Breaking Ground

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THE BIG PICTURE: PROJECT DELIVERY

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PUBLISHER'S NOTE

The construction industry has a cost problem. The principal culprits are the market impact of the pandemic and the demographics of construction labor. The massive disruption of what has become a global supply chain created major imbalances between the supply and demand for most building materials and products that took a couple years to work through. And like in virtually every other industry, more construction workers are retiring than are entering the workforce. Younger workers are less experienced and less productive.

The problem is that it is not going to be much cheaper to do construction going forward. The escalation that has occurred has been tough to rationalize. The higher costs have raced well beyond what rents can cover for commercial real estate, especially with interest rates that are also 40 percent higher. Schools and hospitals have had to re-think capital plans. The higher costs have thrown a monkey wrench into the construction market. Perhaps a recession would bring prices down a bit but that's a lousy solution.

Innovation might be a better path to follow.

There are tons of smart people involved in the construction industry. Many of them are thinking about a better way to design or build things. But the nature of construction can be contrary to innovation. Construction is risky. We want our buildings to be sound and safe. We want our bridges to stand, and we want them to be around for a long time. Innovations challenge the ways we build and design; therefore, the industry has erected hurdles for innovation to clear before something new can be widely accepted and installed.

These tests, regulations, and certifications help ensure public safety. They are also cottage industries and government bureaucracies. Over time, we have created greater incentives to say no to innovation than to adopt. Perhaps, faced with the daunting challenges of costly construction and a declining workforce, the construction industry leaders should consider creating incentives for safely adopting innovation.

Owners are in the best position to take the lead on innovation. People who are successful in construction – whether it is design or contracting – share a passion for problem solving. Owners should add cost control to the list of qualifications they seek when they put a request for proposal out for design or construction services. Solicit approaches to budget management. Look for past successes, even if that means calling references. Demand collaboration and create ways for that to happen. Don't wait for a design to be developed or bids to be opened. Ask for ways to control costs up front, not ways to cut costs later.

Innovation in materials and products can also help. Regulation is a major obstacle to this kind of innovation, so the contractors' associations, BOMA, NAIOP, and AIA can help by adding this to their advocacy agendas. Elevate the issue of construction costs to the Department of Health or PennDOT and push for acceptance instead of obstruction. It will be hard to find areas of common cause among these groups – look at the approach to reforming the Separations Act – but getting projects built instead of cancelled should be one.

The Commonwealth has a stake in this too. It spends billions annually on roads, bridges, buildings, and incentives for development and construction. Technological improvements in paving or concrete that extend the life of a highway or bridge will save millions annually and stretch how far a dollar will go. Alternative project delivery methods have been proven to streamline the design and construction process, yet the procurement code makes no allowance for them to be employed. And regulatory compliance is a staggering and growing cost that adds little or no value to the project. Changes to how the state government procures or regulates construction will only come from leadership. Supporters (meaning donors) of the governor or legislators must convince our elected officials of how expensive the intervention of the government is to construction.

As an industry, construction has rarely – and not recently – attempted to address the problem of cost escalation. In part, that is because the escalation has been mild enough or limited enough to manage by passing it along to tenants, or customers, or taxpayers. Most people working today have not experienced a time when costs were so prohibitive that so many projects failed to proceed. The idea of dealing with rising costs as an industry problem probably seems like jousting at windmills, but it is a problem that plagues the industry from top to bottom.

Maybe high costs will keep construction muted until enough time has passed for the tenants or taxpayers to capitulate and pay more. I don't believe that is the best way forward. It is time to seek solutions beyond waiting for things to change or for the economy to tank. Innovate. Communicate. Irritate. Don't wait for a recession.

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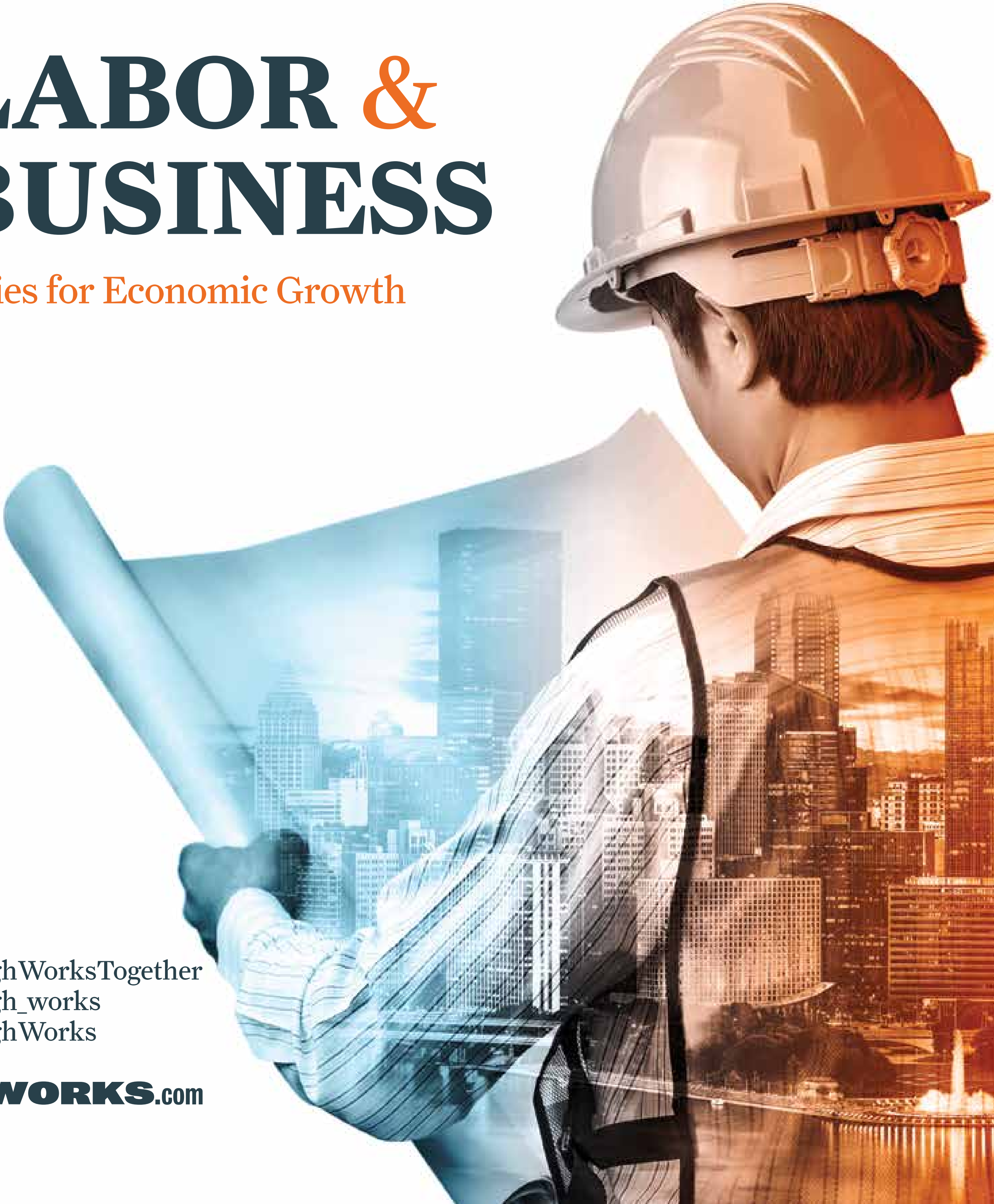

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REGIONAL MARKET UPDATE

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The Allegheny Conference on Community Development published its *Southwestern Pennsylvania Quarterly Vitals* report on the third quarter of 2024 in early November. The research affirmed an interesting trend that remained consistent throughout the previous year: employment is growing faster than population.

Job gains in the eight-county Pittsburgh region had been above the long-term growth rate through the first nine months of 2024. As of November 1, the latest Bureau of Labor Statistics' (BLS) estimate showed payroll employment was 1.6 percent higher year-over-year in September. During that same period, however, the civilian labor force declined by 0.3 percent to 1,177,018, nearly 10,000 fewer than the total number of employed persons. Not surprisingly, unemployment was at record low levels, staying at 3.0 percent (not seasonally adjusted). Both job growth and unemployment were significantly better than those of the U.S. total and benchmark cities.

Economic development leaders in Western PA have long been concerned about the region's unfavorable demographics, which were foreshadowing a steep decline in workforce by the mid-2020s. This impending decline has driven countless efforts to increase Pittsburgh's population, especially among younger residents. Federal and state data continues to suggest that these efforts have been ineffective at reversing the decline, although the downward trend has mainly flattened since 2010. But the data on payroll employment is at odds with the negative workforce trend. While the September BLS payroll data reflects some seasonality and may be revised downward, the overall trend of growth in the face of workforce decline will not change.

As is the case with the national economy, low unemployment in Pittsburgh is providing solid demand for goods and services. It is also supporting the housing market, which remained strong through the end of November. For multi-family, the supply of new units into the market is low compared to the 10-year average. Construction starts for multi-family will double in 2024 compared to 2023, but that new supply will remain out of the market until mid-late 2025 and later. For the single-family market, there is evidence that more sellers are putting their homes on the market.

According to Realtor.com, the number of active listings in the Pittsburgh Core Based Statistical Area (which includes Weirton/Steubenville, Hermitage, and Indiana) jumped 19.3 percent year-over-year in October, reversing a decade-long trend of declining inventory of homes for sale. There were 5,197 homes listed in October. Other than the post-pandemic rebound of eight percent in October 2022, the number of homes for sale in October has fallen every year since 2015, with most years seeing double-digit declines. The October 2024 listings were 50.5 percent lower than October 2016.

Source: U.S. Bureau of Labor Statistics

Real estate agents note that the reversal in trend may be short-lived, if the October increase was in response to the decline in mortgage rates that occurred in September. Long-term rates have floated higher since September, with the average 30-year fixed rate mortgage at 6.5 percent in early December.

The downtown Pittsburgh residential market should see more construction by the first quarter of 2025. The Urban Redevelopment Authority (URA) approved significant funding for five office-to-residential projects, one new

Workforce Indicators – May 2024				
	Pittsburgh MSA		United States	Benchmark Total
	Value	YOY Change	YOY Change	YOY Change
Labor Force	1,177,018	-0.3%	0.5%	0.6%
Payroll Employment	1,187,000	1.6%	1.5%	1.0%
Unemployment Rate	3.0%	0.0 ppts	0.3 ppts	0.4 ppts
Job Postings (Apr. 24 - Jun. 24)	27,195	13.1%	16.1%	17.6%

Data current as of 11/1/24, the Unemployment Rate reflects the non-seasonally adjusted rate.
Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, Current Population Survey; Lightcast (datarun 2024.3)

Source: Allegheny Conference on Community Development Southwestern Pennsylvania Quarterly Vitals

apartment, and one major renovation at its November meeting. The projects that are closest to beginning construction include the $30.9 million renovation of the May Building, the $40 million conversion of First and Market into 93 senior living units – both Beacon Communities projects – the Woda Group's conversion of 4 Smithfield Street into 46 apartments (38 of which will be affordable), and the Rugby Realty-Hullett Properties' conversion of 933 Penn Avenue into 70 apartments.

The more ambitious projects that received URA support, in addition to other state and local subsidies, still have gaps in financing that leave construction schedules undetermined. The largest of these, the $120 million Gulf Tower conversion, will see guaranteed maximum price bidding by PJ Dick

Inc. in early 2025. Renovation of the former Federal Home Loan Bank Building at 601 Grant Street will not begin soon. Construction of the City Club Apartments is less certain, even with the recent subsidy announcements. New ownership partners have taken new bids to assess the project's feasibility.

A Transit Revitalization Investment District (TRID) for Manchester was also approved at the November 15 URA meeting to facilitate The Esplanade development proposed by Piatt Companies. The Manchester TRID will capture the increased property values of the properties involved and surrounding The Esplanade to fund as much as $53 million in infrastructure work. The TRID still requires approval by Allegheny County and Pittsburgh Public Schools. Mascaro Construction is doing preconstruction for The Esplanade, which could see construction get underway on the first piece of the $391 million first phase in the second quarter of 2025.

While construction of a new office building at Esplanade is likely years away, there have been several noteworthy developments in the Pittsburgh office market since the fall.

On an upbeat note, the leasing market continues to run hot. That is not necessarily good news all around for landlords. With most tenants still looking to downsize, at least modestly, at renewal, and an overall market vacancy rate in the 20 percent range, the increased leasing activity is a zero-sum game. Nonetheless, major leases for New York Life, Range Resources, and West Virginia University Medicine will result in significant tenant improvements or refreshes. The latter is a new entrant to the market and, along with the renewal of Range Resources, is a sign of revitalization at Southpointe.

The other significant development is the marketing of Shorenstein Properties's non-performing loan for One Oxford Centre. JLL announced the opportunity on November 21. Similar to the deal that allowed 11 Stanwix Street to change ownership, the loan sale will allow a buyer to purchase one of Pittsburgh's trophy buildings at a cost basis that matches the current conditions in the office market. If purchased at the outstanding loan balance of $93 million, One Oxford Centre would change hands at just over $90 per square foot. The deal is likely to be made at a price that is discounted from the loan balance.

A preliminary estimate of the construction activity in metropolitan Pittsburgh by Tall Timber Group suggests that nonresidential/commercial contracting and starts will fall short of the forecasted $4.4 billion. Through mid-December, construction permits, plus work put-in-place in 2024 at the UPMC Heart and Transplant Hospital and Pittsburgh Airport Terminal Modernization Program was $3.82 billion. The estimate for the full year's activity is $3.95 billion, almost $400 million short of the forecast, and roughly identical to the volume in 2023.

The shortfall can be blamed to some degree on the uncertain investment environment that the contentious presidential

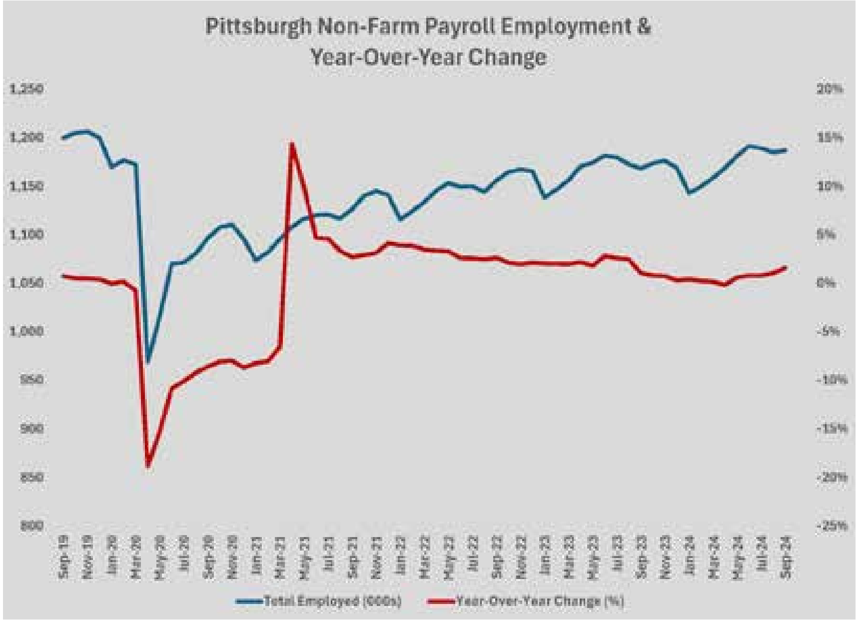
election created. However, most of the difference between what the construction pipeline indicated would get underway and the actual construction starts can be attributed to the same conditions that limited starts in 2023. Although the short-term interest rates fell in the fourth quarter, long-term borrowing rates remained higher. And, while material escalation stayed at or below the long-term norms, construction costs were still higher in 2024 than many major projects could feasibly support. That is particularly true in commercial real estate development. In the latter half of 2024, however, fewer projects bid at prices that were above what was budgeted. That is a positive indication of market stabilization for 2025.

Anecdotal evidence at year's end suggested that the results of the election were stimulating activity. Contractors involved with several large projects that were deferred throughout 2024 reported renewed activity, including scope reviews for major subcontracts, that suggests owners were prepared to move forward. With a pipeline of nearly $2 billion in projects awarded and prepared to start in the first quarter of 2025, positive decisions to proceed on deferred 2024 projects will boost construction activity significantly higher in the coming year.

Within the commercial/nonresidential sector, higher education ($597.8 million), K-12 education ($407.3 million), and healthcare ($422.8 million) were the most active through November 30. Industrial construction saw the steepest decline, falling 53.1 percent to $278.9 million. Retail starts were off 32.5 percent to $143.3 million. Office construction also declined, falling 18 percent to $330.4 million; however, the number of projects was higher due to increased tenant improvement work. Only 62,340 square feet of new office construction got underway thus far in 2024, and only one project, the recently started District Point Annex in North Huntingdon Township, was larger than 10,000 square feet. The average size of a new office project was 5,205 square feet. Virtually all the new office construction was owner-occupied for small businesses.

Residential construction has seen a dramatic boost from new multi-family projects in 2024. Many of the new apartment units started were proposed and entitled in the post-pandemic period but were held up by higher interest rates and construction costs for the past two years. The Pittsburgh Homebuilding Report estimates that builders will start 5,645 total units regionwide in 2024, based upon building permit data through November 30. More than half that total, or 2,892 units, will be multi-family units. New single-family construction is expected to be off by 70 units compared to 2023, primarily due to a 15 percent decline in townhouse construction.

The outlook for residential demand should be as strong in 2025 as 2024. For single-family housing, new household formation well outstrips the inventory of existing homes for sale, which should drive new construction; however, the long-standing shortage of lots will remain. The lot shortage impacted townhome construction more negatively than detached homes in 2024. Demand for apartments will be supported by the depressed number of opportunities to buy and the growth in household formations. (See page 49.) The surge in new apartment construction in 2024 will not be delivered, for the most part, in 2025. Assuming no reversal in trend for interest rates or pace of absorption, new multi-family construction will push the new supply of residential units above 5,000 units again in 2025. BG



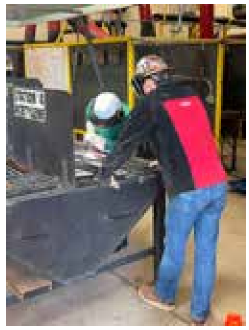
Source: A spike in multi-family starts will push new residential construction above 5,600 units in metropolitan Pittsburgh in 2024. Source: Pittsburgh Homebuilding Report.

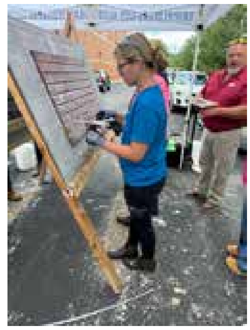
Through November 30		2024		2023	Variance
Total Residential	$	1,512.3	$	1,197.9	26.2%
Multi-family		2,892		1,239	133.4%
Total Nonresidential	$	3,820.1	$	3,852.1	-0.8%
Office	$	330.4	$	402.8	-18.0%
Healthcare	$	422.8	$	452.5	-6.6%
K-12	$	407.3	$	216.9	87.8%
College/University	$	597.8	$	588.4	1.6%
Industrial	$	278.9	$	594.5	-53.1%
Retail	$	143.3	$	212.3	-32.5%

Source: Tall Timber Group

Camp NAWIC

Girls in Construction





June 23-27, 2025 | 8 AM-3:30 PM

Location: IBEW Local 5 Apprenticeship Training Center (South Side, Pittsburgh)

A free summer day camp for **girls entering grades 8-12**, providing **hands on experience** and opportunities to learn about careers in construction.

- 2024 Partnering Union Apprenticeships:
  - **Electricians** (IBEW Local 5)
  - **Carpenters** (EAS Carpenters Local 432)
  - **Operating Engineers** (IUOE Local 66)
  - **Bricklayers** (BAC Local 9)
  - **Ironworkers** (IW Local 3)

- Get a hands-on introduction to the construction trades -- **hand tool basics**, **jobsite tours**, **building**, **climbing**, **technology**, **construction safety**, **and more**!

- Learn from women in a variety of construction professions with apprenticeship, college, and non-college backgrounds!

2025 STUDENT INTEREST FORM

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Find us on LinkedIn: NAWIC Pittsburgh - Chapter #161

NATIONAL MARKET UPDATE

October 31 was an interesting day for economic data. Following Wednesday's surprising report from ADP of 233,000 new private payroll hires, the Bureau of Economic Analysis gave its first estimate of GDP growth for the third quarter, which showed the U.S. economy expanded at a 2.8 percent rate. The growth was driven by both consumer and business spending. Another key report from October 31 showed that consumer personal consumption expenditure prices rose 0.2 percent from September to October, and 2.1 percent year-over-year. Personal income rose at a 0.3 percent rate and tracked a full percentage point ahead of prices year-over-year.

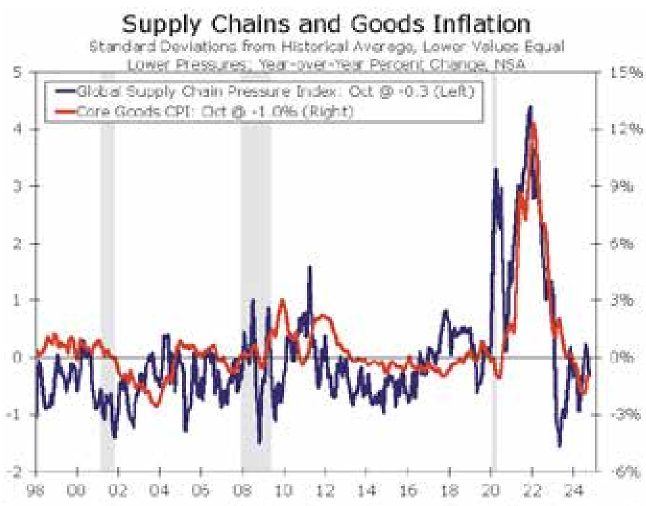
The following weeks proved even more interesting for those tracking the economy. The November 1 Employment Situation Summary reported only 12,000 new jobs were created in October and revised the August gain downward to only 78,000. The following Tuesday, Donald Trump was re-elected president by a surprisingly comfortable margin. Exit polls showed that a majority of voters who swung to the Republican candidate for president were doing so to see change in the direction of the economy. There is disagreement as to whether some of the main policies promised by the Trump campaign will bring about the desired economic change.

Given the extreme rhetoric of the campaign, and the actions of the previous Trump administration, it is difficult to anticipate how aggressive the economic policies will be, even with Republican majorities in both houses of Congress. It seems certain that the sundowning portions of the Tax Cuts and Jobs Act of 2017 will be made permanent and additional tax relief will be passed. Likewise, tariffs on foreign goods are reasonably certain to be imposed. And Trump policies towards immigration will reduce the number of foreign-born workers added to the workforce and may even greatly reduce the current number of immigrant workers if a mass deportation policy is implemented.

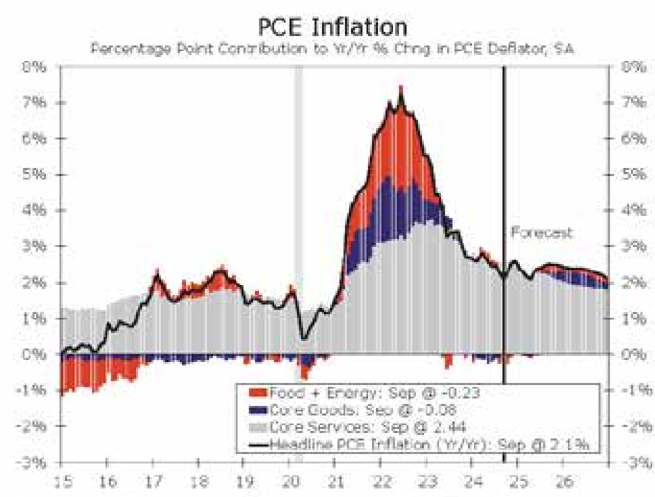
These policy changes alone will have measurable impact on the U.S. economy. In general, increasing tariffs and lowering taxes will add to inflation. Estimates of renewed inflation run from adding 20 or 30 basis points to the current level to pushing inflation back to four percent. Tariffs will be passed on to consumers and businesses almost immediately. For construction, that will likely reheat escalation.

The impact of tougher immigration policy will be a drag on growth. In 2022-2023, the U.S. labor force grew at a more robust 1.6 percent, according to the Pew Research Foundation. Roughly half of that growth was from foreign-born workers, many of whom were not in the U.S. legally. Estimates of workforce growth in 2025-2026 from Wells Fargo and Goldman Sachs are roughly half the 2022-2023 rate because of a steep decline in immigrant workforce. Slower growth in the labor force will slow economic growth and likely lead to wage growth above the current levels. Construction, as an industry that relies more heavily on foreign-born workers, is likely to be hit harder than other industries.

A collateral effect of these policies will be higher interest rates than were expected prior to the election. The stated intentions of the Federal Reserve Bank drove expectations of a Fed Funds rate of 3.0 to 3.25 percent by the end of 2025; however, the response of the Fed presidents since the

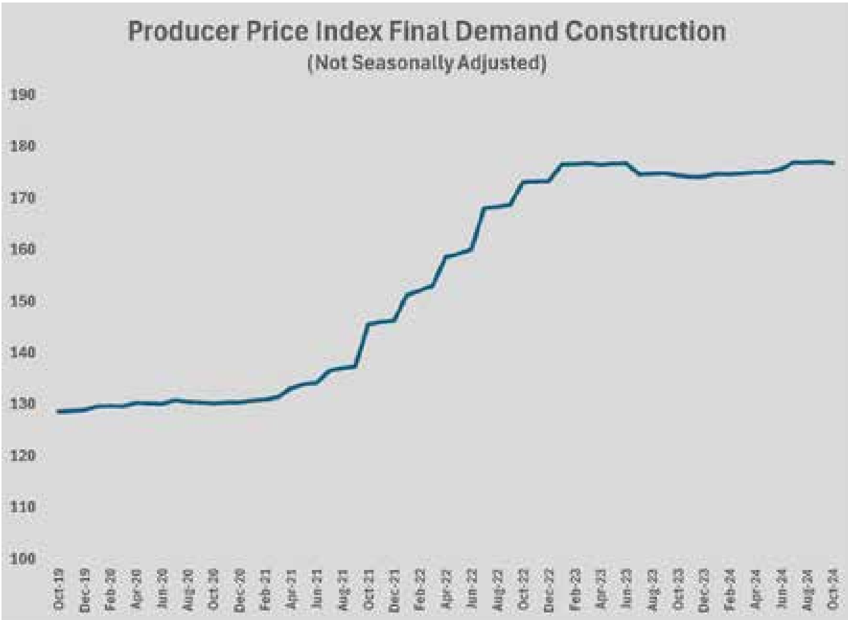


Source: U.S. Department of Labor, Federal Reserve Bank of New York and Wells Fargo Economics



Source: U.S. Department of Commerce and Wells Fargo Economics

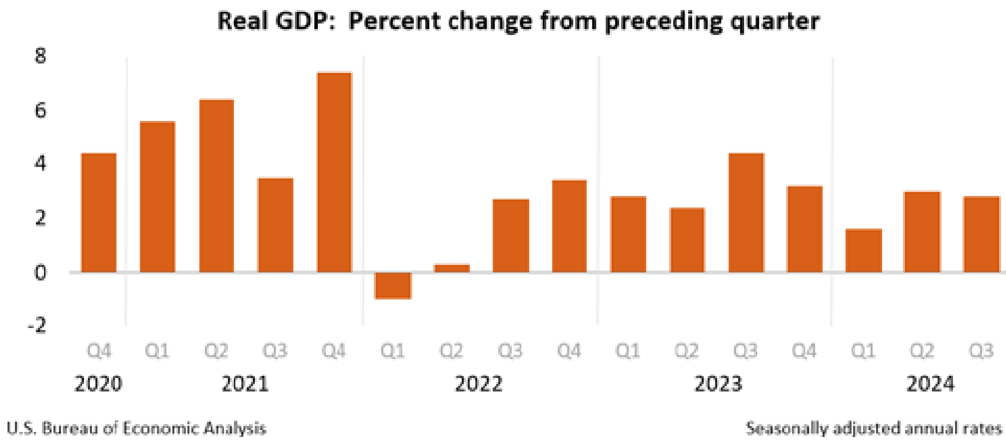
Consumer and producer inflation induced by 2020-2022 supply chain disruptions have been reversed. The effects of service sector inflation should subside to bring core personal inflation near two percent by early 2026, without any inflationary policy changes.



The producer price index for commodity and material categories that make up the final demand for construction is 2.1 percent higher in November 2024 than November 2022. Source: U.S. Bureau of Labor Statistics, Federal Reserve Bank of St. Louis.

election indicates that the central bank will be more attuned to reinflation, which would pause rate cuts. Moreover, the reaction from bond markets suggests that even continued monetary easing is unlikely to push long-term rates lower. The bellwether 10-year Treasury note jumped above 4.5 percent following the election, falling slightly after the Fed cut rates 25 basis points on November 7. As of mid-December, the 10-year Treasury yield was 4.25 percent and the average 30-year residential mortgage was up nearly a full percentage point since October 1, at 6.9 percent.

Economic growth was a principal focus of the 2017-2021 Trump administration. It remains to be seen how much the potential negative economic effects of the major policies promised during the presidential campaign will alter the implementation of those policies. The 2021-2022 spike in inflation was largely a result of the massive disruption of the supply chain during the pandemic and was acerbated by U.S. fiscal policy that gave more than $1 trillion to consumers and businesses. Modest increases in economic growth from tax cuts and conservative tariffs – 10 percent or less – should not reignite inflation. Most economists expect that this level



of policy intervention in the U.S. economy will push unemployment only slightly higher, perhaps to 4.7 percent or thereabouts. More aggressive intervention – perhaps high tariffs on Chinese goods or another tax cut – heightens the risk of recession.

Not all economists are as concerned about the new administration's policy effects on inflation. Steve Hanke, professor of applied economics at John Hopkins University, looks to the Federal Reserve Bank's monetary policy to judge inflation. Hanke sees the Fed continuing its loosening as disinflation trends closer to the target two percent level in 2025. He cites the slower rate of growth in money supply as a drag on growth and inflation.

The most common measure of the supply of U.S. dollars, M2, suggests that Hanke is correct, although, over the long haul, inflation has not followed money supply higher. For example, when inflation last ravaged the economy in the 1970s, M2 grew by double digits annually. In the decade following the Great Recession, however, inflation and the Fed Funds rate were both at or below one percent annually, even though the money supply grew by 6.1 percent annually on average. In 2022 and 2023, M2 decreased, and the current growth rate in supply equals the current rate of core inflation. Hanke represents a minority of economists who are concerned that the current money supply is inadequate to support growth.

Business response to Donald Trump's re-election was overwhelmingly positive and early consumer confidence readings show a marked improvement, even though no substantive economic changes have occurred. This uptick in attitude could offset any potential drags from policy changes, although most consumers have exhausted excess savings and credit.

The principal risk to the economy is the reversal of the downward trend of inflation and its potential for tipping the economy into recession. The Conference Board, an economic think tank which tracks leading and lagging economic indicators, sees the current conditions of the U.S. economy as worthy of a recession warning irrespective of the election results; however, the economic metrics used by The Conference Board assume that unemployment is poised to turn higher. There is little evidence that is going to occur, especially if the labor force growth slows. Absent higher unemployment, the American consumer has proven to be a resilient consumer despite drawing down savings and running up credit card debt.

Unlike during the last two election campaigns, there was little attention to infrastructure or other construction stimuli. The residual benefits from the Bipartisan Infrastructure Law and the pandemic relief acts should wind down in 2025-2026. Construction spending will be driven or constrained by demand from the economy.

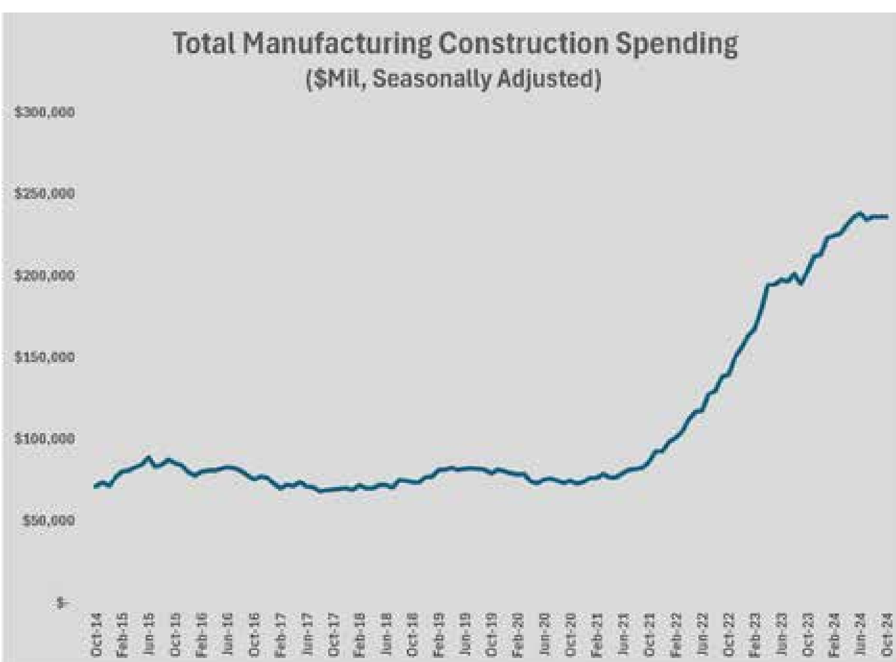
One interesting data point for assessing the direction of the construction economy has historically been the American Institute of Architects' (AIA) monthly Architectural Billings Index (ABI). The index is a binary survey of AIA members which measures whether billing activity increased or decreased. A reading under 50 percent means a net decline. A trend of sub-50 readings has historically signaled a slowdown in construction activity in the year ahead. Prior to October's 50.3 reading, the ABI had been below 50 for 14 consecutive months, and 20 of the past 24 months, but its reliability as an indicator of recession is diminished by the results of the past year.

The principal risk to the economy is the reversal of the downward trend of inflation and its potential for tipping the economy into recession.

During the past 24 months, construction spending has only declined three times, month-to-month, and two of those declines were less than $2 billion. Overall, construction spending has increased by 18.8 percent during those 24 months. Most of the intervening months occurred after the worst of construction escalation; in fact, the producer price index for final demand construction rose only 2.1 percent during those 24 months. The conclusion is not that the ABI is no longer a good future indicator, but rather that the post-pandemic conditions have been unusual enough to render it less accurate for the current market.

Construction data at year's end was in line with the trends that were prevailing through most of 2024. Total spending eased 0.4 percent higher in October, according to the Census Bureau's December 2 report. The uptick was attributable to the increased residential spending that followed the Fed's 50-basis point cut in mid-September. The rebound in long-term rates in October should reverse that gain, at least in the short term. Nonresidential spending slipped by 0.4 percent from September but was 3.9 percent higher than a year earlier.

One area of nonresidential spending that has slowed considerably is manufacturing, which remains higher than historical levels of construction. New starts hit $600 billion between 2021 and 2023, according to economics firm Construction Analytics. That is double the typical three-year construction spending total for manufacturing. New plant construction takes longer than most nonresidential construction, typically peaking after three years, which



The surge in manufacturing construction has peaked. Source: U.S. Census Bureau, Federal Reserve Bank of St. Louis.

is why construction put-in-place has begun to decline, and new construction is 25-30 percent lower than the 2022 peak. Despite the beginning of a downward trend for 2025-2026, construction spending on manufacturing remains nearly three times the fall 2021 levels.

Housing starts were higher in November, according to Census Bureau data reported on December 18, at 4.2 percent lower year-over-year. The 1.41 million units started in November were split between 980,000 single-family homes and 430,000 multi-family units.

The second estimate of gross domestic product (GDP) growth in the third quarter, released on November 27, was 2.8 percent. That was identical to the advance estimate from a month earlier. Growth again came almost entirely from consumer spending. Forecasts of fourth-quarter GDP growth have become less consistent because of the perception of a weakening labor market. The Atlanta Fed's Nowcast (a typically more optimistic forecast) is for 2.7 percent growth. The New York Fed expects 1.8 percent growth, while the St. Louis Fed Nowcast is 1.3 percent. Financial publisher Bloomberg is forecasting 1.8 percent.

November's hiring reflected a bounce back following the disruptions caused by hurricanes Helene and Milton in the first post-election jobs report on December 6. The 227,000 jobs added were in line with the consensus expectations of 200,000. Unemployment ticked up only slightly to 4.2 percent. Wages rose at a slightly faster rate, 4.0 percent year-over-year, than in October.

The households survey portion of the jobs report was less optimistic. Households reported that 355,000 jobs were lost in November. Of greater concern is the fact that the number of long-term unemployed grew by 500,000, or 41.7 percent, compared to November 2023, and the number of persons accepting part-time work for economic reasons was 12.5 percent higher than a year earlier.

The report was sufficiently muted to ensure that another 25-basis point cut in the Fed Funds rate was approved by the Federal Reserve Open Markets Committee on December 18. That cut continued the rally in long-term debt that saw 30-year mortgage rates slide towards 6.5 percent and the bellwether 10-year Treasury yield flirt with four percent. Expectations for further cuts are lowered until the new administration begins implementing policy changes. The trend in long-term rates suggests that the market sees inflation heading towards the two percent range in 2025-2026. So long as no policy changes disrupt that progress, long-term borrowers should have more certainty about financing in the coming months. BG

WHAT'S IT **COST?**

Producer price indexes (PPI) moved higher at a slightly accelerated rate in October and November. This uptick in escalation was tied to a few items and mostly reflected the lower basis of November 2023, when inflation was falling more rapidly. The bellwether PPI for new nonresidential buildings did not increase from October to November and was 1.3 percent higher year-over-year. Construction workers' total compensation rose 2.8 percent year-over-year, lagging the wage hike for all private industry workers by 0.8 percentage points.

Of the 37 materials that the Associated General Contractors (AGC) follows monthly, 25 saw increases of 0.2 percent or less – or declined – compared to October. Only one, asphalt at the refinery, saw an increase of more than 2.6 percent. Year-over-year, asphalt was 10.6 percent lower.

Most notable among the items that saw larger increases or declines were flat glass (-3.4 percent from October and 1.6 percent year-over-year), aluminum mill shapes (up 2.4 percent and 7.4 percent), copper scrap (-3.3 percent and up 9.6 percent). Other double-digit year-over-year changes were in fabricated bar joists and rebar (-21 percent), fabricated structural metal for non-industrial buildings (-28.1 percent), #2 diesel fuel (-20.6 percent), and copper and brass mill shapes (15 percent).

Turner Construction Company released its most recent cost data report, which covers the second quarter of 2024. A measure of the escalation of the cost of construction put in place (including materials and labor), the Turner Building Cost Index was 4.1 percent higher in July than a year earlier. Compared to the first quarter of 2024, the index rose 0.92 percent. That marked a continued decline quarter-to-quarter that began in 2023.

The Turner Building Cost Index is based upon national data, but Turner comments on the major local markets it serves as well. For Pittsburgh, the report suggests no material deviations from the national data; however, it notes that rising ancillary costs, such as insurance and delivery charges, along with declining labor productivity, were pushing Pittsburgh prices slightly higher than the national level of escalation. BG

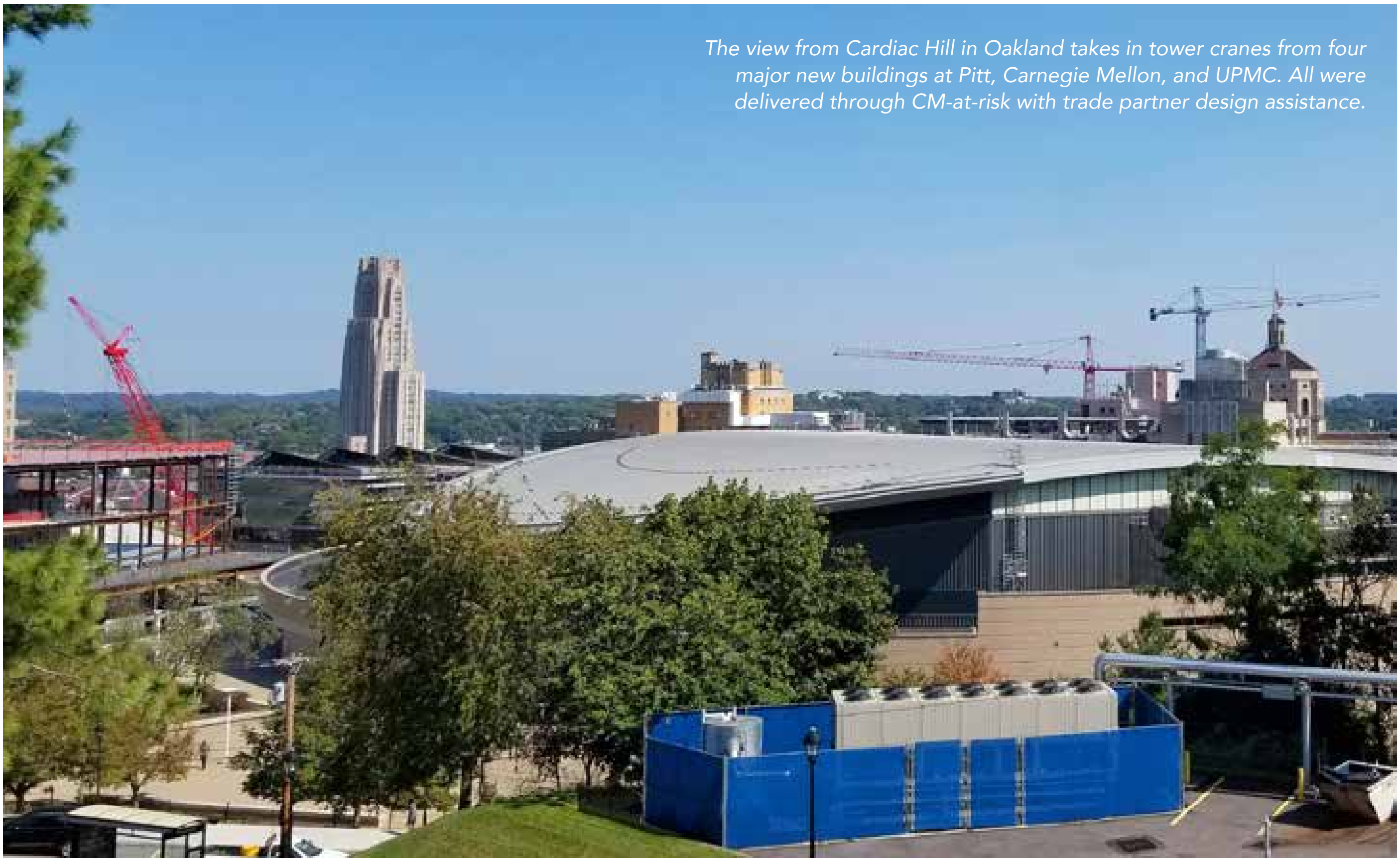
PERCENTAGE CHANGES IN COSTS	Nov 2024 compared to		
Consumer, Producer & Construction Prices	**1 mo.**	**1 yr.**	**Feb. 2020**
Consumer price index (CPI-U)	(0.1)	2.7	22.0
Producer price index (PPI) for final demand	0.1	3.0	23.4
PPI for final demand construction	0.0	1.6	36.4
PPI for new nonresidential buildings	0.0	1.5	37.5
Costs by Construction Types/Subcontractors			
New warehouse construction	0.0	0.5	43.3
New school construction	0.1	2.0	31.7
New office construction	0.0	2.8	43.6
New industrial building construction	0.2	0.0	39.3
New health care building construction	0.0	4.5	26.1
Concrete contractors, nonresidential	0.0	2.9	31.3
Roofing contractors, nonresidential	0.2	3.0	52.5
Electrical contractors, nonresidential	(0.1)	2.4	31.3
Plumbing contractors, nonresidential	0.0	(0.2)	26.8
Construction wages and benefits	0.8	2.8	N/A
Architectural services	0.0	1.8	8.9
Costs for Specific Construction Inputs			
#2 diesel fuel	(1.8)	(20.6)	61.7
Asphalt paving mixtures and blocks	(1.3)	1.4	40.1
Cement	0.0	4.5	37.5
Concrete products	0.4	3.6	40.0
Brick and structural clay tile	0.0	0.8	47.4
Plastic construction products	(0.1)	(0.9)	49.0
Flat glass	(3.4)	(1.6)	20.8
Gypsum products	0.0	5.2	51.7
Lumber and plywood	1.5	5.9	24.9
Architectural coatings	0.0	0.8	47.4
Steel mill products	1.2	(7.1)	47.7
Copper and brass mill shapes	2.2	15.0	71.6
Aluminum mill shapes	2.4	7.4	30.1
Fabricated structural metal	1.3	(6.8)	47.9
Iron and steel scrap	(1.1)	(4.5)	33.2
Source Bureau of Labor Statistics, Updated December 12, 2024			
Compiled by Ken Simonson, AGC Chief Economist			

The updated November table includes a comparison of the producer price index values in February 2020, the last full month prior to the pandemic.

The Big Picture: Project Delivery

Not so long ago, smart people thought that by the mid-2020s we would be well into the era of alternative project delivery methods. The litigious nature of construction, the significant loss of information and time that occurred during design, and the emergence of technology tools like building information modeling (BIM) made construction ripe for change in its procurement processes.

The addition to the Church of the Ascension on Ellsworth Avenue married new construction to an existing stone building from 1889. Photo by Massery Photography.



The view from Cardiac Hill in Oakland takes in tower cranes from four major new buildings at Pitt, Carnegie Mellon, and UPMC. All were delivered through CM-at-risk with trade partner design assistance.

There is some evidence that alternative delivery methods are gaining market share, but not at the pace that was expected. At the regional level there has been a marked increase in the number of projects that bring the general contractor or construction manager (CM) on board during the design phase. In part, that is due to the increase in the number of larger projects in the Pittsburgh market since the mid-2010s. Also, the uncertainty about cost and schedule that resulted from the pandemic and post-pandemic periods created a need for more collaboration between owner, designer, and construction team.

What has not occurred, however, is a shift that allocates the risk of project delivery differently than has been typical for decades.

Alternative delivery methods, especially those that bring the complete construction team together early in the project, increase certainty about cost and schedule. That does not, or may not, translate to decreased cost or compressed schedule. Alternative delivery systems cannot change the market conditions, nor are they a magic bullet. What benefits come from delivering a project in some fashion other than design-bid-build are derived from sharing information across the project team. There is recognition that the varying members of a project team – architects, construction managers, engineers, and specialty contractors – possess expertise and experience that are not possessed by all members. Sharing that knowledge for the benefit of the project happens most effectively while the design is being developed. It also requires a human ingredient not commonly associated with construction: trust.

Defining Alternatives

The continued reliance on traditional design-bid-build for delivering construction is not a function of lack of alternatives. Most of the alternatives to bidding from completed plans and specs are decades old. In fact, the recent increase in CM-delivered projects had a parallel heyday 40 years earlier. The spike in inflation and interest rates in the late 1970s and early 1980s drove solutions that shortened the time between design and occupancy. It was a time when CMs delivered fast-track projects, where major systems of the building were bid and work started while the design was being completed on the balance of the building. In 1982, each month of duration added 2.5 percent to the project in inflation and interest. Many owners adopted design-build approaches to narrow the responsibility for delivering a project to one firm.

The idea of starting construction while still designing was neither inherently American nor new. Neither was the concept of assigning the risks associated with both design and construction to one firm. Even today, after many refinements, design-build would probably look as familiar to Antoni Gaudi as it does to Turner Construction.

Most projects today are delivered by design-bid-build, CM-agency (where the CM is paid a fee and expenses with no performance risk), CM-at-risk (CM-R), design-build, or some hybrid of the latter two methods. Integrated project delivery (IPD), a method in which the various parties on a project – including specialty trade partners – all share risk and reward proportionally and contractually, has been advanced since 2000 as an alternative that aligns the interests of the participants with a positive outcome. The adoption of IPD has been slow, however, as its implementation requires a significant departure from the norm for most businesses, including owners.

Technology has driven much of the innovation in project delivery since 2000. BIM provides a framework that allows all collaboration to be captured and added to the model, regardless of the stage of development. Because the project model is the repository of the accumulated information developed throughout the life cycle, BIM should make it easier for contractors and specialty contractors to plug into the project earlier. Owners that work regularly with BIM, especially higher education and healthcare owners, could initiate project models before hiring an architect, allowing some or much of the programming to begin before a design professional was on board.

Owners have also used the ability to share the model with trade partners to create formal agreements instead of having those firms compete by bidding plans and specs through the construction manager. This alternative is commonly referred to as design-assist, and its use has grown exponentially over the past decade as major projects have proliferated.

Employing technology that accumulates information that can add value to the design throughout the preconstruction period improves outcomes. Professionals that regularly work with BIM cite savings of between 20 and 25 percent in lost information and time. Moreover, BIM has spawned improvements in other technologies that advance project delivery, like laser scanning, drone photography, and 3D imaging.

"BIM does help with alternative delivery. We begin to develop the construction document phase at the same time we're working through design. You can't really document anything in BIM without having to rise to some level of decision making with regards to details. That's an important benefit BIM brings," says Tami Greene, president of IKM Inc. "I think the biggest impact is that it improves our collaboration efforts."

BIM has also made it easier for owners to employ hybrid approaches to the proven delivery systems. Design-build is most often hybridized, as the idea of architect and contractor collaborating is generally more attractive than the practice of assigning the design contracts under the control of the general contractor. The ability to share the model during design allows the owner and architect to bring a general contractor, specialty contractors, or suppliers into the project ad hoc, getting the benefit of additional information without the commitment of a contract.

Owners have also used the ability to share the model with trade partners to create formal agreements instead of having those firms compete by bidding plans and specs through the construction manager. This alternative is commonly referred to as design-assist, and its use has grown exponentially over the past decade as major projects have proliferated. The use of design-assist has expanded hand in glove with the rapid growth in prefabrication of major assemblies to improve productivity and offset the decline in workforce.

"We will do about $190 million this year and the majority of that work is design-assist. We prefer design-assist over design-build. If you can get to design-assist as a trade partner it is far preferable," Dan White, vice president, pre-construction services at W. G. Tomko Inc.

White explains that the best scenario is to be engaged at the conceptual stage, which gives Tomko the ability to be most valuable to the owner and its engineers. As the design develops, the model can be uploaded to the mechanical contractor's engineering and fabrication shop. White estimates that they can return a fully-coordinated model within one or two weeks of uploading the design. Pursuing design-assist projects takes patience. White says Tomko's sales cycle averages 18 months.

"The best projects in our industry are when you are a value-added partner to the end user," he says. "We can come in and work within the budget and work with the engineer to make sure that what is designed is what the owner needs. We can negotiate towards a budget that works for the owner. It's not a case of whoever makes the biggest mistake wins."

"Too often we are asked to participate in a design assist after the engineer has completed design. That's not the time when I want to be offering suggestions. The bottom line is that

the sooner a mechanical contractor is brought onto a project the better," says John Jordan, president of McKamish Inc. "The Presbyterian Heart and Transplant Hospital job is a good example of design-assist. We were probably on that project a year before design truly got underway."

Greene notes that using an alternative to design-bid-build is almost a necessity for larger projects, especially those involving complex building types like hospitals or research centers. She also points out that the form of agreement is less important to the success of the project than the participants, and that what determines success is more human than technological.

"A few years ago, I worked on two very large healthcare projects being designed, documented, and constructed at the same time with two different CMs and the process was greatly different. I think the biggest difference I saw was in communication," Greene says. "When we have the most successful CM projects, there is constant communication through all phases. Those intermittent pricing exercises are not nearly as effective as when you're communicating on a regular basis as you're developing the design and the drawings. Things function differently when there is a CM that communicates effectively."

Asked which project delivery method she prefers, Greene allows that she is most comfortable with CM-R, although she points out that geography seems to be a determining factor in what type of alternative delivery method prevails.

"In Pittsburgh, CM-at-risk is almost all the alternative delivery, but as you push further out to the east, especially with healthcare clients, we see integrated project delivery (IPD) or IPD Lite showing up. Out in Columbus, we're seeing more of the design-build teaming approach," she says.

How Projects Are Delivered in Pittsburgh

If you speak to the general contractors in Pittsburgh about alternatives to design-bid-build, you will get consensus that they are employed less frequently here than in other markets. When you dig a bit deeper and ask what share of the contractor's work is hard bid versus some alternative, the answer is the opposite. In fact, the answer is remarkably consistent. While several contractors or CMs do 20 percent or less in competitively bid work, the consistent share reported was 30 percent. That leaves at least 70 percent of the projects delivered by some other method.

The most common of the alternative methods now is CM-R. The least common method is design-build. The latter is employed to a larger extent in most other markets, but there are some structural reasons why design-build lags in Western PA. For one, there is little federal construction spending in Western PA. Several of the largest procuring agencies in the federal government – most notably the Army Corps of Engineers and the General Services Administration – embraced design-build decades ago. Another limitation is the Pennsylvania procurement code, which effectively prohibits design-build for projects that receive public funding, both state and local. Finally, Pittsburgh's largest construction consumers, the hospitals and universities, have not pursued design-build to any extent. In Western PA, design-build has been mostly limited to private owners with the discretion to experiment with alternatives to improve the construction process.

Perhaps because design-build has been used less frequently, the perceptions in the market vary widely.

"There are two ways of looking at design build. You could view it as riskier because you're taking on the responsibility for design; but you can also see it as less risky because you're in control of the design," says Steven Massaro, president of Massaro Corporation.

"We prefer design-build because we know we can give the owner the equipment and system solution they need and deliver it in the most practical way," says Jordan. "We would do more design-build but there aren't many owners doing projects that way."

"We have one design-build project currently. It has mixed reviews and may not have been the appropriate project to try design-build," says Gina Bleck, vice chancellor for planning, design, and construction at the University of Pittsburgh. "I think the steppingstone to IPD is design-build. Doing a design-build project is the fastest way to get acclimated and on the path to IPD."

Jay Davis, president of SSM Industries, which was part of the design-assist mechanical team at the UPMC Mercy Vision and Rehabilitation Hospital, says there is a marked difference between Pittsburgh and Philadelphia, where most of SSM's work is design-assist.

"I don't see a whole lot of design-build or design-assist going on in Pittsburgh. It may be on big industrial projects, but there's not a whole lot of that in the market," he says. "More than 90 percent of the time there's a design professional on board before we see it."

Jim Ferry, owner and president of Ferry Electric, says that the share of design-build opportunities for electrical work is lower now than 20 years ago, and thinks design-assist is underutilized in Pittsburgh. Ferry is one of dozens of specialty contractors in the region who have invested heavily in prefabrication, which has the capacity to solve several problems for owners.

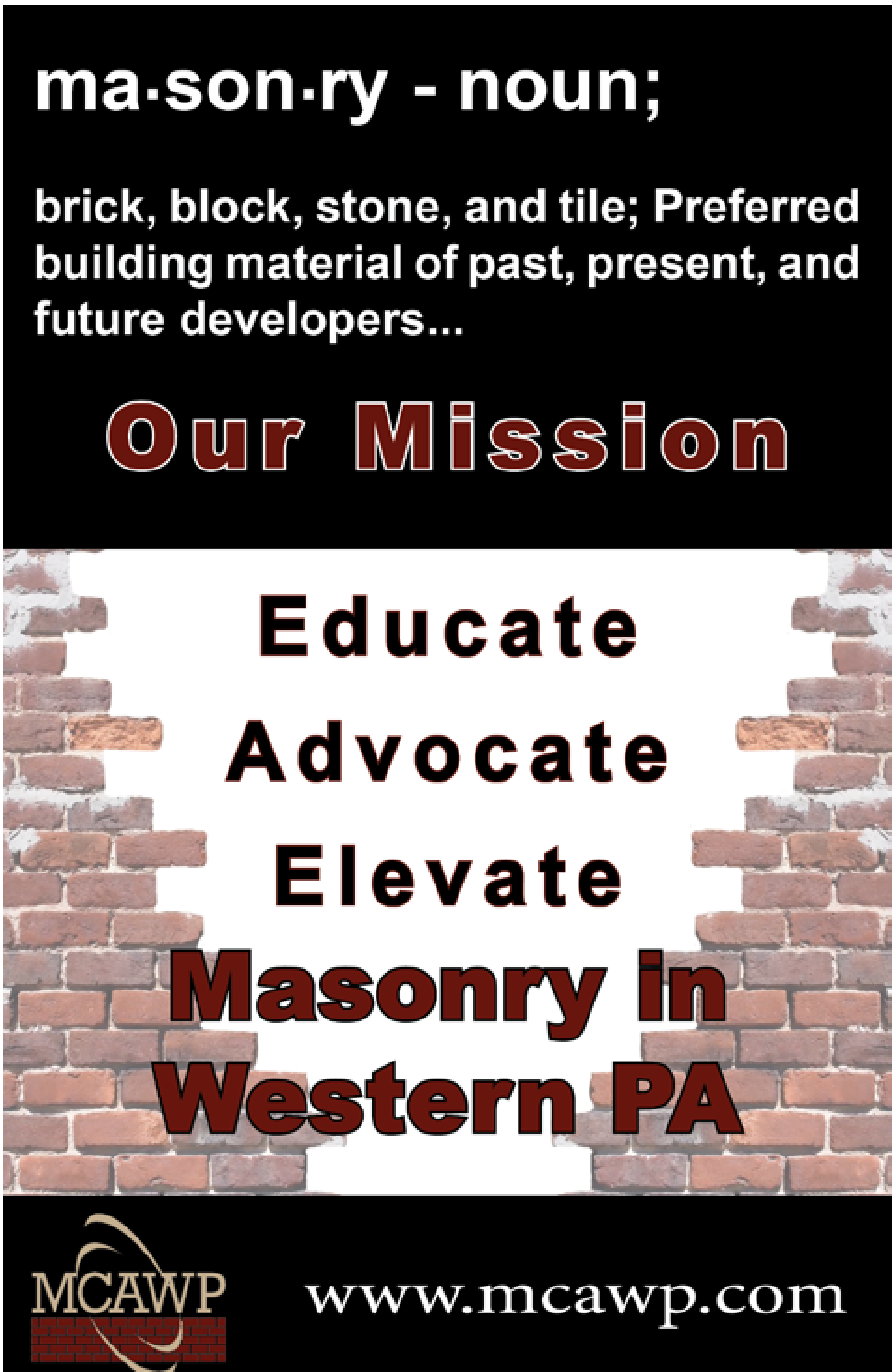
"I don't think owners use specialty and trade contractors as well as they could. The market has evolved but not as much as I would like and it's not as well integrated as it could be. I think we have an opportunity to add value to the project. A design-assist job can be a better job for the owner and better value for the owner. It is a smoother job for the general. Everything about it ends up better," he says. "I think there are capable contractors in our market and there is a respect between trade contractors and general contractors. The potential is there but for some reason the market has not adapted to design-assist as well as it could."

One of the defining characteristics of the Pittsburgh design and construction market is the deep reservoir of capable firms. That depth makes for a high level of competition, which is an incentive for owners to deliver projects by bidding them competitively. Contractors can be selective when the market is busy or resources are thin, but most cannot be as selective as they would like.

Alyssa Kunselman, director of business development for Mascaro Construction L.P., estimates that between five percent and 20 percent of the firm's work annually is design-bid-build. That share varies depending upon what the market offers in opportunities. Mascaro considers the project delivery method when evaluating new opportunities.

"It absolutely matters to us. It's not an easy black and white answer. Ultimately design-build is the most desirable, but you don't see it around here very often. When we look at an opportunity, we debate qualifications and competition, workload and resources available," says Michael Mascaro, executive vice president of Mascaro Construction.

Asked what would represent a desirable opportunity Mascaro laughs, "That's us competing against no one, but that's a fantasy world. The competitive GMP would be one we would say no to more often if we have other opportunities in the pipeline."



Most contractors share Mascaro's opinion of the competitive guaranteed maximum price, or GMP. As a hybrid of the CM-R delivery, a competitive GMP asks contractors to put a fixed maximum price on less than full documents – often far less than full. Competitive GMP attempts to disproportionally shift the risk to the CM. In the traditional CM-R project delivery method, GMP is the penultimate pricing, usually completed to finalize financing or secure decision to proceed. GMP pricing occurs after most, or all, design and scope decisions have been made, and the guarantee is qualified to exclude the items that are unknown or undecided. Usually, there are provisions for shared savings between the CM and owner if cost-saving opportunities arise from the unknown or undecided items during construction. Competitive GMP pricing looks to limit opportunities for the CM to qualify or compensate for the unknown and undecided. In a less competitive market, owners would likely find no takers for an opportunity to bid a competitive GMP.

Massaro is equally wary of competitive GMP opportunities but is practical in his approach to pursuing opportunities. He estimates that his firm's mix of business is 70 percent negotiated contracts and 30 percent competitively bid.

"We want to build and whatever the delivery methods are, even multiple prime, we're more concerned about the kind of opportunity and the resources we have available. There's not a delivery method I can think of that would deter us," Massaro says. "We're most accustomed to CM-at-risk. We're certainly not afraid to bid lump sum work. We have a construction management group for CM-A. We have design-build work."

"We prefer to do CM-at-risk because

it engages the contractor at the beginning of the process and allows us to help the owner and the architect through design to assure the project budget is met," says Ray Volpatt Jr., president of Volpatt Construction. "Too often we see a project go out to bid and it comes in over budget and that could be avoided by doing CM-at-risk."

"If you look at our backlog and what we target, we are probably 15 percent hard bid, 15 percent design-build, and 70 percent negotiated open book. And that 30 percent fluctuates with the market," says Eric Pascucci, president of PJ Dick Inc.

Pascucci notes that as a strategic matter, hard bidding is valuable to general contractors and construction managers, even if those firms do little design-bid-build work. The nature of procuring negotiated contracts tends to push construction managers towards a limited number of specialty contractors that are capable and willing to do the kinds of up front estimating required by that delivery method. Hard bidding, whether it is public or private construction, attracts a broader range of subcontractors and suppliers. That gives the general contractor access to firms that it would not otherwise have. Periodically, that access also uncovers a specialty contractor that has grown in capacity and capabilities.

For owners, the strategy behind hard bidding is simpler. Putting a project on the streets tends to bring a lower bid, especially if the owner widens the field of contractors competing for the project. Bidding exposes a project to firms that might not have otherwise competed for the project. It also imposes a psychological environment that is conducive to lower pricing. Up and down the supply chain, there is more of a "sharpen the pencil" mindset. The risk of competitive bidding for owners is in the level of completeness of the construction documents. Low bidders own the construction documents, but not what is omitted or in error.

For many private sector owners, a hybrid of the competitive bid delivery method is more satisfactory. This method varies in contractual form, but it involves negotiating an agreement with a general contractor or construction manager well before construction documents are begun, with open competitive bidding of the subcontracts once documents are completed.

Anthony Martini, president of A. Martini & Company, observes that even the alternative delivery methods resemble competitive bidding.

"I would say we're probably 70/30 negotiated to hard bid, but even on a project delivery method where there's a request for proposals it's still a bid. They're usually asking for general conditions and a fee, or just a fee. Rarely do we see an RFP where it's just about qualifications," he says.

Martini says that the factors that influence his team's evaluation of an opportunity go beyond project delivery methods.

"The factors that make up go/no go decision are the amount and nature of competition and if the project is realistic in its expectations about budget or schedule. If an owner has expectations that aren't realistic, I'd rather tell them than be the bad guy later," he says.

The decision about what method to use in delivering a project is ultimately the owners to make. In Pittsburgh, the largest institutional owners have an oversized sway in the marketplace. As private institutions, these owners have the discretion to pursue any project delivery method. They are also owner-occupiers with a long life cycle expectation for the completed project and, frequently, heightened expectations for schedule. Often, it has been a hospital or university that has pushed the envelope on project delivery methods.

The region's biggest healthcare provider, UPMC, has not pushed the envelope on project delivery methods in the past.

"UPMC has not done any design-build or used any models other than design-bid-build or CM-at-risk other than UPMC Northwest, which was done 25 years ago. We stepped into that. It was already in the works," says Roger Altmeyer, director, community project development at UPMC.

Altmeyer explains that UPMC has its plate full with the construction of its flagship Heart and Transplant Hospital at UPMC Presbyterian, which will limit the number of projects that will be done elsewhere. He also notes that the economics of healthcare are more difficult post-pandemic than they were a decade ago, something that will further limit construction. He also acknowledges that more challenging economics can lead to more creative approaches to doing business.

"We would look at opportunities to reduce costs and get us to market quicker. We just have not had the projects to evaluate what alternative methods might work," Altmeyer says.

At Allegheny Health Network (AHN), a change in management of construction and real estate more than a decade ago brought significant changes to project delivery. Skylar Van Soest, director of planning, design and construction at AHN, says that the hospital system is geared toward alternatives to design-bid-build.

"We hard bid almost nothing. That is the situation I inherited from Dick Thompson. The arrangement of the last five years has been 90 percent CM-at-risk. More significant projects had the CM involved extremely early, at the same time the architect was brought on board," Van Soest says. "Dick brought in some design-build ideas and there was some experimentation involving the CM holding the design contract. We still do that at the right time and place but that perhaps five percent of what we do."

"I think design-bid-build, CM-at-risk, and design-build are all part of the toolkit of options that you have as an owner.

We decide internally on what's the best procurement method on a project, given some of the nuanced differences in the construction climate and marketplace," explains Bleck. "Will we get a better deal with a hard bid? If there are a lot of logistical or technical concerns, we're more likely to go CM-at-risk with pre-construction services. That's the best value because we get that expertise up front and can line things up well."

Carnegie Mellon's design and construction team has fairly clear-cut standards for choosing a delivery method.

"We use a CM for anything over $2 million. It's usually about complexity and the difficulty of working on campus. With a CM, we feel they're working for us instead of just operating within the bounds of a specific contract," Andrew Reilly, senior director of engineering and construction. "We bring them on as part of the design process for anything over $2 million to take advantage of their pre-construction services. In the range of $750,000 to $2 million we go back and forth between CM-at-risk and hard bid. The deciding factor will be complexity. Is this something where we have long lead times? Will there be difficulty managing the construction on campus? Under that $750,000, we will competitively bid the project."

Carnegie Mellon employs design-build on projects with limited, defined scope of work, typically a single-trade project like a roof replacement, fire alarm upgrade, or athletic turf replacement.

Bleck says Pitt has discussed doing more projects design-bid, which she feels will become more viable when there is more experience with that method in the Pittsburgh market. She sees design-build as a better solution for projects with time constraints. Bleck feels more discussion is needed to understand the nature of the shared risk in IPD.

Reilly says Carnegie Mellon has not done an IPD project. He raises an interesting point about the key feature of IPD, risk sharing, that may be shared by many owners.

"It's fine that you share the risk, but you also give up some of the control over the project," he says.

"We are pushing incentives into contracts that have incentives that benefit all parties when budgets and schedules are met. That is more like what people call 'IPD Lite' but it's still an A133 construction management contract," Van Soest says.

IPD Lite refers to a watered-down version of integrated project delivery. In the years following the Great Recession, IPD gained notoriety as an antidote to the ills of the confrontational nature of the traditional three-party construction contract. Articles written about IPD predicted that it would become a prevalent delivery method by the time the decade ended. That prediction was incorrect.

In 2011, an AIA national survey uncovered 45 IPD projects being planned or constructed. Of those, 14 were in California, six were in Washington or Oregon. No other state had more

than three projects, and most states had none. (There was one in Pennsylvania, in Lancaster.) The majority, 27 of 45, were healthcare projects. A later University of Minnesota study found that only 120 IPD projects were completed or underway by the end of the decade. The surprise is that all evidence suggests that there are not many more than 45 IPD projects going on today.

Adoption of IPD requires significant shifts for owners, contractors, and architects. Cost structures of projects will be different, with more up-front costs. Incentives will change dramatically from most other forms of contract, even those being used in projects that are intentionally collaborative. IPD presents legal frameworks that will challenge designers and trade partners accustomed to the traditional allocation of risk. IPD also requires trust between the parties that is not typical of construction. These challenges have slowed the expansion of IPD nationwide. Thus far, firms in Pittsburgh have not shown a desire to buck the trend.

An Alternative to Alternatives

In May 2024, two Pittsburgh professionals were invited to make a presentation about the recent addition to the Church of the Ascension at the Advancing Preconstruction 2024 conference in Denver. Scott Koontz, vice president of estimating for Jendoco Construction and Melanie Buzgan Dower, principal at Rothschild Doyno Collaborative, spoke to the conference about the collaborative approach to design and preconstruction that prevailed on the Church of the Ascension project.

As they described the preconstruction activities, the process sounded much like a design-build delivery; however, that was not the case. In a market that has been slow to adopt design-build, an alternative that uses traditional contract relationships but behaves like design-build may accomplish the same goals.

"It's design-build collaboration that puts the client first. It's about developing relationships and trust and allowing all parties to be heard," says Koontz.

Specialty contractors are able to use BIM to prefabricate much of the mechanical and electrical infrastructure for buildings, shipping them to the site for assembly rather than field fabrication. Photo by McKamish Inc.

"We each had a contract with the owner and Jendoco was the construction manager providing a guaranteed maximum price," says Buzgan Dower. "We work most often in that realm of project delivery. It's helpful to have the construction manager on board early."

Jendoco and Rothschild Doyno have worked together on numerous projects, including many on which the design and construction team was assembled before construction documents were completed. Koontz notes that there are close working relationships between principals of both firms, although he and Buzgan Dower had never worked on a project together. For her part, Buzgan Dower says that she was able to work with the construction manager to successfully present design alternatives she knew would meet the owner's needs.

"We had regular design meetings with the owner as we develop the design, and we invited the construction manager so that they could hear the purpose behind the design decisions we're making. There are social goals that we're trying to elevate. We know there are different physical ways to manifest those social goals that have different economic impacts," she says. "In early steering committee meetings, Scott and [Jendoco President] Michael Kuhn were at the committee meetings with us. As we were presenting design options, they were able to provide cost feedback and insights that would allow us to stay in line with the budget. We found that approach to be successful on several projects, especially those that are nonprofits with committees as the decision-making body. It allows us to seek out meaningful design solutions that balance the economic with the social and physical."

Koontz says the process for Church of the Ascension acknowledged the difficulty of decision-making by committee by giving the owner more time to decide.

"We are far too often pushing people to make decisions before they're ready just to keep schedule moving, but as a team we mutually agreed right out of the gate that we would allow the ownership team time to reflect," Koontz explains. "We allowed them to have a month after schematic design to chew on things because they're a committee. We did the same after design development. It took a little longer but, in the end, produced a beautiful project."

Koontz points out that the collaboration that occurred on Church of the Ascension was a choice made between two firms with a history of successful collaboration, not one that was created by the project delivery method. He notes that the three-party contract arrangement leaves plenty of room for problems, even with a collaborative approach. Suggestions by a CM for revisions to design or program during preconstruction may necessitate additional design time that the architect does not have budgeted in its fee. Architectural revisions can create additional estimates beyond what the CM has planned to provide. The form of contract must allow for the time needed to collaborate or one of the parties risks losing money to do so. That risk is a disincentive to collaboration.

"It became about Mel and I trusting one another," concludes Koontz. "When there was an issue, we learned to trust that we would come up with solutions that addressed her concerns and mine."

"It was a good project for us. Rothschild Doyno hit their design budget. The ownership team hit their budget and schedule. We thought it was a great example of how you can step out of your silo and focus on making group decisions, as opposed to making decisions that are purely cost or schedule based, or design based. The owner ended up with a project that they liked better than what was initially designed and budgeted. That doesn't happen very often."

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PROJECT PROFILE

UNIVERSITY OF PITTSBURGH FORBES HALL PAVILION RENOVATION

Photo by Catherine Donahue

Following the academic years of 2023 and 2024, AIMS Construction completed two challenging renovation projects at Forbes Hall. One was part of the University of Pittsburgh's ongoing effort to increase and improve its student residences; the other involved a more unusual, if coincidental, problem to remedy.

Forbes Hall is a student residence hall located in the Forbes Pavilion at 3525 Forbes Avenue. Built in 1964 as a nursing home, Forbes Pavilion is a cast-in-place concrete structure, which the university partially renovated to create student residences on the upper six floors after acquiring the property in 1977. Pitt issued a request for proposals in winter 2023 to add 28 beds by converting 5,300 square feet of office space on the second floor. AIMS Construction was selected as general contractor for the project. Design Group had advanced to design development by the time of AIMS's selection.

At the same time, Pitt engaged Wiss Janney Elstner (WJE) to design a solution to the failing lower roof systems of Forbes Pavilion, which included an original green roof. Seeing that the phasing of the roof project would be intertwined with the Forbes Hall renovation, Pitt awarded a second contract to AIMS Construction for replacing the roof. Bringing a general contractor onto both projects during design helped with one of the project's more difficult challenges: the schedule.

"Schedule was a major challenge," says Alicia Densmore, project manager for AIMS Construction. "The project was in design development when we were hired. We were able to have input on some of the design decisions and sequencing. That was how we were able to convince them to do an early demolition package. Waiting until the summer months would not have given us enough wiggle room to get completed by the time the students returned."

While the floors above the project area were occupied in spring 2023, the office area was vacated and AIMS was able to award and begin demolition in February 2023. Densmore and Tony Pokusa, AIMS' project manager for the roof replacement, coordinated a phasing plan that had 14 double-occupancy rooms completed between May and mid-August 2023, while a

The interior color palette as designed to offset the lack of daylight that the building could offer. Photo by Catherine Donahue.

portion of the roof was replaced. The main roof replacement, including the green roof, would be accomplished during the summer of 2024.

"There were multiple things going wrong with the different roof surfaces. One of the challenges was that there were worn surfaces that were only accessible from the portion of the building being renovated. We were depending upon the interior renovation being completed before we could get the soil off the roof and replace the waterproofing and roofing," explains Pokusa.

Renovating office space into dorm rooms should have been relatively straightforward, but the structure and age of the building created problems, both structural and architectural, for the design and construction team to resolve.

"There are low floor-to-floor heights in this building. To make it even more challenging, there are thickened floor slabs because it is structural concrete construction. It is seven feet nine inches from the floor to the bottom of the thickened slab. In healthcare today, we do 14 feet floor-to-floor and when it's 10 or 12 feet, it really hamstrings the project," says John Ryan, associate principal at Design Group "We worked hard to make sure that low floor-to-floor height did not define this project."

"Working with an existing building and not having great documentation of what was there and how it was built was a challenge," Gary Wentzel, principal at WJE's Pittsburgh office. "We had some drawings, but it was a former healthcare facility and there have been some changes since then."

"It was a challenge to make sure we had natural light in the space, so that it didn't feel like a cave with the low ceiling height. We made sure that whatever windows we had lit the corridors where we could," he continues. "We used warm tones and bright pops of color to guide people along the corridors to the lounge and amenity spaces. We tried to work with the Pitt brand on the colors

The interior corners of the building were used for gathering and amenity spaces. Photo by Catherine Donahue.

to draw people into the space."

Densmore explains that the heavy concrete structure created multiple problems for several areas of the renovation, especially the plumbing and heating. Pitt tasked AIMS with tying the new bathrooms into the building's existing, partially failing sanitary stack on the floor above.

"We replaced the sanitary piping on our level and had to work on the dorm floor above to tie in. When we scanned the floor, we discovered 80 percent of the locations where the bathroom and toilet layout were located were on top of a beam," Densmore recalls. "The structural engineer had to determine where we could penetrate that floor without compromising the structure."

Densmore also credits Ruthrauff Sauer, the mechanical contractor on the renovation, with critical preconstruction work. The renovation required shutting down all toilets and sinks in the rooms above, which meant coordinating with any summer occupants. Ruthrauff Sauer conducted an extensive survey of the concealed plumbing and developed a sequencing plan for the plumbing fixture replacement. Ryan also credits mechanical engineer Buro Happold with a creative design solution. There was also significant coordination necessary with Pitt's information technology team and Integrate Security Department to maintain the secured access to the building and the building's wi-fi access when the power was off.

Consideration for the existing residents of Forbes Hall was an important issue at the start of the renovations, which happened during finals.

"It was a hurdle to work through the renovations while students were living in the building. The main problem was at finals time when noise was a consideration. We were asked to evaluate how we could do that and ended up shutting the project down for two weeks because we could not get the noise levels down," says Travis Wertman, project manager for the University of Pittsburgh. "AIMS was able to rework their schedule and there was minimal impact on the completion date."

Students moved into Forbes Hall, including the new rooms on the second floor, as scheduled in August. When the preparation for the larger second phase of the roof replacement got underway in spring 2024, the team discovered several unforeseen issues. An examination of the roof drains uncovered a long-time deficiency from the original installation, which caused water damage to the building. As demolition got underway on the existing roof, a more difficult problem presented itself.

"With safety being the primary concern of the university, we had a structural analysis done to determine if the roof could bear the weight of the machines. It was determined it would not," says Wertman.

"In the midst of the removal of the soils on the existing green roof an issue arose with the structural loading. We couldn't remove the soil the way we wanted to," says Pokusa.

AIMS and its green roof contractor, Eisler Landscapes, planned to use excavating equipment to remove the existing soil, but the inadequate structure quashed that plan. WJE identified several small areas that would support small equipment, but AIMS' team suggested an alternative that would allow additional loads to be spread across the roof structure.

"We devised structural wooden mats that were able to bridge between beams to carry micro excavators that were 32 inches wide. We were able to scoop dirt into wheelbarrows and then run it up a ramp to a dump truck," says Eric French, president of Eisler Landscapes. "It was quite a challenge."

"Even with the excavator, they ended up having to hand remove a large quantity of the soil," says Pokusa. "There were between 12 to 15 inches of soil in some areas and 23 to 27 inches in others. We also had to manually bring 400-pound pavers to the roof."

The limitations of the structure also meant that it was impractical to completely update the roof to current codes.

"There was quite a bit of effort put into figuring out how much insulation we could get into the roof," recalls Wentzel. "New projects are supposed to meet the current code for minimum insulation, but we couldn't fit it in without it obstructing access to the roof. We had to seek a variance for that."

The completed roof project includes several greenscapes, including a planted lawn area, along with various seating options, dining tables, and a birds-eye view of bustling Forbes Avenue.

"Eisler did a great job. They are the experts on these green roofs and without them we wouldn't have been able to do it, notes Mike Tarle, senior vice president and Pittsburgh market leader for AIMS.

Beyond the construction issues, the Forbes Hall renovation presented AIMS Construction with logistical challenges because of its address. Working directly above one of the busiest corridors in the city, AIMS had to protect pedestrians and vehicle traffic, as well as manage limited access to the site. Any lifts, including the soil for the green roof and the concrete that was installed, resulted in blocking at least one lane on Forbes Avenue. That was a status that the university and the City of Pittsburgh wanted to be limited.

"The logistics in general were difficult. We were right on Forbes, so we couldn't have deliveries to the front of the building. There was no loading dock at the building. We had to use Euler Way as our only access point for deliveries and dumpsters," says Densmore. "That's a one-way alley so deliveries had to be coordinated on smaller trucks. The underground parking deck goes under Euler Way, so there were weight considerations for vehicles. We had to build ramps to access the dumpsters."

Pokusa points out that a nine-story private student residence was being built across Forbes Avenue from the project during both summers of construction and the UPMC Heart and Transplant Hospital was getting into full swing throughout AIMS' project's duration, which added to the construction traffic in that part of Oakland.

Students returning to Forbes Hall in mid-August 2024 found fully

Construction on Forbes Avenue requires major traffic control and staging on one of Pittsburgh's busiest streets. Photo by Catherine Donahue.

landscaped roof decks and gardens at their disposal. Pokusa thinks they will be a welcome amenity.

"The green roof itself I think is a beautiful end product. The portion along Forbes Avenue will be a great space for the students to enjoy" he says.

Pokusa and Densmore both point to AIMS' superintendent, Brent Guenther, as a key reason the project ran successfully. Densmore notes that Guenther and Ryan met almost weekly, with Ryan stopping at the site on his commute to Design Group's offices in the morning to review progress and solve problems.

"The AIMS team was very good. There was great communication. Brent talked through everything so that he knew where we had flexibility and I understood the challenges he had," says Ryan. "It was kind of a 'Kumbaya' project, and I don't say that lightly. It was one of those projects where you schedule a weekly owner-architect-contractor meeting for an hour and every meeting only lasts 30 minutes because things are well coordinated and there are no issues coming up that we hadn't already thought through."

Pokusa gives WJE kudos for navigating the unforeseen issues that arose and keeping the end result, an on budget and on schedule project, in mind.

"WJE's weekly communication and reporting on the site kept everybody in the loop," he says. "It was the only way to hit a tight schedule."

"The team played a big role in the success of the project. Design Group was good to work with on the interior renovation," agrees Densmore. "John Ryan met with our superintendent and was very open to suggestions from the field, which I think was a big contributor to this success. There was also a good team from Pitt to work with."

"It was a good project because of the teamwork between Pitt, AIMS, and their trade partners and everybody's ability to work together resolving issues," says Wertman. They were able to maintain a tight schedule and cost."

Gina Bleck, vice chancellor for planning, design and construction at Pitt, notes that the definitive measure of a project's success is the end product.

"The students and everyone associated with the building is happy with the end result. That's the best indication of success," she says. BG

PROJECT TEAM

AIMS Construction	General Contractor
University of Pittsburgh	Owner
The Design Group	Architect
Buro Happold	Mechanical-Electrical Engineer
Taylor Structural Engineers	Structural Engineer
Wiss, Janney, Elstner Associates	Engineer (Green Roof)
BLT	Hazardous Material Abatement
Eisler Landscape	Green Roof Contractor
M & J Electrical	Electrical
Phoenix Roofing	Roofing (Green Roof)
Pittsburgh Interiors	Interiors
Ruthrauff Sauer Inc.	HVAC & Plumbing
Swank Construction	Concrete Cutting
Thomarios Painting	Painting (Green Roof)
J. Rich Concrete	Concrete
G. Kidd Inc.	Structural Steel
Tech 2000 Woodworks	Casework
Kalkreuth Roofing & Sheet Metal	Roofing (Student Housing)
Flooring Contractors of Pittsburgh	Flooring
Massaro Industries	Ceramic Tile
Lisanti Painting	Painting (Student Housing)
River City Glass	Glazing

DEVELOPING A CONTRACT FIELD GUIDE FOR THE AGREEMENT BETWEEN OWNER AND GENERAL CONTRACTOR

BY DAVID A. SCOTTI, ESQ. AND JACOB B. MELLOR, ESQ.

As attorneys, we are accustomed to reviewing one-hundred-page, single-spaced contracts with a myriad of attachments. The problem is that the contract(s) signed by the project participants must leave the lawyers' offices and become the rules of the road for the construction team. Oftentimes, how the requirements of the contract apply during the project are somewhat buried in the endless pages of legal requirements to the point that simply handing or emailing the contract to the project manager does not communicate what is to be done with that contract. And it is not just the project manager that needs to know what is in the contract. The boots on the ground need to understand that they have a critical role in completing a successful project beyond just getting the work done. Instead of giving them a contract to read, take the time to extract the operational duties and requirements from the agreement and distill it into an easily used contract field guide.

From organizing basic project information, to maintaining documentation, to safety considerations, creating a simple guide for field operations will pay great dividends. When there is a need to determine your compliance with the contract requirements, a contract field guide will help simplify the process. If there is a need to submit a request for change order, provide notice or submit a claim, the field guide saves you valuable time and resources.

At the outset, there are three categories of information that need to be distilled from the original contract documents: basic project information, documentation and management and on-site health and safety. There is a great advantage in consciously assembling or developing as much of this information as possible up front in that it will allow you to avoid common pitfalls early in the job and will prepare you to properly address any issues that arise along the way. However, we also recognize that some of the information listed below is generally developed as the project progresses and is, at least in part, done on an ad hoc basis. That's okay. The point is to be as prepared as possible from day one of the project. Developing a contract field guide will help you achieve that goal.

Basic Project Information

At the outset of any project, there is a certain amount of information known to the project participants. Some of it is basic – for example, the layout of the project site – while other information has to be gleaned from the contract documents or maybe learned on the fly once you have mobilized. Regardless of where this initial wave of information comes from, it is imperative to gather and condense it to make it usable for all members of your team. This is the foundational information upon which the project is based and, by extension, the information upon which your successful performance of the work depends. Help your team start the project out on the right foot by developing an overview of this initial project information.

Project Organizational Chart

As construction attorneys, we have seen too many disputes arise out of a simple breakdown in communication. Sometimes, this can be remedied with a clear understanding of the chain of command and project roles. Whether presented as an outline, flowchart or otherwise, having the key project participants' roles, contact information, and even a short description of their scope of work or responsibilities all condensed into a one-page reference guide can help to smooth out some of the initial bumps in the road.

Oftentimes, how the requirements of the contract apply during the project are somewhat buried in the endless pages of legal requirements to the point that simply handing or emailing the contract to the project manager does not communicate what is to be done with that contract.

Drawings

Your team needs to maintain a current drawings list that can be used to record when the drawings are received, including everything from the bid set, to issued for construction drawings, to the last revision. The contract field guide should clearly identify who is maintaining the Drawings List and where it can be accessed. It may also be prudent to include in your field guide just a few notes on the required procedure to give notice of any errors on drawings.

Schedule

The field guide should outline any scheduling duties assigned to your team under the contract. Assuming you haven't taken on scheduling responsibilities for the entire project, this should include the date when your initial schedule information is due to the project scheduler, the required form of schedule, and the periodic due dates for schedule updates. The project schedule is a powerful tool, both during the project to support change order requests and after it, should claims arise. With that in mind, take extra care to ensure that your team handles scheduling updates and information in accordance with the contract.

Permits

If your team has been assigned any responsibilities for permitting, the field guide should describe what's required. This includes the type of permit, the issuing entity, identifying who is paying for the permits, and any deadlines. For permits that have online applications or instructions, you may want to include a link in your field guide for ease of access. Along with this information, your team should maintain a permit status log.

Project Site Information

A project site drawing needs to be readily available to your entire team. This should include the location of the job trailers, lay-down areas and site access points. General work hours and any other site-specific information can be noted on the drawing as well. Once this is created, it becomes an easy reference tool.

Documentation and Management

Tracking project information is critical. Besides the fact that most contracts require specific documentation to be maintained and/or submitted by the contractor, project documentation is needed to support the decision to seek a change order or to provide support for a potential claim. Emphasize this with your project teams. Your team should develop a workable process to create and maintain the necessary documentation. Whether the project uses owner-provided templates, or you have your own, proper documentation should be second-nature to your team.

Daily Logs

Tracking what occurred on a project must be done daily. Many contractors use software that allows you to seamlessly input the necessary information, but you can also create a daily log template that accomplishes the same goal. Your on-site staff should record not only hours worked, but specific tasks performed, areas worked and any other information necessary to convey what was done. Photographs are a powerful tool. In this digital age, there is no reason not to take daily photographs. Be certain to include the date and a brief description of what is being shown in the photograph.

Meetings

Include in your field guide a list of the required meetings, including time, location and required participants. Clearly identify who will take meeting minutes and set up a Log to track meetings and meeting minutes. Too often, a contractor will not have properly tracked this information, despite it being perhaps the best contemporaneous record of what happened on the project. Not only can it help sort out issues during the project, but it can also provide a basis for establishing notice.

Reports

It is important to determine the contract's reporting requirements, i.e., what reports are required and when are they due? Your field guide should contain a brief listing of the required reports, necessary content, necessary recipients and any associated deadlines. The project manager should create and maintain a report log that tracks when reports are sent or received. This process will encourage compliance with the reporting requirements so that this is not overlooked in the heat of trying to get the work done. This also provides the home office with greater visibility into project status.

Submittals/Shop Drawings

Assemble a listing of required and anticipated submittals and shop drawings, including deadlines. Include in your field guide a few notes on the submittal and shop drawing process. The project manager should create and maintain both a submittal approval log and a shop drawing log that identify when a submittal or shop drawing was turned in, when a response is due and when the response was received and should track the submittal/shop drawing through final approval.

Notice of Impact/Delay/Acceleration

The contract will specify the requirements regarding notice. The field guide needs to identify the manner of serving notice, the person(s) to receive notice and the extent to which notice is to include information regarding the effect on cost or schedule. The project manager needs to create a notice log that establishes when notice was given, to whom, for what purpose and when/if a response was received. The notice log may also include who within the contractor's organization was copied on the notice.

Electronic Communication

Contracts often specify requirements regarding electronic communication, including whether emails, Slack messages or even text messages can constitute proper notice. The field guide should specify the proper – and improper – use of any electronic communication, including whether any specific parties should be copied on project communications. You should also establish with your team a policy on the sorting and preservation of emails and other electronic communications. This may seem like a mundane task, but we promise that you will be glad you took the time to sort and preserve this information if and when a claim develops.

On-Site Health and Safety

The contract includes requirements and responsibilities regarding project health and safety. These requirements/ responsibilities should be identified in the field guide for both ease of reference and as a check on whether these requirements are being met.

Safety

List your duties and requirements regarding safety and safety training. If there are any particular safety concerns specific to the project that will affect your on-site staff or the work itself, be sure to emphasize them. Create a safety log. Safety being so important, it is necessary to have a record of what was done to promote project safety.

Accidents and Injuries

Accidents often occur on a project. Include in your field guide a few notes on the incident reporting and insurance information, including a reference to where the full requirements can be located. Even if it's empty – hopefully it is - keep an accident and injury log for the project.

Hazardous Materials

If you anticipate that your team will be working with or around hazardous materials, clearly identify the materials together with the requirements for handling. In some circumstances, you may also want to list health concerns associated with each type of material. Also include the procedure for when hazardous materials are unexpectedly encountered during your work, whether that procedure is outlined in the contract or it's your company's internal policy.

Conclusion

The construction contract between the owner and the contractor details all the terms of the agreement between the parties, but only part of this agreement relates to running the project. Time spent extracting the contractual requirements related to running the project is time well spent. Condensing this into a contract field guide helps ensure that the necessary information is assembled or developed up-front and is available through an easily used reference guide throughout the course of the work. Incorporating this practice into your company's process helps to avoid common pitfalls on the job, enables greater visibility for the home office, and is extremely beneficial if and when disputes arise.

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THE IMPORTANCE OF GROWTH: WHY SMART STRATEGIES MATTER

BY MICHAEL J. KAPICS, CPA, MBA, CCIFP

Continual growth is a cornerstone of success for construction companies. Growth ensures competitiveness, enables adaptation to market shifts, and solidifies long-term viability. Yet not all growth is beneficial. Companies chasing expansion without a clear plan—simply working harder and taking on more projects—often end up overextended, compromising quality, profitability, and reputation. Sustainable growth requires intentionality. It must be guided by a strategic vision, executed through sound plans, and aligned with the company's core strengths. This article will explore five proven strategies for achieving the kind of smart, healthy growth that positions your construction firm for enduring success.

Brand Management: Standing Out in a Crowded Market

The construction industry is fiercely competitive, and failing to differentiate your brand is a recipe for irrelevance. Without a unique value proposition, your company risks blending into a sea of sameness, leaving potential clients with no compelling reason to choose you over your competitors. Strategic differentiation is critical, particularly in bidding environments where standing out can mean the difference between winning and losing a project.

- Specialize to differentiate: Specialization is key to distinguishing your brand. Companies leading in smart building technology or modular construction can command premium pricing due to their expertise. Modular construction, for instance, has gained notoriety for its potential to significantly cut timelines and costs, qualities particularly highly valued in sectors like healthcare and education. By carving out a niche, your firm establishes itself as an expert, ensuring clients choose you for your proven capabilities.
- Identify and amplify your strengths: The foundation of differentiation lies in identifying what sets your company apart. Perhaps it's that expertise in modular construction, your reputation for delivering complex projects ahead of schedule, or the ability to integrate sustainable practices into designs. Whatever they may be, these distinctive strengths should form the cornerstone of your brand. For example, a firm specializing in healthcare facility construction could emphasize its understanding of medical office operations, regulatory compliance, and patient-centric design.
- Positioning in high-growth niches: Growth opportunities abound in sectors like renewable energy, healthcare, and urban housing. Aligning your company's services with these high-demand sectors can drive sustainable growth. For example, firms specializing in data center construction can benefit from the increasing demand for cloud infrastructure. Similarly, urban housing projects addressing affordability issues in metropolitan areas like Pittsburgh or Philadelphia are in steady demand, offering long-term opportunities for firms with expertise in cost-efficient housing solutions.

Marketing as a Growth Driver

For many construction firms, marketing is treated as a nonessential expense. However, in today's market, strategic marketing is a necessity. It not only builds awareness but also positions your company as a trusted partner, paving the way for business growth.

- Effective marketing tactics: Begin by showcasing your successes. Client testimonials and case studies are powerful proof of your firm's capabilities. For example, a project summary that highlights your ability to complete a complex commercial facility under budget and ahead of schedule can resonate strongly with prospective clients.
- Targeted outreach: Developing a "dream client" list—identifying ideal clients aligned with your strengths—is a highly effective marketing strategy. Tailor your campaigns to engage these potential customers. For instance, if your expertise lies in renewable energy, your marketing materials should feature completed solar or wind projects, underscoring your leadership in the field.
- Networking and visibility: It is also important to participate in industry events and trade shows. These platforms allow you to showcase your expertise, build relationships, and stay updated on market trends. Sponsoring relevant activities or speaking at events further solidifies your company's presence and credibility in the industry.

Investing in Your Sales Team

A capable sales team is vital for sustaining growth, yet many construction firms fail to invest adequately in this area. According to a national survey, contractors invested an average of 7.4 percent of their payrolls into workforce education in 2021, the vast majority of which, 90 percent, was in safety and craft education. It does not appear, however, that much value is placed on educating and training employees how to identify and close new business as most training budgets are allocated to technical skills, leaving a significant gap in business development capabilities. Having your "boots on the ground" learn these sales skills can dramatically increase new business generation.

- Building a sales culture: Begin by training customer-facing employees to identify and seize business opportunities. Equip them with the tools and skills necessary for effective client engagement. For instance, a project manager with a strong understanding of your firm's value proposition can be a powerful advocate during client interactions.

- Incentivizing sales success: Clear goals coupled with meaningful incentives can motivate your team to prioritize business development. Financial bonuses tied to securing new projects or expanding existing accounts encourage proactive sales efforts.
- Hiring sales specialists: If your existing team lacks sales expertise, consider hiring dedicated sales professionals. Their focused approach can significantly enhance your ability to identify and convert high-value opportunities.
- Leveraging technology: Implementing a robust Customer Relationship Management (CRM) system can streamline your sales process. By centralizing client information, tracking interactions, and providing actionable insights, a CRM ensures that your sales efforts are organized and effective. For example, tracking follow-ups with prospective clients prevents missed opportunities and strengthens relationships.

Maximizing Value from Current Clients

In the construction industry, relationships are everything. Trust and goodwill built through successful projects are invaluable assets. Yet, many firms fail to leverage these connections for repeat business and referrals.

- Proactive engagement: Make the ask! Rather than waiting for clients to return with new projects, reach out proactively. A simple inquiry such as, "What else can we help you with?" signals your interest and availability, keeping your firm top of mind for future work. This practice might seem elementary, but in my discussions with construction company owners, I've been shocked to recognize how often it is overlooked. If you do not make the ask, your customer might think you're too busy for their next job or you are not interested in their work: unintended consequences of not letting your customers know you want to help them with future work.
- Requesting referrals: People buy from people. Satisfied clients are often eager to recommend your services, but they won't always do so unprompted. After completing a project, leverage that relationship to generate new business opportunities by asking, "Do you know anyone else who might benefit from our expertise?"
- Providing continued value: Maintaining long-term client relationships requires you to deliver value consistently. Consider offering periodic consultations or sharing industry insights, like updates on new building regulations or innovations in sustainable construction, which could benefit your clients and reinforce your role as a trusted partner.

Be Willing to Get Uncomfortable

In addition to taking advantage of additional work similar to your current projects, challenge your company to grow by developing new revenue streams. Such opportunities could be more involved, both in time and in financial support, but can also lead to significant growth for those companies willing and able to make these investments.

- Self-performance vs. subcontracting: Look at the work you are currently subcontracting. You should be able to easily identify the trade or trades being performed most by others outside your company for work you are winning in your bids. You might have someone internally who can head a division for your company rather than subcontracting the work, or if not, you might consider hiring someone who could.
- Investigate a subscription revenue model: Challenge your current method of working with customers to identify areas where a subscription model could be beneficial. Subscription models have exploded recently in many industries, if not yet in construction. These do not fit all companies, but many niches of the construction industry can take advantage of these types of revenue models. They have several advantages, including enhancing your relationship with current customers while also providing consistent and recurring revenue streams. Identify areas such as warranty and maintenance work that can be sold on a subscription basis, and work with experts who can help you set up these types of plans.

Building a Road Map for Success

In the construction industry, growth isn't a choice, it's necessary for survival and relevance. However, the path to growth must be intentional, guided by strategy rather than sheer effort. By focusing on differentiation, leveraging marketing and sales, maximizing existing relationships, and trying out uncomfortable new revenue sources, your company can achieve growth that is not only sustainable but also transformative. These strategies will position your company to lead in an increasingly competitive and dynamic market, ensuring your success today and in the future.

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TREND TO WATCH

APARTMENT CONSTRUCTION IS SURGING IN PITTSBURGH. ARE RENTS GOING TO FOLLOW?

Pittsburgh's multi-family market is relatively small and conservative. That helps explain why new apartment construction has been stalled since the rapid rise in long-term interest rates started in spring 2022. Unlike in the U.S. overall, apartment construction in metropolitan Pittsburgh slowed 16.6 percent from 2021 to 2022, and another 31.5 percent in 2023. Not surprisingly, rents did not fall in Pittsburgh as they did in other markets.

That slowdown in new construction has reversed in 2024. Through November 30, construction started on 2,892 units of new multi-family construction in the six-county Pittsburgh metro. That volume is slightly higher than the average of 2,451 units started annually from 2013-2018, when apartment construction spiked primarily within the city limits. There are hundreds more units under construction in building conversions. This rebound in apartment construction in Pittsburgh comes as apartment construction nationwide is off 32.7 percent compared to December 2023.

Lynn DeLorenzo, principal at TARQUINCoRE, believes that the increase in construction is coming from developers that are watching the economic engine centered in Oakland, where universities and university-spawned businesses are bringing people to the region and to new apartments.

"We've gotten more on the radar screens of national developers or at least those from the Midwest. There are some very strong players from the Midwest that are looking in the Pittsburgh market because they've been directed to do so. They have watched the Pittsburgh market and want to make a play here," she says. "And once they commit to a project here, they are not going to do just one."

The lower level of construction in 2022-2023 means fewer new units are being delivered into the Pittsburgh market this year, a factor that should be pushing rents higher. That would be further support for new construction; however, as a new wave of construction gets underway, rent growth seems to be stalling.

During the late summer and fall of 2024, rents eased slightly but consistently. At the end of October, however, Pittsburgh's 2.4 percent decline was the largest drop among the top 100 U.S. markets. According to Apartmentlist.com, rents in Pittsburgh were off 1.5 percent in November, and were 0.7 percent higher compared to November 2023. That compared favorably to the overall U.S. market, which saw rents fall 0.6 percent year-over-year. The vacancy rate in Pittsburgh was up only 0.2 percentage points, to 6.8 percent. The average time an apartment site vacant before renting was longer in Pittsburgh than in the U.S. overall, 47 days compared to 34 days.

Other market reports put year-over-year rent growth slightly higher in Pittsburgh, although the fundamental conditions vary little from report to report. Marcus & Millichap reported that rents were up 3.7 percent year-over-year at the end of October and put the vacancy rate at 5.7 percent. Colliers reported a lower vacancy rate, at 5.3 percent. Colliers data on rent growth showed a 4.2 percent increase since third quarter 2023, and an 8.8 percent gain since the beginning of 2022.

"Pittsburgh has seasonal rents that other markets do not. We always see softening in the fall-to-winter time frame," says Bryan McCann, senior vice president at Colliers. "We see it through concessions and rent discounts. Spring comes and concessions go away, and rents go crazy."

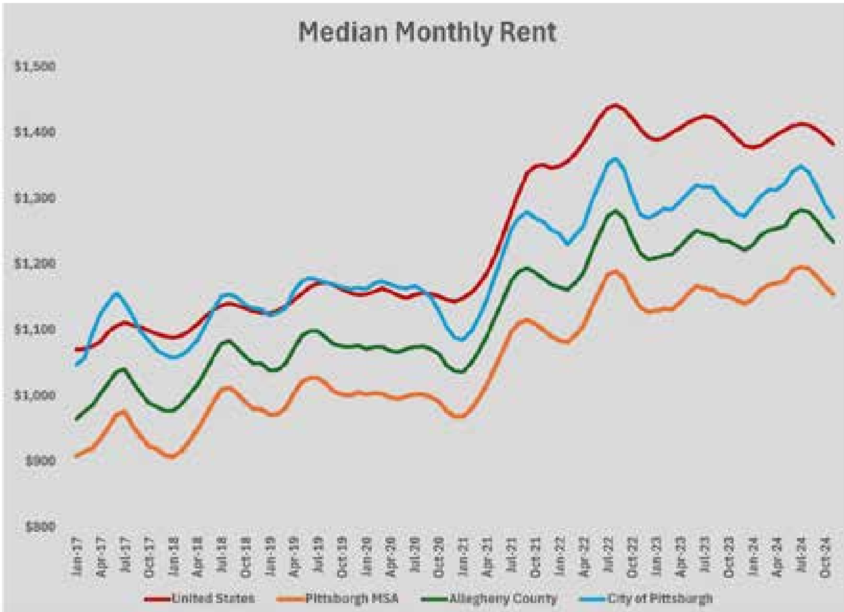
McCann explains that the higher concentration of renters working in education and technology creates a market deadline in August, after which landlords with vacant units will be competing for far fewer renters.

"It's a function of short-term supply and demand rather than long-term market supply and demand," he says.

While McCann's point about seasonality is correct, and applies to the overall U.S. market as well, each of the last two median November rent levels was lower year-over-year (although the average rent was 5.2 percent higher since 2022). Compared to 2018, Apartmentlist has the median

	Q124	Q224	Q324
Total Inventory (in Thousands of SF)	152,496	152,737	153,026
New Supply (in Thousands of SF)	790	241	289
Demand (Units Absorbed)	125	360	698
Occupancy	93.6%	94%	94.7%
Under Construction (Units)	1,407	1,085	3,064
Avg. Monthly Rent (Effective)	$1,226	$1,260	$1,271

Rents grew from the second to third quarter, even as the number of units under construction tripled. Source: Colliers International.



Rents in Pittsburgh fall more steeply during the fourth quarter than in the U.S. overall. Source: Apartment List Rent Estimates

rent in Pittsburgh 12.3 percent higher. Considering annual growth in 2021 was 15.3 percent, rents have been mostly stagnant for much of that five-year period.

"Rental rate growth leveled off after the post pandemic boom, when rents went up 10 percent per year. Rent growth depends upon the part of town you're looking at. In Bloomfield, Lawrenceville, and Oakland we see continued steady rent appreciation because there's more demand. In other submarkets not so much," says Tad Imbrie, CEO of PenTrust Realty Advisors. "The older inventory is being gradually replaced by new product. As people look at new projects with new amenities, they're willing to pay more but the older projects cannot fill up their units as quickly. Property owners have to offer concessions. Those rent concessions depress the overall average rental rate."

DeLorenzo points out that the older inventory of apartments is the main reason why Pittsburgh ranks so high in affordability, even with an influx of new construction over the past decade.

"I thought that we had built enough replacement stock, but there is a lot of older housing in the city and the suburbs," she says. "The people coming here don't want that older product. They've lived in other cities and are looking for the kinds of apartments that are available in those cities. We haven't replaced enough of our old stock yet."

A combination of factors built a large pipeline of apartment projects coming into 2024, most of which can be traced to the post-pandemic economy. The office market troubles pushed developers to allocate their resources to other property types to keep developing. For example, Oxford Development Company revised its plan for the second phase of 3 Crossings to add multi-family where office buildings had been planned. Home price inflation accelerated rapidly in 2021-2022, pushing home ownership out of reach for many renters who would be buyers. Interest rates soared more than 200 basis points while construction costs jumped around 28 percent during the same period. These varying factors made multi-family more attractive to develop, but difficult to cost rationalize during 2022-2023. The result was a pipeline of more than 8,500 entitled – but unbuilt – units in Pittsburgh at the start of 2024.

Brandon Guy, founder and president at Steel Street Capital, sees fundamental strength in the Pittsburgh market and believes that the threat of policy changes is stimulating entitlement and new construction.

"There are developers worried about the shadow of the city-wide inclusionary zoning policy (IZ). Developers want to get in before there's city-wide IZ because otherwise they will not be getting a deal off the ground for a couple of years," says. "People are also looking at it as an opportunity to get a deal in the ground and built while there is a constriction on forward supply that will insulate them in the near term."

Steel Street is a development partner with Oxford Development on the 3 Crossings project, a 240-unit apartment project that is projecting rents that will be higher than affordable but lower than most new construction. That team also developed The Helm in the Strip District, a 220-unit apartment built during the pandemic. Guy says The Helm's performance suggests that the Pittsburgh apartment market is strong.

"When we look at lease trade-outs at competitive buildings, for example, the numbers are compelling. At The Helm - and I'm hearing similar stories from our competitors – we're seeing five to six percent rent growth on the lease trade-outs. That speaks to a stronger market," Guy says. "Our retention rate has held steady. It's in the middle of winter and our occupancy is in the mid-90s."

It would be unusual for every project that has been proposed – even entitled – to come to fruition. However, even if all these projects do come to construction during the next three years, it would create an annual new supply that is in line with what was added to the regional inventory for most of the past decade.

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. HUD estimates the demand for new apartments will be 8,975 units for those three years.

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.

"We could build whatever we wanted in this market for 10 years and never fill the demand. Right now, if you look at our peer cities, like Columbus or Cincinnati, we have fewer apartments per capita," says McCann. "We are seeing more people rent for longer. There are fewer people moving from apartments to houses. It's not always a price issue either. There are people who choose to rent. If you look at the demographic shifts in Pittsburgh, we are getting younger and better educated. The people that are moving here for tech or education jobs are also renting not buying. That's renter by choice, not by necessity."

History has shown that renters by choice want new. If the pipeline of new projects is any indication, there will be new options for renters by choice through the end of the decade. Beyond the units currently under construction, work should start within the next six months on the 334 apartments proposed by Dalian Development on 39th Street, Walnut Capital's 159 units at McKee Place and 400 apartments at the former Club One site at Bakery Square, and the conversion of the First and Market and Gulf Tower downtown. Another 6,400 units have been announced, roughly 5,200 of which have been through or are undergoing the entitlement process. The developments run the gamut from smaller projects, like the 50 units Oxide Development has proposed for 32nd Street to the more ambitious, like Buccini Pollin's 375-unit Lower Hill District development or the 750 units North River Company has proposed for the 31st Street Studios site.

Many of these units will not be built before 2030, but the Pittsburgh market is still likely to see more than 2,000 units delivered annually from 2026 to 2028. What are the chances that we are entering an overbuilding cycle in Pittsburgh? Imbrie thinks that unlikely.

"I think there's enough discipline in the market among the developers and if the developers don't have the discipline, the bankers will impose it on them," Imbrie says. "We are seeing that it is more difficult to raise equity because the returns are not what investors require. Equity investors know the market. If a project doesn't pencil out, they have the discipline to stay on the sidelines."

LESSONS LEARNED FROM "GETTING TO YES"

BY ROBERT RUGGIERI

Disputes are a fact of life in the construction industry. As a practicing construction attorney for twenty years, both with a law firm and in-house at a national construction contractor, I have negotiated and helped resolve hundreds of construction disputes between owners, general contractors, subcontractors, architects and engineers. The *2023 Annual Construction Disputes Report* issued by Arcadis reported that in North America in 2022 the average value of disputes on construction projects increased 42 percent to an all-time high, a staggering $42.8 million. The average time required to resolve construction disputes was 13.6 months. These conflicts are not only costly and time-consuming but also damaging to relationships.

Recently, I revisited a book I read in law school, the Roger Fisher and William Ury classic, "Getting to Yes: Negotiating Agreement Without Giving In." This groundbreaking work, published in 1981, has become a staple in negotiation training and has been widely praised for its practical advice and insights. I have found the principles explained in "Getting to Yes" are particularly valuable for resolving construction disputes as they provide a framework for addressing the complex issues that often arise on construction projects. By understanding these principles, professionals at any level in the construction industry, including superintendents, project managers and owners (and their attorneys), can navigate negotiations more effectively and achieve better outcomes.

Below are some key principles identified in the book, along with strategies and practical examples you can draw upon to handle your negotiations successfully.

Separate People from the Problem

"Getting to Yes" offers a unique approach to negotiation, emphasizing collaboration, problem-solving and mutual gain. The authors argue that traditional adversarial bargaining often leads to suboptimal outcomes and can damage relationships. Instead, they propose a principled negotiation approach focusing on the parties' underlying interests. The book's emphasis on "separating the people from the problem" is especially relevant in construction disputes, where emotions can run high. By focusing on the issues rather than the personalities involved, negotiators can create a more productive and constructive environment. Remember, it is not about who's right or wrong but finding a mutually beneficial solution.

Example: A client accuses your team of poor workmanship, leading to heated exchanges that threaten to derail the project.

Resolution: Focus on the issue rather than personal attacks. Organize a meeting to objectively assess the quality concerns raised by the client. Use project specifications and quality benchmarks as a neutral ground for discussion. This approach helps in addressing the root problem without damaging professional relationships, ensuring a more productive and collaborative negotiation.

Focus on Interests, Not Positions

The book's emphasis on "focusing on interests, not positions" helps avoid the impasse that often occurs when parties become entrenched in their demands. Instead of getting stuck in rigid positions, dive deeper into each party's interests. What are the core needs and concerns driving each side? Understanding these interests allows you to uncover common ground and explore creative solutions that address everyone's needs.

Example: There is a standoff over project deadlines. The client demands strict adherence to the initial timeline, while your team needs more time due to unforeseen site conditions.

Resolution: Explore the underlying interests behind each party's position. The client's main interest might be opening their new facility on time to meet business goals, while your interest lies in ensuring payment for additional work. Propose alternative solutions such as phased handovers or accelerated workflows that address both parties' interests, enabling a win-win outcome.

Generate Options for Mutual Gain

Collaboration is critical to resolving construction disputes effectively. The Arcadis report states that the most important factor in mitigation and early resolution of construction disputes is "Owner/Contractor willingness to compromise." Parties should encourage open dialogue and brainstorming sessions where all stakeholders can contribute ideas for potential solutions. The goal is to expand the range of possible outcomes and find win-win scenarios that benefit both parties. Remember, creativity often leads to breakthroughs in negotiations.

Example: Disputes arise regarding change orders due to additional work not anticipated in the initial contract.

Resolution: Encourage open brainstorming sessions with all stakeholders to generate multiple options for resolving the issue. For instance, you could propose sharing the additional costs, adjusting the project scope, or reallocating resources to meet new requirements. Generating a variety of solutions increases the chances of finding a mutually beneficial agreement.

Use Objective Criteria

When negotiating construction disputes, it is essential to base decisions on objective criteria rather than subjective opinions. This might involve referring to industry standards, contractual agreements, or expert opinions to evaluate the merits of each party's position. By relying on objective criteria, you can ensure fairness and build credibility in the negotiation process.

Example: There is a conflict over payment milestones, with the client arguing that certain deliverables were not met according to the contract.

Resolution: Base the negotiation on objective standards rather than subjective opinions. Refer to the contract terms, project documentation, and industry standards to assess whether the deliverables meet the agreed-upon criteria. This factual approach helps in making fair and impartial decisions, promoting trust and transparency in the negotiation process.

Build a Golden Bridge

In challenging negotiations, it is essential to find ways to overcome resistance and build rapport with the other party. The authors of "Getting to Yes" suggest creating a "golden bridge" that allows the other party in negotiations to save face while still reaching a mutually acceptable outcome. This might involve acknowledging their concerns and offering concessions or compromises that demonstrate your willingness to find common ground.

Example: There is a dispute over cost overruns due to unforeseen design changes requested by the client. The client is unwilling to bear the additional expenses, while the contractor is adamant about being compensated for the extra work.

Resolution: Instead of getting stuck in a deadlock, seek to build a "golden bridge" that allows both parties to save face and reach a compromise. This might involve exploring alternative payment structures, such as phased payments or performance-based incentives, that align with the project's objectives while addressing the financial concerns of both parties. By demonstrating flexibility and a willingness to collaborate, a mutually beneficial agreement can be reached that ensures project success while preserving the client-contractor relationship.

Mastering the art of negotiation is a valuable skill for all construction industry members, not just attorneys. By incorporating these principles into your everyday approach to conflicts, you can increase the likelihood of reaching favorable outcomes while preserving relationships. Effective negotiation is not just about winning arguments but about building bridges and finding sustainable solutions that benefit everyone involved.

Importantly, you can begin employing these strategies the moment a disagreement arises. You don't need to, and shouldn't, wait until a full-blown dispute develops, the parties are dug in, and each side "lawyers up." The intent is to avoid time-consuming and costly distractions and nip the problem in the bud. Following these principles and strategies will give you a head start and an excellent chance at resolving the dispute favorably. You, like this author, may also find these strategies work well in your personal life and at home! If they don't work, there are plenty of construction lawyers out there ready to help.

Here's to smoother negotiations and successful projects! BG

Robert Ruggieri is a partner at Cohen Seglias Pallas Greenhall & Furman PC. He can be reached at rruggieri@cohenseglias.com.

INDUSTRY & COMMUNITY NEWS

(From left) TEDCO's Kyra Sarver, Sydney Zalewski with Mosites Construction, Jamison Vernallis from Landau Building Company, McKamish's Naley McKamish, Brooke Waterkotte from Easley and Rivers, and Rycon's Jessica Terrell at the MBA's Holiday Party, which raised $10,000 for the Mario Lemieux Foundation.

(From left) Cory Sam from Schlaegle Design Build, Cohen & Company's Tyler Rose, Natasha Vaccaro from PJ Dick, Schlaegle's Art Shirvani, PJ Dick's Lucia Sanchez Madrigal, and Casey Schlaegle.

(From left) Aiden Kelley from Gilbane Building Systems, Daniel Contreras from Massaro Corporation, and Gilbane's Jacob Larsen.

(From left) Tom Owens, Morgan Means, and Dominick Davido from A.M. Higley at the October 17 MBA Young Constructors Ax Throwing event.

(From left) Rycon's Haley Loesch, Lydia Fink, and Mike Gilli from Roofing & Exteriors Products Services.

Madison Mathers (left) and Jillian Foster from Turner Construction Co.

(From left) Sheena Sundin from DRAW Collective, TEDCO's Kyra Sarver, and Caterina Pagano from Bohler Engineering at the CREW Pittsburgh Annual Wine Dinner at the Carnegie Science Center. Photo by Jordan Bellotti Photography.

Christopher DiCianna from WNA Engineering (left) and Bob Michel from Volpatt Construction at the CREW Wine Dinner. Photo by Jordan Bellotti Photography.

(From left) Rycon's Hannah Schell, Andy Quinn from Burke Michael, and Sandra Wise from Dollar Bank. Photo by Jordan Bellotti Photography.

The Turner Construction Company Foundation Charity Golf Outing was held at Chartiers Country Club, benefitting Allegheny Health Network, Alzheimer's Association, Children's Hospital of Pittsburgh Foundation, March of Dimes, Shadyside Hospital Foundation, Wounded Warrior Project, and WVU Foundation. Pictured from left are Abby Crystol, Mitch Higgins, Megan Corrie, and Brian Budny.

(Left to Right) Turner's Greg Komar, Joe Sager, and Hunter Gregory.

(From left) Mike Johnson from Sherwin-Williams, A.J. Vater's Andy Vater, Gail Vater, and Scott Vater, and Cyle Dowling from Sherwin-Williams at the Pennsylvania Builders Exchange's annual cocktail party at the Rivers Casino.

(From left) PJ Dick's Ken Thomson, Eric Pascucci, Gary Heineman, and Bill Porter.

(From left) Jon Pogozelec and Garret Mertz from F. J. Busse Co., Alliance Drywall's Joe Silverio and Mark Silverio.

(From left) Cameron Watters from Dick Building Co., Mascaro's Alyssa Kunselman, Katie Stern from NEXT Architecture, and Kim Harkobusic from Liberty Insurance at NAIOP Pittsburgh's 24th Annual Night at the Fights.

Mary Rose Hopkins from LGA Partners (left) and Rycon's Jessica Terrell.

(From left) Dean Dozzi from Norco Painting, Mark Dellana from Genesis Partners, and Jendoco's Pierre Brun, Meredith Calfe, Michael Kuhn, and Bill Hawk.

Mascaro answered phones during the 2024 DVE Rocks Children's Radiothon. This year a record-breaking $1,132,950 was raised during the event.

Mascaro participated in the American Heart Association's Hard Hats for Hearts. This was an industry specific event focused on the cardiovascular health of those in the construction industry. Pictured are: Jim Scaltz (in front), (standing from left) Amanda Presto, Kayla Kruszka, Deb Saus, Julia Mascaro, Megan Walzer, Alex Mullen, and John C. Mascaro, Jr., and Rick Bowers (rear).

Nabisco Plant, 1917

The Assembly, 2022

University of Pittsburgh Stadium, 1925

Carnegie Science Center Pavilion, 2018

525 William Penn Place, 1951

Phipps Center for Sustainable Landscapes, 2012

US Steel Tower, 1970

AWARDS & CONTRACTS

Waynesburg University selected **Mosites Construction** as the design-build contractor for the $1.4 million renovation to its Pathways Center, which offers support services for its students. The architect DRAW Collective.

Mosites Construction is the general contractor for the second-floor addition and renovations to the 36,000 square foot clubhouse at Valley Brook Country Club in Peters Township. The architect is Desmone Architects.

Duquesne University selected **Massaro Corporation** as general contractor for the $3.1 million renovation of Gumberg Library. The architect is RM Creative.

Massaro Corporation was awarded the $1.3 million University of Pittsburgh Salk Annex. The architect is The DesignGroup.

Massaro Corporation is the general contractor for the elevator addition and renovations to St. Anne's Catholic Church in Castle Shannon, PA. McLean Architects is the architect.

Uhl Construction was awarded a design-build contract for a new $2.4 million waste transfer station for Penn Waste, a Vogel Disposal Company.

Avolta awarded **Shannon Construction** contracts for three tenants at the shops at Pittsburgh International Airport. Shannon will be managing the tenant improvements for Champion City Sports and Duquesne 7. The architect is LGA Partners. Shannon is also building the Tailwind PIT space. The architect is 777 Design Group.

TEDCO Construction was the successful contractor on the University of Pittsburgh's $7 million Winter Institute for Simulation, Education and Research (WISER) Phases 2 and 3 in Scaife Hall. The architect is Moshier Studio.

VA Medical Center Pittsburgh Healthcare awarded a contract to **Rocky Bleier Construction Group** for the $11 million Renovate B1 2E for Clinics NCO 4 Construction West at the Veterans Hospital University Drive location.

Fred L. Burns Inc. was the low general construction contractor for the $4.4 million Upgrade Campus Utilities Infrastructure project at Indiana University of Pennsylvania. The project was designed by H. F. Lenz Co.

Findlay Township Municipal Authority awarded **DiMarco Construction** a $3,362,000 contract for the general/mechanical construction portion of the FTMA Staff Office Renovations. The project engineer is KLH Engineers, Inc.

Gilbane Building Co. was the general contractor for the tenant improvements for Fifth Third Bank at the Blaymore II office building in Franklin Park. The architect was BHDP Architecture.

PA Department of General Services awarded **Rycon Construction** a $25.3 million contract for the general construction portion of the new $38.9 million Penn West-California University Science Building. The architect for the 60,250 square foot building is DRAW Collective.

Mascaro's Client Services Group was awarded the contract to modernize seven elevators on the UPMC Mercy Hospital Campus.

Mascaro's Client Services Group was awarded the University of Pittsburgh Learning Information Science (LS) Garage Restoration project, which includes garage and plaza repairs through the removal and replacement of slabs.

PJ Dick is the general contractor for ACTION-Housing's mixed-use development in Wilkinsburg that will include a 51,444 square foot, 41-unit, PFHA-funded residential building with 11,857 square feet of ground floor retail. The residential component will include entry lobbies, support facilities, laundry, and a community room.

PJ Dick is the CM at risk for the fit out of 17,000 square feet of new office space for BDO in the new FNB Financial Center. This includes the construction of a cafe, six conference rooms, a collaboration room, two project rooms, 14 offices, open office space, and MDF/data room. Work includes all new finishes, lighting, electrical systems, sprinkler, HVAC, and fire alarm systems.

PJ Dick is providing preconstruction and construction management services for a multi-phase renovation project for St. Edmund's Academy's campus in Squirrel Hill.

PJ Dick is continuing work for BNY Mellon in the client service center to repurpose and upgrade of the existing second floor office space and existing cafeteria. The food hall/café will consist of multiple concepts and a digital restaurant accompanied with a grab-and-go market program and support for all catering and bulk food prep for the building. The expanded seating area will support the enlarged occupancy of the building patrons and serve as a space for large public gatherings.

PJ Dick's West Chester office was recently named the general contractor for two projects: Villanova University's Connelly Center Villanova Room Upgrades, which include lighting and finish upgrades to event space, and the Franklin Square Restroom Building, which includes the demolition and construction of new public restrooms in Franklin Square Park located in Philadelphia.

A. Martini & Co. is the construction manager for the Western Pennsylvania School for the Deaf's $9 million HVAC infrastructure improvements. The project involves expanding air-conditioning to all campus buildings and the construction of a new central physical plant building. The architect is DRAW Collective. Tower Engineering is the mechanical engineer.

Turner Construction was selected as construction manager for the tenant improvements for New York Life at The Vision on Fifteenth in the Strip District. The architect for the 43,000 square foot fit-out is DLA+ Architecture & Interior Design.

Rycon Special Projects Group is the general contractor managing the 28,900 square foot elevator modernization renovation at FedEx Ground's headquarters in Coraopolis, PA.

Fox Rothschild law firm selected **Rycon** Special Projects Group as the construction manager for their 22,200 square foot office renovation at Six PPG Place.

In Mt. Pleasant, PA, **Rycon** Special Projects Group is handling a 4,700 square foot renovation of Gateway Rehabilitation Center's Withdrawal Management Unit.

Rycon Special Projects Group is serving as the design-builder for an office renovation project for Energy Transfer in Pittsburgh, PA.

A vacant building is being converted by **Rycon** Special Projects Group into a new 12,300 square foot cannabis dispensary in Whitehall, OH.

Rycon Special Projects Group is completing renovations and landlord work within The Terminal building in the Strip District.

Dick's Sporting Goods chose **Rycon** Special Projects Group as the general contractor to renovate their existing 48,000 square foot store in Mobile, AL into a House of Sport location.

Allegheny Health Network selected **Landau Building Company** to oversee the CT Simulator Relocation Project at Allegheny Valley Hospital. Hasenstab Architects is the architect.

Carnegie Mellon University selected **Landau Building Company** as the general contractor for the Mellon Institute's McDonough Lab Renovations, with H.F Lenz serving as the engineering firm.

UPMC selected **Landau Building Company** as the general contractor for the Fire Suppression Package #4 renovation project on the fifth floor and penthouse levels of the UPMC Passavant Hospital in McCandless. RM Creative will serve as the design professional, with FMRW as the mechanical engineer.

FACES & NEW PLACES

Gilbane Building Company hired **James Hausman** as senior general superintendent.

William Nolan joined **PJ Dick's** West Chester office as a senior project manager. He has more than 30 years of industry experience.

Turner Construction Co. welcomed **April Mann** to its Pittsburgh office as an assistant accountant in its Operational Finance department. April is a graduate of Geneva College, where she earned her bachelor's degree in accounting.

Rycon welcomed **Joan Auge** as an executive administrative assistant. Joan has more than 20 years' experience.

Craftworks USA division of **Rycon** is excited to welcome SUNY Cortland alumnus **Nick Marrone** as a drafter.

With over 20 years' experience, **Julie Warman** joined Craftworks USA as an administrative assistant.

MBA

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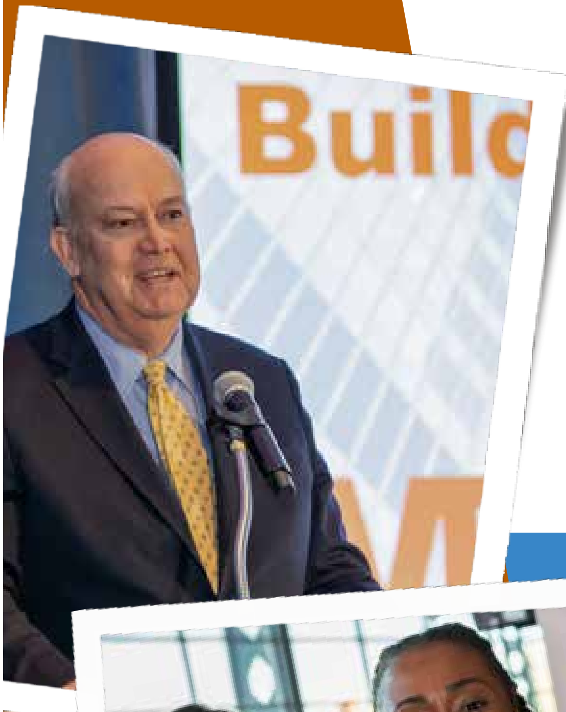
Of Western Pennsylvania, Inc.



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The Albert M. Higley Company, LLC
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Abate Irwin, Inc.
ABMECH Acquisitions, LLC
ACE Lightning Protection, Inc.
Advantage Steel & Construction, LLC
All Crane Rental of Pennsylvania, LLC
Alliance Drywall Interiors, Inc.
Amelie Construction & Supply, LLC
Amthor Steel, Inc.
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E2 Landscape & Construction
Easley & Rivers, Inc.
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Kusler Masonry, Inc.
L & E Concrete Pumping Inc.
Lanco Electric, Inc.
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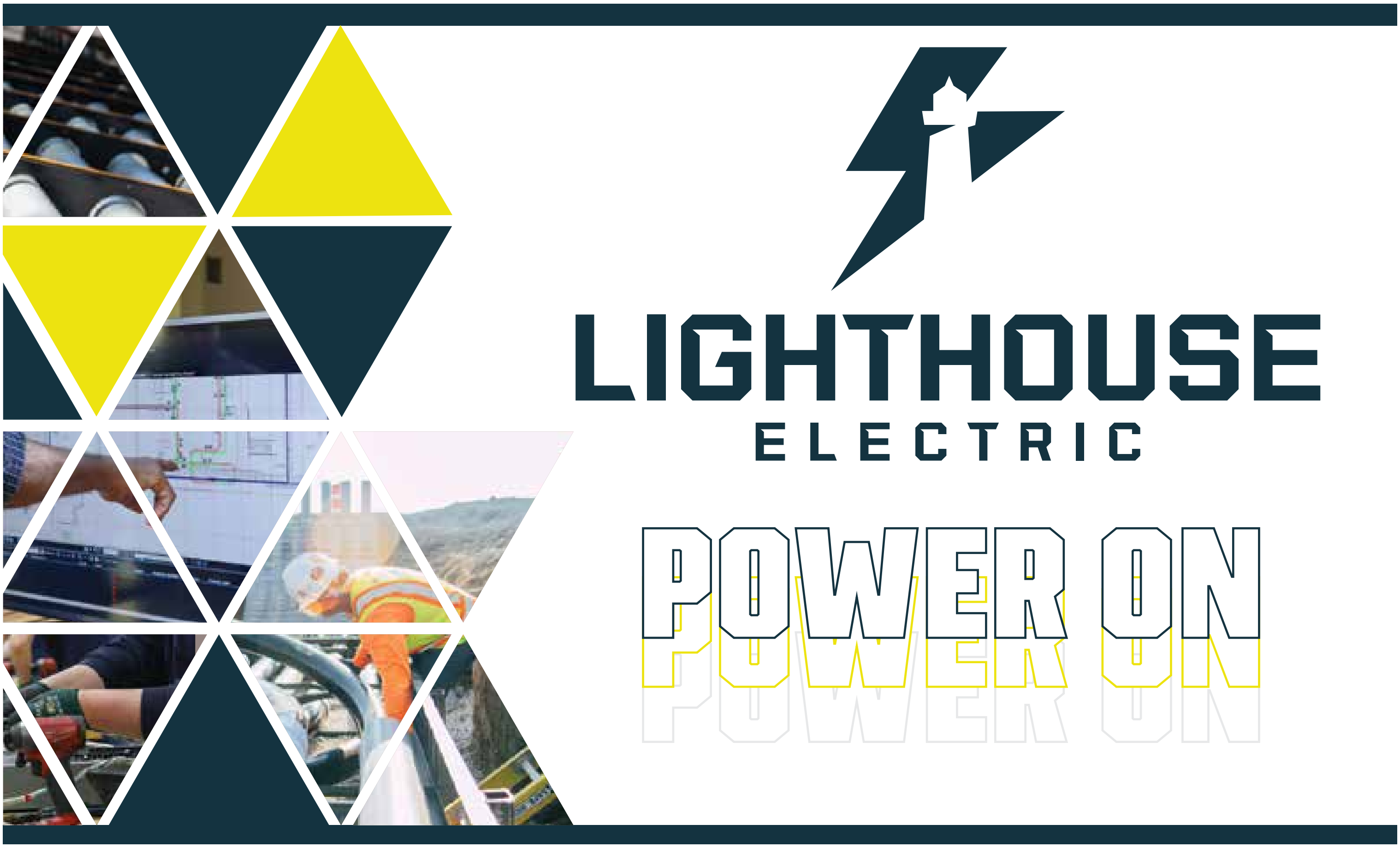
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CLOSING OUT

CHOOSING DESIGN-BUILD AS A DELIVERY METHOD

BY TOM SALOPEK

In 2017, I was contacted to join a steering committee looking to form a Western Pennsylvania Chapter of the Design Build Institute of America (DBIA). I had been a member of DBIA since 2011 when I received my formal DBIA certification. In the early part of my career, I had the opportunity to work on design-build projects across the country, ranging from a prison in Nevada to military facilities in North Carolina. When I joined Mascaro in 2015, the design-build opportunities in the Pittsburgh region were limited at best. The thought of starting a local DBIA chapter was intriguing and seemed like an opportunity to help bring a proven delivery method to our region.

Shortly after we formed the Alleghenies Chapter of the Liberty Region of the DBIA, I had the opportunity to work as the preconstruction manager on two design-build healthcare projects. When discussing with the client why they chose design-build as their delivery method, the answer was simple: speed to market. But the benefits of design-build are much more than speed to market. In the design-build delivery method, the builder takes full contractual responsibility for delivering the project. This provides the owner with a single point of contact for all project issues. This eliminates the finger-pointing and blaming often experienced between a contractor and design team.

The benefits, however, aren't limited to the owner. Both the builder and the designer can experience efficiencies during the design and preconstruction process by collaboratively working together, ensuring that the owner's project requirements are met while maintaining the budget. By working together, the team can also focus on key early work packages, allowing an expedited start to construction and/or material and equipment procurements. Expediting the start of construction can then lead to an earlier completion date, thus allowing the owner to experience the benefits of bringing their facility online earlier. These benefits could include things such as reduced financing costs or an early revenue stream from the project.

The procurement of design-build services can come with challenges. In solicitations where owners ask for a firm fixed price, many firms feel the time and resources required to put together a complete design-build proposal are not worth the investment due to the probability of winning the job that generally still has a lot of risk tied to it. On high-risk projects, the pricing can often become inflated to account for this risk.

As an organization, DBIA has proactively addressed this concern by publishing their Design-Build Done Right Best Practices, which recommends a two-step best value design-build procurement process. Under this best practice, owners invest in the project by completing front end due diligence (zoning, site surveys, geotechnical investigations, etc.). As part of the procurement process, DBIA recommends the use of shortlisting, developing a request for proposals, offering stipends to proposers, and evaluating the technical proposals first.

When a qualifications-based selection is made, the owner selects the right team for the project. Once the team is in place, a collaborative multi-phase effort can commence, with a focus on fast-tracking the start and reducing the overall risk for the project. There are two key components that can benefit both the design-builder and the owner in this delivery method. First, the DBIA recommends delaying a price commitment until the parties have agreed upon scope, schedule, design, and other commercial terms. Second, there is typically an 'off-ramp' provision if the owner and design-builder are unable to agree on these terms. This off-ramp often includes provisions for the owner to use the work product of the design-builder for subsequent procurements associated with the project.

A design-build procurement may limit the competition on a solicitation, simply because not all firms have the proper qualifications or resources to complete a design-build project. However, if the DBIA best practices are followed, the results are clear: Design-build historically produces higher performing projects than construction manager-at-risk (CMR) or design-bid-build (DBB). A 2018 study by the Construction Industry Institute and the Charles Pankow Foundation showed that design-build outperformed the other two project delivery methods on key project metrics such as initial cost, cost growth, schedule growth, and delivery speed, with design-build having an anticipated delivery speed 61 percent faster than CMR and 102 percent faster than DBB.

The goal for the Alleghenies Chapter of DBIA is to promote the education of design-build in our region. As someone who's been involved in design-build projects for the better part of my career, I understand the benefits and I've seen the results of the CII/Pankow study in action. I also understand that changing to a new delivery method can be a daunting task, and if not approached correctly, can lead to disastrous results. As a chapter, we bring in experts from around the country to provide knowledge and speak of real-life experiences to owners, architects, engineers, contractors, and trade partners. We also support changes to Pennsylvania legislation that will open the use of design-build on state-funded projects. We've seen the benefits in other states where design-build is a prevalent delivery method and look forward to the day when our region can experience these benefits as well.

Tom Salopek is director of estimating and pre-construction for Mascaro Construction. He can be reached at tsalopek@mascaroconstruction.com.