

# Breaking Ground

THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA

JULY/AUGUST 2011

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PUBLISHER  
 Tall Timber Group  
[www.talltimbergroup.com](http://www.talltimbergroup.com)

EDITOR  
 Jeff Burd  
 412-366-1857  
[jburd@talltimbergroup.com](mailto:jburd@talltimbergroup.com)

PRODUCTION  
 Carson Publishing, Inc.  
 Kevin J. Gordon

ART DIRECTOR/GRAFIC DESIGN  
 Carson Publishing, Inc.  
 Jaimee D. Greenawalt

CONTRIBUTING PHOTOGRAPHY  
 Carson Publishing, Inc.  
 Denmarsh Photography  
 Ed Massery Photography  
 PJ Dick Inc  
 Pittsburgh History &  
 Landmarks Foundation

ADVERTISING SALES  
 James Hilliard  
 412-548-3823  
[milfordbay@comcast.net](mailto:milfordbay@comcast.net)

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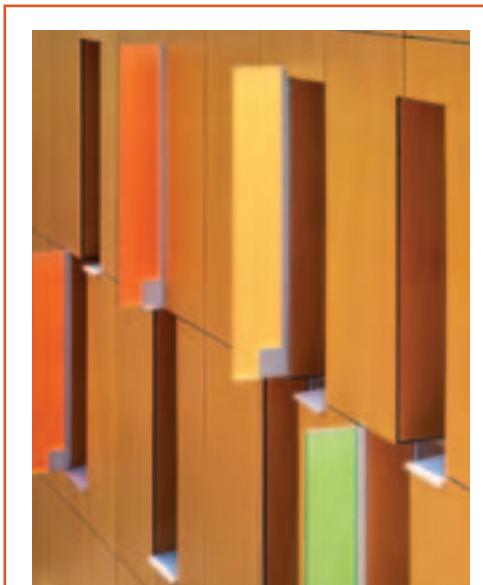
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CORRECTIONS:  
 Ben Myers of Hill Barth & King was  
 incorrectly identified as Dan Dunphy on  
 page 55 of the May/June edition.  
 Eric Pascucci's name was misspelled on  
 page 55 of the May/June edition.

#### ON THE COVER:

Hill House  
 Kaufmann Center  
 Use courtesy of  
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# MBA

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# Publisher's Note

**F**or someone who wants to spend his career observing the construction industry there could not be a better first job than being a Dodge Reporter, or at least that was true for me in 1980.

The job back then involved making monthly stops to ask architects – among others – what they were doing. In many ways I was lucky to have started when the bottom dropped out of the economy, for it meant that everyone I met had plenty of time to talk. It meant I got an education in how the industry worked – at least from the professional's perspective – every day.

It was also my good fortune to catch the very end of a generation of architects who had learned their profession in the 1930's and 1940's and had been part of what we now call Renaissance One. Their work included some of the iconic buildings of that era – like Three Rivers Stadium, the Civic Arena, and the Moorhead Federal Building – but mostly these architects were responsible for the hundreds of commercial buildings we see day in and day out in Monroeville or Squirrel Hill or Green Tree. Men like Dahlen Ritchey, Don MacLachlan, Arthur Prack, Tom Large, Ed Gunnill, and Bernie Liff began their careers in a profession that was not all that different from when the Greeks and Romans practiced it, but managed the business of architecture into a period when productivity became the highest value in American business.

The generation of architects that followed that one has dealt with a much more dynamic profession. Technology has accompanied much of that rapid pace of change but so has a shift in perception about the value of design and the competitive nature of design. And few of those changes in perception have been good for the practice of architecture.

Researching this edition gave me an opportunity to speak to architects who were leaders in their practice in Western PA. I was concerned that I might get a sugar-coated view of the state of the profession or a sort of party line. Instead, after weeks of interviewing architects what came through time and again was this sense that there was a pitched battle going on for the soul of architecture.

Some of the architects I spoke with were among those who used to sit down with me every month in the early 1980's. Because this is Pittsburgh, many of them could be reached at the same phone number and several of them were in the same physical offices. I was struck by how these men managed to stay current with their profession but at the same time remain wistful about the practice they knew thirty years ago. All expressed anxiety about the future.

Their anxiety is justified though. Architects have gotten the squeeze between the three major parties to a project and have not as yet collectively figured a solution to the problem of representing their profession better. It may not actually be the fault of the profession. Construction contracts are almost always agreements between owners and contractors. The theory that the architect was to be objective in moderating

disputes went out the window when the owners began to expect that paying an architect meant representing his or her interests rather than being objective.

I had lunch with Pete and Domenic Dozzi a few weeks ago and Pete told a story that illustrated how much had changed in a generation. During a project for a Catholic church in Canonsburg he began to carpool with Alfred Reid, the project's architect, to a weekly site meeting. Near the end of the job, it was discovered that some stainless shelves the owner wanted had been omitted from the specs. The bishop wanted the shelves and expected Jendoco or Al Reid to install them. It was Reid who interceded on Jendoco's behalf, pointing out that if the shelves hadn't been in the contract – and they weren't – the owner hadn't paid for them. Dozzi offered to donate them to the church but Reid insisted that such a gesture wouldn't have been equitable. The priest called Pete Dozzi the following day to apologize for losing his temper and to tell him that his gift wouldn't be necessary. The shelves were ordered; the contractor was paid, and the three men remained friends.

It is difficult to picture that happening today. My sincere hope is that the industry has been going through a period of exceptional competitiveness that will balance out and be an aberration. Architects should be paid adequately for their time; contractors should be able to earn an adequate profit margin to compensate for their risk; and owners should get the building they expected on time and on budget, but the ship may have sailed on all that. Perhaps the logical extension of the trend – every party sharing in the risk of the project – will be the way back to a more equitable balance between the parties in a project.

Architects have a special role in our industry and society. Great design is inspirational. Today, we have evidence that great environmental design improves the health of a building's occupants. That's a role worth preserving.

In the interest of having a bit of fun with this edition I asked all of the architects I spoke with to tell me what building I should include among the photos used to illustrate the article and to tell me why. Some demurred. A couple deliberated so long I couldn't include their choice. Several picked the County Courthouse and Jail (and then apologized for the obvious choice). I was interested to find that Daniel Burnham's buildings were chosen more than any other's. I enjoyed the fact that Steve Lee picked one of the region's newest buildings. And even though I asked for these choices because I'm not qualified to make the selections, there is one personal favorite in the mix as well. When you figure out which it is, feel free to drop me a line if you wish to confirm the opinion that I'm not qualified.



Jeff Burd

## REGIONAL UPDATE

For a region growing accustomed to hearing good news about its economy (and professional sports of course), the second week of June seemed an embarrassment of good news. As emails were dying down about the Wall Street Journal's apparent recent realization that Pittsburgh is no longer a smoky city (June 20), news that IHS Global Insights was extolling the virtues of Pittsburgh's gross metropolitan product growth hit the Web (bigger than Las Vegas or Libya). Right behind it was a report given at the U. S. Council of Mayors annual meeting predicting a return to full employment in Pittsburgh by the first quarter of next year, more than two years before the forecast for the rest of the nations. Finally, RealSTATS released its report on home sales in May and the news remained rosy.

The median home price in the Pittsburgh region reached \$130,000 during May, up 8.3 percent from May 2009, according to RealSTATS, a local real estate information service. During the month, 2,115 residential properties changed hands, almost 11 percent more than those sold two years ago, and buyers spent a total of \$342 million, an increase of 21 percent. The firm also reported that the average home price in the metropolitan area rose 3.5 percent in the first quarter, in sharp contrast to the 3.6 percent decline in the national average home price.

Data on new construction showed a modest increase in units started during the first half of 2011 compared to the same period in 2010. In the six-county metropolitan Pittsburgh market 1,236 new housing units were permitted from January through June, some eight percent more than in 2010. The increase was split fairly evenly between single-family detached and attached housing, with each category getting roughly 50 new units more than last year. Any optimism about the new home market is still muted by the fact that the now-repealed sprinkler regulations caused a spike in permits pulled in January that is still being worked out. Another quarter or two will be needed to judge if these 'grandfathered' permits have been absorbed by the builders.

Nonresidential construction continues to run ahead of last year's pace. Through the first six months of 2011 contracting totaled \$1.28 billion, a 13 percent increase in the volume over the first half of 2010. More than \$700 million in projects was contracted in the second quarter, a figure that could have been as much as 25 percent higher had higher prices not pushed back a number of projects to be redesigned and re-bid later.

The inflation that hurt the market seems to be a temporary phenomenon but, combined with marginally worse news about the global economy at the same time, appeared to be a wet blanket on the market in April and May. Of course all that changed a bit on May 23, when PNC Financial Services announced its Tower at PNC Plaza. That project has justifiably given the commercial office and hospitality community a boost, especially those that serve downtown clients, but the real construction success story continues to be the industrial market in 2011.

There are two or three separate streams of activity in the industrial sector now. The most active is the midstream and secondary market for natural gas production. By all estimates more than \$100 million in midstream facilities – compressor stations, separation units, and fractionation plant expansions – are underway at present. The other portion of that secondary market is the service businesses that are part of the drilling and extraction process. These projects are being done by businesses that are generally new to the area within the last five years and are companies who have urgent need for space. One example of how the urgency is impacting the real estate is the case of Horizontal Wireline, a drilling service company that made explosive shapes for perforating the shale surface in the wells. In January the company was granted zoning approval to construct a new facility in the Alta Vista Business Park in Fallowfield Township, Washington County. Before Horizontal Wireline started construction they found an existing building in North Huntingdon Township in Westmoreland County that met their needs sooner.

Alta Vista's loss appears to be short-lived however. Under construction there now is a 100,000 square foot, \$8 million facility for Gardner Denver Nash and work is ready to commence on the fit-out of a 50,000 square foot spec building for Weatherford International. The pad lined up for Horizontal Wireline has several prospects already.

The natural gas influx is behind Greene County's decision to demolish part of its airport and seek developer proposals for construction of a business park on part of its 140-acre property. To the east in Fayette County, construction has started in the Fayette Business Park on two new facilities. Fay Penn Economic Council started work on a 10,400 square foot spec building that has already been leased by a Canadian oil and gas service company; and Valerus Compressor Services is building a 16,500 square foot repair facility and has taken an option on ten additional acres.

Another stream of activity related to the natural gas business is much larger but in the early stages. In May, word leaked out of Shell's search for a site for a 'cracker' plant, a facility that takes ethane separated from wet gas and manufactures ethylene. According to Pittsburgh Regional Alliance president DeWitt Peart, the cracker plants are significant for their size and what they portend.

"These are very large plants, at least a billion dollars to construct, and because of the volume of wet gas coming from this part of the Marcellus formation there is probably enough for two plants in the region," he says. "What is created at these plants is the feed chemical stock for the plastics industry." Peart explains that one of the region's longer term expectations about the growth of the natural gas industry is that it would also attract cottage industries like plastics and fertilizers, which use gas byproducts as its feed stock. While the possibility exists that Shell (and potentially one other producer) could choose a site near MarkWest's cryogenic plant in Chartiers Township, the more likely site is Bayer Corporation's former facility in New Martinsville, WV.

# – the traction that regional manufacturing is getting is helping to create a better business climate ...

Along with this potential project or two come rumors of several other significant projects. One is an extremely large industrial or research facility looking to locate outside of Allegheny County in southwestern PA, perhaps as large as one million square feet. The other is the rumored 250,000 square foot corporate office in Southpointe.

That's a significant amount of office and industrial construction activity in a slowing national economy, especially in light of the limited new construction in the works so far for any of the three energy giants, Exxon Mobil, Shell and Chevron, who are now acquiring much of the early stage gas companies in the Marcellus Shale play.

With optimism fading somewhat about a more robust national or global recovery – at least until the next earnings cycle – the traction that regional manufacturing is getting is helping to create a better business climate in the micro economy. That advantage will mean significantly more construction this year than last for many firms.

One surprising bit of regional bad news was UPMC's decision to scuttle its 2ICB project, thereby leaving the

race for the biodefense vaccine plant. While time may show this to have been a temporary change in plans, unless the government's approach to the proposal shifts it seems the much anticipated project won't happen in Pittsburgh.

The mid-year slowdown has exposed another short-term trend about the nature of the regional economic recovery. Since the early spring there has been a portion of the market – contractors and design firms – that has been able to become more selective about the work they are pursuing. Bidding is still competitive. Projects are still going to low bidders with thin margins but the number of contractors and firms pursuing work has come down. What appears to be the common denominator is the manner in which the companies have responded to developing business with the emerging industries.

There are small to medium sized firms who have built their backlogs of work to pre-recession levels, and not all at low margins. The regional market's recovery has produced have's and have not's. The lesson of the have's seems to be to follow the new economy. BG



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## NATIONAL MARKET UPDATE

The Federal Open Market Committee's release of its opinion on the status of the U. S. economy seemed to confirm widely-held opinions that the modest recovery from the 2007-2009 recession had slowed. The FOMC's official release affirmed the committee members' belief that a long-term recovery was underway – and that the recent slowdown in activity was due to temporary spikes in energy and food prices and the supply chain disruptions caused by the Japanese earthquake – but the Committee's downward revision of its GDP growth again and Chairman Ben Bernanke's tepid press conference only added to the sense of uncertainty that consumers and businesses are feeling.

Like any other business cycle, the current one is not going to proceed in a straight line towards prosperity or recession. What is critical to the success of the private sector taking hold of the economic recovery – a next stage that needs to occur – is confidence from both consumers and businesses that growth will continue. Uncertainty will cause consumers to spend less as a hedge against a double dip and make business owners delay plans for investment until a sustainable growth path looks inevitable.

Dampened consumer spending impacts two-thirds of the GDP and will impact the construction plans of retailers, hospitality, recreational and durable goods suppliers. Nervous consumers don't buy new cars this year, don't take vacations and they spend less at the mall. Nervous business owners tell architects to put their plans in the drawer rather than risk expanding into another recession.

It's unfortunate that this period of uncertainty and nervousness comes on the heels of increased spending on non-residential construction in April and May, according to the Department of Commerce, McGraw-Hill Construction and Reed Construction Data. Non-residential spending, as tracked by the government, has turned up since spring and appears to be bouncing back off the bottom (see chart on p.8). Reed tracked commercial starts higher again in May and April, finally reaching a level that is above the first five months of 2010. McGraw-Hill Construction reported that construction was slightly down in May. They reported contracting had grown briskly in February, followed by two flat months and was up year-over-year modestly. If caution becomes the dominant response in the summer, however, it's likely these gains will be eroded or erased at least temporarily in the coming quarter.

Behind the caution are events with a Ground Hog Day feel to them. Like last summer, worries about the ability of smaller European countries to maintain their debt payments has shaken stock and bond markets and forced the value of the Euro to fall. Little has changed in the econo-

mies of Greece, Ireland, Spain, etc. and the response of the EU in 2010 – which was to bail out in exchange for austerity plans – managed to kick the problem down the road a year or so but the global economy is still dealing with the same fundamentals without a plan for permanently removing the debt.

During the week of June 20 the financial markets got to replay the Greek crisis, absorb the stop gap plan, relax for 24 hours and then start anew with Italy. The reality of the debt ratios in the PIIGS countries is that some form of forgiveness from their bondholders – which include stronger nations and banks – will have to occur in order for their balance sheets to eventually recover. Absent the debt forgiveness, defaults are fairly certain.

## Nervous business owners tell architects to put their plans in the drawer...

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It's important to remember that this isn't a European problem any more than Lehman Brothers' collapse was an American problem. U. S. banks and investors are among those who hold the bonds or derivatives that are under water. A scenario that involves creditors digging in their heels on European debtors will produce defaults and stands a good chance of triggering another freeze of the financial markets. The more likely scenario is for a small default to put a scare into markets before an orchestrated write-down of some portion of the debts is negotiated. That scenario is likely to occur over more than one year.

Again, like last year the significance of the Eurozone problems to the American construction market is in its unsettling effect. Historical investment patterns suggest that the robust increase in business spending on software and technology in 2010 would lead to better than usual investment in buildings in 2011 and 2012. So far, the pattern is holding but the magnitude of the investment recovery is lower than expected. Business owners appear ready to build again (witness the Architectural Billings Index steady climb from mid-year 2010) but the confidence in the economy hasn't released that pent-up demand yet (witness the cooling of the ABI in April/May).

Pulling back from the macroeconomic picture, there are increasing signs of demand for new construction and some events that will help spur confidence.

To the latter point is the easing of the price of gasoline and diesel fuel. Pump prices have fallen roughly 15 cents per gallon at the end of June. On June 23, the Interna-



## Demand for student housing is coming from favorable demographics

tional Energy Agency agreed to release 60 million barrels of oil to replace the supply from Libya that has been constrained due to the six-month-old conflict there. This produced an immediate drop in oil prices of \$5 per barrel although another month will need to pass before understanding the actual impact on inventories. It's more likely that a change in driving habits by American motorists would impact inventories sooner.

Another trend that should build confidence – and spur construction – is the significant increase in state and local tax revenues. The Rockefeller Institute of Government reported on a compilation of data from 46 states that showed collections from major tax sources increased by 9.1 percent in nominal terms in the first quarter of 2011 compared to the same quarter of 2010. That represented the third consecutive quarter of increasing strength in revenues. Tax collections now have been rising for five straight quarters, although revenues were still 3.1 per-

cent lower in early 2011 than in the same period three years ago.

This reversal of fortunes isn't eliminating the huge deficits in hard hit states like California or New Jersey, but it is easing pressure to make drastic cuts in consumer-sensitive areas like education and road maintenance. The better revenue stream should also lessen pressures to raise local taxes, a further relief to consumers. And of course, the most direct impact will be if the rising tax receipts permit more construction than was planned.

Two niche categories that are under supply and demand pressure right now are warehouse/distribution and student housing space. The Census Bureau reported that manufacturer and trade inventories rose 9.7 percent from the first quarter of 2010. Including the rising inventories from the online and catalog sellers inventory levels are 14 percent higher than last year. At the same time construction of new space was roughly 3 million square feet in the first quarter. During most quarters of the last decade, developers added 40 million square feet or more to the building stock.

Demand for student housing is coming from favorable demographics, with more than three million high school students joining the college ranks annually between now and the 2018-2019 school year. Since the financial crisis there has been concern that the economic disruption

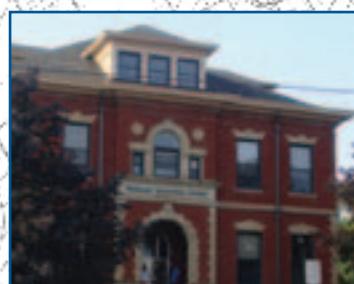
would slow the number of college students, yet three years hence the opposite appears to be true. With much lower numbers of beds added to the supply during the recession, colleges and universities are now scrambling to catch up to deal with student demands for the remainder of the decade. And with higher ed balance sheets still somewhat distressed, the need for beds has spurred the third-party developer model again.

The private residential segment of the industry remains stuck at a pace that is well below the household formation rate, even with household formations slowing significantly during the past three years. New construction needs to remain slow to bring supply down and that at least appears to be working.

While not good news for homebuilders and those that supply that market, the greatly reduced levels of units started has shortened the number of months' supply of new homes from 9.2 in May of 2010 to 6.2 in May 2011. On June 23 the Department of Housing announced that the inventory of new homes available for sale had fallen to 166,000 units, while sales of new homes had fallen to less than 27,000. At the peak of the housing bubble in 2005 more than 100,000 new homes were being sold. The current inventory levels are expected to remain low throughout the remainder of 2011.

Offsetting the better supply/demand relationship in new homes was a decline in existing home sales in May. The National Association of Realtors reported on June 21 that May's existing home sales were 4.81 million units, some 3.8 percent below April's pace. That data followed a May report on foreclosures by Lender Processing Services that showed the delinquency rate for homes had fallen 18.3 percent from a year ago but that the number of homes in pre-sale foreclosure had risen 12 percent to 2,164,000. Rather than a trend towards the end of the glut of foreclosures the explanation for the decline in delinquent mortgages may still be linked to the foreclosure processing errors discovered in major mortgage lenders last fall.

While housing economists seem to be in consensus that sales will improve in the second half of the year, the upbeat scenarios rely on a continued decline in the price of gasoline and food, meaningful improvement in new hiring, a real and sustained drop in foreclosures and a return of consumer confidence to the levels seen last fall and winter. It seems certain that some improved economic news will help the housing market in 2011 but that all four of these factors will not be improving until 2013. [BG](#)



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## WHAT'S IT COST?

After surges in prices for diesel, copper, steel and aluminum pushed construction costs higher during much of the first two quarters of 2011, the readings on price inflation in May and June have borne out the predictions of most economists that the prices for products and materials used in construction would moderate back towards the overall trend of three to eight percent growth. The softening in prices has given project owners and American consumers some relief from anxiety about inflation, but even the falling commodity prices have been accompanied by some offsetting news.

May's data shows some of the flattest month-to-month changes in several years. Construction inflation showed an increase of .9 percent in May, following inflation of 1.4

percent in April and 2 percent in March. For materials and products specific to construction the prices varied no more than four percent higher or lower than April's prices, and 17 of the 29 categories tracked by the Bureau of Labor Statistics (BLS) showed less than one percent variation (14 showed .3 percent change or less). For the more volatile materials, like diesel, copper and steel, the change in prices was within a narrowing range. This reinforces the theory that prices for these have peaked and will be more predictable for the rest of 2011.

Unfortunately, not all the data is showing such predictable behavior. For starters, while diesel and copper are selling at markedly lower levels, aluminum products have continued to drift higher in price. Even though the aluminum scrap price declined in tandem with steel scrap, prices for finished aluminum products rose 2.6

percent and some manufacturers announced increases that were as high as 8 percent. Among the other materials which were higher in May were gypsum products, which rose 4.3 percent in response to another aggressive attempt by manufacturers to recover margins, and plastics, which rose 1.8 percent as a residue of the spike in resin prices in March. Plastics pricing is likely to remain at the current levels going forward. Drywall, on the other hand still has little demand support for higher prices with no housing recovery or robust non-residential construction recovery in the offing.

In his DataDigest announcing the BLS reports, AGC's chief economist Ken Simonson noted concerns that the retracing in prices was due to slower demand, since no supply disruptions are to blame. His assessment of the trends for several key materials was for further slippage in June.

The round of European debt concerns that have bubbled to the surface again as the summer starts is also helping tamp down price inflation, as the rising fears about the Euro have driven demand for the dollar. A better exchange rate for the dollar weakens commodity prices for import and lowers the price of

PERCENTAGE CHANGES IN COSTS			
Consumer, Producer & Construction Prices	May 2011 compared to		
	1 mo.	3 mo.	1 yr.
Consumer price index (CPI-U)	0.5	2.1	3.6
Producer price index (PPI) for finished goods	0.6	3.2	7.3
PPI for construction	0.9	4.4	7.5
<b>Costs by Construction Types/Subcontractors</b>			
Residential buildings	0.7	3.5	5.9
New industrial building construction	0.1	0.6	1.1
New warehouse construction	0.0	0.8	1.7
New school construction	0.0	1.0	1.8
New office construction	0.0	0.8	1.5
Concrete contractors, nonresidential	0.1	0.0	-0.1
Roofing contractors, nonresidential	1.7	1.4	1.0
Electrical contractors, nonresidential	0.0	0.4	2.2
Plumbing contractors, nonresidential	0.1	2.1	1.3
<b>Costs for Specific Construction Inputs</b>			
#2 diesel fuel	-3.2	13.8	39.5
Asphalt paving mixtures and blocks	3.2	5.1	4.5
Concrete products	-0.1	-0.1	0.0
Brick and structural clay tile	0.1	-0.8	-2.8
Plastic construction products	1.8	3.5	3.9
Gypsum products	4.3	6.2	-1.2
Lumber and plywood	-1.3	-1.1	-8.4
Architectural coatings	0.0	1.2	6.3
Steel mill products	1.1	8.7	10.1
Copper and brass mill shapes	-4.0	-7.5	17.0
Aluminum mill shapes	2.6	7.5	11.9
Fabricated structural metal	0.0	0.6	4.3
Prefabricated metal buildings	0.7	4.9	14.3
Crude petroleum (domestic production)	-6.4	23.1	41.8
Asphalt (at refinery)	24.0	19.5	5.1
Cement	0.3	1.9	-0.7
Iron and steel scrap	-2.2	-3.3	9.7
Copper base scrap	-4.7	-0.5	18.9

Source: Bureau of Labor Statistics, Updated June 20, 2011  
Compiled by Ken Simonson, AGC Chief Economist

	Jun-11 Index	% change Month	% change Year
<b>ENR Building Cost Index</b>			
<b>20-City Index (1913 = 100)</b>			
Building cost	5058.97	0.5	3.5
Skilled Labor	8710.24	0.7	3.1
Hourly wages	48.34	0.7	3.1
<b>ENR Construction Cost Index</b>			
<b>Construction cost</b>	9103.94	0.8	3.4
Common labor	19343.35	0.9	3.2
Hourly wages	36.75	0.9	3.2
<b>ENR Material Cost Index</b>			
All materials	2728.81	0.7	4.2
Cement (\$ per ton)	103.42	0.2	0.7
Steel (\$ per hundred pounds)	47.73	0.5	6.2
Lumber (\$ per million board ft)	407.48	-0.9	0.2

Engineering News Record's major cost indexes for June show the slowing trend in price inflation.

dollar-denominated commodities. This is most notable in the price of oil. A stronger dollar also undermines some of the speculative value of the oil price, leading to prices that are closer to the \$80-90 per barrel range.

Two other trends remained consistent in May: the downward pressure on prices for construction put in place and the disparity of inflation between consumer and producer prices.

Producer price indexes for industrial, office, warehouse and schools were virtually flat in May and have gone up less than two percent for the past twelve months. With material prices for construction rising at more than seven percent over the past 12 months, the spread between the cost of construction and the contract prices is five percent. The competitiveness of the market has kept contractors from passing along the price increases they have received.

The variance between consumer price inflation – as measured by the consumer price index – and inflation for construction also remains wide. May's CPI rose .5 percent and has gone up 3.6 percent since May 2010. During that same period the producer price index for construction has been 7.5 percent, more than double the rate of consumer inflation. Construction economists expect the PPI to remain twice that of the CPI through 2012.

And you can add the Federal Reserve to the list of those expecting consumer inflationary pressures to ease and

... overheated expectations  
about economic  
recovery and  
growth and the disruption  
of supply channels

remain a non-issue for the next year or so. When the minutes from the Fed's Open Markets Committee were released on June 22 and Chairman Ben Bernanke held his press conference the recent surge in energy prices was deemed temporary and fading, along with other commodities that have been influenced by factors as varied as currency speculation, overheated expectations about economic recovery and growth and the disruption of supply channels caused by the Japanese earthquake and tsunami. More pointedly, Bernanke's remarks expressed a stronger likelihood of further easing than of raising interest rates. Without a tighter monetary policy the strength of the dollar is likely to fade when a solution to the European eases fears. BG

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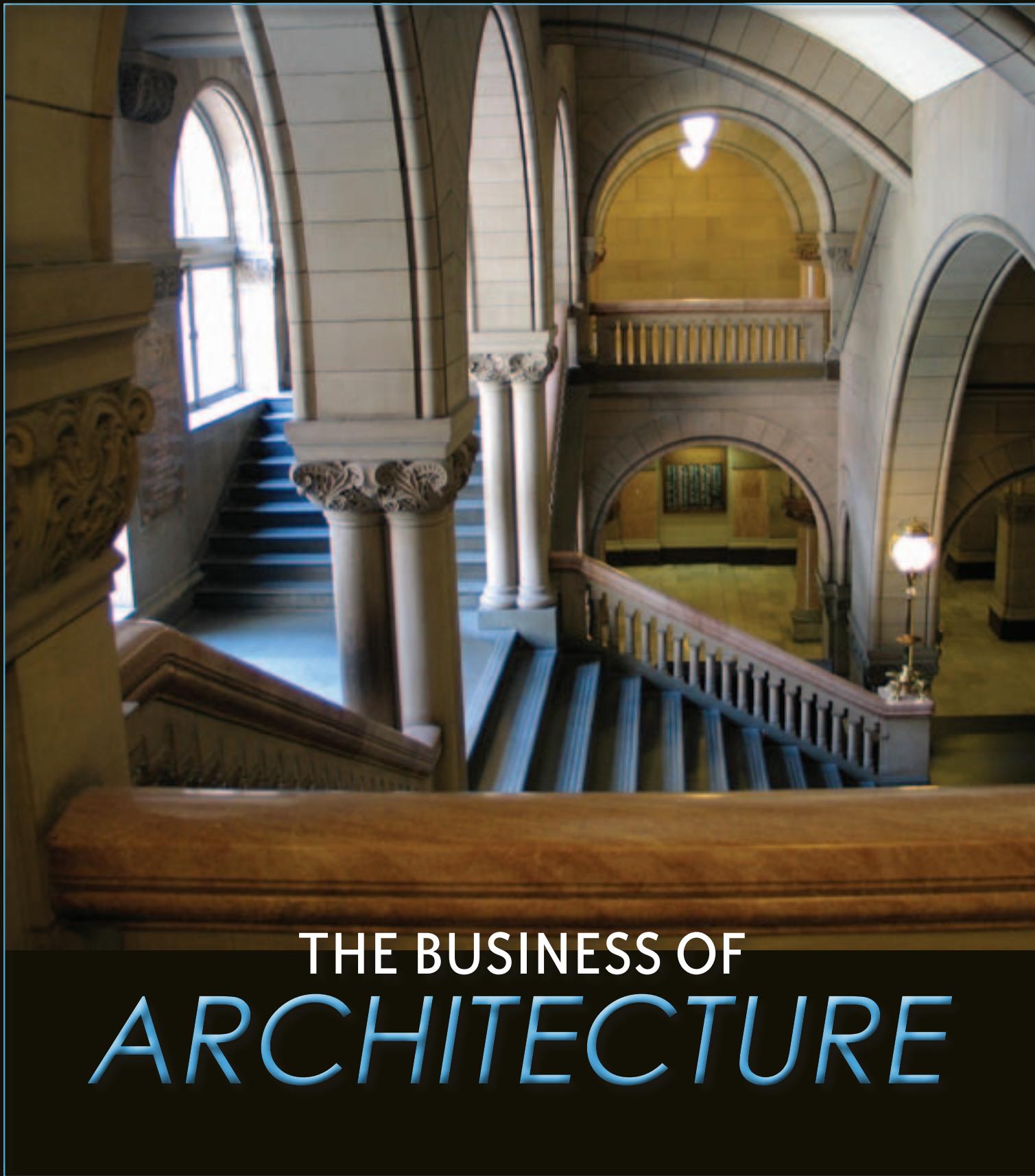
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• FEATURE •



# THE BUSINESS OF ARCHITECTURE



Practicing architecture should have become easier during the past five years or so. It's unlikely that there are two more significant changes occurring in the construction industry than green building and building information modeling (BIM). In theory, both of these breakthroughs are great developments. Architects have been at the front of the movement for sustainable design, long before it became 'green' and marketable. And BIM presents the opportunity to remedy several of the main drags on practicing architecture – inadequate time and lost information – so that the profession can focus on the aspect of architecture that attracts most people in the first place: designing.

Knee deep into the 21st Century architecture is wandering in the wilderness instead of basking in its halcyon days. Over a period of a generation or so, architects have shifted in their role from that of the perceived 'master builder' to an interchangeable provider of a replicable service. There are several paths out of the architectural wilderness. Not all lead to a restored role of leadership in the design and construction process. What is clear is that the status quo will leave the practice of architecture in a secondary role.



Image courtesy of PJ Dick Inc.  
Photo by Denmarsh Photography.



*“Here’s this homegrown corporation that initially pushed back against GBA when they built Firstside and now every building they do has the CEO’s backing to be green. 3 PNC demonstrates that commitment to green, not just for low hanging fruit but on a difficult site as well.”*

– Steve Lee, Head of School of Architecture, Carnegie Mellon University.

Arthur Lubetz has been practicing architecture for half a century, running his own firm for 44 years. By his own admission his way of practicing is unorthodox. In the 1970’s he began advocating for negotiated contracts rather than hard bidding as a way to combat skyrocketing inflation and the local AIA leadership threatened to boot him. As independent as he has always been, Lubetz didn’t hesitate when asked where he thought his practice would be if he worked another 20 years. “Probably working for a contractor,” he replied.

It will come as no surprise that most architects do not view that as a good outcome for the evolution of their profession and from

a purely objective point of view it is probably not. By all accounts there was a more collaborative environment when the architect’s role as objective third party was the norm. Moreover, the public good is better served if the professionals making design decisions have no vested interest except creating a safe and effective building.

At the beginning of a new decade, architecture is struggling to find its new role but the industry is moving ahead at an ever-quickenning pace. The technology exists now to design a building with less architectural input, even if that isn’t a good thing on balance. For the profession, the crossroads has arrived. Chip Desmone of Desmone & Associates feels energized by the opportunity but knows the industry won’t wait for architects to decide how they want to practice. “Buildings will continue to be needed and in the long run the construction industry will find a way to build them,” he says.

## The status quo

Some of the pressures that architects feel right now aren’t of such gravitas as the fate of the profession. Coming out of a steep global recession, for many architects the most pressing issue is finding work.

“Some of our most significant challenges are what we hear about in the news everyday,” says Martin Powell, president

of The Design Alliance. “The debt overhang - whether it is personal or government - the deleveraging around the world, the housing market are all wet blankets on the business.”

The ‘wet blankets’ Powell speaks of are keeping construction from resuming its cyclical pattern of growth to the degree that it supported record employment of architects in mid-decade. With firms struggling to find work, architects have seen the highest unemployment rate in the industry at nearly 30 percent. That decline in employment comes at a time when the long-term demographics of architecture are a little upside down.

"Before the recession there have been predictions that there won't be enough architects in the future and now with the effects of the recession there are lots of out-of-work architects going into other professions and all these kids are graduating and going into other fields," says Desmone. "So if the Boomer retirement doesn't cause a shortage, the lack of kids will."

According to the American Institute of Architects (AIA), employment of architects peaked at roughly 215,000 in 2007 and should reach the bottom of its decline at about 152,000 architectural jobs this year. As severe as the unemployment is, however, the current employment level is some 20,000 more architects than were working in 1995. That suggests that architecture may not be on the wane. The AIA's chief economist, Dr. Kermit Baker warns that focusing on the current level of unemployment misses the big picture.

"It seems like that has been a chronic issue during the 15 years I've been associated with the AIA," he explains. "Employment goes in waves from too few architects in the business to a few years later a call for closing down some of the architectural schools.

The construction business cycle can swing 30, 40 or 50 percent in volume from top to bottom. That implies that we could need 30, 40 or 50 percent more or less architects."

Baker pointed out that even at a cyclical high, the salaries and compensation of the profession were objectively quite low and could suggest an oversupply of architects in the market remained. "Someone coming out of school with a four-year bachelor's degree and a master's in architecture might expect to find a job making something in the high \$30 thousand or low \$40's," he says. "That's not a very competitive salary overall. If the profession were in demand the wages would be higher."

Regardless of the how the current supply/demand dynamics are, there appears to be no dispute about where the demographics are leading.

"I do not have the precise numbers but the projection is that in 20 years there will be a deficit of 20,000 to 30,000 architects to design the construction of the buildings that are needed to support the growth on the planet," explains Steve Lee, Head of the College of Architecture at Carnegie Mellon University.

According to Lee, a number of demographic shifts are occurring that are reflected in the architectural student population. At CMU this past year, two-thirds of the incoming students were women.

Lee believes that is the gender mix that will continue into the future. The potential radical shift in gender and the impending dropoff in supply are but two of the reasons CMU is undertaking a new strategic plan for its School of Architecture. Lee says one of the main changes proposed is a bifurcation of the training between those who want to study architecture and those who intend to practice it professionally.

"The final strategic plan has not been approved yet but I think we could see a two degree system where all students enter a Bachelor of Arts program and after two years declare whether you want to pursue an architecture degree or one in fine arts," he says.

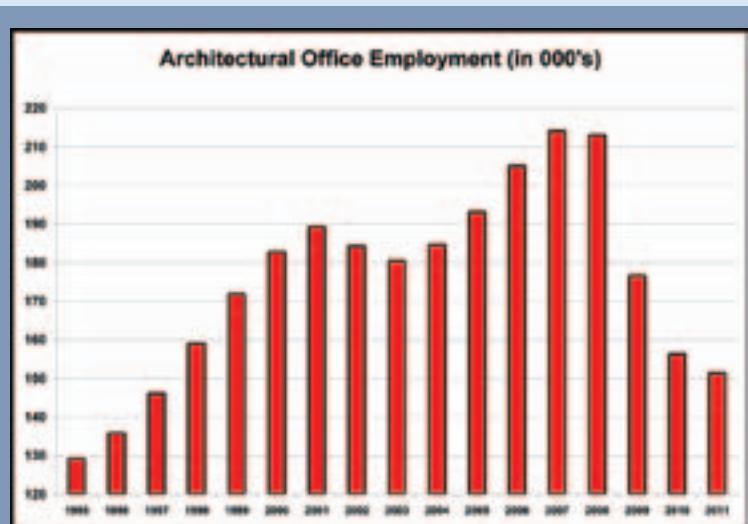
Changing the direction of architectural education is a remedy that many of the managing architects see as a high priority to educating the profession's future. Virtually all of the local architects who are nearing the end of their careers were required to get experience in construction during their education. The elder statesmen of today seem to wish for some of the elements of a more fundamentally simple education.

"I'm certain of how this will sound coming from someone my age but I am concerned that people will lose the ability to sketch by hand," says DRS Architects' principal Phil Hundley. "There's nothing like a good hand sketch to communicate an idea. If you are doing a wall section in CAD you can literally start anywhere but if you do it by hand you start at the foundation and work your way up."

Hundley drew the analogy to the contemporary art movement that was in full swing during his education. "Contemporary art was taking off when I was in school and a lot of arts students gravitated immediately to it. But they failed because they didn't have a basic understanding of fine art first." When reminded that Picasso turned to abstract art as an interpretation after first mastering the skills of portrait and still life painting, Hundley responded, "Yes, and he was good at those forms too."

Albert Filoni was on the faculty at Carnegie Mellon before becoming a partner at MacLachlan Cornelius & Filoni in the early 1980's. He's concerned that the critical emphasis in architecture may be distracting architects from their focus.

"I don't think we have a real good picture of where the profession is headed," he says. "Critics are promoting all this iconic architecture, which is really fascinating work but when I picture a street of iconic architecture I see ten iconic buildings and not much urban fabric."



*Unemployment in architecture is higher than most segments of the construction industry, reaching more than 25 percent.*



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Steve Lee's concerns about the profession are less about the elements of design and more about the role of the architect as it has evolved. To him, the changing role is at the root of the issues impacting architecture now.

"The architect in the days of Frank Lloyd Wright was seen as the master builder, like the Howard Roark character in *The Fountainhead*," he explains. "That meant the client looked to the architect as the one who delivered the building – who found the site, designed the building, picked the contractors, got all the permits and managed construction."

For Lee the gradual delegation of those duties – all of which had a perception of fee associated with them – is at the center of the untenable position in which architects find themselves today. The profession is at risk because of its efforts to reduce its risk.

## **Limited risk, limited role**

Construction is an inherently risky industry. Owners and developers risk mistiming their capital investment. Contractors risk their potential profits, as well as taking on the physical risk of a dangerous job site. And architects risk the consequences of their decisions about the design. Over the past generation or so the increasing litigation over the consequences of their decisions has created a professional environment that has managed risk by trying to avoid it. That strategy overlooks the reality that reward is a function of how much risk is taken on and managed.

"As a profession over 30 years we have been much too risk averse and we should change that so long as we are compensated for it," says Richard DeYoung, CEO of WTW Architects. He's concerned that new agreements properly allocate the architect's risk but believes that trying to avoid it is futile. "Insurers tell architects to stay away from risk in how we do our documents but whatever we may do doesn't relieve us from our professional liability."

On a project-by-project basis, one of the more infuriating attempts to push risk aside has been the use of exculpatory language to insulate designers from responsibility for unforeseen conditions. This practice seems to be mostly confined to the public construction arena and ironically isn't likely to be effective in any case. In a recent example, a school project involving new construction in a formerly-mined area included the provision that contractors should allow for 100 feet of mine grouting. Anything over that was the contractor's responsibility without recourse. In other words, 'we don't know what's down there but you own it'.

To Scott Cessar, who heads up the construction practice for Eckert Seamans Cherin & Mellott, such language isn't going to help the owner or architect avoid responsibility for the cost of the mine grouting.

"That's unenforceable if it's subsurface," he explained. "There's a bunch of case law that deals with this topic. You

# Employees	Share of firms	Share of billings
1	24%	1%
2-4	37%	6%
5-9	18%	7%
10-19	11%	12%
20-49	6%	23%
50-99	2%	15%
100 +	2%	36%

Even after a period of consolidation the dominant type of architectural firm has less than five employees and bills less than ten percent of the total volume done.

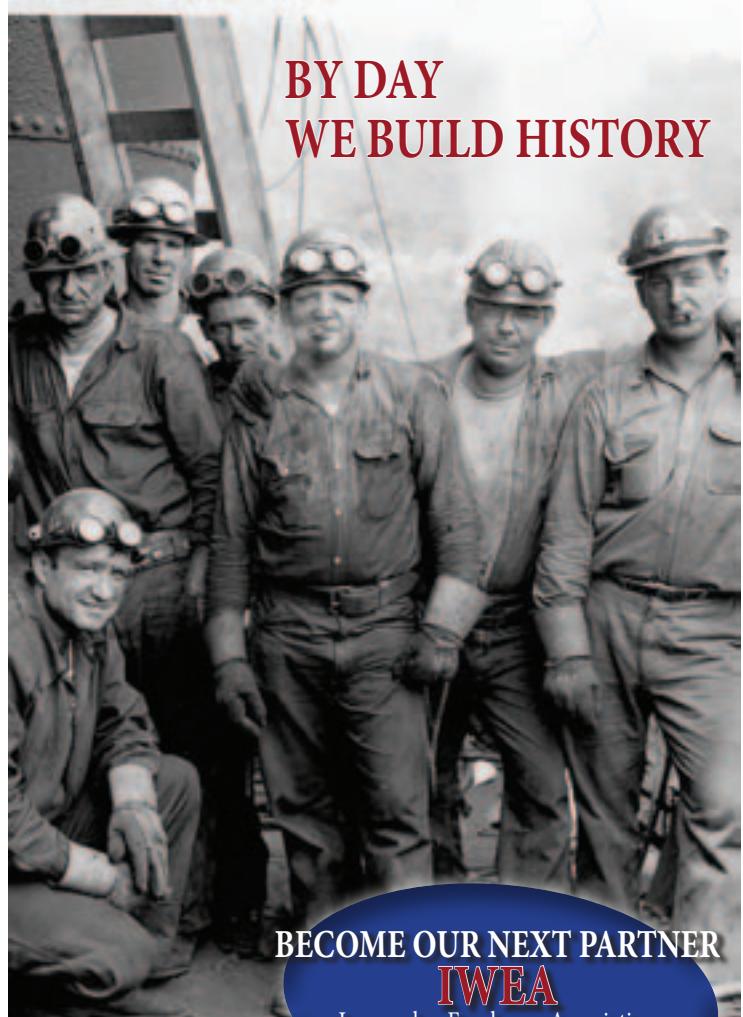
just can't override the differing site conditions clause just by using exculpatory language in the documents. Whether it's conditions that differ from the documents – like this one – or simply something unexpected that no one could have foreseen, the owner can't avoid the liability of paying for it."

Insurance companies and legal experts would probably draw a distinction between the risk of a project and the professional liability of an architect, but as it affects performance that distinction isn't easy to see. The choices that architects make about a building can meet the test of their liability – that is, verify that the structure is sound, safe, etc. – and still leave lots of room for the risk of conflict and litigation. The careful crafting of language that refined the standard contract documents over the years had a comfortable fail safe in that unless the architect had literally entered into a paid agreement with the contractor of a project he or she was immune from litigation by the contractor over mistakes or omissions because contract law required a financial relationship before the architect was at risk. The PA Supreme Court's 2005 decision in *Bilt-Rite Contractors Inc. v. The Architectural Studio* changed all that, allowing contractors to sue architects in cases of gross negligence.

*Bilt-Rite* is a limited precedent and hasn't opened the flood gates of litigation against architects but it did lift an important veil of protection. If nothing else, it confirmed the fact that courts would strive to establish equitable circumstances between parties involved in construction projects, regardless of contractual relationships.

Even if the risk avoidance trend kept architects out of lawsuits forever, Carnegie Mellon's Steve Lee believes there were consequences of risk avoidance that have been as damaging to the business of architecture.

"The AIA is more risk averse – I think they have five lawyers for every architect on staff – so their contract documents have given away more and more of the responsibility that used to be the architect's," he notes. "Site selection and entitlement have gone to real estate firms and developers. Determining



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*ALCOA's former headquarters, Harrison & Abramovitz. "It's important because it's a modern building, maybe the first to use aluminum panels for the exterior. It was also the first use of a rain screen as an exterior system on a high-rise." – Phil Hundley, DRS Architects*



Image courtesy Pittsburgh History & Landmarks Foundation.

construction value tilts more towards the general contractor. Owners hire consultants for a couple of points to model energy performance when the architect is uniquely qualified to perform that service."

From the standpoint of legal advice, handing off all of those duties means relieving the architect of the risk of a problem with those aspects of a project's design. But each of those duties adds value to the finished project and therefore has a portion of fee associated with them. Regaining these responsibilities would help justify higher fees but it will take an exceptional effort by architects to re-establish the perception of competence and expertise in any of these areas.

A more likely path to regaining a more equitable share of remuneration for the work on a project is a trend that runs counter to the risk avoidance of the past, but is nonetheless gathering steam, and that is shared risk agreements.

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[gdiBello@schniderdowns.com](mailto:gdiBello@schniderdowns.com)

Eugene M. DeFrank, CPA, CCIPP  
[edeFrank@schniderdowns.com](mailto:edeFrank@schniderdowns.com)

The typical contract relationship for a construction project has been for separate agreements by the owner with an architect and contractor. While it is in all parties' best interest to cooperate smoothly regardless of contractual arrangement, cooperation has become a more precious commodity. With the growing acceptance of BIM – an environment that operates best with all stakeholders in a project involved from the outset and fully sharing information – the growth in agreements that bind the architects, consultants, owner and contractors together in some fashion has followed. That style of agreement has spawned its own sub-trend, integrated project delivery or IPD.

What IPD or any hybrid form of shared risk agreement has at its core – obviously – is a sharing of the risk of the project between all parties. The agreements attempt to share the risk proportionally to the three main parties according to their exposure and potential reward. The reward side will likely remain fluid from project to project but the constant in these three party agreements will be the intention of each party to hold the others harmless for problems. This form of agreement is not in harmony

## *Allegheny Courthouse and Jail, H. H. Richardson.*

*"It's just an elegant,  
perfect expression of  
civic architecture in its  
time, for its purpose."*

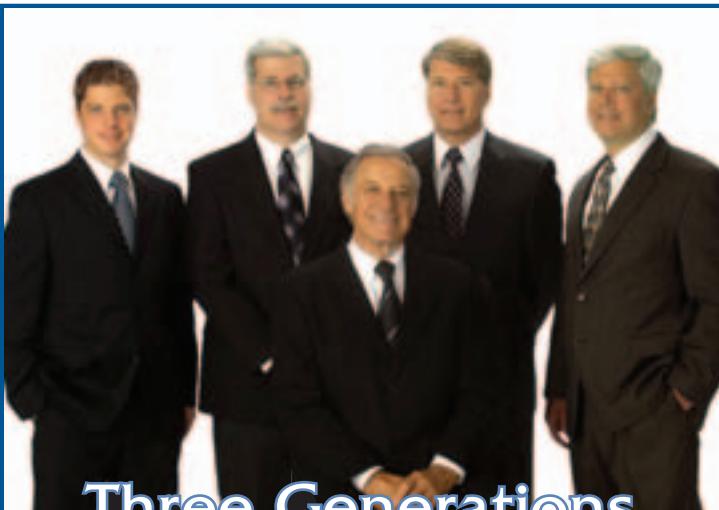
**– Chip Desmone, Desmone  
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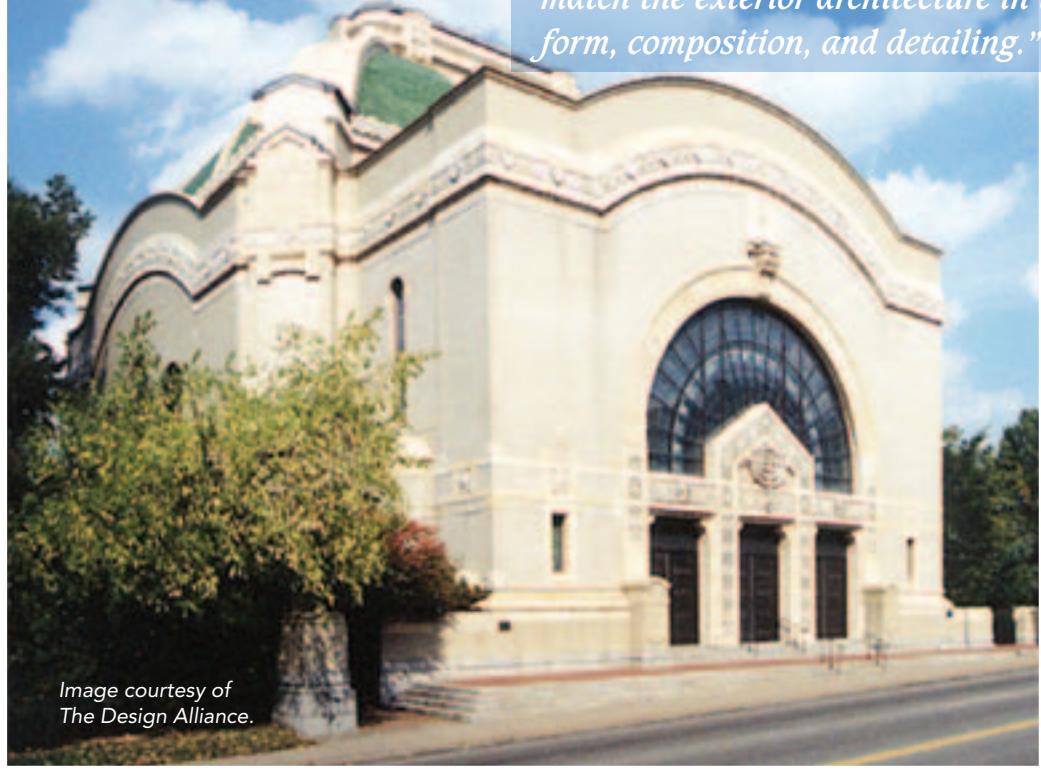
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*“As far as my personal favorite, I'd say Rodef Shalom, designed by Henry Hornbostle, where the interior spaces match the exterior architecture in terms of sheer beauty of form, composition, and detailing.” – Alan Dunn*



*Image courtesy of  
The Design Alliance.*

with the traditional approach to contracts for architects but it's not necessarily getting push back at the grass roots.

“We're believers in collaboration and think great projects come from collaboration with builders and owners,” says Marty Powell. “There are risks in a project that none of us can foresee and we make an effort to disclose that to our clients and budget a certain amount for the unforeseen risk.” Powell says that owners can grasp that conditions will be uncovered or prices may change drastically during a project and can accept that risk when it's dealt with in advance. “We ask our clients when we budget what they think oil or aluminum will cost in 18 months. Clients are smart enough to understand what can't be known.”

Rich DeYoung has some reservations about how an architects' risk will be recognized for their front-loaded efforts in an IPD, but he welcomes a new agreement when it reflects collaboration.

“If you're talking about a model where we all agree to share all the information, not sue each other and work together to solve all the problems, I'm all for it,” he says.

Shared risk agreements are in their infancy and they will need to overcome some pushback from the providers of standard contract language, although both the AIA's A201 and the Associated General Contractors' ConsensusDOCS have three-party agreements as part of their documents. The biggest obstacle will likely be cultural and that will vary from location to location.

## Evidence based design

One practice area that has responded to a degree to the higher risk of its clients is healthcare design. Driven by an inherent mission of constant improvement in patient care, plus the more practical response to legal liability and insurance trends, healthcare providers have become increasingly empirical in decision-making. The trend to base decisions about clinical treatment choices – even those that only tangentially impact patient care – upon reliable data is called evidence based medicine.

The trend is hardly current. After her work in the Crimean War, Florence Nightingale documented her observations and applied statistics to nursing to establish minimal standards for a healing environment, stressing ventilation, quiet, adequate lighting, warmth and clean water as basic necessities for good outcomes. Research on outcomes and causes have been at the center of medical advances since. After a study by Dr. Roger Ulrich – a professor of architecture at Texas A & M - concluded in 1984 that surgery patients with a view of nature suffered fewer complications, used less pain medication, and were discharged sooner than those without, the science of evidence based medicine began being applied to healthcare design. Ulrich is one of the authors of evidence based design, and other studies have followed which focused on the comparative outcomes of patients with variables like lighting, noise and even carpeting.

Approximately 1,200 credible studies have been identified by The Center for Health Design with specific clinical relevance to improved outcomes. The goal of evidence based design is to use the data gathered by these studies to incorporate into the design of future space so that the healthcare delivered can be improved by the facilities. The danger of this approach – which is favorable to not using quantitative study – is that there isn't underlying theory to connect human behavior to the evidence, even in medical facilities.

**H**enry W. Oliver Building, Daniel Burnham. "Burnham did magnificent work in Pittsburgh after the Columbia Exposition at the turn of the century. I think the Oliver Building is the Flatiron Building of Pittsburgh. It's such a dignified presence on Grant Street." – Marty Powell, The Design Alliance.

"Evidence based medicine attempts to demonstrate with data that a procedure or approach did what it was intended to do," says Stefani Danes, principal at Perkin Eastman Architects. "In medicine you can look for evidence of disease because there is a theory about the cause of the disease, so the evidence is testing the theory of the physiological cause, but there isn't that kind of theoretical basis to apply to human behavior in buildings."

What Danes refers to is the limited amount of theory connecting environment to physiology. In medicine, doctors have clinical theory about causes that can be tested against data. If a treatment results in a higher concentration of a chemical compound, and a deficiency of that compound is a cause for the condition, there is evidence that the treatment can affect the disease. If a patient recovers quicker in a particular environment, however, there is only a correlation between the result and one or more variables that were inherent to the environment. A well-designed unit may enhance nursing performance, encourage more family visits, or even increase the patient's intake of Vitamin D through more sunlight. All of these factors have a palliative effect on patient recovery but there isn't a theoretical basis to correlate the outcome to the design.

The upside of evidence based design is that it encourages architects and their clients to look to available research and data to inform decisions that need to be made. Since the 1970's there has been interest in finding out what elements of design or building performance influenced human behavior, an appetite that came from private industry trying to improve productivity or well-being or customer demand or some other outcome. The increased demand for more efficient and intelligent buildings spurred improvements in the technology of monitoring facilities, giving owners, engineers and architects even more reliable data about how a building performed. What accompanied the more robust research database, however, was an increased demand from owners for more certainty about



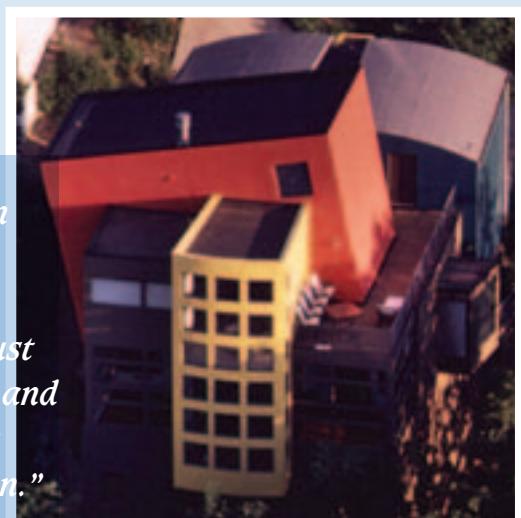
the decisions that had to be made and no amount of evidence could eliminate the element of uncertainty.

That search for more certainty created space for construction managers to provide it. Architects may in fact be hard-wired towards caution but if they are not, their professional liability dictates that they not assure clients of specific outcomes based upon the design. Construction managers don't stamp the drawings and their business is

generally based upon providing certainty to clients in the form of guaranteed maximum prices or contracts.

D. Kirk Hamilton, FAIA is a founding principal of Watkins Hamilton Ross Architects in Houston, TX and a colleague of Ulrich's on Texas A & M's faculty. His 2006 paper on evidence based design called for four levels of evidence based architectural practice and advocated rigorous research of multiple sciences to apply to the design of many types of buildings. Hamilton felt that research needed to be shared with clients and others in the process of project design and as importantly, subjected to review by those not involved with the project, including professionals who might disagree with the conclusions. He also suggested evidence based practice as a means of re-establishing credibility with clients who may have found more confidence in other professionals.

**P**rivate residence, Alan M. Dunn & Associates. "Drive in on the Boulevard of the Allies on a February afternoon, when it's just as gray and ugly as winter gets and there sits this splash of primary color halfway up Mt. Washington."



## *Older hands today will tell you how the situation has deteriorated during their careers; however ...*

"It's a good business model for architects to become more expert," says Danes. "We're invited to propose on more projects when we become experts on the research and behavioral aspects of the buildings our clients want to build. We finance the effort to do more research by bringing more value to the client." When questioned about whether or not becoming more expert would result in the fees that justified the time needed to do so Danes replies, "It's harder to get there if we're viewed as being a commodity."

## **More Time, Better Drawings**

Architects are hardly alone in their complaint that their profession has been commoditized during the past twenty five years. Becoming a low cost provider isn't what most architects aspire to be when they enter the profession. Architects may defend their profession by drawing a parallel to doctors or lawyers, asking the hypothetical question, would you want the lowest cost surgeon operating on you, but the truth is that people generally don't die from bad architecture. What is lost because of the commoditization of architecture is the time to do their job well.

Part of the difficulty in defining where efficiency ends and commoditization begins is that architecture has moved light years ahead in productivity and now has tools that make sharing what they know inevitable. Architecture is a cumulative practice and the mentoring nature of the profession has created a legacy where today's designers can be more effective because of the breakthroughs in understanding, even without the technology. Technology like building information modeling allows the construction document itself to store the experience, a quality that will accelerate the pace of knowledge accumulation.

"As good as they are now the technological tools to model buildings and project how they work will get better and better, and our ability to understand our design will be much greater," notes Rich DeYoung. "If what we know now about environmental design and energy efficiency is 10X what we knew ten years ago, in ten more years it will be 100X."

Yet for all the tools to become more productive and compete harder without charging more there is a point where an architect cannot provide as good a service to a client for the fee that is expected. Firms can compete by convincing a prospective client



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that they are just more efficient than those who say the fee is too short, but at some point the client better realize that paying less means getting less service.

What's difficult to discern about this zero sum game is exactly what is meant by less service. But it's not difficult to say where the reduced time will show up: in the accuracy and completeness of the plans and specifications.

Only the most experienced client can actually pick through a set of plans and differentiate between a 65 percent set compared to a complete set of drawings. From the perspective of the client's interaction with the architect the service may be top notch. With as many different methods to deliver a project as there now are it's also possible for a project owner to get a contractor to commit to a price at a fairly early stage, further muddying the analysis of document completeness and accuracy. But in the field, where the cost of the project ultimately plays out, a weak set of plans will present problems early and often.

This subject has long been a bone of contention for more experienced construction professionals, be they contractors, architects or owners. But it's interesting to put a bit of perspective

on the issue. Older hands today will tell you how the situation has deteriorated during their careers; however that may be the case in every generation. In preparation for its 125th anniversary celebration the Master Builders' Association was doing research earlier this year and found minutes from its organizing meeting in 1886. The meeting addressed several of the days' pressing problems, which the nascent association hoped to resolve. Among the minutes was reference to a concern of the day:

*The meeting addressed  
several of the days'  
pressing problems ...*

"Mr. McKee, in answer to Mr. Brown, thought that as contractors we should insist that architects furnish all detail drawing with the plans when they are submitted for estimates and not furnish details after a contractor had articed to do the work."

One conclusion that can be drawn from these minutes is that contractors have always complained about architects' drawings and that they will never be complete enough. On a more serious note, the comments of Mr. McKee underscore the concern that builders will always have when it comes to detail and accuracy; that is, that there is never too much information they can have to manage the risk involved with construction. The dynamics of an architect's representation of an owner's needs and expectations are always changing but the dynamic tension between too little and too much information has not.

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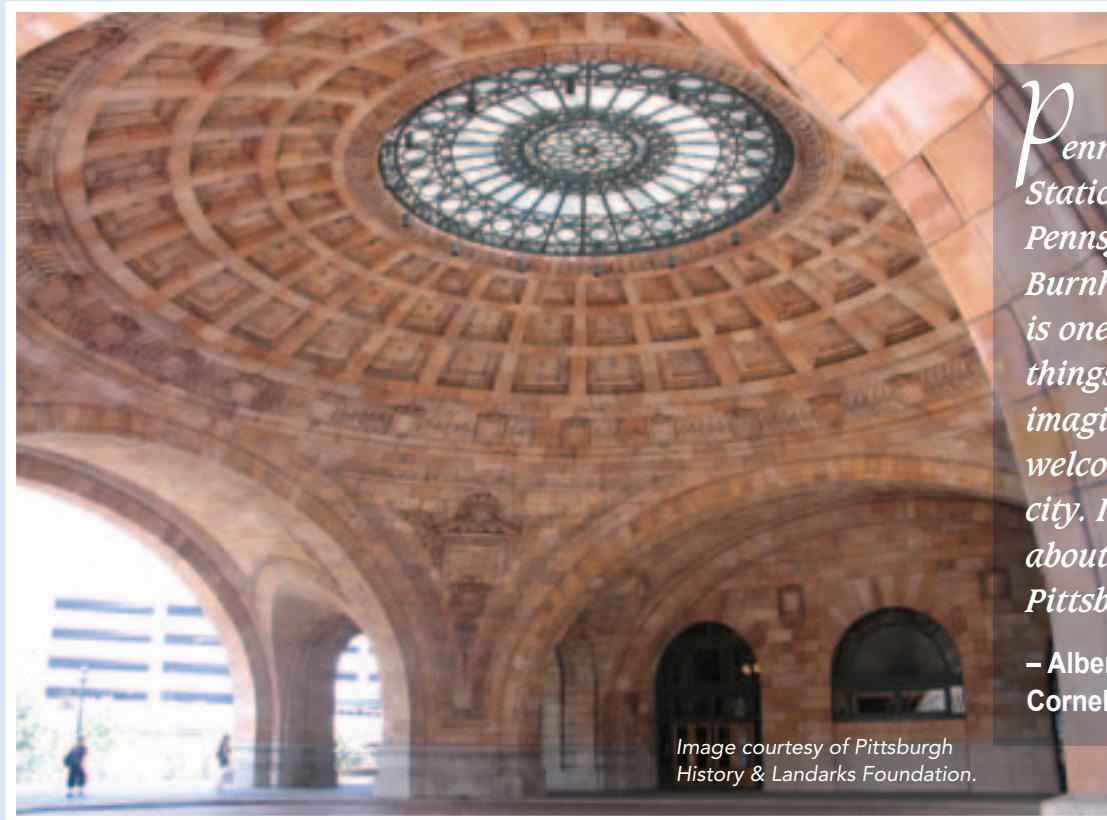
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*Image courtesy of Pittsburgh History & Landmarks Foundation.*

*Pennsylvania Railroad Station (now The Pennsylvanian), Daniel Burnham “The rotunda is one of those incredible things in that I can't imagine a better way to welcome someone to the city. It said something about the power of Pittsburgh at the time”*

— Albert Filoni, MacLachlan Cornelius & Filoni

“There can be a number of reasons why documents may not be complete, depending on the client, but no responsible architect wants to turn out a bad set of documents,” says Julie Polletta, of Radelet McCarthy Polletta Architects. “I think we’re all aware of the feeling of not wanting to ‘overdraw’ the project. There comes a time in the project when the client wants us to stop drawing and get the project out.”

What Polletta is talking about is the urge to push the final drawings out to bid or for permit after all the decisions about the design have been made. Hurrying that process means that questions may haunt the project during bidding, or worse, that uncertainty about intent may linger, because uncertainty costs money. But the bigger headaches come not from hurried final strokes but rather inadequate planning up front that leads to field problems.

For architects, the technology that makes them more responsive and productive is also eliminating the time that can be their ally.

“Technology has compressed the time needed to deliver a project for our client,” says Cherie Moshier, founding partner of Moshier Studio. “When I look back on project schedules from the 1980’s I can’t believe we had so much time. The question I have is: Do we have the time now to really think through the problems and solve them adequately?”

For a profession that is ultimately providing expertise measured in time that question cuts to the core of where architecture is going. Competitive pressures from the clients on down have compressed expectations for time and budget, giving productivity

at least as high a value as creativity in design. But the practice of architecture is the practice of critical thinking and problem solving as much as drawing, and critical thinking requires adequate time to understand and process completely. The advantage of a collaborative project – and a collaborative contract arrangement – is that it creates incentives to fully examine a problem from all sides. A shared risk agreement can almost eliminate any incentive to proceed without addressing the problems. Very few projects are delivered using a shared risk model, however, and the traditional owner/contractor agreement doesn’t eliminate the professional liability for the architect, especially since the *Bilt-Rite* case.

The challenge for architecture then may boil down to something as simple as that. The first step to restoring balance in how the owner/architect/contractor relationship operates may be to reassert control over the professional risks that can’t be absolved anyway, by taking the time to ensure that the client’s problems have been fully vetted and the solutions are fully represented in the project documents. Cherie Moshier doesn’t wish for a return to old technologies but wants to see that the baby isn’t thrown out with the bath water.

“We’ve gotten so good at delivering quality and I don’t want to go back from that,” she says. “Drafting was cumbersome. But everyone accepted that it took time for drafting to be completed and that gave us the luxury of time to think about the decisions that were made, to make sure they were the best for the project.” BG

Photo by Ed Massery  
Photography.



# HILL HOUSE KAUFMANN CENTER & ELSIE H. HILLMAN AUDITORIUM

**O**N MARCH 18, JOHN LEGEND RE-OPENED THE KAUFMANN CENTER WITH A CONCERT THAT MARKED THE BEGINNING OF A NEW ERA FOR ONE OF THE HILL DISTRICT'S OLDEST INSTITUTIONS AND THE END OF A DIFFICULT \$5.6 MILLION REVITALIZATION.

Hill House Association is an updated model of the settlement house, one of the first private agencies that successfully dealt with the poverty and disruption that the immigrants felt as they tried to integrate into urban American life in the late 19th and early 20th centuries. The settlement movement was a progressive effort to plant wealthy and middle class volunteers into a poor neighborhood to create cultural exchange and help boost the poor citizens out of poverty. Settlement houses were the original community centers in urban neighborhoods.

Chicago's famous Hull House, founded by Jane Addams, is probably the best known of the settlement houses that grew up around the country for about 50 years. Here in Pittsburgh two

settlement houses were formed to help European immigrants thrive, the Soho Settlement and the Anna B. Heldman House. The building that served as the Heldman House was built in 1928 as the Irene Kaufmann Building, a settlement house for the Jewish immigrants whose community was the Hill District. The benefactors of the Kaufman Building commissioned Edward Stotz – founder of what is now MacLachlan Cornelius & Filoni – to design the center. When it was completed the building had an elaborate entrance, an expansive lobby and facilities for live entertainment, community meetings and education.

In parallel to the community it served, the Kaufmann Building began to decline in the 1960's after the redevelopment of the Lower Hill left the Hill District cut off from downtown. Its grand entrance was removed during a renovation in 1970-1971. During that project a building between the Hill House facilities and the Kaufmann Building had been demolished, as had a swimming pool in the plaza. The buildings continued to be used during the next couple of decades but the strategic planning in 2003 and the Generations Ahead capital campaign in 2008 identified a complete overhaul of the facilities as a central component of revitalizing the Hill District.

"The Kaufmann Center is a multipurpose building that the surrounding neighbors use for a wide variety of purposes," says Marvin Prentice, Hill House's executive vice president and COO. "It also serves as the flagship for the Hill House. The capital campaign



## ... A COMPLETE OVERHAUL OF THE FACILITIES AS A CENTRAL COMPONENT OF REVITALIZING THE HILL DISTRICT.

in 2000 only did repairs that were needed to keep the place going. The new campaign was meant to create a state of the art facility."

Hill House serves about 70,000 people annually and the Kaufmann Center is home to parents' programs, out-of-school youth programs for GED and training to prepare for schools, an independent living program for 18-year olds just out of the foster home system, plus facilities for community and board meetings, meetings that included from 10 to 80 people. The building also served as a social hall and was rented out for weddings. The Generations Ahead campaign intended to expand the center's use for these gatherings.

When the architectural selection was made in early 2009, Hill House Association had a good idea of what they wanted the end result of the project to be but the process of discovery led them in some unexpected directions.

The architect chosen was South Side-based Renaissance 3 Architects. R3A is a 22-person firm on the South Side whose three principals – Robert Murray, Deepak Wadhwani and James Sheehan – take the approach that the firm should be the catalyst that stimulates progressive change within its clients' organizations through the synergies and integrative power of design, technology and sustainability. Utkarsh Ghildyal was the project architect for the Kaufmann Center renovation and you can hear the inventory of issues in his mind as he describes the changes that were desired for the building.

"The front entrance was too tight and not ADA accessible. Most of the building was not ADA compliant," he remembers. "There was a canteen half a floor up without an elevator. The youth programs and classes were held in the basement, which had no elevator access. There was a lack of daylight in the interior and the place was an energy hog. We also evaluated the programming end uses the

Hill House wanted and determined that it required an addition of 2,400 square feet, not just renovation."

According to Ghildyal one of the main architectural problems was the disconnection of the building from the front door to the community on Centre Avenue. "The primary feature of our plan was opening up the whole building to Centre," he says. "The 1928 design included a grand staircase that connected the building to the street but that had been removed in the 1970's. Inside there was a grand entrance hall but without the staircase you didn't access it unless you entered in the rear and then walked around to the front."

Renaissance 3's solution was to construct a new grand entrance while adding a handicap ramp at the rear entrance and updating the adjoining parking lot. Their plan added 15 parking spaces and included an electric car charging station. Another exterior issue that detracted from the street connection was the condition of the courtyard that was left between the Hill House and Kaufmann buildings. The surface was blacktop and it was inaccessible to Centre Avenue. Renaissance 3 developed a landscape plan that created a community space, opening up access to the courtyard and creating visibility from bypassers on Centre. To create the space needed for the additional programming the design put a new elevator shaft in the addition that allowed for multi-level access, created two new floors of conference rooms within the 40 foot high flyspace in the old auditorium and placed new bathrooms on each floor.

Ghildyal says that the Hill House allowed them the freedom to design what they wanted but was well grounded. "They were an informed client about costs and schedule and things but, at the same time not jaded," he says. "They were always enthusiastic about the possibilities of the project."

The Hill House Association took a progressive approach to project delivery, choosing to bring a general contractor into the project during the early stages of design. Contractors were interviewed and were asked to propose on the project as a construction manager at risk doing preconstruction services that would



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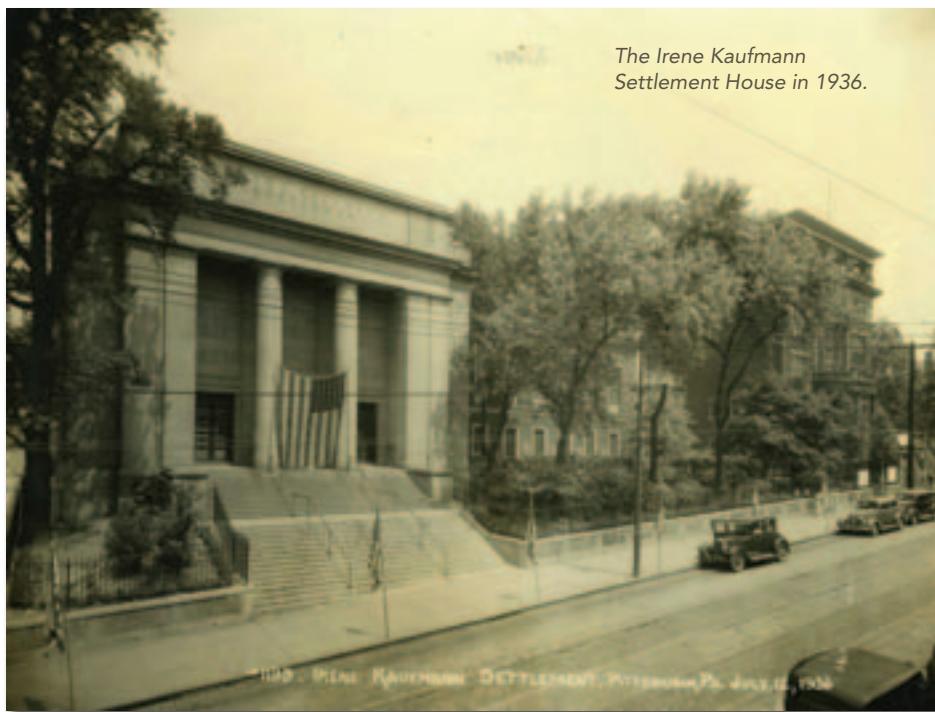
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lead to a guaranteed maximum price. Hill House expected the successful firm to demonstrate experience working with minority-owned subcontractors and a plan to use as much local labor on the project as possible. Massaro Corporation was selected as construction manager in spring 2009.

"We had been in the process of building a strong relationship with the Hill House before the interviews," says Steven Massaro. "We got to know Evan Frazier – who was CEO at the time – and he helped us get an understanding of what the Hill District needed. We had some experience with the First Source Center [a local minority labor resource] and understood that the owner wanted to maximize the use of residents in the project. I think that came through in our interview"

Marvin Prentice believes it did. "Talking with them personally I could see their sense of commitment to diversity," he remembers. "For me, it was important to understand their willingness to work with labor from the community and with MBE firms. After we picked the team I knew we had the right architect and contractor on board."

That Massaro Corp. had worked in the past with Renaissance 3 Architects was also a plus, especially since the early stages of the process would bring a number of surprises. Part of Massaro's role was to handle exploratory demolition to learn what had been done in the past and to test the assumptions about the existing conditions. The research unearthed unexpected problems right from the start.

"From the beginning it was a tough job. It was a building that was 80 years old and just filled with asbestos," explains Massaro Corporation's project manager Ryan Haught. "The abatement was in our contract. Basically every time we turned around we had to do more abatement because we kept finding more places where we had to do structural modifications."

Much of the exploratory demolition and excavation revealed headaches. The earlier demolition in the courtyard had been completed without removing subgrade structures. Bringing new stormwater lines to the building for this project required the removal of the previous four-story building's foundations and the swimming pool that had been covered. Existing metal panels were found to contain lead paint. And the building's east elevation contained a rotting steel structure. Rather than the unwanted surprises eroding the working relationship between the parties, the search for solutions actually helped the three key managers strengthen their relationship and problems became opportunities that enhanced the final design.

"It was certainly challenging but we had a good team of architects and engineers and an owner who never wanted to hear anything but the truth," says Haught. "I really liked working with Mr. Prentice. Considering everything that we found it got to where I was only giving him bad news, but his response was always that he didn't want to cut any corners. He wanted to do things the right way."

Utkarsh Ghildyal echoes Haught's sentiments. "What made the project a lot of fun was having a client who was curious and always wanted to know more and appreciated good design."

Prentice wasn't especially experienced in construction but his problem solving approach was founded in what he saw was wasted work done earlier. "When we started the project we found a lot of problems because of corners that were cut before that we couldn't afford to cut this time around," he says. "I always said there had to be a solution for the situations that arose and between the three of us we always figured something out."

The most serious of the problems was potential structural failure on the east elevation of the building. That side was to receive the addition and the failing structure required that more of that side be replaced so the team used the additional work to the project's advantage. "That allowed us to replace the exterior wall with windows and wood composite panels," says Ghildyal. "We also put a curtain wall into the design." The final solution has the composite panels on the existing eastern wall and the addition at 90 degrees to each other, with windows that reflect those on the opposite walls. For the auditorium within, the modifications bring much needed light into the space.

It was the auditorium that received the most significant renovation, according to Ghildyal. The original ceiling was demolished to expose the steel trusses and replaced with suspended acoustical panels. New acoustical panels were installed on the walls and stage. A theater specialties package worth \$200,000 replaced the outdated theater equipment. The height of the stage itself was reduced and all new hardwood flooring was installed on the first floor. Because the auditorium is also used for weddings and

“

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THE FIRM SHOULD BE THE  
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PROGRESSIVE  
CHANGE ...



*Photo by Ed Massery  
Photography.*

other receptions, the main floor remained open for portable seating but the balcony's 220 fixed seats were refurbished by Maffei Strayer Furnishings.

The auditorium's renovation took on added significance because the Hill House Association made the decision during the planning stage to rename the upgraded facility after one of its founding members, Elsie H. Hillman.

Work started on the project in earnest in late November 2009 and the completed project was turned over to the owner in January of this year, a timetable that impressed the project's architect. "Overall the project involved 20,000 square feet of both renovation and new construction and we did the whole job in 13 months," marvels Ghildyal.

Ghildyal is equally pleased with the outcome of the work. "The new visibility of the building to Centre Avenue is exciting," he says. "I love the vibrancy of the new additions, the colors, the materials, the



*Photo by Ed Massery Photography.*

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pervious paving used to step down the courtyard to the street. In the end, the owner is proud of the facility and the community is really happy."

Having the community happy was important to the Kaufmann Center project from the beginning. The team had meetings with community members during the planning stages, sharing design ideas and soliciting suggestions from Hill District residents. Renaissance 3 Architects integrated a number of the suggestions into the final design. Community participants were very involved, very vocal about having input and about having minority participation in the construction. The combined efforts of the project team and community resulted in a facility that is a state-of-the-art center that is the heart of the Hill.

"I guess it would have been simpler to build new but they just don't build places like this today," notes Ryan Haught. "We had to bring this facility to life because it had such historical significance and meant so much to the surrounding community."

"It was a good project even though it was a rough project," says Marvin Prentice. "The Kaufmann Center is what we wanted it to become – the heart and soul of the community." BG



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# DLA+ ARCHITECTURE & INTERIOR DESIGN

BY JON O'BRIEN

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DLA+ Architecture's staff (Front Row: left to right) Nick Doichev, Lisa Starr, Dennis Astorino, Lindsay Ossler, Tony Solazzo, Jessica Pavlik (Back Row: Left to Right) Glenn Schwartz, Joe Sepcic, Matt Ryan, Rich Lucas, Dustin Miller, Jennifer Pavlik Not pictured: Kathie Dirlng, Paul Kane

**M**y brother and I were great together and we achieved some great things as a team, but I came to a point in my life where I wanted to do something different with my career. I found myself caught up in the day-to-day issues related to running a business and I was not designing buildings. I love architecture," said Dennis Astorino, owner of DLA+. "Sure I miss working side-by-side with my brother. We were able to balance each other, and now when I'm down I don't have that balance. While my brother is irreplaceable, I have been trying to fill that void by surrounding myself with good people that perform, people that I can trust to be the problem solver that our clients need."

Astorino founded his firm on March 1, 2008, literally the week that Bear Stearns collapsed and the national economy began sliding towards a wrenching recession. For a startup the timing wasn't quite as frightening, since the firm was looking for small successes upon which to build. "We weren't looking for home runs at first; we were trying to get bunts," says Astorino. "Of course, I'm not sure had I waited three more months that I would have made the same decision about starting a new business!"

Starting a new firm after more than 30 years in one market gave Dennis Astorino one advantage: lots of working relationships. Prior to launching DLA+, Dennis was associated with some prominent projects in the region; such as PNC Park, UPMC's Children's Hospital, and PNC First Side. Many of the "bunts" DLA+ hit at first were with recognizable Pittsburgh institutional names. Some of the recognizable projects for DLA+ in its early stages include the Cambria Suites Hotel at Consol Energy Center, the Lindy Paving Headquarters, and Seviche Restaurant. And by far the most renowned of the young firm's short existence is the interior design for the Dick's Sporting Goods Corporate Headquarters, located in Moon Township. Working with a project team whose major players included Horizon Properties as the developer, Dick's Sporting Goods as the owner, Mascaro Construction Company as the general contractor, and Strada Architecture as the architect of record, DLA+'s work on this colossal project afforded the opportunity for Dennis' staff to shine.

"Dick's was an outstanding project. What a design and what a construction team," commented Dennis. "It really is breathtaking to enter the main entrance, into the lobby. The main lobby [referred to as the Every Seasons Hall] is a huge room, 30,000 square-feet and the design concept incorporated a cozy,

mountain lodge feel. This project really gave a great deal of confidence to the DLA+ design team."

The Dick's Sporting Goods Headquarters would go on to win a Master Builders' Association 2010 Building Excellence Award. This project lived up to the reputation of the name on the project as a world-class building with unique designs throughout that are tied together by the centrally located Every Seasons Hall. This fast-track, challenging project (670,000 square-foot facility was completed in 20 months) was an ideal experience-gaining type of project for a young firm.

"Dick's was the type of the project that stresses teamwork. At DLA+ everyone touches everything and this is especially important for such a large project," said Dennis. "I've been around and I have so much experience; the younger staff at DLA+ will be around and they will gain the needed experience, but if we approach our projects as a team we can come out together on top while gaining experience."

## IN ADDITION TO THE CLIENT WORK, DLA+ ALSO HAS SOME EXCITING BUSINESS DEVELOPMENT ACTIVITY IN THE SUMMER OF 2011.

Astorino's patient approach to relationship re-kindling produced enough work that billings grew steadily from \$500,000 to \$2.5 million and the staff grew to six or seven people. That staffing level remained until the past year, when DLA+ doubled again in size. DLA+ now has fourteen professionals on staff. The firm relocated to Foster Plaza 9 a little over a year ago and they now find themselves in an unexpected situation. "We're growing, and we need space. It's an exciting time for us," says Dennis.

DLA+ has a number of new projects currently on the boards: a new \$5 million boat house for Robert Morris; the \$10 million Greentree Primary Care Center 2 for Burns & Scalzo Real Estate; the \$25 million first phase of the Energy Innovation Center; the master plan for Bunker Company's Strip District/Allegheny Riverfront redevelopment and work for Duquesne University, Giant Eagle, PNC Financial Services and Oxford Development.

In addition to the client work, DLA+ also has some exciting business development activity in the summer of 2011. Work for existing clients created the opportunity for the opening of a new office in West Palm Beach, FL on June 1. And the firm is in the process of forming a new partnership with landscape architect Dina Klavon to pursue federal design projects.

"There are still some days I miss my previous life. But now I have the opportunity to recreate another special architecture firm. At DLA+ I've made every attempt to create a comfortable environment for architects to design buildings. I've always wanted to be an architect and I love passing down what I know.

What I stress at DLA+ is simple – we have two important things to always keep in mind: one, we gotta get work, and two, we gotta produce work. So far DLA+ has been getting work and producing and I'm glad I went out on my own."

Denny Astorino's office could easily be confused with a museum of Pittsburgh's favorite buildings. He has photographs and renderings of some of our region's more notable structures, structures that have already been built and some still in the concept stages. Included in the featured works are his notable philanthropic endeavors, like the design for the Casey's Clubhouse Miracle Field, a baseball field for children with disabilities, that is a project headed by former Pirate and USC grad Sean Casey and his wife. Plus there are a few photographs from his involvement in the YMCA's Indian Princess Program. Not only did Dennis design the Camp-Kon-O-Kwee Dining Hall, but he has also been known to spend an open Saturday laboring at the camp, re-roofing the buildings to keep the program running smoothly.

"My kids are grown and I haven't been in the Indian Princess program for some time, but I still support the cause. In fact, look at this picture I place next to my computer monitor," said Dennis, as he picks up a picture of an amputee boy fishing with the biggest smile. "My good friend Uncle Harry Kramer gave me this photo and he told me when life is tough think of this boy, he has no arms and is having a great time. That picture puts it in perspective for me. Things could be worse so enjoy life. I am enjoying life doing what I set out to do – I'm designing buildings." 



## COMPANY FACTS

### DLA+ Architecture & Interior Design

Dennis Astorino, AIA

Foster Plaza 9

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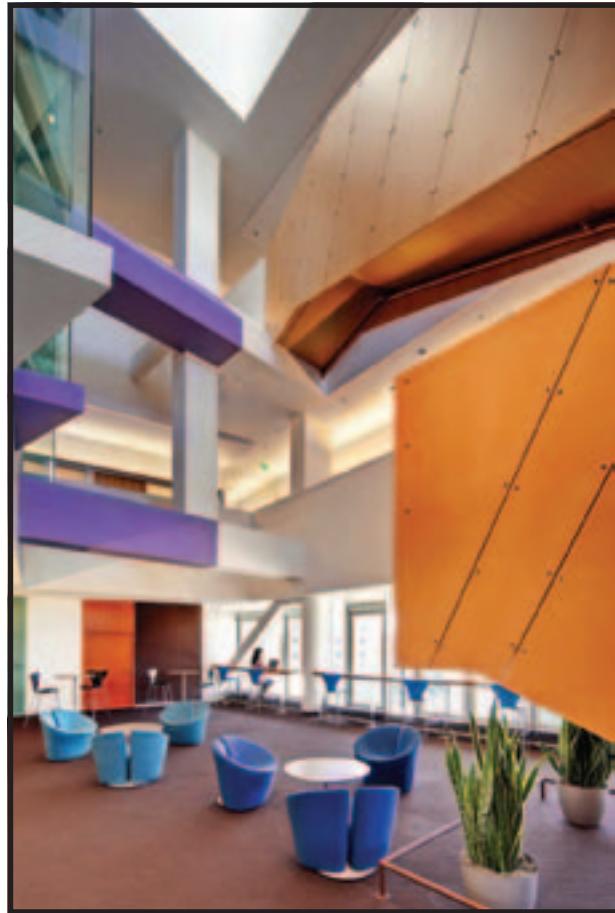
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# Legal Perspective

## PROFESSIONAL DESIGN IMITATION: FLATTERY OR ACTIONABLE?

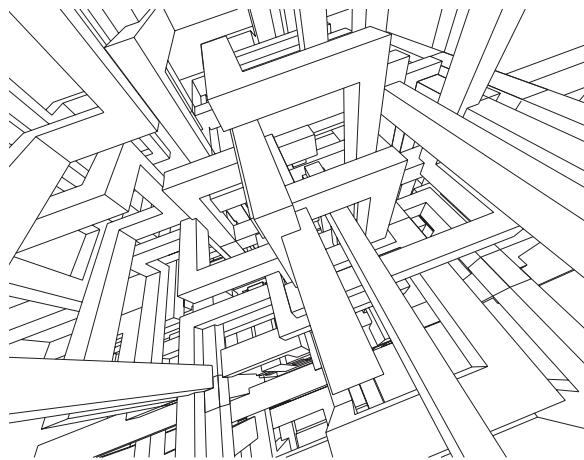
By Robert Blumling

In Ayn Rand's paradigm novel about self-principled commitment, *The Fountainhead*, the manipulation of the design of protagonist architect Howard Roark results in a disastrous, shattering consequence for the subject edifice, as well as the most famous literary legal trial involving an architect. Yet, if imitation is the sincerest form of flattery, where is the line drawn between design plagiarism, use of accepted design concepts and principles, or manipulation of intent? Is the replication of professional design concepts and documents merely flattering; or, does it become actionable in a way that exposes the admiring mimic to significant direct, consequential and punitive damages?

The issues of ownership of professional design have several components found in common law, statutory law and contract law. There exist both historical distinctions and connections between utilitarian purposes and design concept, as well as between ideas and design documents.

Since 1990, the Architecture Works Copyright Protection Act ("Act") has provided a statutory guideline for issues that were previously left to general intellectual property and copyright statutes, as well as contractual negotiations. Prior to the adoption of the Act, litigation abounded over whether architects' and engineers' ("A/E") professional designs were protected by general copyright laws, and to what extent.

The Act has been interpreted and applied in numerous court cases since its enactment. These cases have ranged from projects involving the Freedom Tower (the replacement for the predecessor World Trade Center Towers), as well as local Pennsylvania cases. One local case, *Morgan v. Hawthorne Homes, Inc.*, in the United States District Court for the Western District of Pennsylvania, provides a roadmap to protecting a party's professional design rights.



The case discusses the importance of valid registration of the plans and specifications before one can maintain a copyright infringement claim; a discussion of copyright owner's infringement claims; and distinguishes between direct, vicarious and contributory infringement.

There are many nuances to both compliance with the Act and enforcement of rights under the Act. The Act requires dual registration by architects/engineers ("A/E") in order to protect their design professional copyrights. The plans/specifications and the work itself must be registered separately with the Register of Copyrights at the Copyrights Office in the Library of Congress. The Act can only protect the design if it incorporates pictorial, graphic or sculptural features that can be identified separately from the utilitarian aspects of the

work. A fundamental premise is that the design inspiration is something capable of being protected separate and apart from the design documents (e.g., drawings, specifications, etc.) themselves. There also is the issue as to whether the work performed by the A/E is "work for hire," and thus arguably the property of the project owner.

Whether an A/E's work is merely an idea, or whether it is an expression of an idea that is subject to being protected by the Act, has been discussed in numerous federal court cases. Violations of the Act can expose the design replicator to damages that include the A/E's lost profits on the original project design; lost profits that the A/E would have earned on the project design that was utilized with a different design professional; and punitive damages.

In addition to the statutory protections afforded A/E design professionals, the issue of design concept and design document ownership, use and replication are interests that need to be addressed in a contractual context. Rather than leaving matters to statutory and judicial interpretation, design professionals, contractors and project owners should all agree in their various contract documents as to the use and ownership of all design intellectual property, utilitarian aspects, design expression and design documents. Obviously, the resolution of these issues should be consistent and comprehensive throughout all project documents notwithstanding the identity of the parties to any particular contract.

In addressing the issue of design ownership, the standard AIA documents all contain provisions indicating that the ownership of the design contract and documents remains with the author. This approach continues in the latest AIA documents for project delivery, including the E201-2008 Building Information Modeling Protocol Exhibit.

However, there are times when parties involved in a project need to consider departures from the standard document terms. For example, in the traditional Part I and Part II design/build or guaranteed maximum price ("GMP") project delivery schemes, the contracts may need to be revised to address possible alternative project deliveries.

On any given design/build project, or even GMP projects that contain pre-construction services involving design, but provide for separate, alternative approaches to project construction and administration (e.g., if a GMP is not

documents for that project. It is imperative that ownership rights extend to both concepts and documents.

Conversely, the A/E design professional may want to negotiate the right to limit the use of the design to a single particular instance. Further, the original designer might also want to negotiate a fee to be paid for the use of the project design if the work is to be completed by someone else, as well as for possible contractual indemnifications from future liabilities that might be claimed to arise from the design.

The single largest advantage in addressing all of these in contract terms (and not just relying upon the standard template language in contract forms) is that it eliminates much of the guessing game in favor of certainty in all regards. For example, whether something is similar in a "substantial" sense to a previous design can be a question that is ultimately submitted to a jury.

## ... EXPRESS CONTRACTUAL TERMS (AS OPPOSED TO PROTRACTED LITIGATION).

agreed upon between the initial contracting parties), then the owner needs to make certain that they will be able to use the design documents, concepts and purposes if the project constructor and/or administrator is different than the original author of the documents. That is a situation that can happen quite frequently in design/build or GMP projects.

Contracts should also include provisions for continued rights in the intellectual design property and project design documents following any termination of any contract – whether for cause or for convenience – as well as during any disputes, litigation or arbitration involving payment for the same.

The joint ownership of copyright protected materials is a legal tool that allows multiple parties to the agreements to have ownership and use rights that may or may not be limited in time or geography and may or may not be subject to future compensation on subsequent, unrelated projects. Exclusive and non-exclusive rights in intellectual property design are adaptable to a structure of joint ownership. As with most contract-drafting, the full intent and desires of the parties should be explored; but, the objectives of the parties can be met in a contractual context that addresses anything they might imagine or wish for long after the initial project is completed. The use of express contract terms also eliminates the prospect that a party subsequently raises the more amorphous issues of alleged verbal assignments or licenses by implication with respect to design work.

Obviously, the preferred way to resolve any of these issues is through express contractual terms (as opposed to protracted litigation). In the event that the original design professional and their documents are not retained through the project completion, then the owner needs to make certain they have the right to permit others to use those

In one instance, this author was involved in a case between two manufacturing companies that arise from an alleged contractual copyright violation of engineered equipment design drawings. One of the parties claimed that the alleged infringing drawings were simply the result of "reverse engineering" that was readily available to anyone who understood the function of the machinery. In that case (which was settled), as well as in reported cases, courts will look at whether the alleged infringement is really "reverse engineering". In doing so, a court most certainly will look at matters such as the case in point that I referenced where the alleged "reverse engineering" was so identical to the patented design that it actually incorporated typographical errors from the original design documents. That fact alone eliminated any argument of "reverse engineering" as opposed to outright patent infringement.

Brancusi said that architecture is sculpture that we inhabit. In order for parties in any given construction project to avoid the consequences of The Fountainhead, then this author recommends that they sculpt an architectural framework within their project contractual documents, which recognizes the statutory rights as well as addresses the contractually negotiated rights and obligations of all parties as to the ownership, use and replication of design. In that manner, the project contracts themselves become an architectural framework in which all parties and their ideas can cohabit in harmony. BG

*Robert Blumling, Esq. is the managing partner of the Pittsburgh, PA Law firm, Blumling & Gusky, LLP.*

*1200 Koppers Building*

*436 7th Avenue, Pittsburgh, PA 15219*

*P: 412-227-2500 • F: 412-227-2050*

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# Financial Perspective

## Surety Market Update

The insurance industry has a lagging relationship with the overall economy, feeling stresses in its business some six to twelve months after a recession or recovery kicks in. In a recession, tighter operating environments result in reduced premiums and the tougher business climate produces higher rates of default, financial strain and losses from those firms that are insured.

Lagging the economy hasn't historically helped the insurers avoid problems, however. Insurers may be able to see tough times from a recession coming like a train wreck further ahead on the track but they aren't always able to get off the wrong train in time. Part of what makes market decisions difficult for insurance companies is that their losses can be so dramatically influenced by catastrophes, natural or otherwise. Disasters are impossible to forecast actuarially and the severity can wreak havoc with insurance industry plans.

Insurers were devastated by claims related to the terrorist attacks of September 11, 2001, which came as the more predictable losses were mounting from the recessionary business cycle that had begun when the tech bubble burst eighteen months earlier. By the same token the steep losses brought on by Hurricanes Katrina and Rita hit the industry as its recovery was gathering momentum in 2005. As the general economy cratered in 2009 and business losses continued into 2010, most industry observers were predicting a "hard market" for insurance, one where growing losses would dictate rising premiums and more difficult conditions for the insured; however, catastrophic losses have been less severe during the downturn and early stages of recovery, leaving insurance executives scratching their heads about the hard market.



"I thought conditions would get tighter. Rates were going higher two years ago but with the economy so slow the market never got harder," says Nick Tropiano, owner of Assured Risk Advisors. "We kept hearing that once insured losses hit \$60 or \$70 billion things would change, but even with the disaster in Japan the casualty market isn't going to change much any time soon."

Marty Muchnok, from First Niagara Risk says it has been eight years or so since the last true hard market, but believes the insurance companies are starting to respond because of the catastrophic losses. "We are starting to see a firming of the market," he says. "Underwriters are starting to tell us that they are being directed to get five percent increases, although no one wants to lose the account over that. This has been coming from the big insurers – Travelers, Chubb, Firemans – and even the regional carriers who usually lag the market are doing it."

Softer or harder conditions in the property and casualty or general liability markets have had a significant effect on the surety market conditions during the last few business cycles. As insurance premiums decline overall, companies look to profitable lines – like surety – to get increased revenue. This was especially true in the early years of the last decade when there was something of a perfect storm of excess competition, deteriorating construction market conditions and accelerating losses as the insurers looked to surety operations to grow their market share aggressively, even though the size of the surety market – usually around \$5 billion – was too small to materially improve the insurance companies' bottom line.

What occurred during that recession in 2000-2002 was somewhat counterintuitive to most in the construction industry, who would expect recessions to make surety companies tighten bonding, but the drive to grab new customers pushed insurers to offer more capacity to contractors with less than sufficient regard for their financial condition. This resulted in higher premium revenues for those sureties but the resultant losses more than offset them. In the fallout, surety losses climbed as high as 83% of the premiums earned. Those that overstepped the market failed and a number of insurers walked away from the surety business as the economy recovered. This business cycle it appears that the lessons of that period may have finally been learned.

"We run our business in separate silos and our end is running about the same as always," says Liberty Insurance's

# ...COMPETING FOR WORK WITH SHRINKING MARGINS IS STARTING TO TAKE ITS TOLL.

bond manager Chris Pavone. "I've only been with Liberty for eight years but the underwriting standards haven't changed. All I've heard here is bottom line, bottom line, rather than sales volume or getting more business."

Pavone's characterization of his company's business focus seems to be more commonplace in this market, at least if the reports from the National Association of Surety Bond Producers (NASBP) annual conference in May are any indication. Surety loss ratios were 13.2% for last year, the second lowest in more than a decade, and companies were comfortably profitable.

"At the NASBP conference at the Broadmoor in Colorado Springs there wasn't a lot of complaining about 2010," says Jay Black, managing partner of Seubert & Associates surety division. "Everyone enjoyed a decent year but they were seeing an uptick in payment bond claims that the construction economy is driving."

Marsh's managing director for its construction practice, Jim Bly agrees with Black's take on the most recent year. "There were no major surprises in the financial performance," he says. "Most companies planned for the downturn well. Surety company losses were well below 20 percent so they are very healthy coming into 2011. But most also expect to experience challenges this year."

Bly explains that loss of contracting volume is the culprit for the declining expectations rather than their customers' profit erosion during the job. And he says that two years of competing for work with shrinking margins is starting to take its toll.

"We're seeing a lot more red ink from our clients when we're reviewing 2010," he says. "Up to 20 percent of contractors or subcontractors are losing money. That's not just us but also the surety companies we handle. Compared to what we saw in 2008 – maybe 2 percent losing money – that's a big change."

Those deteriorating financials for the contracting side of the business are why those in the surety industry are looking past the recent years' performance and focusing on the potential for negative performance in 2011. Aside from the tendency in human nature to focus on the dark cloud instead of the silver lining, the caution also comes from past experience with an extended period of slower construction. Much like what has happened in the financial markets – where credit tightening occurred well after it was needed and for too long into a recovery period –



the surety companies will generally need to respond to poorer client financials by increasing scrutiny and reducing contractor bonding programs, perhaps just as the market is beginning to see signs of construction activity picking up. It will be easy to blame the insurers for tightening their standards at the wrong time but timing a response to recession is virtually impossible.

What surety customers can expect in 2011 is pretty typical for the early phase of recovery: more frequent reviews; more questions; stricter adherence to ratios and financial reporting; constraints on bonding limits being discussed and implemented in worse cases. None of these measures are particularly popular with contractors – or with surety agents for that matter – but the discomfort extends past the sureties and their clients. It's important for owners and architects to remember that tighter bonding conditions can limit the response to their projects as well.

On the upside at the moment is the fact that market conditions favor the surety companies' remaining conservative about their approach to the markets. One motivator that can spur competition and looser underwriting is an aggressive company viewing the soft market as an opportunity to make real inroads in market share by extending capacity to grab new clients. This is akin to offering more credit to someone dangerously in debt. In many past markets the urge to gain share was fueled by

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*The spread between earned premiums and insured losses for the largest 100 surety companies widened in 2010, a market condition that has often preceded sharp changes in fortune. Source NASBP.*

the residual earnings that insurers could get from investing the premiums from their newfound customers. Those investment markets aren't very alluring at the moment.

"What's also interesting about the market now is how limited the investment opportunities are," says Pavone. "There's always talk about how much money insurance companies make with investments but with rates where they are now there isn't a lot of money to be made. Back in the day someone may have been more aggressive about getting cash in because you could make money to offset additional risks with the investments. That's not really possible now."

Most surety bond managers are less concerned about the potential weakness among insurers than they are about the weakness in the construction market, at least for the near term.

"There are a couple of things that can be very dangerous for contractors when the market is like this for a few years," explains Jay Black. "Cash flow is critical and if a company has been robbing Peter to pay Paul from one job to another they won't be able to sustain that when there's an extended lull like we've had."

Black also pointed to the recent spate of projects being delayed or shelved after bidding as a troubling symptom of owners' uncertainty. "There have been some big schools and prisons where contractors have been identified as the low bidder and then the owner pulled the plug," he says. "One of the most dangerous things for contractors is when they are the low bidder on a big job or two because they slow down on estimating actively and don't pursue other jobs. If they are low on a big job they may not chase another

one they really wanted or had been following. When the job they had is cancelled there is no chance to go back and get the other one."

Jim Bly is still concerned about the volume of projects, particularly for infrastructure contractors. "I just don't see the availability of work improving this year. That's especially a problem for the middle of the market," he says. "There isn't the high volume of \$10 million to \$30 million jobs and the heavy and highway market is way off. PennDOT may be alright but the Turnpike has nothing to bid on its website right now."

While the insurance industry lags the market overall, surety business usually gets a whiff of a change in advance because their customers are calling them about more project bonds ahead of the contracting. The current caution may only reflect a shift away from public to private projects, especially since the emerging industries in the regional economy tend to hire contractors without requiring bonding, but the concerns may also be a harbinger of a slower summer.

For the time being the surety business is looking at 2011 quite tentatively and watching the mid-year financial reports for signals about direction.

Chris Pavone expects that problems should arise from the market but hasn't seen those expectations met yet. "We kept waiting for financial statements to look really bad and then for claims to jump way up but even through 2010 that hasn't been happening yet."

"A lot of experts expect things to firm up later this year but I'll believe it when I see it," notes Nick Tropiano. "When January 1 comes and the big companies have to renew with the reinsurers we'll see if that changes rates."

Marty Muchnik agrees with that timeline. "What happened in Japan and what has been happening all over the U. S. for the last six months – the floods, tornadoes – will have an effect on reinsurance, which will put pressure on the whole insurance market," he says. "I expect that we'll see that in the market after January 1, but I don't think it will be as dramatic as in past, when customers got increases of 20 percent or more."

In the mean time, expect caution to rule the day. Owners should not be surprised to see bonding costs rise and contractors' capacity become limited. Market conditions like these can tempt anxious owners and developers to reduce or forego bonding requirements. Experience suggests the opposite would be a safer choice. BG

# Trend to Watch



## The Tower at PNC May Be the First Domino Downtown

When Jim Rohr announced what he referred to as "the worst-kept secret in the city" – the plans for the Tower at PNC Plaza – on May 23, he gave a surprising boost to the commercial real estate community. Although the "secret" had been openly discussed or speculated upon for months, Rohr's explanation of the details included a number of very positive aspects that impact the central business district.

PNC's commitment to building the greenest high-rise and to essentially pay for the development out of its retained cash was impressive but hardly surprising given their track record and recent successes. What seemed to catch most observers off guard was the fact that the building would be entirely owner-occupied.

According to PNC's Gary Saulson the project is intended to provide a 'front door' to the bank for its customers and the building's users will be customer-centric PNC groups rather than back office or purely corporate staff. Aside from the top executives, the eventual occupants of the Tower at PNC Plaza will reflect the growth of the bank, which is now the fifth largest in the country.

When the project was the object of speculation it was often described in terms of 3 PNC, which just opened and is a mixed occupancy of office for rent, hotel and condominiums. The conjecture about '4 PNC' was for a building that included PNC occupants and at least some portion for lease. A common rumor was that the project would actually be two towers, one for PNC and one for another unnamed user – although USSteel was frequently the 'unnamed' party. That PNC would require another 800,000 square feet by 2015 was frankly beyond the expectation of real estate professionals and the realization that the bank had grown that large so quickly was more impressive than any of the building's details. As the realization sunk in you could almost feel the swelling enthusiasm for the city and for downtown.

"PNC's decision enhances the credibility of the region and strengthens the corporate base of the market," explains Jeffrey Ackerman, managing director, private capital group for CB Richard Ellis. "It shows that the CBD is still

our base, that the best location for corporate offices is still downtown. The highways all lead downtown. Mass transit leads to downtown. It's still the center."

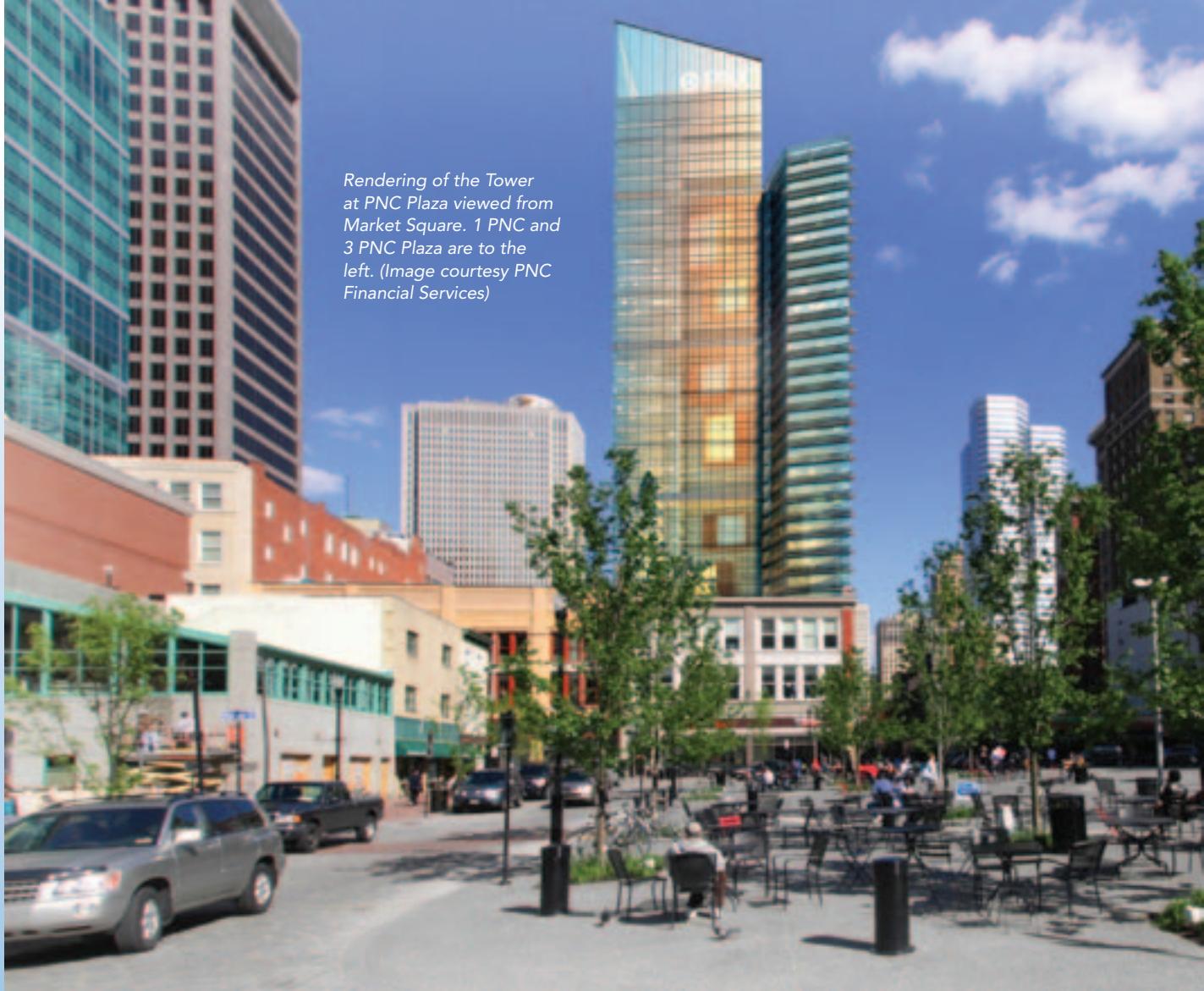
The announcement seems to have boosted inquiries about downtown properties, even to projects unrelated to office buildings.

"We've seen an uptick in condo inquiries at Piatt Place but it's been more of an investment type of buyer," says Millcraft Industries COO Lucas Piatt. "We're also seeing strong interest in the retail space with the realization that a couple thousand more employees will be downtown. PNC's building won't change the mix of our Gardens project [a mid-rise hotel/office/retail building planned for 2012] but it will improve the occupancy for the hotel and make the 15,000 square feet of retail more attractive."

"Absolutely," replies Jim Scalo when asked if the pace of inquiries about downtown had quickened since PNC's announcement. Scalo is president of Burns & Scalo Real Estate Services, which has announced plans for a 16-story building on Ft. Pitt Boulevard near Smithfield Street. "I believe strongly that PNC makes downtown attractive to other corporations. Their decision to continue to build the greenest buildings possible will also push other corporations to look for newer greener buildings."

Having a world-class building added to the stock in the central business district raises the bar for other development and renovation. The ambitious approach to energy efficiency and sustainable design and construction will push other developers to try to match the green space and it will help lift rental rates downtown. The \$64 million question is whether or not construction of another skyscraper can spark development of other office projects, especially spec office projects.

Steve Guy is the CEO of Oxford Development, the firm that brought the last speculative office out of the ground downtown in 1981. That project led the way for a total of six new high-rises in what was called Renaissance Two. After a rocky start, the gamble by Oxford's owner Ed Lewis paid off. One Oxford Centre is downtown's only privately-owned high-rise. Guy chuckled at the thought of the decision-making process for One Oxford but was more sober about what could be accomplished today. "I'm not sure what made Eddie Lewis decide in 1979 to turn loose the project," he says. "But nothing purely speculative is getting financed right now. You're going to need 60 or



*Rendering of the Tower at PNC Plaza viewed from Market Square. 1 PNC and 3 PNC Plaza are to the left. (Image courtesy PNC Financial Services)*

70 percent pre-leased to get financed today." Guy estimates that for the downtown Pittsburgh market that would mean 500,000 or 600,000 square feet inked before coming out of the ground with a building similar to One Oxford Centre.

Few users exist in the region with those kinds of office space needs. For the near term then it is more likely that developers who are proposing smaller scale office towers, like Burns & Scalco or Millcraft Industries will have better opportunities to match the financing conditions to a major tenant who needs 100,000 to 200,000 square feet. And one of those users, PNC just decided to serve their own office needs.

"As far as [the Tower at PNC] having a net zero effect on the market, that's a misconception," says Steve Guy. He points out that PNC is one of the region's biggest job creators and the new project means it won't be looking for as much future space downtown. At the same time the consolidation of PNC employees will create available space throughout the Golden Triangle. But the fact that the Tower at PNC will be owner-occupied does impact the makeup of downtown's real estate. "It takes calculated growth potential from the market," says Guy.

Another impact of the announcement is somewhat more psychological. Regardless of the ultimate work-out of space available once PNC's employees are settled in 2015, the

decision to build reflects well on the central business district. Jeffrey Ackerman believes the decision adds to the burgeoning reputation of Pittsburgh to investors.

A much quieter development downtown that bears out Ackerman's point is the sale of 11 Stanwix Street. The 423,000 square foot tower was purchased at the end of June by Munich-based GLL Real Estate Partners for a price in the \$158 per square foot range. Interest from foreign institutional investors in downtown real estate is a fairly new development, one that illustrates the rising profile of the region's commercial market and one that bodes well for the future.

"Institutional investors don't like to jump into a declining market," Ackerman says. "The interest in Pittsburgh is because of rising occupancy and rising rents. Rents are going up and we expect them to continue to go up for at least the next five years."

11 Stanwix Street was not the only office tower for sale in June. The Hillman Co. had earlier announced plans to sell the PPG Place property, and at around the same time as the other deals were announced in June the K & L Gates Building and Penn Avenue Place went on the market. There's no guarantee that those buildings will fetch \$158 per square foot but if any of the deals approach the capitalization rate of 11 Stanwix, investor interest in Pittsburgh will heat up. As Ackerman points out, success breeds

success when it comes to investment property and properties in the CBD are in the middle of an upward trend in rental rates.

"The fact that PNC is not just one of the biggest employers in the region but is also one of the biggest banks in the world absolutely makes others aware of downtown," says Patrick Sentner, principal at the Pittsburgh office of Colliers International. "I was at a SIOR national meeting at the end of June and the topic of Pittsburgh as a top market came up among a group of national brokers. There was a broker from Denver going on about the transformation of our market. People here are still just getting their arms around how improved the perception of our market is."

For Grubb & Ellis managing director Duke Kingsley, the perception issue cuts both ways. His firm represents and manages PPG Place and he admits to being pleasantly surprised at the 11 Stanwix Street price. The upswing in the perception of downtown Pittsburgh's value is something that is rewarding his client's approach during the recession. He also thinks the business media have missed some of the facts about the downtown occupancy rates, which overall remains around 85 percent.

"At PPG the owner made the decision to wait until the market turned instead of making deals," he says. "It's a great property and they have a great tenant roll but there is space there. We could still put 65,000 or 70,000 square feet together in the tower."

"What's going on downtown is great but the perception that there's no vacancy, which seems to be in the news lately, isn't completely accurate," Kingsley continued. "The Oliver Building, Reed Smith, and Union Trust are older buildings with tremendous blocks of space together. Class A office is fairly full but a lot of that is at lower rates. Owners who were prudent, like the Hillmans or Oxford, decided to wait this out and now have space available at better rates."

Whether downtown buildings are attracting buyers or tenants Pittsburgh corporations are catching on to the fact that the cache of being downtown helps them attract a most important asset: employees. Nearly one thousand more people now live in the Central Business District than ten years ago and the social amenities are vibrant seven days a week. For commuters there is the sense that they are coming to some place alive and full of energy, and that can make the difference in attracting good people. As attractive as Southpointe is, for example, it can limit the options for drawing employees. That's a tough commute for someone who lives in Monroeville or prefers public transportation.

"I believe the next natural gas company headquarters will be in downtown," says Jim

Scalo. "Suddenly everyone wants to have their name on a building because it's the place to be. We like our property because it has great sight lines and you can really get those Liberty Bridge and Ft. Pitt Bridge views. But moving downtown is about more than getting your company noticed. It's about giving your people a great atmosphere to work in and it's about retention of employees who can keep your company successful." BG

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# Best Practice



## New ADA Rules, Requirements and Deadlines – Are You Ready?

By Joan Stein

July 26, 2010 was a day meant for celebration- the 20th anniversary of the signing of the Americans with Disabilities Act (ADA). The U.S. Department of Justice (DOJ) seized the moment to take a long awaited action – they announced the adoption of the 2010 ADA Standards for Accessible Design.

The first 18 years of enforcement of the ADA were quite active with allegations of non-compliance and some significant "grey areas". The DOJ took the time and opportunity to not only update (and attempt to make the ADA more consistent with building code) the federal requirements based on advancements in technology, etc., but they also created requirements for areas not previously covered (children's environments, outdoor recreation, judicial settings), and they clarified or expanded policies on things such as effective communication, accessible seating and ticket sales at assembly areas, and policies related to transient lodging. And, for the first time, the ADA includes privately developed residential areas (dwelling units).

Now, many will recognize these requirements as the Final Guidelines that were published by the US Access Board in July, 2004. And, despite the wishful thinking of many design professionals, the 2004 Final Guidelines did not become enforceable standards for Title II and Title III entities until the DOJ adopted them in July, 2010. A number of the technical changes to the requirements now reflect those currently found in the International Building Code (IBC) 2009 and the American National Standards Institute (ANSI A117 – 2003).

Some believe that the 2010 Standards are more stringent than the 1991 Standards as the parallel approach (maximum 54" aff.) has been removed and there is one maximum reach range of 48" aff. The number of Van-Accessible parking spaces has increased from 1 of every 8 accessible spaces to 1 of every 6 accessible spaces.

Some believe that the 2010 Standards have been reduced (or loosened). The required number of wheelchair seat locations and companion seats in assembly areas has been reduced in the 2010 Standards. The centerline for a toilet/water closet is

no longer an absolute 18"; it has been changed to mirror the ANSI standard range of 16" – 18" from the side wall.

One thing that the Justice Department has made great efforts to clarify is the issue of "construction tolerances." As stated in Section 104.1.1 Construction and Manufacturing Tolerances: All dimensions are subject to conventional industry tolerances except where the requirement is stated as a range with specific minimum and maximum end points.<sup>1</sup>

Advisory 104.1.1 Construction and Manufacturing Tolerances. Conventional industry tolerances recognized by this provision include those for field conditions and those that may be a necessary consequence of a particular manufacturing process. Recognized tolerances are not intended to apply to design work.<sup>1</sup>

### WHAT DOES ALL OF THIS MEAN?

#### HERE'S A QUICK AND RELATIVELY EASY REFERENCE GUIDE FOR YOU TO FOLLOW.

The dates for use and enforcement are as follows:

The 2010 ADA Standards for Accessible Design and the Title III Final Rule Amending 28 CFR Part 36: Nondiscrimination on the Basis of Disability by Public Accommodations and in Commercial Facilities was published in the Federal Register on September 15, 2010. That created the following enforcement dates:

March 15, 2011 – the Rules became effective

March 15, 2012 – all renovations, new construction and readily-achievable barrier removal (not already performed) must comply with the 2010 Standards

Between September 15, 2010 and March 15, 2012, entities can choose between the 1991 standards and the 2010 standards.

However, all barrier-removal must be completed by March 14, 2012 if the 1991 standards are used. Those areas will then become a "Safe Harbor" under the 2010 ADA Standards.

When a standard is chosen (either 91 or 2010) that must remain consistent, per building.

These are important dates and information for anyone involved in the design and/or construction of alterations or new construction.

If you're in the midst of a project under the 1991 standards, ensure that your project complies with those standards,

If you've completed a project recently under the 1991 standards, don't change anything,

If you're planning a project that will be completed between now and March 14, 2012, determine which standard will be more beneficial for you to comply with (1991 or 2010). If you choose 1991, it must be completed by March 14, 2012.

## WHAT IS A "SAFE HARBOR?"

If you have performed readily-achievable barrier removal since 1992, and you are confident that those modifications were compliant with the 1991 ADA Standards, OR, if you have done alterations or new construction since 1992 in full compliance with the 1991 ADA Standards, then...

Those altered areas and elements will not have to comply with the 2010 Standards... until they become part of a renovation, alteration or new construction; The DOJ is encouraging businesses to determine whether they are in compliance with the current Standards so they will know where they stand with the safe harbor provisions. The Safe Harbor provisions are element by element. For example, a lavatory in a rest room that complies with the 1991 Standards can be a safe harbor even if the water closets in that same rest room do not comply. However, when the rest room is modified (after March, 2012), the lavatories would have to comply with the 2010 Standards.

## NEW RULES – HOW WILL THEY AFFECT YOUR FACILITY AND ITS OPERATIONS?

Many owners and facility managers must be concerned with more than the "bricks and sticks"; policies, procedures and operational issues can demand as much attention.

The changes made by the DOJ involve more than "bricks and sticks" – design and construction issues. There are a host of new requirements for policies and procedures that impact all public accommodations.

These include policies on the availability of accessible seating and ticketing policies, policies on reservations for accessible guest rooms in transient lodging, policies on the use of service animals, policies on the use of wheelchairs and other power-driven mobility devices (a.k.a. segways).

These new Rules became effective on March 15, 2011 for all but the transient lodging. You can prepare for those by doing the following:

If your facility is an assembly area (sports, entertainment or performance venue) review your existing policies and

procedures for the availability, dispersal and sale of wheelchair seat locations and companion seats. If you don't have a policy, now's the perfect time to develop one!

Managers at all public accommodations (including commercial office buildings) need to review (or develop) policies on service animals, power-driven mobility devices and effective communications.

Thorough policies and procedures (and the communication of those to your employees) are critical. You can build the Taj Mahal of accessibility, but if someone with a disability is not treated appropriately by your security, receptionist or sales people, you will likely wind up explaining everything to a federal judge or the Justice Department. Don't run that risk!

## WHAT SHOULD YOU DO NOW?

Confirm the status of all existing projects.

Review the 2010 ADA Standards for Accessible Design – you can download it from the DOJ website at [www.ada.gov](http://www.ada.gov).

Don't assume that complying with the building code will cover you for ADA compliance.

If you haven't done any renovations or new construction, make sure you've completed (or do it NOW) a thorough ADA evaluation of your facility. The requirement for "readily-achievable barrier removal" started on January 26, 1992 and continues.

Coordinate efforts with others in your organization who may have responsibilities for security, sales or operations to review (or develop) policies and procedures -- this is one time where communicating with each other will be critical.

## REMEMBER TWO IMPORTANT TRUTHS:

The ADA is a complaint-driven law, and it's not going away.

People with disabilities represent the largest and fastest growing minority in the United States; with the greatest spending power – don't lock customers out and risk a lawsuit (or bad publicity) at the same time. Be proactive in your ADA compliance efforts and maximize the return on your investment. It's the right thing to do and it's the smart thing to do.

Joan Weiss Stein is President and CEO of Accessibility Development Associates, Inc. (ADA, Inc.) a Pittsburgh, PA based national ADA consulting firm. ADA, Inc. has been providing ADA consulting services to publicly and privately-owned entities nationally since 1992. Ms. Stein can be reached at [jwstein@adaconsults.com](mailto:jwstein@adaconsults.com). 

<sup>1</sup> 2010 Standards for Public Accommodations and Commercial Facilities Title III



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# INDUSTRY & COMMUNITY NEWS

## dck and Rebuilding Together Pittsburgh

dck worldwide continued its tradition as the company sponsored a house for Rebuilding Together Pittsburgh for the 17th year! On Saturday, April 30, 38 dck corporate office employees and family members participated in this

worthwhile cause as they donated their time and skills to perform repairs and renovations on the home of an elderly man in Homewood.



## Massaro Serves Urban League Charter School and Holds Professional Day

On May 6 a group of Massaro employees donated their time for a Day of Service at The Urban League Charter School. They painted, landscaped and installed sound proofing to an office. The president of the school, Dr. Gail Edwards, was extremely pleased with the work that was done.

On May 24, Massaro Corporation hosted twenty high school students from after school programs, YouthWorks, Inc. and Urban Youth Action for "Professional Day". This event is organized by Massaro and exposes young people to all of the careers within the construction sector. Joe Massaro III, President and COO, lead the interactive presentation which included six members of the Massaro team talking about their careers in construction and lending advice. After lunch, the group headed to Point Park University for a tour of a current project. Professional Day is part of the "Massaro Serves", the corporation's systematic approach to community service and corporate citizenship. It is a yearly program of Massaro Corporation which welcomes over sixty students a year to the corporate office. Connecting under represented youth to careers in construction is one of the eight program areas of Massaro Serves. As part of this initiative, Massaro Corporation will

be hosting two high school students from YouthWorks, Inc. for summer paid internships as well as an engineering college student from FAME (Fund for Advancement of Minorities Through Education).



*The group of Massaro employees with Dr. Edwards standing in front of the new garden they planted.*

## ACE Mentor Teams Present Hotel Plans

On May 18, 2011, at the Carpenters Training Facility, ACE Pittsburgh students presented their final project for the year – the "ACE Hotel" – hypothetically located next to Consol Energy Center. Student presentations included a full-scale model that mentors and guests were able to walk through as well as display boards and Power Point presentations which highlighted architectural and engineering floor plans as well as interior design.

The winning team as selected by the jury was Serious Business. The mentor selection was Pentagon Design. Seven seniors who participated received scholarships from the ACE Pittsburgh Chapter: Ross Bernard, Hampton High School; Alex Greguric, Baldwin High School; AJ Ozanich, Baldwin High School; Matt Shaffer, North Allegheny High School; Bo Tokarski, Bishop Canevin High School; Tommy Tresky, Bishop Canevin High School and Adria Zern, Baldwin High School.

The jury consisted of volunteer industry professionals: Alicia Avick, Advantus Engineers LLC; Chris Conroy, CJL Engineering; Safiya Hodari, AIA National; Alexis McCune, Carnegie Mellon University; J. P. Morgan, Horizon Properties Group and Natashia Smith, Turner

Construction. Plans are underway for the 2011-2012 school year. To get involved with the ACE Pittsburgh Chapter, contact us at [WesternPA@acementor.org](mailto:WesternPA@acementor.org).



*Members of the Serious Business Inc. selected as winners by the jury at the ACE Pittsburgh year end competition. From left to right: Samantha Becker, Maria Ross, Matt Shaffer, & Olivia Poppenberg. (John Means is not pictured).*



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## Duggan Rhodes Volunteers with Hands on Pittsburgh

Several members of The Duggan Rhodes Group participated in Hands on Pittsburgh, Pittsburgh's largest annual volunteer event, organized by Pittsburgh Cares. DRG staff, joined by friends and family, provided some necessary maintenance at the Sojourner House in East Liberty. The Sojourner House is a residential rehabilitation facility where addicted women learn to break the intergenerational cycle of poverty and chemical abuse while in their own apartment with their children. Volunteers spent their Saturday morning painting common areas, landscaping the front yard and preparing the children's playground for summer.



DRG staffers with volunteers at the Sojourner House.



CAWP director Rich Barcaskey (left) with outgoing Construction Legislative Council president Paula Maynes of Maynes Associates and Rep. Rick Geist (R-Altoona) at the CLC luncheon.



(left-to-right) Karl Borgman of Burchick Construction, Kurt Fernsler and Matt Jameson of BCCZ and Brian Chlop of Burchick at the Pittsburgh Builders Exchange sporting clay shoot on April 9.

Gary Wilson (left) and Amy Bracato of Langholz Wilson Ellis with Grubb & Ellis' Lou Oliva at the NAIOP Rooftop Party at the Reed Smith offices on May 12.



Steve Massaro with Rick Okraszewski from the Greater PA Regional Carpenters.

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PJ Dick Projects: (above) Children's Hospital of Pittsburgh of UPMC ; (top to bottom) Carnegie Mellon University Gates Center for Computer Science and Penn State Shenango Sharon and Lecture Halls

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(left-to-right) Chris McElhaney and Greg Heddaeus from Carl Walker Construction, Derek Dempsey of Blue Mountain Equipment and Nemes Glass owner Ryan Nemes at the Young Constructors golf outing at Southpointe.



Allen & Sharif's Paul Messineo Jr. with Jill George of JML Landscape and Bob Dezort of Anderson Interiors (right) at the NAIOP Rooftop Party.

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From left, Terri Fischer of Waste Management, dck's Nadine Lee and Joe Deluliis, Waste Management's Lynn Sciotti (center) and Jason Pryor.



Golfers Jason Mead and Brad Bridges of R. J. Bridges Corp, with Gary Kidd and J. R. Bittner of Mosites Construction.



Former Allegheny Council president Rich Fitzgerald with Steve Mazza of the Carpenters at the Carpenters' open house.



PBX's John Nutt, Dave Meuschke of Burchick Construction, PBX executive director Del Walker and Bill Gumina, Gumina Painting at the Builder's Exchange outing at Cranberry Highlands.

# AWARDS & CONTRACTS

**Nello Construction Co.** was the successful contractor for #1 Cochran's \$2 million renovations to create a new GMC showroom at its facility on Campbells Run Road in Robinson Township. The project involves re-purposing approximately 10,000 square feet of existing shop space and significant exterior alterations.

Rose Plastics selected **Nello Construction** to construct a 28,000 square foot expansion of its warehouse at the California Business Park in California, PA.

The Plum Borough School District awarded a contract to **Nello Construction** for the construction of the new \$14 million Pivik Elementary School. The architect for the 75,000 new facility is L. Robert Kimball & Associates.

**PJ Dick Inc.** was the successful contractor on Jameson Hospital's \$15 million expansion of the emergency department and operating rooms in New Castle, PA. Baker Bednar Snyder & Associates is the architect for the 38,000 square foot addition.

PNC Financial Services selected **PJ Dick** to manage the construction of its new Tower at PNC Plaza, a 40-story, 800,000 square foot office building at Wood and Forbes. Construction should get underway on the \$240 million shell and core by the end of 2011. Gensler is the architect on the project.

**PJ Dick** was awarded general contracting services for the University of Pittsburgh's Swiss and Turkish Rooms located in the Cathedral of Learning.

**PJ Dick** was awarded general contracting services for the renovation of Duquesne University's PNC Recital Hall. The 3,000 square foot renovation includes a recording room, creation of sound and light locks, and renovation of adjacent rooms.

LaRoche College awarded a contract to **Allegheny Construction Group** for the construction of 5,000

square foot new storage facilities at its McCandless campus.

**Burchick Construction Co.** was the successful contractor on renovations to the tenth floor of the Post Office and Courthouse on Grant Street downtown. Shalom Baranes Associates is the architect on the \$6.6 million best value project.

Yerecic Label Company has contracted with **Uhl Construction** to build their new 20,500 square foot addition and provide renovations to their existing facility located in the Westmoreland Business & Research Park. RSSC Architecture is the architect for the \$2.44 million project.

*Metal Construction News*, a national trade publication has named **Uhl Construction Company** to its list of the nation's Top 100 Metal Builders of 2010. For the past 21 years the magazine, targeted to the construction industry, has been compiling and publishing an annual list of companies that sell the most tonnage of steel and the largest square footage of construction during the previous calendar year.

**Poerio Incorporated** renovated the Fed Ex Ground facility in Richfield Ohio. The renovations included new fencing and additional parking. Poerio added additional square footage to the securities specialist office in the Administration Building. Nudell is the Architect on the job.

**Poerio Incorporated** was chosen by JCPenney department store to renovate the 3,200 square ft salon in the Lehigh Valley Mall in Whitehall PA. The renovations included all flooring, painting, vinyl wall covering, plumbing electrical work and abatement. The project is scheduled to be completed in the summer 2011.

FedEx ground awarded a contract to **Poerio Incorporated** for the construction of the salt storage facility in Columbus Ohio.

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**Rycon Construction, Inc.** is responsible for renovating two former retail stores into new locations for Dick's Sporting Goods in Beckley, WV and Ann Arbor, MI. Both stores are scheduled for completion in the fall.

**Rycon Special Projects Group** was awarded the \$1 million contract to build a new Fifth Third Bank in Aspinwall. This branch is scheduled to be completed in the fall season.

The 15th, 16th and 19th floors of the EQT Plaza are currently being renovated by **Rycon's Special Projects Group**. This project will be complete by mid-summer.

**Rycon Special Projects Group** is responsible for the renovation of UPMC's West Mifflin Cancer Treatment Center. IKM designed this 14,000 square foot remodel that is scheduled for completion mid-summer.

At Duquesne University, **Rycon's Special Projects Group** is renovating the 6th floor restroom of St. Ann Hall. This \$800,000 project was designed by Burt Hill.

Enerplus has selected **Massaro Corporation** to serve as the design/build contractor for their new space. The 10,000 square foot space is located in Southpointe.

**Massaro Corporation** has been selected by Castlebrook Development to serve as the general contractor for a new apartment complex in Uptown. The six story, 51 unit apartment project is slated to begin in October of this year. Fukui Architects is the architect on the project.

Construction is getting underway on the \$6 million, 24,000 square foot youth rehabilitation center for Gateway Rehabilitation Services in Center Township, Beaver County. **Massaro Corporation** is the construction manager for the new building. The architect is Rothschild Doyno Collaborative.

The state of West Virginia awarded **Massaro Corp.** a contract for the construction of a new \$19.6 million National Guard Readiness Center in Morgantown, WV. ZMM Inc. is the architect for the project.

Duquesne Light Company selected **Jendoco Construction Corporation** to handle the foundations and civil work for the construction of two new 5,100 square foot truck maintenance sheds at its Preble Avenue facilities. The project was designed by Michael Baker Company.

**Gurtner Construction** was the successful contractor for the new entrance and vestibule at the Chartiers Valley School District administrative offices in Scott Township. JC Pierce LLC is the architect for the project.

a dck worldwide joint venture company, **dck/TtEC LLC**, has been awarded two task orders totaling \$137.5 million at the Marine Corps Air Station in Yuma, Arizona, under its previously awarded Global Multiple Award Construction (GMAC) contract with Naval Facilities Engineering Command (NAVFAC). Both task orders involve construction to support the new Joint Strike Fighter F-35 aircraft. The first task order is to construct utilities and communications infrastructure improvements to support fielding of the aircraft and its revised flight operations. The second is to construct aircraft maintenance hangars, aircraft taxiway and parking apron, and the necessary components to the hangars to make them compliant.

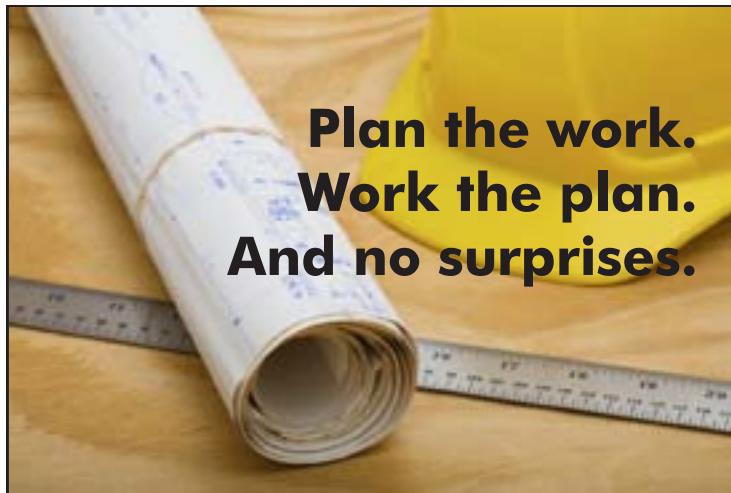
**dck north america, a dck worldwide company**, was awarded a \$10.8 million firm-fixed-price task order under its previously

awarded Mid-Atlantic MACC contract. This latest task order is for the design-build construction of a multi-story motor transport and electronics/communications operations and maintenance facility at Marine Corps Base Camp Lejeune/Camp Geiger in North Carolina.

**Oakview dck, a dck worldwide company**, will serve as general contractor for the Montgomery County (Iowa) Law Enforcement Center project. The \$4.4 million, 17,000-sf facility will contain 15 cells, interrogation rooms, sheriff's offices, and a 911 call center.

**dck pacific, a dck worldwide company**, was successful in being awarded a \$25 million contract for the Hilton Grand Vacations Club Waikoloa Kings' Land Phase 2 Parcel K project. The project consists of design-assist services to construct two three-story timeshare buildings with a total unit count of 98 units and exterior sitework that includes landscaping, on-grade parking areas, and concrete walkways.

Two new Panda Express projects—one in West Allis, Wisconsin; the other in Bentonville, Arkansas—were awarded to **Oakview dck, a dck worldwide company**, bringing its total number of Panda Express projects to eight. These one-story, 2,448 sf, free-standing restaurants have brick and stone exteriors. The interiors use a unique



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A-2 See attached revised drawing  
A-3 See attached revised drawing  
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combination of materials to create an oriental-themed interior.

A \$2.3 million contract to add an assisted living wing to the Clarence Nursing Home in Clarence, Iowa, has been awarded to **Oakview dck, a dck worldwide company**. The project was negotiated and involved a team of architects and consultants Oakview dck has been working with since 1998 on various assisted living projects. This 18,326 sf project will contain various-sized assisted living units and common space, including a recreation area, physical therapy room, and office.

**A. Martini & Co.** was selected as contractor by Baker Hughes Corp. for a new \$27 million field service facility in Williamsport PA. The project includes more than 100,000 square feet in new buildings and approximately 750,000 square feet of concrete paving. The project architects are Houston-based Energy and Burt Hill.

**Mascaro Construction Co.** was the successful contractor on Marshall University's Smith Hall Building renovation in Huntingdon WV. The \$2.6 million project involves interior renovations, mechanical and electrical upgrades, and complete window replacement. Kreps & Zachwieja Architects from Charleston, WV is the architect for the project.

**Volpatt Construction Co.** was the successful contractor in the SJS Medical Offices for the University of Pittsburgh Medical Center adjacent to the UPMC Shadyside campus. IKM Inc. is the architect.

St. Clair Memorial Hospital awarded a contract to **Volpatt Construction** for a \$500,000 fit-out of medical office space at the Crescent Building at Campbells Run Road in Robinson Township. The architect for the project is Image Associates.

**TEDCO Construction** was the successful contractor for the \$2 million expansion of Allegheny Printed Plastics in Cranberry Township, PA. The project includes approximately 14,000 square feet of new construction and was designed by Studio A of Charleston, SC.

Duquesne University selected **TEDCO Construction** for the \$1 million renovation of its football locker rooms. The architect is WTW Architects. TEDCO is also doing renovations to one of Duquesne University's dormitories.

**TEDCO** has started construction on the core and shell of the Pillar Innovations Corp. office building in the Chaplin Hill Business Park in Morgantown, WV. Paradigm Architecture designed the 20,000 new building.

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Waynesburg University selected **TEDCO Construction** as contractor for the renovation and conversion of the former Armory Building in downtown Waynesburg. The \$1 million project was designed by VEBH Architects. TEDCO is doing ongoing renovations for Ariba at the K & L Gates Building downtown, alterations to Victoria Hall at the University of Pittsburgh in Oakland and a regional office fit-out for Shell Corp. in Wellsboro, PA.

**F. J. Busse Co.** is the successful contractor on two projects at Carnegie Mellon University. Busse was selected to do renovations to Hamburg Hall and the Distance Learning Center. Quad 3 Group is the architect for the projects.

The Software Engineering Institute awarded a contract to **F. J. Busse** for additional space. The project involves tenant improvements to 4,000 square feet of space in the Rand Building. **BG**

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[\*\*Unit 1: BIM 101: An Intro to BIM\*\*](#)

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# FACES & NEW PLACES

**William J. Taylor**, Co-Founder, President and Chief Operating Officer for **Rycon Construction, Inc.** will be retiring at the end of this year. John Sabatos has been re-hired to fill Bill's role as President and Chief Operating Officer. John was previously Rycon's Vice President of Operations for five years before leaving to become Senior Vice President of Construction for Developers Diversified Realty (DDR) in Cleveland, Ohio. Sabatos will start back at Rycon in mid-July. Bill Taylor will continue in a part-time advisory role with Rycon through the end of 2012.

**Lester C. Snyder, III** joined **Joseph B. Fay Co.** as president & chief executive officer effective May 2, 2011. Snyder, an experienced construction executive with a strong background in federal, industrial, power and marine construction markets, succeeds brothers Bob Fay and Shawn Fay who will remain actively engaged in the company as Executive Vice Presidents.

**Landau Building Company** announces that **Christopher (Chet) J. Beres**, EIT has joined the company as a Project Engineer. Chet comes to Landau with experience from the Allegheny County Property Assessment Office, materials testing and research, traffic surveying, as well as transportation work and research for PennDOT. Chet graduated with a Bachelor of Science in Civil and Environmental Engineering with a Concentration Certificate in Transportation Engineering from the University of Pittsburgh.

**Rycon Construction, Inc.** is pleased to welcome Josh McCall as Project Engineer. Josh, a LEED AP, acquired a B.S. in Architectural Engineering from Penn State University and brings over four years experience in the construction industry to Rycon.

The Master Builders' Association Board of Directors is pleased to announce the following appointment to serve on the MBA Education Committee: **Christy Uffelman**, Vice President, Employee & Organizational Development, **Mascaro Construction Company, L.P.**

PJ Dick Inc. welcomed the following new hires: **Daniel Ford** and **Matthew Winkler** as estimators; **Courtney Glaub** and **Christopher Yasko** as project engineers; **Brian Noah** as M/E/P coordinator and **Bernard Watson** as project superintendent.

PJ Dick is happy to announce their new summer 2011 interns. **Anna Burd**, **Jude Champion**, **Jeffrey Clingan**, **Jeffrey Cully**, **Meghan McCutcheon**, **Elizabeth Milligan**, **Kyle Shatzer** and

**Robert Stano** join PJ Dick from various local universities and represent multiple departments throughout the company.

**Christopher P. Furman** has joined **Maiello, Brungo & Maiello, LLP** as an associate. He will focus his practice in the areas of general and commercial litigation. Mr. Furman is a summa cum laude graduate of LaRoche College where he received a B.S. in Business Administration in 1999. He earned his J.D. at Northwestern University School of Law in 2002 and also attended the National Trial Advocacy College at the University of Virginia School of Law in 2006.

**Gateway Engineers** is pleased to announce the addition of the following employees: **Cody Morningstar** and **Ryan Heuler**, Engineers-in-Training; **Jason DiBiasi**, Landscape Designer; and **Cindy Alexander** and **Shanin Asbury**, Administrative Assistants.

**William Kerns**, a Director with **The Duggan Rhodes Group**, was recently named to the Board of Trustees of the Institute of Certified Construction Industry Financial Professionals (ICCI FP).

**John Arnold** has joined **Massaro CM Services, LLC** to serve as their Business Development Representative. He joined the team from TRACO where he worked as the Business Development Representative for the last nine years.

**Lori Palonis** has joined the team at Massaro Properties. She will serve as the Administrative Assistant. Lori has extensive experience in the real estate industry. Her previous position was the assistant to the senior vice president of leasing/property management & vice president of construction/development for a Pittsburgh-based commercial development company

**Fuellgraf Electric Co.** has been named a winner of the Thomas J. Reynolds Award for Excellence in Construction Safety and Health for the year 2010. The award is presented by The Association of Union Contractors (TAUC). Winners are recognized for achieving a zero DART (Days Away, Restricted or Transferred) rate for the entire year. Fuellgraf Electric Co. was also named a National Electrical Contractors Association (NECA) Safety Award winner. Fuellgraf Electric has been presented with the Zero-Injury Award for 2010. This award recognizes those companies that have worked through the entire year without experiencing any recordable incidents. **BG**

**NEW!**

# BreakingGround

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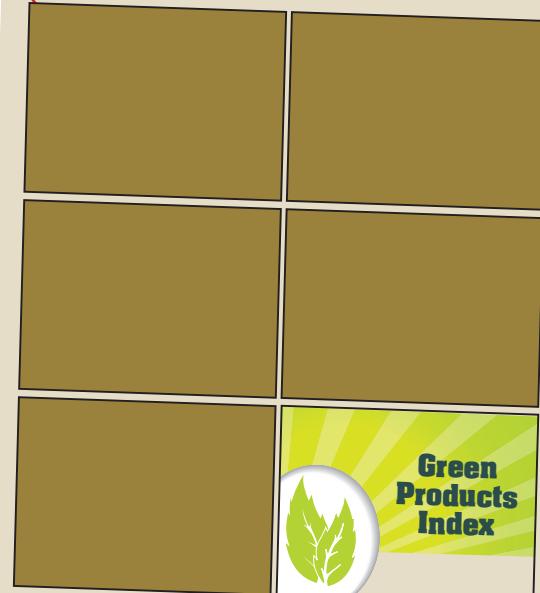
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## MBA MEMBERSHIP

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The MBA is a chapter of the Associated General Contractors of America, the nation's largest and oldest construction trade association. The MBA is committed to improving the construction trade association through education, promoting technological advancements and advocating building the highest quality projects for owners. To learn more go to [www.mbaawpa.org](http://www.mbaawpa.org).

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# Closing Out

## Collaboration, Come Full Circle

By Eric R. Osth, AIA, LEED AP

In the early 20th century, architects, builders, and landowners were integrated into a collaborative design process. Design and construction teams worked together from the initial visioning and concept work to the design and selection of the finest building details. The architecture and building professions developed side by side, necessarily working collaboratively. But, as in many fields, there was a gradual evolution in professional relationships, and over time, developers, builders, and architects broke apart, working more and more in their individual spheres.

At 38 years old, I am a very young architect. But in the terms of the use of digital media in the practice of architecture, I am relatively old. When I finished my undergraduate studies, I worked in an architectural office that was one of the last offices still assembling construction documents on paper. Ink, pencil, drafting vellum, and blueprints were synonymous with (if not symbols) of the architectural industry for generations before me. And just as I was entering the field, all of these traditional tools were being pushed into a storage closet as our firm followed the industry to the incorporate Computer-Aided Drafting Design (CADD) programs into the core of our practice.

At that point, it was clear that CADD was in fact a slightly smarter and slightly more efficient way to draft and share information - this was a substantial internal change. However, CADD did not substantially influence the way architects practiced architecture externally. As far as the relationships between architects, owners, consultants, and builders, it was still just business as usual – isolated interactions as needed.

Today, we are in the middle of a true revolution in the practice of architecture. The industry is in the process of adopting a new tool that is both enabling and requiring a more integrated work process. This new tool - Building Information Modeling (BIM) - has remarkable promise to transform the manner in which we work both internally - saving time and effort and increasing quality; and externally - fostering new collaboration and new types of relationships with our consultants and colleagues in the building industry. BIM is a tool that can be used not only to improve the practice of architecture and design but also to reconnect architects, builders, and all those involved in the design and construction process.

This new technology is a benefit to all disciplines in the building industry. All disciplines may be better coordinated and in fact integrated more gracefully into the design solution. Recent project delivery processes (especially design-bid-build) isolate builders from the design team. This fragmented business model is, in many cases, confrontational and inefficient as meaningful project information is not shared between essential parties. BIM, on the other hand, provides a platform to collect all the physical and functional information for the entire life cycle of a project, which makes it easier to share information fluidly with all team members. All project participants may "infuse" the model with the information that they are responsible for generating, and all participants may access information at any point along the project lifecycle. The potential for this highly dynamic and collaborative environment will require new integrated project delivery models as the boundaries between design, construction, and operations are blurred.

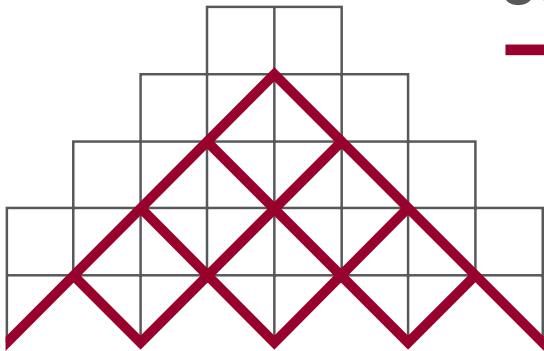
The architecture profession is in a position to create better informed design processes and, subsequently, improved designs. These designs can evolve from a more fluid and meaningful approach in which architects can communicate efficiently with all those involved in the design process, utilizing the advantages of BIM. The reality is that we are only at the beginning of the BIM revolution. We are all in a transitional period where the advantages to this new tool are obvious and the new integrated forms of delivery are still emerging. At this point, there are opportunities for progressive design firms to take a leadership role in finding ways to collaborate, define, and share higher levels of meaningful information for overall project success.

Great organizations, great businesses, and great people are defined during hard times. Times like these require great creativity for success. My goal is to challenge architects to rise to the opportunity that BIM provides for our businesses. This is an opportunity to re-invent our profession and the way we relate to our colleagues in the building industry. The architecture field can move out of the recession inspired by new technologies that will enable us to return to our traditional roots in the practice of a high degree of partnership and high-quality design. Let us move forward with cutting-edge technology into a future of collaboration; together the future holds great promise.

Eric R. Osth, AIA, LEED AP is Principal at Urban Design Associates and the 2011 President of AIA Pittsburgh, a Chapter of the American Institute of Architects 

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