotte. The form of these transactions has varied but the underlying story – that of a buyer getting a great deal while relieving a seller and lender of a problem – is one that is likely to play out across the U.S. Those kinds of transactions will be easier at rates that are 100 or 150 basis points lower.

Waiting for rates to get to that point has its own challenges. Matt tells of a $54 million transaction that was delayed for six months after the 10-year rebounded above four percent. The fact that the way forward for long-term borrowing seems more certain may also create delays, as buyers or developers feel confident that a purchase or construction loan will be significantly cheaper in six-to-12 months. Matt is not as confident that commercial mortgages are poised to plunge.

"The job market is good. The economy is still growing. The unemployment rate remains low. So why are we cutting rates?" he asks. "If you're in the five percent range, even high five percent, you should be locking in the rate." BG

MANAGEMENT PERSPECTIVE

PENNSYLVANIA'S RECENT DEVELOPMENTS TO ENVIRONMENTAL PERMITS AFFECTING THE CONSTRUCTION INDUSTRY

BY LISA M. BRUDERLY, ESQ., JESSICA L. DEYOE, ESQ. AND MACKENZIE M. MOYER, ESQ.

The Pennsylvania Department of Environmental Protection (PADEP) introduced several permitting developments in 2024 that are important for the construction industry to be aware of. Below, we discuss three significant permitting developments for the construction industry, including a new permit program allowing third-party permit review to expedite permit review process, the finalized PAG-02 that becomes effective on December 8, 2024, and the ESCGP-4 that became effective October 5, 2024.

Reform of the Environmental Permit Review Process

On August 12, 2024, PADEP announced the launch of an initiative to modernize the environmental permit review process. The initiative, referred to as the Streamlining Permits for Economic Expansion and Economic Development (SPEED) Program, is intended to help PADEP reduce backlogs and process permits more quickly. It was signed into law by Governor Josh Shapiro on July 11, 2024.

The SPEED Program will allow applicants of eligible permits to use PADEP-verified and qualified third-party contractors to conduct initial reviews of permit applications. Permits eligible for the SPEED program include air quality plan approvals (state-only) (Pa. Code Ch. 127), earth disturbance permits (Pa. Code Ch. 102), individual water obstruction and encroachment permits (Pa. Code Ch. 105), and dam safety permits (Pa. Code Ch. 105). On October 1, 2024, PADEP published solicitations for qualified third-party contractors for the SPEED program. PADEP will accept applications from eligible contractors from October 22, 2024, through December 31, 2024.

Permits under the SPEED Program will be subject to specific timelines established in PADEP's Permit Decision Guarantee Policy (No. 021-2100-001) or separate permit decision timelines if agreed to by PADEP and the applicant. The permit decision timeline will start once the qualified professional certifies to PADEP that no conflict of interest exists with the permit applicant. Permit applicants that choose to use a third-party reviewer must pay for any costs associated with the qualified professional's review of the permit application.

The qualified professional will perform a technical review of the eligible permit application, then recommend action to PADEP. After receiving the recommendation, PADEP will either issue the permit, deny it, or send a technical deficiency letter to the permit applicant explaining necessary changes. PADEP will issue the permit once any deficiencies in the application are resolved. If issues are not, or cannot be resolved, PADEP will deny the permit. If PADEP does not issue or deny the permit within the established timeline, the permit application will be immediately elevated for priority review, and PADEP will have 10 business days to make a decision. If a decision is not made within 10 business days, PADEP must refund the permit application fee and pay the qualified professional's cost of the review.

SPEED requires PADEP to create a secure tracking system for applications submitted electronically on PADEP's website within 180 days of the passage of the bill (i.e., by January 7, 2025), so long as funding is provided. Given this quick timeline, permit applicants may be able to utilize SPEED in the first quarter of 2025, resulting in likely shorter application review times.

Revised PAG-02 Finalized and Effective December 8, 2024

On August 31, 2024, PADEP announced the finalization of its revised National Pollutant Discharge Elimination System (NPDES) General Permit for Discharges of Stormwater Associated with Construction Activities (Revised PAG-02). PAG-02 permits apply to eligible projects proposing earth disturbance activities greater than or equal to one acre. The Revised PAG-02 will become effective on December 8, 2024, and will expire on December 7, 2029. To supplement the Revised PAG-02 and ensure consistency upon reissuance, PADEP updated the Erosion and Sediment Module 1 in August 2024 and the Post-Construction Stormwater Management (PCSM) Module 2 in October 2024.

The final Revised PAG-02 includes noteworthy changes compared to the draft PAG-02 published in March 2024 and compared to the current PAG-02, which is set to expire on December 7, 2024 (2019 PAG-02). The draft PAG-02 proposed that color photographs should be taken at least monthly of best management practices and SCMs. The Revised PAG-02 has modified this requirement to allow for alternative approaches approved by PADEP or a County Conservation District (CCD), generally applicable for larger projects.

The 2019 PAG-02 requires permittees to record a legal instrument identifying post-construction stormwater management (PCSM) and stormwater control measures (SCMs) on properties with 45 days of permit issuance. The draft PAG-02 published in March 2024 proposed the legal instrument recording occur, and the recorded documentation be submitted to PADEP or a delegated CCD prior to scheduling the required pre-construction meeting. In response to comments received on the draft, PADEP made an exception for utility projects and other projects that receive written approval from PADEP or a CCD in the Revised PAG-02. If the exception applies, the permittee will be required to record the instrument and submit the recorded documentation to PADEP or a CCD within 45 days of PAG-02 coverage approval. If the exception does not apply, permittees will be expected to execute the initial recording prior to the pre-construction meeting.

Unlike prior versions of the PAG-02, the Revised PAG-02 identifies specific types of non-stormwater discharges that are authorized during earth disturbance activities to be consistent with other PADEP General Permits for stormwater discharges. It also incorporates the U.S. Environmental Protection Agency's (EPA) technology-based standards at 40 C.F.R. pt. 450 into the effluent limitation requirements, in addition to two new requirements for construction dewatering water. Discharges are required to be treated by an approved series of at least two BMPs.

Additionally, the Revised PAG-02 requires site inspections to be conducted by qualified personnel only. PADEP provides three options in the Revised PAG-02 to demonstrate that a person is qualified: (1) completion of PADEP's Clean Water Academy training program; (2) hold an active Certified Professional in Erosion and Sediment Control or a Certified Erosion, Sediment, and Stormwater Inspector from a recognized organization; or (3) qualifications equivalent or exceeding those of (1) or (2). Existing permittees have one year from the effective date of the Revised PAG-02, December 8, 2024, to implement this provision. PADEP's Revised PAG-02 also requires the submission of an annual report by December 7 of each year that must include information on the status of the project.

For existing permittees, the Revised PAG-02 requires a renewed NOI to be submitted by December 7, 2024, to remain covered under the reissued permit.

ESCGP-4 Finalized and Effective October 5, 2024

On October 5, 2024, PADEP published notice of the final Erosion and Sediment Control General Permit for Earth Disturbance Associated with Oil and Gas Exploration, Production, Processing or Treatment Operations or Transmission Facilities (ESCGP-4) in the Pennsylvania Bulletin. The ESCGP-4 became effective October 5, 2024 and expires on October 5, 2029. Any Notice of Intent (NOI) for ESCGP-4 will be accepted and processed per the PADEP's Permit Decision Guarantee Policy (Document No. 021-2100-001) and PAyback Program.

The current ESCGP-3 will expire on January 6, 2025. PADEP accepted applications for ESCGP-3 until October 11, 2024. PADEP must act on notices of intent (NOI) submitted for coverage under ESCGP-3 by January 6, 2025. Coverage for projects that were authorized under ESCGP-3 prior to this date will be administratively extended under the terms and conditions of ESCGP-3 during the time period of the original coverage.

There are several noteworthy differences between ESCGP-3 and ESCGP-4. Under ESCGP-4, a discharge approved for coverage under the permit that subsequently exhibits a condition rendering it ineligible for coverage requires the permittee to promptly take action to restore eligibility, notify PADEP in writing of the condition, and submit an individual erosion and sediment control permit application to PADEP, if eligibility cannot be restored. ESCGP-3 had no such requirement for discharges that became ineligible after approval under the permit.

Additionally, while ESCGP-3 required weekly inspections of controls in addition to inspections after stormwater events, ESCGP-4 adds an inspection requirement following "snowmelt sufficient to cause a discharge" and requires inspections to be documented using PADEP's Chapter 102 Visual Site Inspection Report form (No. 3800-FM-BCW0271d), or a similar form that contains the same information. ESCGP-4 also requires that "qualified personnel, trained and experienced in erosion and sediment control and post-construction stormwater management" complete the inspections.

Under ESCGP-4, any stormwater control measure (SCM) implemented by an operator that is not in PADEP's Erosion and Sediment Pollution Control Manual (No. 363-2134-008) or the Water Quality Antidegradation Guidance (No. 391-0300-002) must be approved by PADEP prior to use. ESCGP-4 also requires operators to document the implementation of each structural SCM using a PADEP form—"SCM Construction Certification Form" (No. 3800-FM-BCW0271j)—and submit this documentation to PADEP within 30 days of completion of construction.

ESCGP-4 also defines "designee" for the first time and specifies that the designee "must be independent from the operator/co-permittee(s) responsible for the construction or installation of SCMs on a project site." Prior versions of this permit utilized the term "designee" but left it undefined. Operators and permit applicants previously interpreted "designee" to allow the use of designees employed by the permittee operator. This will not be allowed under ESCGP-4, as further indicated by PADEP in the final permit's comment response document in which PADEP stated that the "designee of the licensed professional should be independent from the operator/co-permittee(s) so that they aren't providing oversight to their own work."

If you have any questions or would like any additional information, please contact Lisa Bruderly at (412) 394-6495 or bruderly@babstcalland.com, Jessica Deyoe at (202) 853-3489 or jdeyoe@babstcalland.com, or Mackenzie Moyer at (412) 394-6578 or mmoyer@babstcalland.com.

SAFETY AND QUALITY ARE AN AWARD-WINNING MARRIAGE

"I have a saying that I need to put on a tee shirt: safety and quality are non-negotiable," says Jim Kephart, director of construction operations for Rocky Bleier Construction Group (RBCG). "That means when we follow the safety plan and QA/QC [quality assurance/quality control] plan, the rewards are for everyone. Everyone is entitled to a clean safe place to work. Everyone has pride in their work knowing they're doing it right the first time."

Kephart was talking about a topic he feels passionately about: safety culture. In March 2024, RBCG was recognized by the Associated General Contractors of America (AGC) with its Construction Safety Excellence Award. [Editor's note: Master Builders' Association of Western PA (MBA) is this region's AGC chapter.] RBCG was selected in the building contractors performing under 200,000 labor hours, one of only five building contractor categories. The award was notable for a number of reasons, including the fact that it was the first time RBCG had entered a submission for a safety award.

AGC has more than 6,500 general contractor members nationwide and annually recognizes only 16 contractors (plus a grand award winner) for outstanding safety performance, and only five in the building contractor category. Since 2000, only two Pittsburgh area contractors have received an AGC Construction Safety Excellence Award, most recently in 2018 when PJ Dick Inc. was recognized. Kephart was inspired to submit for the award because he saw it as the culmination of a long-term enhancement of RBCG's culture.

"I took what I've seen over 30 years in the business and applied it to our safety and quality programs. That springboarded us to another level and we started seeing results on every project," he says. "I could see positive things happening across the entire spectrum of our projects. No reportable incidents. No quality issues. The sites were clean and well organized. The planning that went into each step signified to me that our people were doing something special, and I wanted to see if they could be recognized for it."

RBCG field crews pose with the AGC Construction Safety Excellence Award at the VAMC Heinz Campus.

According to Kevin Cannon, AGC's senior director of safety and health services, firms rarely win with their first submission.

"Often, the newer applicants, especially those that don't seek out support from the chapter safety professional, struggle to tell their story," he says.

Bob McCall, the MBA's director of safety, recalls meeting Kephart about the award submission with a healthy dose of skepticism, a feeling that quickly changed.

"It's so rare that someone submits for the first time and wins. We met to help them complete the application from a technical standpoint, and when I left there, I thought they might win," McCall says. "They had such a unique program and an interesting story to tell. Jim was very compelling talking about how he and Rock had Purple Hearts and that once you are wounded in combat, your perspective on life changes. He said he doesn't want people getting hurt on his projects because he knows of the effect that it has on their entire life."

It is clear that Kephart took much from his military service. He notes that he and Bleier have tried to create a similar attitude about jobsite safety that soldiers have in combat, one where every worker knows that they can rely on the man or woman working next to them to keep them safe. The approach goes beyond attitude. Every day's activities are planned in great detail and each RBCG employee and subcontractor is expected to know what every worker on the jobsite will be doing. Kephart explains that RBCG's approach deconstructs the critical path and takes on planning differently.

"I was a combat engineer when I was in the Army. We followed the EM Safety and Health Requirements manual and the three phases of control for construction quality management. Safety is in every one of the phases. It's the first thing that you review," Kephart says.

"We converted our pre-construction meetings into preparatory, initial, and follow-up phases," he continues. "Six weeks prior to the start of a definable feature of work, we will have a preparatory phase meeting with the owner, the architect, the contractors, and the foreman who are going to be placing the work. We go over safety, requests for information, submittals, logistics, and the quality standards for every part of the work. Everyone has a mutual understanding of what the expectations are for that task. We do that all the way through closeout testing and balancing."

The preparatory meetings are meant to inform all participants of the details that will ensure that the work can be done safely and to high quality standards. The preparation includes ensuring that all the proper equipment and tools are available. RBCG reviews whether there will be free movement in the site, if materials will be stored, and how the occupant of the area is to be separated from the work area. Workers are checked to be certain that each has the appropriate certification for the work to be done. The initial phase reviews the plan with everyone on site and checks the work accomplished each day against that plan. In follow-up, RBCG reviews the steps that all participants agreed to in the preparatory phase to ensure that each was followed.

To empower the participants, RBCG pushes quality control and assurance to the front lines.

"Everyone on site during the initial phase knows they have full authority to stop the work if they feel safety or quality is compromised," Kephart says. "That may happen every day on a job site.

"What we're seeing is that we have eliminated rework across all our projects. We have not wasted a minute of labor or an ounce of resources on rework. I did some research on my own about recordable injuries and the national average, according to Willis Towers Watson, is that 80 percent of recordable injuries happen during rework."

Kephart asserts that the reduction in rework improves project profitability and makes it easier to meet schedules. He also believes it builds trust with the subcontractors and suppliers working on the RBCG projects.

"Now, our subcontractors are seeing it on their bottom line and their injury log. They trust that if they work with us, they are going to be profitable and safe," he says.

"Construction is not combat. Combat is chaos. Construction is often referred to as organized chaos. But if you have effective planning, communication, and execution, construction doesn't need to be chaos," Kephart continues. "No one should ever get hurt on a construction project. When I sign paychecks as an owner, it's to feed families. When you have a sense that your people are your family, you want to do whatever it takes to protect them."

According to Cannon, it was the sense of workers as family that impressed the judges for the AGC Construction Safety Excellence Awards.

"When you look at safety there are two components to it. There is a technical aspect, but there is also a people aspect," Cannon explains. "Rocky Bleier Construction Group really emphasized that culture of family, of how they viewed every single man and woman - not just their direct hires or employees but anyone who is engaged in the process on their projects - as family. That starts with ensuring their well-being, and that starts with Rocky Bleier and Jim Kephart."

Kephart says that the national recognition is further validation that RBCG is on the right path. He recalls the moment he learned of the award as surreal, even as he says he was confident that RBCG had a chance. He says RBCG plans to submit for the Safety Excellence Award again, hoping to keep the raising the bar and recognizing the men and women in the field. In April, after the award was shipped to RBCG's office in Carnegie, Kephart took it to Oakland to show the workers on site. Since then, the crystal award has been out overnight, Stanley Cup style, at the homes of employees.

"The Safety Excellence Award recognizes not the company, but the men and women who go to work every day on behalf of the company," Kephart says. "The trades, especially here in Pittsburgh, have a sense of pride and sense of family. We wanted this award to recognize their day-to-day efforts. We wanted them to be rewarded and noticed as being exceptional."

INDUSTRY & COMMUNITY NEWS

March of Dimes held its 14th Annual Transportation, Building & Construction Awards Luncheon on September 14. Representing the winners were (from left) Eric Porter from PennDOT District 11-0, Pitt's Scott Bernotas, Jesse DiRenna from the Operating Engineers Local 66 (accepting on behalf of honoree Tom Melisko), UPMC's Roger Altmeyer, and Stephen Shanley from Allegheny County Department of Public Works.

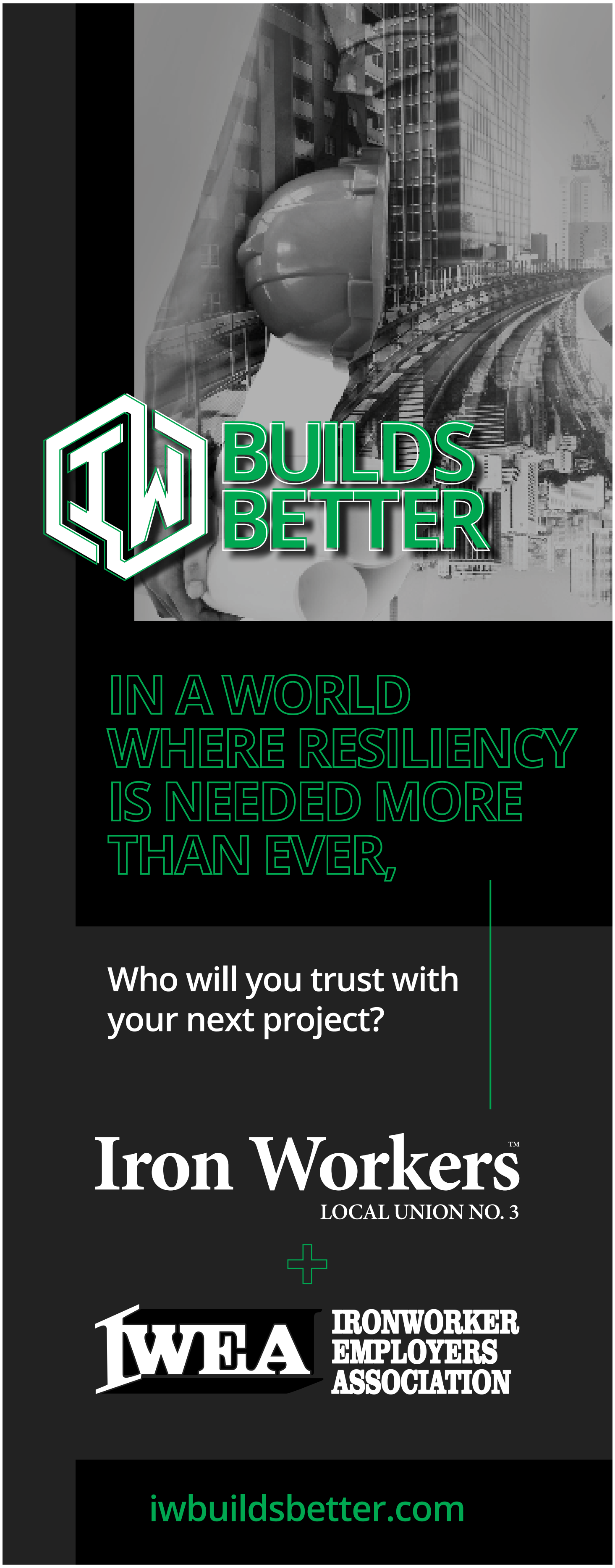
The Executive Leadership Team for the March of Dimes includes (standing, from left to right) Joe Chaffin from Michael Baker International, Amity McClelland from Hasenstab, GAI's Matt Sickles, Rettew's Paul Ceriani, Pitt's Jaime Cerilli, Turner Construction's Brian Peglowski, Mascaro's Bob Breisinger, and UPMC's Roger Altmeyer. Seated are the March of Dimes ambassadors, the Radcliff family, Scott, Hannah, Eli, and Shannon.

(From left) Ferry Electric's Vic Yates, Bill Puhlman, Scott Ferguson, and Jim Ferry at the MBA Members Golf Outing at Laurel Valley Golf Club on September 4.

(From left) Brooke Waterkotte, Rich Yohe, John Lane, and Neal Rivers from Easley and Rivers.

(From left) Bill Waterkotte from the EAS Carpenters, Oxford Development's Scott Pollock, and Rycon's John Sabatos and Michael Penrod.

(From left) Jamey Noland from PenTrust, Joe Wardman from Burchick Construction, PenTrust's Tyler Noland, and Burchick's Dave Meuschke.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(From left) Bob O'Brien, Ray Volpatt Jr. from Volpatt Construction, LGA's Tyler Niedzwicki and Jonathan Glance.

(From left) Dave Tilves and Jim Kephart from Rocky Bleier Construction Group, Jack Barry, and Rocky Bleier.

(From left) Justin Ross from Milwaukee Tool, NECA's Chad Jones, Dave Daquelente from the MBA, and Justin Bruce from Bruce & Merrilees.

(From left) Bob Ward, Dave McKamish, Naley McKamish, and John Jordan from McKamish, Inc.

On Thursday, August 8th, Mascaro took part in the 7th CEO Soak for ALS. Michael Mascaro (center), along with other area CEOs, got soaked in the fountain at PPG Place and raised funds to directly support care services and programs for people living with ALS in western PA.

Mascaro's Taylor Covey-Riggs, Perry Cansick and Ed Hasis participated in this year's Joey Fabus Superhero 5K! The race helps raise awareness and funds to end DIPG childhood cancer.

AWARDS & CONTRACTS

DiMarco Construction is the construction manager agent for the City of Clairton School District's $6.6 million renovation and addition to the Tyler Boyd Stadium. The architect is Core Architects.

Pittsburgh Regional Transit awarded Indep**endence Excavating, Inc.** a $99.8 million contract for construction of the Uptown-to-Oakland Loop of the Bus Rapid Transit system. The Uptown-to-Oakland Loop follows Forbes Avenue and Fifth Avenue to Neville Street in Oakland. The engineer is AECOM.

Massaro CM Services was awarded a contract for construction management services for the new $38 million Brentwood Elementary School. HHSDR Architects & Engineers is the architect.

Massaro Corporation was selected as construction manager for the new battery manufacturing and testing facilities for EOS at the RIDC's Carrie Furnace redevelopment site. The architect for the $40 million facility is NEXT Architecture.

Massaro Corporation is the construction manager for Penn State's $27 million Jeffrey Field Soccer Complex modernization. The architect is Crawford Architects.

Robert Morris University awarded **Massaro Corporation** a contract for the $1 million accessibility improvements to the Patrick Henry Library in Moon Township. The architect is RBA International.

Peters Township awarded **Massaro Corporation** the general contract for its new $6 million Aquatic Center at Rolling Hills Park. The architect for the 9,200 square foot new facility is Kimmel Bogrette Architecture + Site.

Volpatt Construction is the construction manager-at risk for the $5 million new monastery for the Sisters of the Order of St. Basil the Great in Uniontown. LGA Partners is the architect for the project, which involves a 6,500 square foot new monastery and renovations to the existing facilities at St. Basil.

FMS Construction was awarded the general construction contract for the $3.3 million Northland Public Library Entry and Ground Floor Renovations in McCandless. The architect is Renaissance 3 Architects.

A. Martini & Co. was awarded the construction management/general contract for the renovation of the Information Networking Institute – College of Engineering at Carnegie Mellon University. The 12,000 square foot project includes the lower level, the first floor, and part of the second floor. Loysen+ Kreuthmeier Architects is the architect.

Allegheny Health Network awarded **AIMS Construction** a contract for Allegheny General Hospital East Wing Abdominal Transplant. DesignGroup is the architect. FMRW Engineering is the mechanical/electrical consultant.

Carnegie Mellon University awarded a $1.3 million contract for Hamerschlag Hall F Level Labs Phase Two to **AIMS Construction**. The architect is Stantec Architecture, Inc.

AIMS Construction was selected as construction manager for the $13 million University of Pittsburgh Biomedical Science Tower 16th Floor East, Bethel Musculoskeletal Research Center Renovation. The architect is LSY Architects & Laboratory Planners.

AIMS Construction was the successful contractor on Allegheny Health Network Jefferson Hospital 5th Floor Refresh.

Allegheny Health Network selected **AIMS Construction** as construction manager for the fire alarm upgrade at AHN Allegheny Valley Hospital in Natrona Heights. WNA Engineering Inc. is the design engineer.

Wilkinsburg School District awarded **A.M. Higley Co.** the general construction contract for its $7 million addition and alterations to Kelly Elementary School. The architect is Core Architects.

Rycon Building Group is the construction manager for a new 120,000 square foot, two-story Dick's Sporting Goods House of Sport, which includes batting cages and an exterior field in Strongsville, OH.

Fun Fore All in Cranberry Township, PA is undergoing a 3,600 square foot renovation by **Rycon** Special Projects Group.

Dick's Sporting Goods chose **Rycon** Special Projects Group to oversee two renovations totaling over 123,000 square feet in Kingston, NY and Pittsburgh's Waterworks Shopping Center.

A healthcare technology company selected **Rycon** Special Projects Group as the general contractor for their lobby renovation in Reedsville, PA.

Rycon Special Projects Group will soon begin renovations to a cannabis dispensary in Danville, VA.

Live Nation selected **PJ Dick** to build the new entertainment venue, the Wylie, in the Lower Hill District. The project includes the construction of a new, cutting edge 100,000 square foot music venue, including performance spaces, audience areas, backstage facilities, and associated infrastructure.

FDCD II Joint Venture LLC, a joint venture between **PJ Dick** and Fidelis Design & Construction LLC, has been selected as the construction manager at risk for the Wilmington VAMC Mental Health Addition. FDCD II will manage the 9,300-square foot, multi-phased interior renovation to an existing auditorium. The scope includes an infill of the lower portion of the auditorium to create ground floor clinical spaces and installation of structural steel to create second floor clinical spaces.

PJ Dick is the construction manager for Laurel Valley Golf Club's fire suppression system upgrades. The project includes installation of a new sprinkler system in all areas within the clubhouse that currently lack sprinkler coverage.

PJ Dick's Construction Services Group – Concrete Division is providing 54,000 square feet of concrete sidewalk demolition and concrete sidewalk replacement around PNC Park.

West Virginia University Medicine selected **PJ Dick** as the construction manager for its new Eye Institute. The project includes construction of a 150,000 square foot, four-story mixed-use clinic, surgery center, administrative, and research facility with a parking garage and 23 kVA switchyard. A two-story sky bridge will connect the building to the adjacent parking structure to be built. The garage is approximately 311,040 square feet with capacity for 1,100 vehicles. Harley Ellis Devereaux is the architect. CJL Engineering is the consulting engineer.

PJ Dick/Mascaro is performing the concrete scope of work for the Carnegie Mellon University Richard King Mellon Hall of Sciences project.

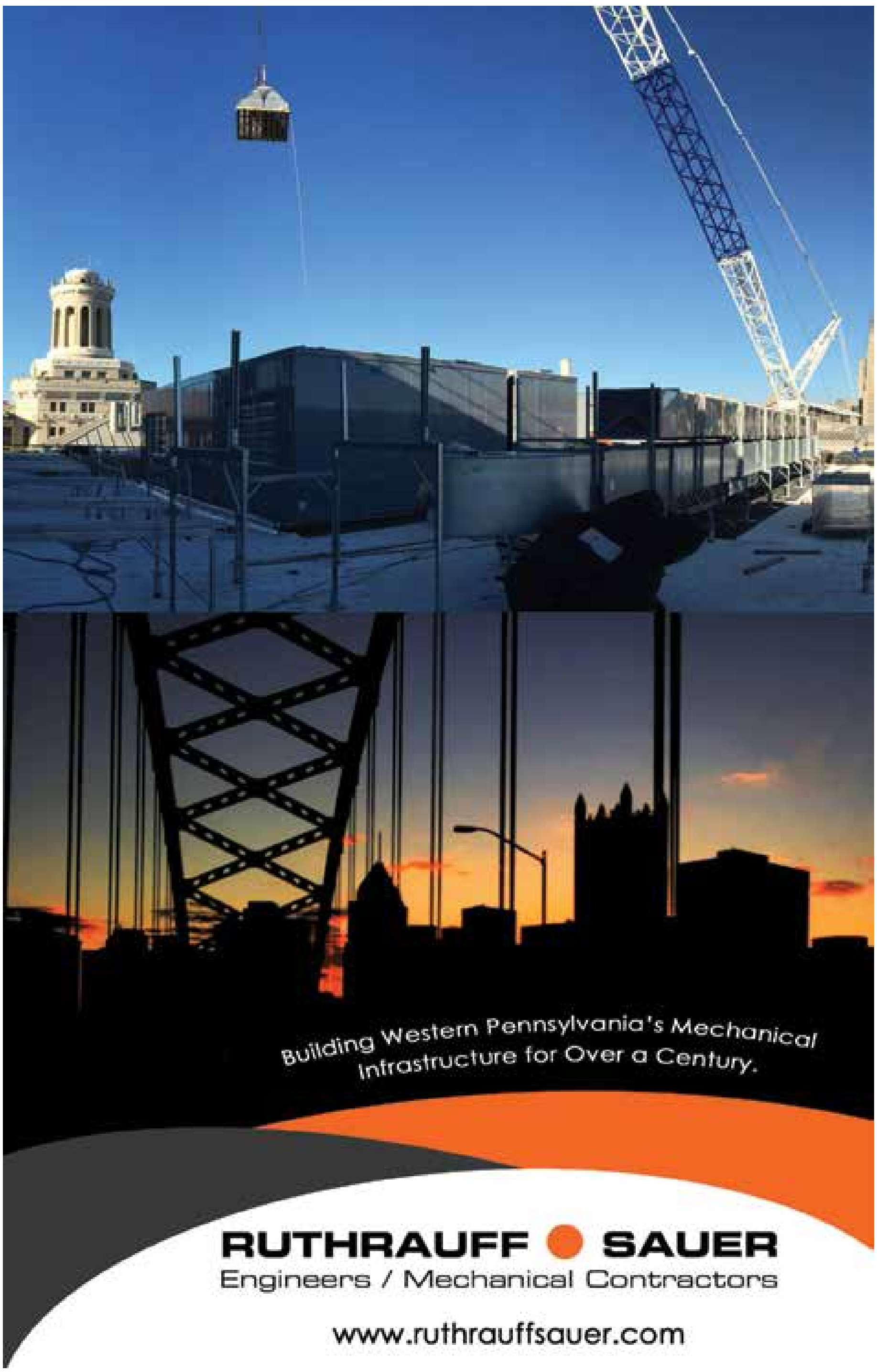
G.M. McCrossin was awarded an $18.9 million contract for the general construction portion of the $24.6 million wastewater treatment plant improvements for the Tamaqua Area Water Authority in Schuylkill County, PA. Gannett Fleming is the engineer.

A. Martini & Co. is the construction manager for Hill Community Development Corporation on the $19 million second phase of the New Granada Theater Redevelopment. The architects are DLR Group and Milton Ogot, Architect.

Mosites Construction was selected as general contractor for the $4.5 million Mothers Milk Bank in the Strip District. Rothschild Doyno Collaborative is the architect.

Facility Support Services, LLC and design partner BBIX, Inc. were recently awarded a $27.4 million contract for new construction of a four-story building at Bettis Laboratory, Pittsburgh, PA.

Landau Building Company is overseeing the 12,500 square foot renovation to the 10 West Unit at WVU Medicine's Ruby Memorial Hospital. Hafer Associates is the design professional.



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FACES & NEW PLACES

Jacob Shaffer has been promoted from ironworker Foreman to a new role as steel quality control engineer at **Mascaro**.

A.M. Higley Co. welcomed **Matt Stockhaus** as superintendent in its Pittsburgh office.

Andrew Upvall joined **A.M. Higley Co.** in its Pittsburgh office as project manager. He is a 2017 graduate of Penn State University with a degree in mechanical engineering.

Rycon Pittsburgh Special Projects Group welcomed Penn State University alumnus, **Braden Goldberg**, as a project engineer.

Reese Hickman, a Slippery Rock University alumnus, joined **Rycon** Pittsburgh Special Projects Group as a project engineer.

West Virginia University alumna, **Chiara Jewell**, has joined **Rycon's** Human Resources Department as a payroll and human resources administrator.

Rycon's Accounting Department welcomed **Madyson Nagy** as an accounts payable data entry clerk.

Rycon's Craftworks USA welcomed **Leslie Lomas** as a senior estimator with over 24 years' experience.

Andrew Miles, a Southern Illinois University alumnus, joined **Craftworks USA** as an assistant project manager.

Craftworks USA welcomed **Jef Mitrik** as a project manager, with over 30 years' experience.

With over 34 years' experience, **David Mysliwiec** joined **Craftworks USA** as a project manager.

Hunter Gregory has joined the **Turner Construction** Pittsburgh office as an engineering assistant. He is a recent graduate of Penn State University with a degree in Architectural Engineering.

Turner Pittsburgh announced the addition of **John Leuch, Jr.** to our team as a general superintendent. Leuch has over 25 years of project management and executive experience in the Pittsburgh construction industry.

PJ Dick's West Chester office welcomes **Todd Hill** as a project superintendent. He has worked in construction for 48 years and has experience running healthcare, multi-family, industrial, education, and sitework projects.

PJ Dick welcomes **Kevin Swain** as an assistant project manager. He will be assigned to the University of Pittsburgh Fifth and Halket School of Health and Rehabilitation Sciences Fit-out project. Kevin has a BA in history and English from the University of Mississippi.

REGIONAL MARKET UPDATE - *CONTINUED*

(continued from page 12) On October 24, Governor Shapiro appeared in Pittsburgh, along with nearly a dozen local leaders, to announce that his administration would invest $62.6 million as part of a major revitalization effort for Downtown. That funding will be combined with $22.1 million from the Urban Redevelopment Authority (URA) and more than $40 million from private-sector leaders and foundations to leverage $376.9 million in private investment from developers.

The aggressive investment culminated a months-long negotiation involving the governor's office, Department of Community and Economic Development (DCED), the city and county government, URA, local corporations, regional philanthropies, Allegheny Regional Asset District, and others that are targeting projects that will bring 800 new residential units to the central business district. Those seven residential conversions, along with funding for the three "connective corridor" projects announced by the Allegheny Conference on Community Development in June 2024, are intended to reduce the soaring office vacancy rate and catalyze additional commercial development.

Funding for the connective corridor projects included $25 million for improvements to Point State Park, and $50 million – including $30 million from the Pittsburgh Cultural Trust – for the 8th Street Block and Market Square improvements.

In addition to the Gulf Tower conversion, six other office building conversions were identified. The City Club Apartments, a 24-story new apartment tower at the site of the former YWCA, is proposed by Jonathan Holzman. The Porter is a conversion of the former Federal Home Loan Bank Building at 601 Grant Street into 165 apartments. Rugby Realty and Hullett Properties are converting 933 Penn Avenue into 70 residential units above ground floor retail. Beacon Communities is renovating two older buildings to create affordable housing: the First and Market Building (93 units) and the May Building (86 units). Finally, Woda Group from Columbus, OH, will convert 4 Smithfield Street in 46 affordable apartments.

Of these projects, First and Market, May Building, and 933 Penn Avenue have been through some or all the entitlement process. Beacon's projects have the URA's support and/or approval for financing or property acquisition. Along with the Gulf Tower, these should be started in the first half of 2025. BG

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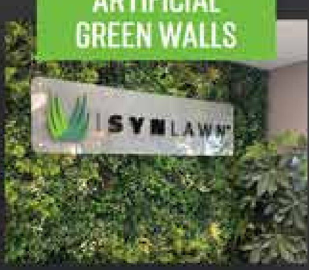

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- Pools and Spa Installation
- Residential Synthetic Lawn Installation
- Putting Green Installation
- Synthetic Green Wall Installation
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- Landscape Structure Installation

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WNA Engineering, Inc.
WTW - Willis Towers Watson
Zurich NA Construction

CLOSING OUT

WHY BUTLER COUNTY? HOW GOVERNMENT COLLABORATION AND SMART INVESTMENTS GENERATE A BIG RETURN.

BY LESLIE OSCHE

With the lowest property tax and unemployment rates in the Southwest PA region, Butler is the only county experiencing significant population growth. Butler County is one of the most safe and affordable places to live in the country, with a diverse mix of vibrant small towns, modern urbanized areas, rich farmland, and rural wooded landscapes. According to SmartAsset, Butler County leads Pennsylvania with an incoming investment index score of 10.48, largely fueled by new building permits — 10.93 per 1,000 homes. Business growth was 9.91 percent, and per capita GDP growth was $4,576. Innovation and value-based business and government leadership and collaboration produces very managed and stable growth allowing the county to weather economic turbulence.

We make things here, with over 300 manufacturers, more than any other county in the commonwealth. They provide a strong economic base, reliable employment, and excellent healthcare that supports a local Independence Health System, with multiple locations throughout the county. We are home to MSA's world headquarters, a global safety products supplier, partnered with Slippery Rock University's safety management program leading to high paying jobs for its graduates.

Educational institutions include seven top performing school districts with many blue-ribbon schools. We are the only county in the commonwealth with both a community college and university, with Butler County Community College being number one in the commonwealth for the 10th year in a row. Slippery Rock University is one of only five growing universities in the PA State System of Higher Education system. The Pittsburgh Butler Regional Airport boasts over 238 flight operations per day and is home to High Flight Academy training commercial pilots.

Butler County is an energy hub, home to the headquarters of nuclear giant Westinghouse. We rank eighth in the commonwealth and 85th in the country as a producer of natural gas. The Cleveland Cliffs steel plant, employing over 1,100 people, produces specialty electrical steel used in transformers that power the country.

Over 900 farms in Butler County encompass 132,000 acres with 50 being preserved because of the commissioners' investment of Act 13 legacy fees. We boast two state parks, countless local parks and trails including Washington's Trail. Butler County is unique in that its parks program provides municipal recreational grant assistance and management. A creative community, Butler is home to a local symphony, live theater groups, restored movie theaters, and the Maridon Museum of Asian Art. Finally, active civic organizations, charities, and a diverse network of churches and faith-based organizations support community needs.

The Big Return on Investment

Since taking office in 2016, our Board of Commissioners (Leslie Osche, Kimberly Geyer and Kevin Boozel) reorganized the county's planning department and with the guidance of economic development partners, created a Chief of Economic Development and Planning who has aligned internal departments and external partners to form the Butler County Growth Collaborative. Mark Gordon, former plant manager of AK Steel (now Cleveland Cliffs) assumes that role. With Mr. Gordon in place, the county was able to prioritize support for its municipalities in infrastructure investments, using its Act 13 fees from natural gas drilling to create an infrastructure bank. This program allows for collective borrowing at the county's attractive and subsidized rates for water, sewer, road, bridge and stormwater projects. A $3.826 million investment of Act 13 funds generated over $101.1 million in infrastructure improvements. Further, the county invested $14.2 million in American Rescue Plan funds to leverage $38.4 million in municipal infrastructure improvements, particularly around stormwater.

By securing the right consultants to assist with grant applications and intergovernmental relationships, the board aggressively pursued federal funding to widen the Route 228 Corridor traversing the southern part of the county, where the greatest growth is occurring. We leveraged our $5 local use fee on vehicle registrations to garner two federal BUILD grants totaling $45 million. After 30 years of talking, this project happened because of the partnerships and investments of PennDOT, the Southwest PA Commission, the county, Cranberry, Adams and Middlesex Townships all working toward a common vision and goal.

In addition to rapid expansion along the 228 corridor we expect growth to continue north along both Interstate 79 and Route 28 corridors as logistics, manufacturing, and technology expand in the region. Improvements underway on the Route 68, 356 and 422 corridors will bring continued growth in housing and industry. Now, we turn our focus toward broadband development in the northern and eastern side of the county, and to partnering with utility providers to power industrial, business and residential growth across the county. We welcome and encourage you to reach out to us or to Mark Gordon to be a part of our exciting future here in Butler County.

Leslie Osche is chairman of the Butler County Commissioners. She can be reached at losche@co.butler.pa.us.


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