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FALL 2017

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President's Message

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My previous messages in Developing Pittsburgh have provided a look at the many great things that NAIOP Pittsburgh has done to advance the commercial real estate industry in Western Pennsylvania through education, networking and advocacy. I have opined that previous leaders have provided a solid foundation for a successful future for NAIOP Pittsburgh. Now I am happy to share more about what that future holds.

The NAIOP Pittsburgh board of directors recently adopted an ambitious strategic plan for the next three years. I am very excited about it and I hope that you will be too. There is no question that, if properly executed, this plan will secure NAIOP Pittsburgh's place as the region's best commercial real estate organization.

The plan looked at three distinct areas on which the chapter will concentrate. They are:

- Advocacy
- Membership
- Communication

Under the plan advocacy issues will be further identified and prioritized. It is imperative that we understand those matters of most importance to our members. All chapter Principal members will be surveyed to attain this information and all attendees at the chapter's monthly meetings will have the opportunity to weigh in with their thoughts. Actionable items will be prioritized and detailed plans to advance those items will be developed. Measure also will be taken to increase exposure to elected officials through regularly scheduled meetings and communications. Our members will be better informed of our advocacy efforts through the use of social media, bi-weekly emails and reporting at monthly meetings. Lastly, NAIOP Pittsburgh will seek partner organizations such as the affiliates of the Allegheny Conference on Community Development; the Regional Industrial Development Corporation; the Master Builder's Association and others to create a synergistic approach to common goals.

Recognizing the importance of a vibrant membership, the new strategic plan creates a "Membership Team" that will insure the realization of goals outlined in the plan. Areas of emphasis include attracting more Principal members to the chapter, reaching out to Beaver, Butler, Westmoreland and Washington counties for members and seeking a more diversified member base. Very importantly,

the board understands that the future of NAIOP Pittsburgh is truly in the hands of our Developing Leaders. Therefore we will be working hard to identify young leaders who are already members to get them engaged in committee work. We also will identify non-members for recruitment. Lastly we will strengthen our already successful mentorship program.

Communications is the third leg of the strategic stool. The chapter's various constituencies will be better informed when the plan is implemented. Specifics include reaching out to industry media, striving to make NAIOP Pittsburgh's website a critical source of information for members and non-members, creating a robust social media presence and devoting resources to public relations. The great work the chapter does will be better understood and valued than in the past.

We all know that the best of strategic plans is worthless unless it is implemented and monitored. The NAIOP Pittsburgh board of directors will use the plan to inform the agenda at all of its meetings and will keep members abreast of progress.

One of the best parts of the activities outlined in the plan is that they open up lots of opportunities for members to be involved. Please look for areas in which you would like to participate as we bring NAIOP Pittsburgh to the next level.

David



David Weisberg
NAIOP Pittsburgh President

REAL ESTATE IN THE DIGITAL AGE

Co-working spaces is among the fastest-growing segments of commercial real estate. Companies like Industrious, in 1 PPG Place, give small companies professional, technology-enabled space without the encumbrance of a long-term lease. Photo by Yoon Kim. Use courtesy A. Martini & Co.



F E A T U R E

In 1892 Chicago had a million people and fewer than 5,000 had electricity at home. The most optimistic pundits firmly stated that the market would cap at 25,000 customers. Within 21 years there were over 200,000 customers, eight times the most optimistic projections and soon afterwards, almost every home in Chicago was powered by electricity.

We are living in a similar age.



BY D. KRISTINE WOOLSEY

Even the few among us who embrace all that is new, cannot begin to imagine the changes we will see in our lifetimes. Facebook launched a scant thirteen years ago. The iPhone was invented ten years ago and the iPad only seven. The changes we have seen in the way we communicate, the way we connect, the way we work, and our expectations are dramatic and there are even bigger changes to come. Even as fast as things are changing right now, the world is changing as slowly as it ever will again.

The ramifications can be clearly seen in the real estate sector. Average commercial

square footage per person has dropped almost 30 percent in the last 10 years (2014 NAIOP study). Houses with above-average levels of walkability can command up to a \$34,000 premium (2012 Impressa Economics). The short term rental market is doing about \$60 billion in business globally (David Adam, CEO of HomeSuite) and co-working membership has more than doubled in the last two years (Deskmag.com). All of these are visible signs, not of technology itself, but of the changes in human behavior that are the result of technology usage.

Those behavioral trends can be sorted into five categories: Asynchronous, No Boundaries, Power of Many, Individual Freedom, and No Friction. I will spend a little time on each of these and then

identify a few key technologies that will be the next disruptors.

Asynchronous refers to our new ability to work and communicate at different times and in different places. It began with email, accelerated with text, and now with ubiquitous wifi, we can work with anyone from anywhere. Companies are trying to balance the freedoms that their employees demand with the need to collaborate and are solving that with things like activity-based working (ABW) where some or all of the employees are without assigned desks. There are also new options like LiquidSpace which functions like AirBnB, allowing short term (even by the minute) rental of everything from co-working space, to executive suites, to un-leased space, to



empty conference rooms or a desk in someone else's office. Technology is also stepping up with the invention of robotic presence. These are in essence a screen and camera on a robotic base that is controlled by the person who is on the screen. You can log in from across the country or world, take control of the robot base, and wheel it anywhere in the office you want to go. This is a new way of being remote without being remote! Finally, this trend is also driving some companies to design "offices" without any real estate. Automattic has about 500 employees around the world and no physical footprint. Their community space happens once a year when they rent out and take over a resort for a week.

The **No Boundaries** trend has grown

from the speed with which technology is advancing. Ten years ago, if I told you that I heard a story about a colony that was being launched into a new solar system, you would not have believed me. Today if I told that story, you would ask me for details. Anything is possible. The Blueseed cruise ship was filled with desks and intended to float near Silicon Valley but just over the line into international waters. At the time the project was conceived, it was very difficult to get a work visa but easy to get a tourist visa for up to 10 years. This floating office would allow people to legally live in Silicon Valley and work in international waters. As the project approached launch, US immigration got involved but this is a great example of our capabilities to think way "outside the box". No Boundaries

means that competition can come from any direction. In 1986, 53 percent of all 16 year olds had their driver's license. By 2014 that number was 24.5 percent and it is still dropping. Did any of the big car makers see social media as their competition? The competition for property owners, landlords, and real estate companies is shaping up from directions we can't even see.

The Power of Many trend speaks to our growing understanding of the limitations of individual productivity and problem solving. Scott Page, a Professor and Researcher at the University of Michigan at the time, set up an experiment with three "groups". The first was a single male with an incredibly high IQ. The second was a group of reasonably high IQ



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Shared service companies like AirBnB or Room Leopard allow customers to book space as needed from owners who aren't in the commercial real estate business.

white middle class men. The third group was of average IQ and mixed in terms of race, gender, and socio-economic background. Professor Page put a set of problems in front of each group and the third group solved them better and faster every time. That experiment was repeated at Stanford and other Universities with similar results. Diversity beats IQ for problem solving. We can even see the proof of that in a study that looked at Standard and Poor's Composite 1500 list from 1992 through 2006 which found that female representation in top management led to an increase in firm value of \$42 million (Cristian Deszö of the University of Maryland and David Ross of Columbia University).

Companies like Google and Apple whose value propositions rely on maximizing problem solving capacity use proximity to drive familiarity between people of different backgrounds and disciplines so that they can get that diversity in collaboration. Google actually tracked

the wait for coffee and has found that 4.5 minutes is the best wait time for coffee. This is long enough to start a conversation with a stranger but not so long that coffee gets skipped. The real estate opportunity here is to find ways and places for people to bump into each other. Much like milk in the back of the store is not convenient but it does accomplish a business objective, efficiency is not always the right goal. "Engineering serendipity" is the new term for this in the workplace design world.

In the white collar world, **Individual Freedom** is shifting the power from employers to employees. It has never been easier to launch a business, to find and speak to a market, to hire freelancers. In 2016, 35 percent of all workers in the US were freelance and that number is expected to hit 50 percent by 2020 (Forbes 2016). In 2014, Millennial Branding Consulting found that 72 percent of high school students and 64 percent of college students wanted to be

entrepreneurs. With this freedom, workers are making decisions as individuals rather than as part of a corporate entity. Because of this, we see the rise of real estate as a service at the individual level with small co-working spaces targeting specific freelance markets. We also see the rise of companies like Convene, a property owner/operator that offers building/hospitality (packaged together) to the entire company. The tenant does the work of its business, and Convene runs the front desk, food, and sometimes back office, focusing on creating a hospitality experience that will help that company attract and retain the workers it needs. This is an example of a real opportunity for commercial real estate to expand into real estate as service.

The final human behavioral trend is **No Friction**. Power has moved from producer to consumer and so in order to maintain market share, producers are now focused on creating amazing customer experiences. The best are

**In 2014 there were
4.5 new Co-working
spaces per work day**

**Co-working
members worldwide**

2015	510,000
2016	835,000
2017	1,180,000

Deskmag.com

thinking through the entire customer experience and redesigning any areas of friction. Shopping at Costco can be entertaining as you wander up and down the aisles and taste whatever the food specials are that day. The friction comes at check out. Knowing this, Costco has launched tests of a sensor system that would automatically check you out as you wheel your cart out the door. The sensors would know what was on your cart, could read your membership card, connect that card to your credit card, and you are checked out, removing that point of friction. There are many

areas of friction in commercial real estate and new ventures like LiquidSpace that takes the pain out of short term leases and Convene that takes the pain out of creating employee experiences will win if they can provide less friction than a typical real estate process.

Watching these five human behavioral trends will allow you to look beyond the daily headlines around the latest greatest technology inventions but it is worth mentioning two that will drive even more changes. The first technology to watch



Office design increasingly recognizes the desire of individuals to work in ways that are most comfortable in the moment.

involves artificial intelligence (AI) and machines that learn. More and more we find ourselves collaborating with our phones, computers, microwaves and even the smart buildings we inhabit. What data will be collected in your next building project? How will you use it? How might you use it to empower the building occupants in ways that builds loyalty? The second technology to watch is augmented reality (AR). This is the technology that allowed the game Pokemon Go to take the country by storm last year. AR allows you to see digital objects in a specific physical space. To see the digital creatures in Pokemon Go, right now you need look through your phone, which limits the application to real estate. However, there are already people working on connected safety glasses that will allow plant supervisors to see information floating in space or as part of specific machines, rather than on a screen, as they walk through their factory. When the physical environment can be customized to an individual through

augmented reality, how do we use that to attract and empower the companies and individuals we want?

The world is changing in exciting and scary ways and Real Estate professionals have the opportunity to be part of the change or be left behind. We are of course challenged as government regulations, banking and finance, and even construction are also struggling to find their way through this transformative time. Just as life in Chicago changed before and after electricity, so our lives will change with some things for the better and some for the worse. With our eyes open and embracing the changes as they come, we will discover new and amazing ways to be in the world. DP

Kristi Woolsey is product lead, Creative Environments for MAYA Design Inc., a BCG Company. A registered architect, management consultant, behavioral strategist, and published author, Woolsey was CEO of Woolsey Studio,

an architectural firm in Phoenix AZ for 18 years before joining MAYA Design. She has a BS from Georgia Institute of Technology and a master in Architecture from Arizona State University, where she also served on the faculty for more than 21 years. Woolsey can be reached at Woolsey@maya.com.



Kristi Woolsey



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Pittsburgh's industrial past and high-tech future really converge in the field of additive manufacturing, what we commonly call 3D printing. With an industrial infrastructure still in place, the research capabilities of Carnegie Mellon University and the University of Pittsburgh make Pittsburgh a great place to innovate and test 3D printing.

Additive manufacturing (AM) has grown to include seven types of processes but generally, AM is the process of creating an object by layering material in three dimensions as one fabrication. The

processes can be done with any material that can be applied or poured and then harden, including plastic. One of the leaders in plastic additive manufacturing is General Electric (GE), which decided in 2014 to pursue locating its new research facility, the Center for Additive Technology Advancement (CATA) in metropolitan Pittsburgh.

GE engaged CBRE to conduct a site search in the region and the real estate company identified a site in Chapman Westport, a multi-million square foot industrial and office park being developed by Chapman Properties in Findlay Township. Westport lies along Route 576 – the Airport Connector – at the Burgettstown Road intersection. An agreement was reached for the purchase of 34 acres in December 2014.

"Chapman Westport's pad-ready master planned development, Findlay Township's

easy access to Interstate 576 and the proximity to the Pittsburgh International Airport were deciding factors," according to GE.

In early 2015, GE issued a request for proposals from a short list of developers who were asked to put together a turnkey design and construction package that would get the plastic research facility up and running in a year or less. In April 2015, GE selected SunCap Property Group. Based in Charlotte, NC, SunCap had recently opened an office in Pittsburgh.

SunCap's winning proposal was for a 123,850 square foot concrete tilt-up structure, which would include 15,000 square feet of office space and a 10,000 square foot clean room lab. GE would occupy the property on a ten-year lease. SunCap's team included Evans General Contracting and architects Ware Malcomb.



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"GE selected SunCap because of its extensive experience delivering build-to-suit projects for Fortune 500 companies," relates Mike Gleason, managing director in SunCap's Pittsburgh office. "We had successfully delivered multiple projects with the Evans and Ware team."

As might be expected, the more complex aspects of the project were the proprietary 3-D technologies and equipment that GE was responsible for completing, but the base building and occupant spaces presented their own set of challenges.

From the outset, the main challenge was going to be the schedule. GE chose its development team in about three months but its ambitions meant that the window for getting

municipal approvals was about 60 days. That's a timetable that is virtually unattainable in Pennsylvania but the developers of the Westport area – Chapman and Imperial Land Co. – had cultivated a relationship with Findlay Township that allowed for an expedited process. SunCap engaged Lennon, Smith, Souleret Engineering Inc. (LSSE) (the same firm Chapman Properties used at its project), which has experience working with Findlay Township. Lennon Smith was responsible for not only the design of the project site but also the 800 linear feet of township roadway that Chapman Properties was contracted to build for the project. The engineers raced to meet the municipal deadlines while pushing the project through the state environmental approvals process.



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<p>Hospital Development Authority (HDA)</p> <ul style="list-style-type: none"> • Assists hospitals, health care centers, personal care facilities, nursing homes, and others. • Provides Tax Exemption Financing (TEF) and tax exemptions. 	<p>Higher Education Building Authority (HEBA)</p> <ul style="list-style-type: none"> • Provides tax-exempt financing for colleges, universities, and other higher learning institutions. • Provides reduced interest rates on loans for developers. 	<p>Residential Finance Authority (REA)</p> <ul style="list-style-type: none"> • Provides financing or refinancing of costs for the acquisition, renovation or improvements of projects • Provides assistance with low-interest, fixed-rate mortgages and closing costs. • First-Time Homebuyer Program.

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The new GE campus features a series of natural stormwater best management practices. The design includes a series of fens, pedestrian trails/walks, and an outside sitting court and landscaped area. In addition to the stormwater benefits, the site design provides an area for those working at the facility to walk and enjoy natural features throughout the campus.

One unusual wrinkle was that the project was planned to be FM compliant. FM Global is the brand commonly used for Factory Mutual Insurance Company, a commercial property insurer that sets standards for property loss prevention worldwide. While FM compliance isn't an everyday standard for commercial buildings, the designation is one that

high-quality manufacturers strive to achieve in new plants. FM applies scientific research and testing to ensure that products made meet the highest standards for safety and loss prevention. The CATA project became FM compliant.

Work began in July 2015 but the design and construction schedule was extremely aggressive, with GE expecting to be able to partially occupy as early as September 2015. Substantial completion was scheduled for February 2016, a timetable that was very aggressive for a building of that size, yet the schedule was compressed further so that GE could begin moving in before the year ended in December 2015. A public grand opening was held in April 2016, one year after the

development team was selected.

General Electric invested \$39 million in the facility and has since expanded the capabilities of the CATA facility so that it has become the customer experience center for its AM business. At the grand opening, Chief Productivity Officer Philippe Cochet touted CATA's technological advances for manufacturing and expressed GE's enthusiasm for the opportunity to work in close proximity to Pittsburgh's academic institutions and its talent pool.

For SunCap, the project enhanced its strong resume for turnkey delivery for its clients. During the past spring, SunCap sold the building to Monmouth Real Estate Investment Trust. **DP**

DEVELOPMENT TEAM

Developer	SunCap Property Group
Architect	Ware Malcomb
Civil Engineer	Lennon, Smith, Souleret Engineering Inc.
General Contractor	Evans General Contractors
Lender	Citizens Bank



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Al. Neyer's first urban project in Pittsburgh is the proposed office building on Smallman Street that it will develop with Rugby Realty.



When asked what motivated his company's expansion into the Pittsburgh market, Jim Neyer, executive vice president of real estate development, is candid. "Pittsburgh chose us," he says.

The Cincinnati-based developer and contractor was in its fifth generation of leadership, focused primarily in its home town. In 2000, one of its executives, Mark Vella, reconnected with a fraternity brother of his from Penn State, Andy Gildersleeve. Now retired, Gildersleeve was vice president of construction for the Elmhurst Group and he was wrestling with getting a project off the ground.

"Andy asked Mark to look at a project with

a problem. That turned into a solution and led to additional projects with Elmhurst," Neyer recalls. "As Mark got to know the brokers and other developers, we found ways to help their clients that had similar problems to solve. Probably later than we should have, we realized that we had a sustainable business in Pittsburgh and we should staff up an office there."

Neyer's description of the Pittsburgh office timeline is a bit compressed but the company did focus more on its design-build construction operations here initially. The evolution of Al. Neyer's Pittsburgh office is similar to that of the company itself. Gerard Joseph Neyer was a carpenter who founded the organization in 1894. Gerard's son Joseph joined his father's business and in 1918 it was incorporated as Joseph Neyer Inc. After World War I, Joseph's son Alphonse joined the family business and moved into institutional and religious projects.

Alphonse (whose abbreviated Al. is the company's brand to this day) led the company into more profitability and saw the opportunity to invest in real estate, buying land for development in the Cincinnati area. The stock market crash of 1929 and the Great Depression that followed took a toll on Al's business and he lost some of the property he owned. Al became understandably averse to the risk of land speculation, but the change in direction back to construction merely delayed the expansion into real estate development.

As the next generation of leadership – Al's sons Ray, Don and, later, Tom – managed the business in the 1950s, they looked to branch out. Al. Neyer Inc. dipped its toe in commercial real estate again by pioneering design/build delivery in the industrial market, building plants and warehouses throughout Cincinnati. As a service to their customers, Neyer was willing to

buy the land to integrate the process and created several industrial parks in that manner. But Jim Neyer points out that the diversification was not intended to expand the risk profile of the business.

"The move wasn't for development; it was for construction," he says. "What they were doing was meant to create more construction business."

It was Jim Neyer's generation that embraced development fully as an expansion of the business model. By the 1980s, there were eight Neyers of the fifth generation involved with Al. Neyer Inc. That generation was educated in business and engineering and saw the business differently from their parents. Jim, in fact, worked outside the family business for a while after graduation, spending time with national developer The Opus Group. With the expanded focus of the management team, Al. Neyer increased its land holdings and broadened the portfolio to include office buildings, medical buildings and retail centers.

"When my generation began to run the company, we saw the opportunity to

lease the buildings we were developing to owners who wanted to save their capital for their equipment, their business," recalls Jim.

By 1998, Don, Ray and Tom Neyer transitioned its ownership and in 2003, the business was acquired by Bill, Jim and Dave Neyer. During that transition, a number of the company's long-time holdings were divided up among the members who weren't remaining in the business. This transition coincided with the expansion into Pittsburgh.

Al. Neyer developed its first project in the Pittsburgh market in 2007, the Beaver Turnpike Distribution Center, which became a precursor to its current focus. Mark Vella says that the opportunity was inspired by the trend that was going on in other markets.

"When you drove across the Turnpike or even I-80 in Ohio, at every exit there's a big distribution center. We saw the trend in the Midwest was all these big boxes of 300,000 to 500,000 square feet and nobody was doing them here," he recounts. "We found some financing and teamed up with the ERECT Fund and did that speculative

project. We had to weather a downturn to get it 100 percent leased but we leased up well over half right away, so it always cash-flowed and did well."

Although it took almost another decade, that same trend towards big distribution was behind the company's decision to develop the current phase at Clinton Commerce Center. In the intervening years online retailers like Amazon and Wayfair had changed the landscape and retail fulfillment had become big business. That same model was also being applied to business-to-business outlets like Quill and Berlin Packaging, who became the tenant for the 300,000 square foot spec building that Al. Neyer ultimately developed.

"The key for us when we did the Turnpike deal was we knew that I-576 was coming, that the toll road was going to be extended and that put us in the interstate network," Vella notes. "Anytime you're doing big box industrial, how quickly you can get to an interstate is critical. We knew at some point that the Southern Beltway was going to continue. It seemed like a natural and the growing market in

The logo for HFF, consisting of the letters 'HFF' in a bold, white, serif font on a dark blue square background. Below the letters is the website address 'hfflp.com' in a smaller, white, sans-serif font. The logo is centered on a horizontal orange bar that spans the width of the page.

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the west seemed like it was underserved.”

The Clinton Commerce Center deal was cemented between Al. Neyer and the Allegheny County Airport Authority in January of 2015. Construction of the first building began in October of that year and the deal with Berlin Packaging - which included an addition of 50,000 square feet to the uncompleted building - was done in August of 2016. Construction of the next building, a 269,000 square foot spec warehouse began that same month. Al. Neyer extended its agreement with the Airport Authority last October, giving it the right to building another 850,000 square feet. And in June of 2017, the Berlin Packaging was sold to Stag Industrial Holdings.

In January 2016, Brandon Snyder joined Al. Neyer’s Pittsburgh office as vice president of real estate development. Snyder spent a dozen years as a broker prior to joining Al. Neyer, focusing primarily on industrial properties for Avison Young and Grubb & Ellis. His role with Neyer is business development generally but because of Vella’s

background and experience, Snyder is primarily looking for development opportunities. Like Vella, Snyder sees the bulk distribution demand growing.

“User requirements are growing across the country, generally larger requirements,” says Snyder.

To that end Al. Neyer is also preparing to start construction on a 220,000 square foot build-to-suit warehouse in Jackson Distribution Center in Jackson Township in Butler County. Working with Bob Randall, Al. Neyer is also poised to start construction on a 90,000 square foot office building at Innovation Ridge, although the development team is taking a wait-and-see approach to the Cranberry-area market at the moment.

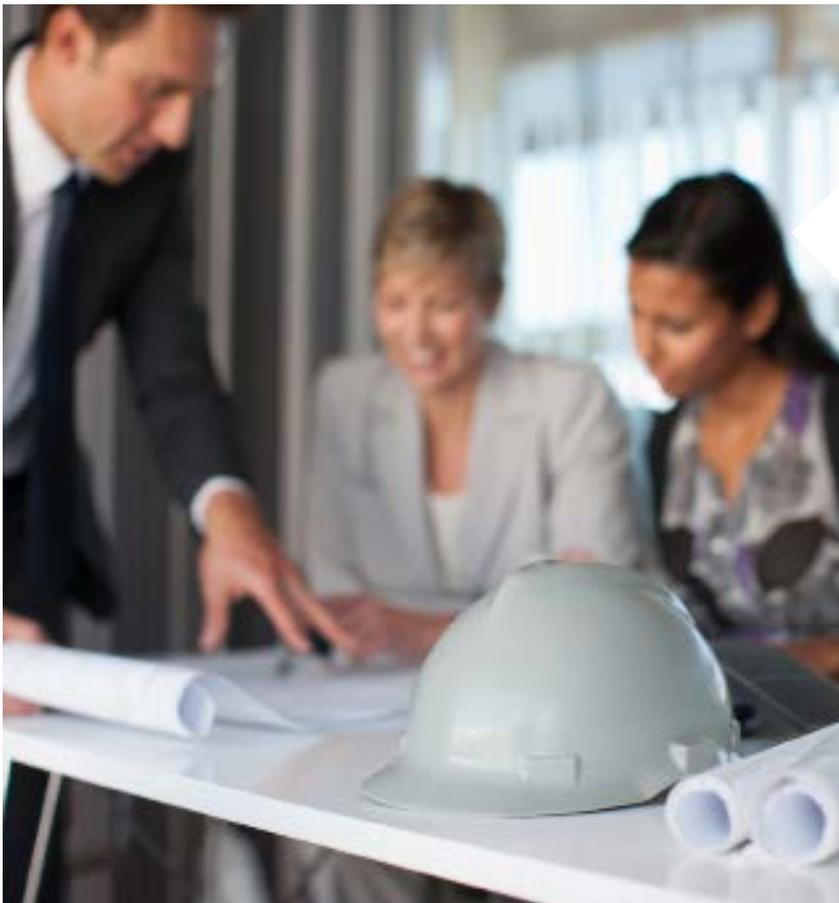
In spring of 2018, Al. Neyer hopes to make its mark in the city for the first time. Partnering with landowner Rugby Realty, Neyer has proposed a 400,000 square foot office/mixed use building in the Strip District. The five-story building will be developed between 21st and 23rd Streets on Smallman Street, filling in a major gap between the Terminal Building and the new development

of condos and the 3 Crossings project. An urban developer in Cincinnati for decades, Al. Neyer was anxious to create a destination project in Pittsburgh.

“We wanted to do an urban project. We’ve done these in Cincinnati,” says Vella. “Our corporate office building was a 1920s five-story manufacturing building where they made jeans. We took that building and added three stories of office on it and created a corner of the city that became a real high-tech development. If you look at what we’re proposing for the Strip, it’s a building that fits into the fabric of the neighborhood, that’s at the right scale with the right materials. It has bigger floor plates, amenities, daylighting and all the things that appeal to today’s tenant.”

Vella credits Rugby Realty’s Aaron Stauber for patiently assembling the properties. He says all the parties feel the time is right for the project. Vella also points out that Al. Neyer’s integrated approach helps make a development partner feel at ease.

“When people work with our design-build team they like our big picture approach because our design-build team is used



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Jim Neyer. Photo by Mikki Schaffner.

For 2018, Jim Neyer, executive vice president of real estate development for Al. Neyer Inc. will serve as the NAIOP Corporate chairman. Neyer shared his plans, which are still being developed, for how he will serve his term as chair.

"NAIOP is a very well-organized entity. Tom Bisacquino, president and CEO of NAIOP, leads a paid professional staff that really manages the organization properly," Neyer says. "The chairman is really the goodwill ambassador. The board is responsible for the governance and ultimately has financial responsibility but when you have a well-run organization it relieves that burden.

"My role is to bring out to the field what the value proposition is for NAIOP. It's important that local chapter members understand about the lobbying efforts, for example, like when NAIOP argued successfully for accelerated depreciation a few years ago. The price of a NAIOP membership pales in comparison to the value of that alone."

Neyer expects that the term as chair will demand his time and has consulted with past chairs, including Elmhurst's Bill Hunt, to gauge the impact of the role. He believes that NAIOP's principal members play an important role in the economy. "When developers are doing well, everyone is doing well," notes Neyer.

"The chairmanship is a voluntary position, one my company is very generously allowing me to serve," he continues. "I'm told the local chapters are very welcoming and excited to show off their cities. They want to find out what they can learn from other chapters and share what they think works. I plan to do more listening than evangelizing."

to working for a developer," Vella says. "A general contractor works with what's on the documents; that's how he competes. Our team looks at it as, we get this big idea of what you're trying to do. We understand your constraints of time and money and quality so we will help you make better value decisions."

Al. Neyer sees the Pittsburgh market as an established but growing market. The company has also established an office in what it sees as an emerging market: Nashville, TN. Jim Neyer says the pace of construction there is quite different from the company's two other principal markets and offers great opportunities that have to be managed properly. The company just passed the 100-employee milestone, with ten on staff at the Oliver Building.

"The beauty of our company is that each generation has changed the business in its own way," Neyer concludes.

The fifth generation of Neyer family owners changed the business' structure, moving it beyond the family-owned regional concern. In 2008, the company reached outside the family for executive leadership. The current president and CEO is Molly North. And in 2014, the balance of the outstanding company stock was transferred to Al. Neyer Employee Stock Ownership Plan and Trust (ESOP). Jim Neyer believes the employee-owned model positions the company best for the future.

"ESOP is a good model. It's certainly a way to attract good talent," Neyer notes. "If someone sticks around for ten years and

becomes vested, it can be very rewarding."

"You can employ a different management philosophy than in a family-owned business," agrees North. "In an employee-owned company everyone who works here gets the benefit of building value in the ESOP. You get a real sense of ownership from the employees, not just of the company but of the work itself. It's an important recruiting tool if I can demonstrate the value of employee ownership compared to working for a small group of private owners."

North sees Al. Neyer applying the lessons of its recent expansion going forward. "Over the next decade I see us operating in at least five different cities," she predicts. "Each will require a different strategy. Nashville was different from Pittsburgh, as will be our fourth city, which we hope to expand into in 2018. But Pittsburgh is the place where we developed our company's strategy of expanding our geography for growth." DP

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*Molly North
Photo by Mikki Schaffner.*



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“AMENITIZING” OFFICES TO RETAIN EMPLOYEES (AND TENANTS)

Jim Scalo, president and CEO of Burns & Scalo Real Estate Services has become passionate about creating office space that gets the best out of its occupants. He’s in the process of writing a book on the subject and has taken his own advice. Burns & Scalo recently moved their offices into a building the company built, called The Bentley, in Green Tree. The space, designed by NEXT Architecture, is a complete departure from Burns & Scalo’s previous offices in Foster Plaza and the build-out was not cheap. Scalo says the investment wasn’t about space; it was about people. He says similar investments are being made all over the corporate landscape.

“Recognizing that corporations today have trillions of dollars to spend and are very healthy, very liquid, we’re going to see a continual transformation of new office buildings for corporations,” Scalo asserts. “It’s not because they want to

spend money on real estate but because they recognize it’s a talent war. It’s a brain game. If you want to attract this next wave of hires you have to put them in the right environment and in the right location.”

The Burns & Scalo space is full of new technology, with high-definition displays throughout the office that allow employees to plug in – wirelessly – and collaborate anywhere. A large kitchen/lounge area is used for collaboration space, as well as client parties and everyday eating. There’s a well-equipped gym with a fully-appointed shower room adjoining it. Offices are designed with the occupant’s needs and duties in mind. Scalo’s own office is small, with no desk. It is adjacent to the company’s CFO, who has a large corner office with a workstation and separate standing conference desk.

“She’s the CFO. All finance and HR report through her. Businesses are about two things: money and people. She has to be here all the time,” Scalo explains. “I’m not supposed to be here half the time. Why do I need a big office?”

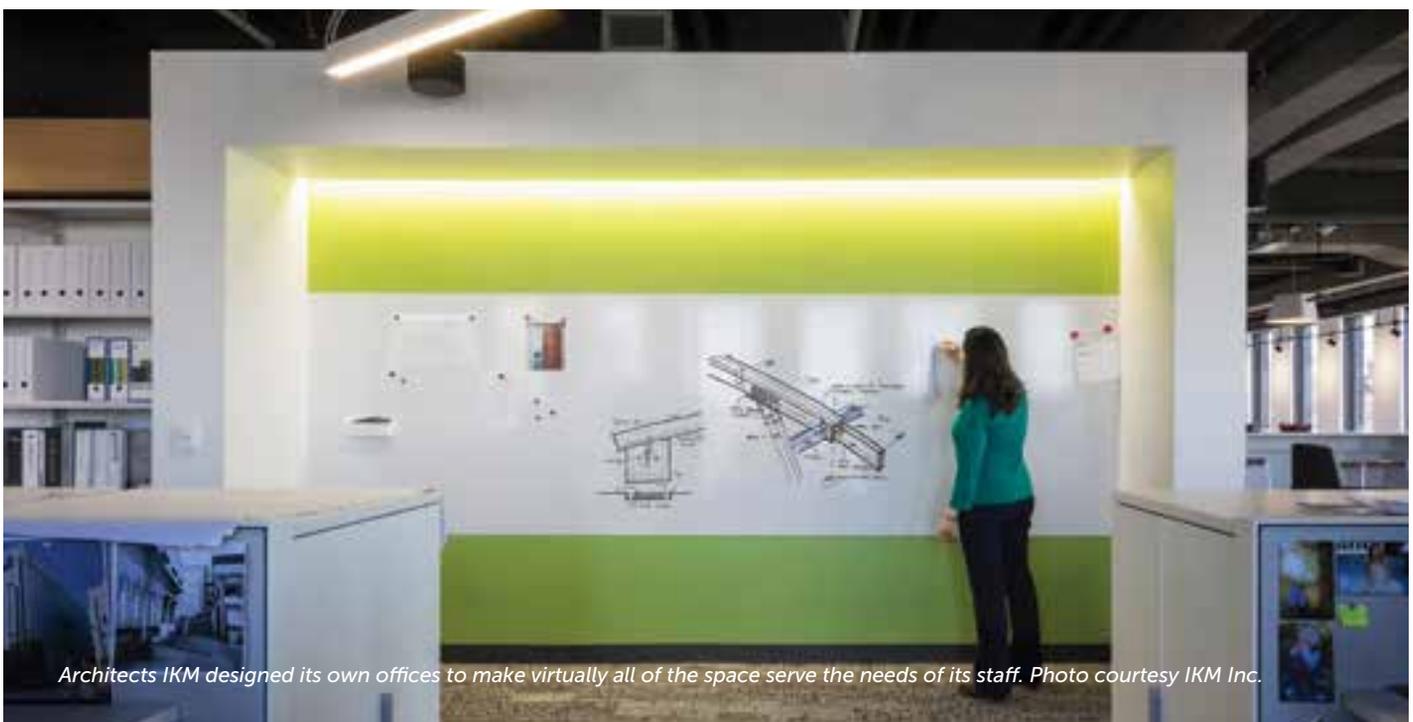
The trend of “amenitizing” offices probably began as mimicry of the spaces of the hottest companies on the planet. Perhaps it can all be traced back to

Google, with its unprecedented growth and offices that included Foosball tables, free food, beach volleyball setups, sliding boards and the like. Whether in imitation of the coolness of tech companies or in the vain effort to create offices that would appeal to the younger generation of employees, the user requirements for space began to change dramatically after the Great Recession.

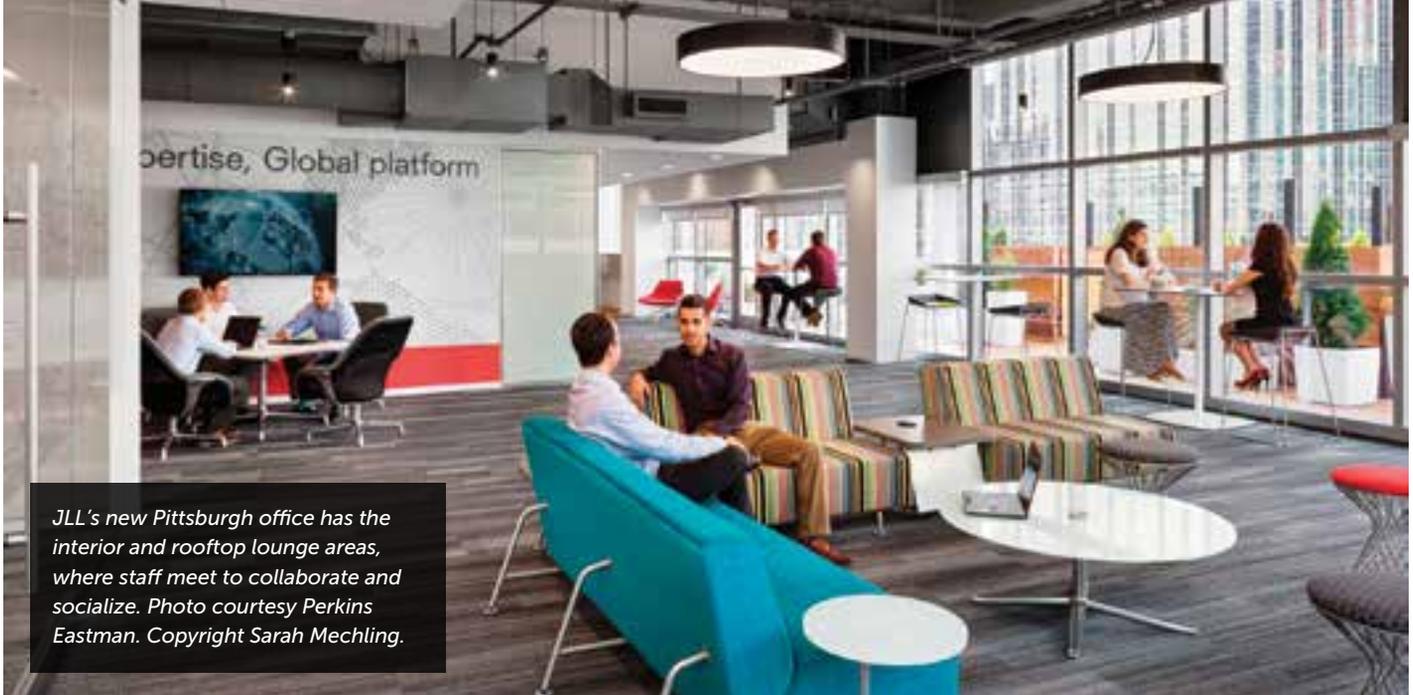
For a few years, the trend towards adding amenities to office buildings was about differentiating your building from your competitor’s to attract and retain tenants. Before too long, it became clearer that the differentiation was designed to attract and retain employees.

“The smartest companies realize they can use commercial real estate as a recruiting tool,” notes Dan Adamski, managing director of JLL’s Tenant Representative Group. “Twenty years ago here, if you had a job you felt you were lucky. Now it’s a competitive environment and employees know they are in demand.”

Companies have looked at real estate as an extension of their human resources departments to ensure they have the best talent and to help them manage their employees’ time. With smart phones giving the boss access to their staff 24/7,



Architects IKM designed its own offices to make virtually all of the space serve the needs of its staff. Photo courtesy IKM Inc.



JLL's new Pittsburgh office has the interior and rooftop lounge areas, where staff meet to collaborate and socialize. Photo courtesy Perkins Eastman. Copyright Sarah Mechling.

the forward-thinking employer creates an atmosphere that fosters collaboration and working at odd hours and in unorthodox situations. In suburban settings, for example, offices with food courts or common tenant lounge space keep employees from getting in cars to leave campus for lunch. Employers are trying to make the office fit into the employee's sense of lifestyle.

"There are two levels to how offices are designed. Certainly, there are amenities that we have been actively designing for building owners like at Nova Place, One Oxford and 525 William Penn Place," says Jeff Young, principal at Perkins Eastman Architects. "There is another level to this for the occupier. That's this idea of home for work, rather than work from home."

Perkins Eastman has designed the tenant fit-outs for Google, JLL, Philips Respironics and is working on SAP's new North Shore home. Young points out that the design for the user is meant to have the worker have an experience that is more hospitality than office. He cites examples of clients that provide amenities that go beyond real estate, such as gourmet food, allowing pets at work or offering haircuts. All of these recognize that employees who view the office as their second home will spend more productive time working.

"I was with a prospective client that provides concierge services to employees during pregnancy. I thought that was really creative. That's something that goes towards retention of employees," says Tim Goetz, managing principal at Grant Street Associates/Cushman & Wakefield. "Amenities are important but they have to

be cost-effective. Most landlords today have a fitness center and conference room. Sophisticated users expect these kinds of services if they are paying market rate in a quality building."

Goetz jokes that he qualifies to be considered an experienced observer of real estate trends ("by that you mean old") and says that companies are scrambling to meet the needs of so-called Millennials. He admits that he wasn't an early convert to the trend.

"We're seeing it with our employees that are younger. They think differently from older generations," he says. "You can ignore it but that can hurt. If one of your people is getting good experience and has a good name, someone will come after them."

Scalo sees the desire for amenities as an extension of society's fixation on luxury, high quality and sustainability. Younger people use social media to share their interesting and cool experiences and make even mundane activities seem special. He's seen a change in how businesses and non-profits entertain and raise money because of the sea change in how the next generation expects to experience those activities. Scalo shares Goetz's belief that ignoring the paradigm shift has negative consequences.

"There is still a generation of leaders that is older, that doesn't buy into this. I still see companies where the culture is to keep your head down. Work. Don't have fun," he observes. "Those organizations will struggle. I think companies will eventually get there but some will get there sooner than others."

The impact of real estate on employee

attraction and retention is not theoretical. Adamski tells of a client that made a big entry into Pittsburgh several years ago, claiming that it was going to hire 500 people. Because most of the workers were in customer service functions, the company looked to find the lowest rent it could. The company had difficulty attracting employees that would do the work and closed the office two years after opening.

"I told them they got a great real estate deal but a bad business deal," says Adamski.

The lessons of technology companies would have been useful to that client. Many of the positions in emerging technology companies aren't glamorous. Employees may spend days grinding away at a terminal coding or working on details of a problem. There are significant customer service or call center activities. Tech companies create environments that offer distractions from the mundane work. Mundane work in a mundane setting has never been attractive but in today's market, where salary isn't among the top three concerns for younger workers, such a setting can be a human resource nightmare.

"With technology allowing people to work remotely, the trend swung too far," explains Young. "Employers are looking at ways to re-engage employees at the office. You don't do that with a fitness center or a swimming pool. The name of the game is choice, particularly for this new generation. They learned to work on a couch with a laptop propped up on their knees."

Pittsburgh has seen its urban core revitalized in part because of a larger trend towards urbanization, a trend that isn't solely the result of Millennial



Spaces for employee interaction and collaboration have replaced paneled conference rooms and law libraries at Burns White's new 3 Crossings offices. Image courtesy Burns White.

worker preference. Throughout the country, suburban corporate campuses are being abandoned in favor of urban headquarters. Here in Pittsburgh, the difficulty of attracting young talent to communities like Latrobe, Murrysville or West Mifflin is behind the urban office searches of Kennametal, Philips and Bombardier. That urban shift has shifted the perception of what is "downtown" in Pittsburgh, expanding the urban center to include The Strip District, Uptown and the North Shore. Talent is attracted to locations where live/work/play is possible. That, in turn, puts new demands on landlords to expand the amenity offerings.

"Corporations want to be near the universities for recruitment and retention," Scalo says. "In addition to being near the universities – and this is why there is the trend towards urbanization – corporations also understand that the amenities are important outside the building. The lifestyle outside the building is important."

"We're starting to see companies transition to more outdoor amenities," observes Jason Stewart, executive vice president, director of Agency Leasing for JLL. "Pittsburgh's downtown is surprisingly tight so only a few buildings can get away with much outdoor space. Most have to do it with rooftops or plazas."

JLL's offices in Tower Two-Sixty include an outdoor meeting and entertaining space on the 12th floor rooftop. The space gets wider daily use by JLL's employees to brainstorm with peers or to give clients a different environment to have a mundane meeting about real estate. Adamski says that the change in venue from 535 William Penn Place – where the narrow

floor plates didn't allow for much daylight – has had a marked impact on how JLL's staff acts and on its hiring plans.

"You have to create an environment that makes people want to come into the office," he asserts. "At 525 William Penn nobody wanted to go into the office. Even on a sunny day it felt like it was February. It's just the opposite here. We committed to hiring a certain number of people in three years because of a subsidy we received. We accomplished that in one year."

Not surprisingly, those that have adopted the concept of creating better, more efficient spaces to work are finding that there are financial benefits in addition to workforce attraction. Scalo says that the improvement in his employees' productivity is measurable. JLL has seen a marked increase in the level of interaction among its employees. Users of office space have been voting with their wallets, showing a willingness to pay more for better product.

Stewart did a study of the top 15 new Pittsburgh office deals in 2016. Researching the reasons behind the final decision-making, Stewart found that 13 of the deals were signed because the user perceived they were going to a better building or a more desirable location. Most of the winning locations weren't the lowest rate and most exceeded the allowance for tenant improvements on the construction of the space. The takeaway: clients will pay more to get what they want.

Dan Delisio, principal and owner of NEXT Architecture, has been designing offices for three decades. NEXT has been involved with numerous corporate

tenant buildouts, and Delisio notes that what clients are asking for has changed significantly over the past five years or so.

"Back then it was, here is the program; here is the number of employees; the community space was probably a kitchen and a conference room. It was cookie-cutter," he explains. "I would say 85 percent of the people we work for today view their space as a way to attract employees and keep talent."

JLL has developed what it calls the "3-30-300 rule" to explain this market shift. The rule of thumb says that users pay \$3 per square foot for expenses; \$30 per square foot for rent; and \$300 per square foot for labor. While most companies focus on getting the best rate deal possible, they should instead be considering how the space they occupy impacts their workers.

"Everyone focuses on driving that \$30 per square foot down to \$29 but if they end up in a building that has inefficient space, that wastes their employees' time, how much money are they wasting?" asks Adamski.

Scalo believes that tenants are beginning to look at their real estate as an extension of the human resources department. He also feels that the payoff for the investment in great space isn't just winning the talent game, but in the results that the talent produces.

"I see the value of doing this as threefold. First is recruitment; second is retention; the third is productivity," he states. "If I took our organization back to where we came from, which was a conventional office ten years ago, we would have a productivity dump." DP

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The most-watched metrics of the economy – unemployment, job creation, consumer spending, housing starts, et al – continue to reflect solid conditions as the third quarter of 2017 gets underway. At the margins, however, there are signs that the lengthy – if unspectacular – recovery is waning.

At the end of July, the Bureau of Economic Analysis (BEA) released its first estimate of gross domestic product (GDP) for the second quarter. From April through June the U.S. economy grew by 2.6 percent. That pace is not robust but showed that the activity in the U.S. had reverted to the levels that had been expected. The July 28 report also updated the final estimates for GDP in the first quarter to 1.4 percent and to 1.5 percent for all of 2016. The output was in line with economists' forecasts for the second quarter, as consumer spending rebounded to a 2.8 percent increase while business investment stayed positive at 2.2 percent growth. An 8.8 percent jump in the latter category during the first quarter – driven by the anticipation of a pro-business agenda from the Trump Administration – raised concerns that there would be a pullback in the spring, which did not occur.

One week after the GDP release, the Census Bureau announced that employment grew by 209,000 jobs in July. That surge pushed total employment in the U.S. to a record 153.5 million and dropped unemployment to 4.3 percent. Despite the tight labor market, wages grew by 2.5 percent. That pace remains consistent for about the past year, outstripping inflation by half a point but not rising as unemployment reaches new lows.

"Growth in household spending, which was weak earlier in the year, has picked up in recent months and continues to be supported by job gains, rising household wealth and favorable consumer sentiment," Federal Reserve Chairwoman Janet Yellen told Congress at her semi-annual report on July 12. During her testimony, Yellen reassured lawmakers that the Fed would continue its path towards normalizing rates slowly

and unwinding its balance sheet, but with an eye towards reducing the impact of those initiatives on the economy.

The Federal Reserve Bank's quarterly survey of its 12 districts – the Beige Book – found that economic activity had improved across all its regions. Fed districts reported that activity ranged from light to moderate but all responded with expectations of modest to moderate growth in the coming months.

A Commerce Department report on August 4 showed that retail sales decreased 0.2 percent in June from the prior month, marking the second consecutive month of slight declines. Retail sales fell 0.1 percent in May. It was the first back-to-back sales drop since July and August 2016. Retail sales rose 3.9 percent in the first half of 2017 compared with the same period in 2016, outpacing the recent trend for consumer-price inflation. Most economists were not concerned about the drawback in May and June, although there has been erosion in consumer confidence during the recent quarter.

One potential explanation for the cooling of consumer spending may be found in the consumer credit trends, which are reflecting a slowdown in supply and demand. The American Bankers Association survey of lenders for the third quarter found that willingness to make loans had fallen again, although the response still showed 7.4 percent positive sentiment. At the same time consumer demand is also falling, with demand for auto loans and credit cards plunging 9.2 percent and 6.9 percent respectively. Both trends are consistent with expectations for the latter stages of a business cycle. Indeed, the slight uptick in credit card and auto loan delinquency that has occurred this year is also an early indicator of an aging credit cycle.

Compared to the most recent two credit cycles, however, the consumer's balance sheet is much healthier. Debt ratios for U.S. households are at the lowest levels since the early 1980s, an indication that consumers are wary of the kind of leverage that triggered the 2008 financial crisis. Lenders also seem

to be tightening standards slightly to avoid the kinds of defaults that they experienced a decade ago.

Bankers have also seen a steady decline in business loan demand since the 2014 peak. The survey of bankers looking to the third quarter turned slightly negative again, meaning more lenders were seeing decline than growth. This trend seems more likely to be tied to acceptance that economic growth is stuck in the range of two percent or so, regardless of presidential promises of expansion of three percent or more. The steadier and slower pace of growth reduces the need for capital used by businesses to expand plant and equipment.

The credit trends are noteworthy for two reasons. First, the slowing supply and demand for credit is a buffer against rising delinquency as interest rates rise. While the Fed has been explicit in its plans to lift rates gradually, even small increases in interest rates can place stress on marginal credit loans. Second, the trends are consistent with the behavior of borrowers and lenders at the end of a credit cycle. Data from the past few cycles show that when patterns like the current ones existed, a downturn followed. Against that historical backdrop, however, there are other factors that suggest a recession is not imminent.

Unlike in 2008 or 2000, there are no asset bubbles that are encouraging overleveraging by borrowers or overextending credit by lenders. Home prices are rising faster than historical norms but that is a result of a shrinking inventory of homes for sale. Market forces will likely correct that slight anomaly within the next year or so. As mentioned above, household balance sheets are strong. Stock market prices remain resistant to correction. Inflation is rising but at a slower pace than wages. And the tight labor market makes job security more certain.

For business, the environment is equally supportive. Corporate earnings remain high and cash reserves are at record levels. A persuasive argument can be made that it is cash hoarding that has kept the economic recovery from its

normal arc. While it would boost the economy further if some of the trillions of dollars held by corporations were invested, rather than held, the cash on the sidelines is a hedge against a slowdown. The first six months of the new administration have been chaotic on many levels but one area where President Trump has made progress is in business deregulation.

Further support for the business cycle should also come from improving economic conditions abroad. As the U.S. economy regained its health during this decade, the conditions in Europe and the so-called BRIC countries floundered. The energy-dependent nations, like Russia and Brazil, continue to struggle but the economic conditions in the European Union have brightened. Growth in the EU is expected to top one percent in 2017. China's slower pace of growth since 2015 was reversed during the first quarter. There is downside risk of trade wars from the Trump Administration's nationalist policies but even without more favorable

trade agreements – which may be negotiated – the healthier global demand should add to U.S. exports.

In short, the age and metrics of the eight-year-old recovery portend a better chance for slowdown but the market conditions are ripe for continued expansion. It seems likely that it will take a seismic political event or an economic imbalance that is thus far unforeseen – such as an unexpected spike in wages or other inflation – to move the U.S. economy off its current trajectory.

In Southwestern PA the major drivers of the regional economy remained strong during the first half of 2017.

The regional employment picture improved significantly in June. The Bureau of Labor Statistics reported on July 21 that total non-farm employment was 1,085,500 in June 2017, an increase of 1.3 percent over June 2016. That job growth rate lagged most of Pittsburgh's benchmark competitor cities, however. A separate

report on July 25 found that Pittsburgh technology jobs had increased by 13 percent year-over-year, confirming what the demand for space from technology-focused companies suggested.

July's unemployment report from the Pennsylvania Department of Labor & Industry showed a decline in unemployment to 5.1 percent year-over-year. The sources of the decline were evenly split between a decrease in workforce (7,800) and a decline in unemployed (7,400).

In addition to the improvement in the employment picture, the housing market continues to add strength to the Southwestern PA consumer. The RE/MAX National Housing Report on conditions in residential real estate at mid-year found that Pittsburgh homeowners were seeing similar dynamics to the overall U.S. market. RE/MAX reported that declining inventory of homes for sale helped push the average home price in Pittsburgh up five percent from May to June, to

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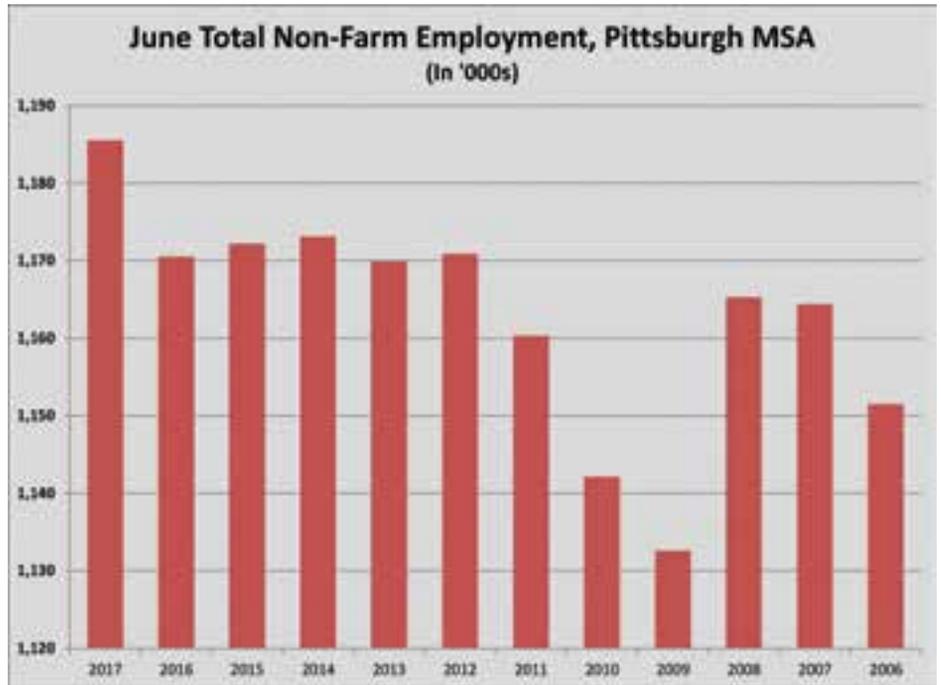
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\$168,000. Within the metropolitan area, the median home price was up 3.1 percent but sales data showed that there was a significant variation from county-to-county performance.

The median sales price in Allegheny County jumped 6.1 percent; in Westmoreland prices rose 7.1 percent; and in Beaver County the median price rose eight percent. The sluggish natural gas industry was still having a negative impact on Washington County, where prices slipped 7.7 percent. Increased activity in the Marcellus Shale play is expected to reboot hiring in the gas play, which should increase the velocity of sales in Washington again.

One storm cloud overhanging the Southwestern PA economy is the continued fiscal standoff in Harrisburg. As in the past years of the Wolf Administration, the passage of a clean budget for the Commonwealth did not occur in time for the start of the fiscal year. Unlike in 2015 and 2016, the



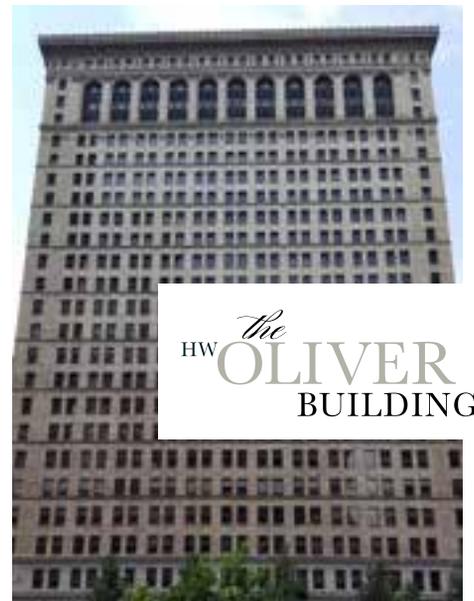
Employment in Pittsburgh reached another all-time high in June, climbing 1.3 percent year-over-year.

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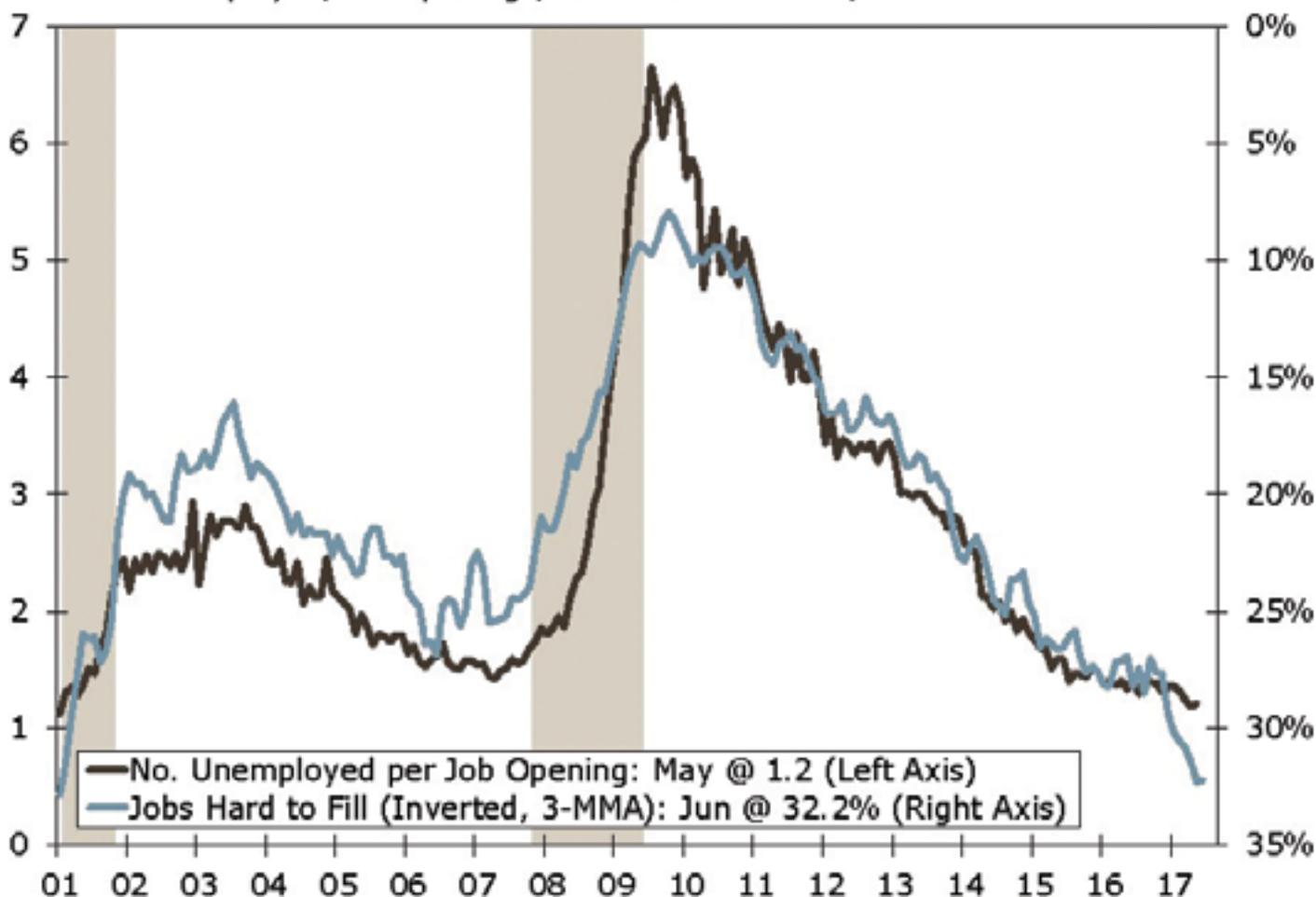


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Labor Market Slack Vanishing

Unemployed/Job Openings, Small Businesses w/ Positions Hard to Fill



The number of unemployed per job opening has fallen from more than 6.5 to 1.2, while the share of jobs considered "hard to fill" has risen to almost 35 percent. Graphic by Wells Fargo Securities Economics Group.

governor and the legislature came to an agreement on the 2016-2017 budget prior to July 1, but not on the enabling revenue legislation. Republicans and Democrats remain divided on how to close the \$2 billion gap between the expenses that were passed and the revenue needed to balance the budget.

Legislators took their customary summer recesses without reconciling this revenue shortfall, meaning that the first quarter of the current fiscal year budget will likely end before an agreement is reached. That scenario shouldn't immediately imperil day-to-day operations of government and publicly-funded agencies but the dysfunction will add

uncertainty to both public and private sector projects that have state funds as part of the financing package.

On balance, the seeming inability of government to function efficiently should be just a minor drag on the economy, whether at the state or federal level. Few, if any, levels of the public sector are adequately funded to add significantly to GDP through investment or hiring. The most persistent drag on the economy at this point in the cycle is the shortage of qualified workers throughout the economy.

The latest reading on openings nationwide found 5.7 million unfilled

positions in the U.S. Were those positions filled, the number of unemployed would fall to 1.2 million or 0.7 percent. Similarly, there were just under 30,000 open positions listed on ImaginePittsburgh.com as of August 7. Filling those openings would leave the unemployment rate at 2.3 percent in Pittsburgh, a level that is lower than full employment. Those gaps locally and nationally are due to mismatched skills between the unemployed and the open positions. The inability to fill critical positions impedes the expansion plans of businesses, which ultimately limits output and GDP. Until there is a significant shift in economic demand, the limitations on hiring will likely be a limitation on growth. [DP](#)

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Pittsburgh Economy

Through the first half of 2017 the Pittsburgh market economy has remained stable and well positioned for future growth, but not yet accelerating as expected or improving at a rate comparable to many of our peer cities across the country. While the city's long-standing trend of annual population loss over successive decades has largely been neutralized in recent years, these gains have been only slightly positive, held in check primarily by nominal new job growth creation and modest income and wage increases. Strong employment levels in the financial, medical and educational sectors continue to support the region's stability while the potential for more noticeable economic growth in the future still rests with the advancement of the technology, oil and gas and advanced manufacturing sectors.

Pittsburgh Real Estate Market

The commercial real estate market in Pittsburgh continues to outperform the overall economy with the new development, conversion and repositioning of real estate assets taking place across nearly all property types in the Central Business District (CBD), Greater Downtown ("Fringe") and certain "inner city" submarkets. With the exception of the North Suburban market, which continues to realize increased activity, development in the Eastern suburbs remains stagnant while development and overall transaction activity to the West and South is still in a "pause" mode due to the extended period of distressed pricing on oil and gas and related by-products.

CBD Office

Vacancy in Pittsburgh's CBD increased by 170 basis points (bps) year-over-year to 12.9 percent at mid-year 2017. Class A asking rental rates remained stable, on average approaching \$30 per square foot on a full service

gross basis. A number of high-quality blocks of sublease space were absorbed in lieu of higher-priced space available directly from landlords – a trend that is also emerging in certain suburban markets. Notable subleases included Evoqua Water Technologies committing to 54,000 square feet at K&L Gates Center, with RoadRunner Recycling, Industrious and SDLC Partners each leasing one full floor (a total of 70,000 square feet formerly occupied by the Kraft Heinz Company) at One PPG Place.

Also Downtown, the Union Trust Building, upon completing a high-quality renovation and historic preservation program, signed a number of leases with law firms, such as Frost Brown, Marshall Dennehey, Blank Rome and Pepper Hamilton, totaling 121,000 square feet. Buchanan Ingersoll, one of Pittsburgh's largest law firms, also announced that it will be relocating its long-standing tenancy and "headquarters" office from One Oxford Centre to the Union Trust Building in late 2019, where it will occupy nearly 150,000 square feet. The Buchanan Ingersoll transaction along with these other relocations continue the trend of law, accounting and other professional service firms adopting more efficient occupancy measures – including more open, collaborative, and shared work areas, resulting in lower space-per-employee ratios, reduced footprints and occupancy costs.

PNC Financial Services Group opened its new headquarters building comprised of 800,000 square feet, which is owned by PNC and fully occupied by the bank's employees. The residual effect will be felt in several CBD properties. One such example is at 20 Stanwix Street where PNC will reduce its leased footprint and vacate 100,000 square feet by the end of this year. This space will be returned to the competitive market and add to the overall vacancy in the CBD. At 600 Grant Street, US Steel will consolidate its leased premises by nearly four full floors or 160,000 square feet, while extending its lease for 10 years on 265,000 square feet for its world headquarters office.

Pittsburgh Fringe and Core Submarkets

The Strip District remains the most active "fringe" submarket, with nearly one million square feet (msf) of proposed new development and office-space conversions set to deliver in 2018-2019. Demand is driven by the expanding technology sector, software engineering, artificial intelligence and robotics companies primarily serving the development of autonomous driving vehicles. Companies such as Uber and Argo AI have already established a presence in this submarket and other competitors along with supporting vendors are sure to drive additional demand for space. Other Strip District sites that are the focus of planned new development are the nearly four-acre property located at 2300 Smallman Street, which is controlled by Rugby Realty, as well as 1600 Smallman Street, which is an office conversion project sponsored by McCaffrey Interests out of Chicago for 140,000 square feet.

Proposed new development in Lawrenceville includes an approximate 80,000 square foot office building scheduled to break ground by year end as part of the mixed use Foundry at 41st Street that will deliver occupancy late in 2018.

The Near North Shore development led by Continental Real Estate announced that they have secured SAP as the anchor tenant for their last river-front office building comprised of 187,000 square feet. SAP will be leasing 80 percent of the building with occupancy scheduled for mid-2019. This relocation will create a 108,000 square foot block of available space (six floors) in K&L Gates Center at 210 Sixth Avenue, space formerly occupied by predecessor companies to SAP, Ariba and FreeMarkets.

The Oakland market continues to be the tightest of all submarkets, with a vacancy rate of only 2.8 percent. As a result, the landlords of Class A product are able to retain existing tenants with full service rents in the range of \$27 to \$30 per square foot. The last significant

block of newly constructed Class A space in the Oakland "core" was recently leased by Royal Philips, as they have secured an entire 14,000 square foot floor at Schenley Place for divisions of the former Respironics Company, now owned by Philips. Oculus and the University of Pittsburgh also lease space in the building, which is now 100 percent occupied.

A little further east, Walnut Capital announced that their recently completed Bakery Square 2.0 office is fully leased with tenants that include Google, Autodesk and Regus. The rental rates, reported to be in the mid-to-high

\$30's per square foot range, represent the highest to be achieved for newly constructed office space in the region. Plans are now underway for Bakery Square 3.0, which will encompass in excess of 200,000 square feet of office space for delivery in mid-2019.

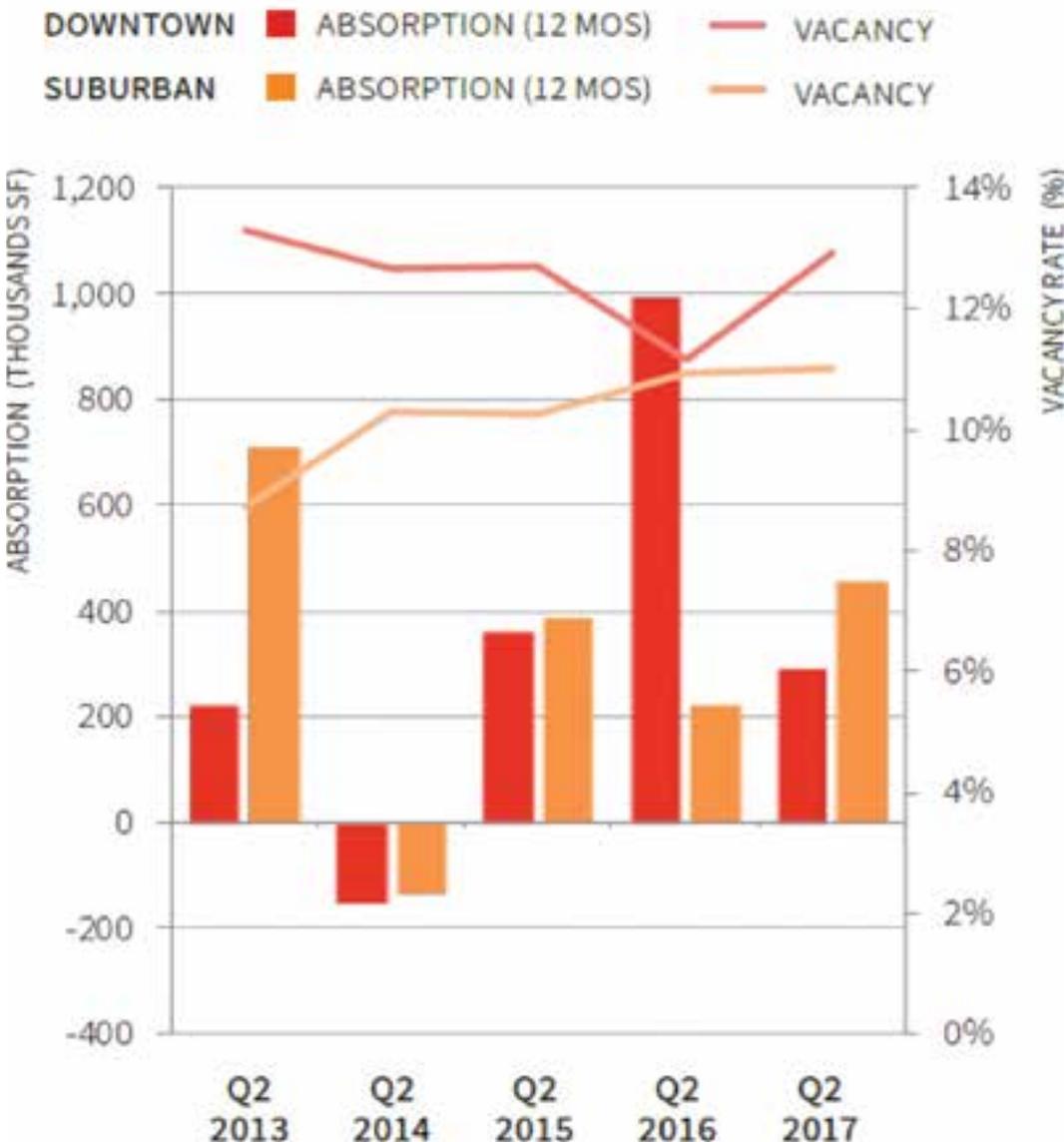
Suburban Markets

In the suburbs, the Parkway West and South submarkets continue to encounter headwinds due to rising sublease availability. In Southpointe, significant blocks for sublease will likely result from EQT's proposed acquisition

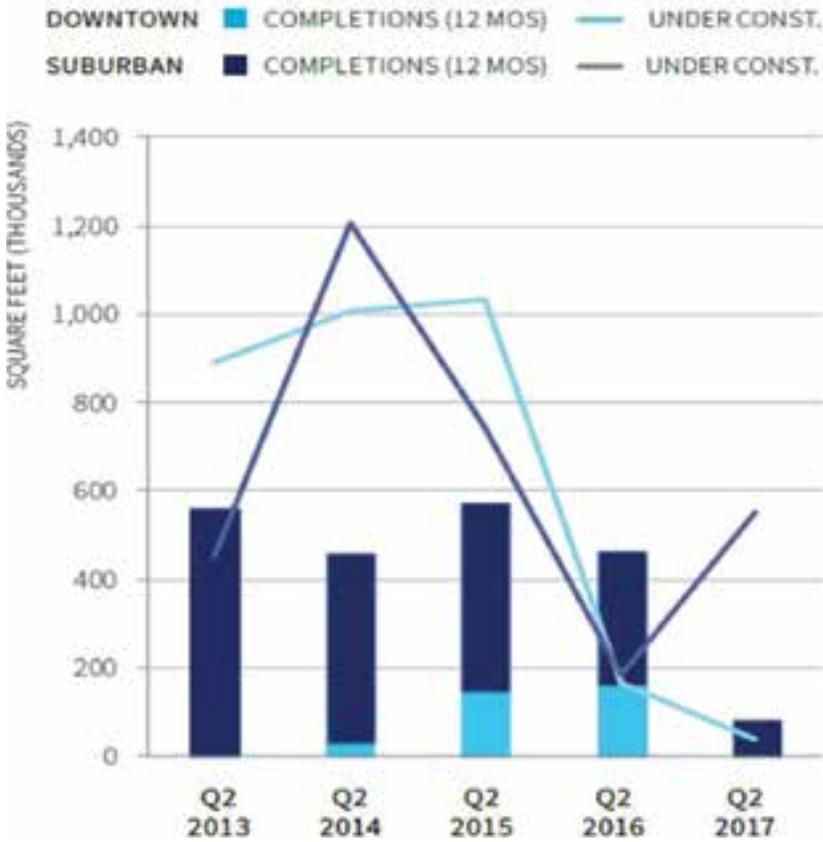
of Rice Energy. Noble Energy's sale of its oil and gas holdings in the region brought 135,000 square feet to market earlier this year. The vacancy factor along the Parkway West corridor now stands at 12.4 percent. In the Northern Suburbs, it is noteworthy that in March, Westinghouse Nuclear Energy filed for bankruptcy protection. The company leases more than one million square feet of office and R&D space in the North Suburban submarket, some of which is already under-utilized due to significant job losses. Westinghouse is expected to emerge from its reorganization plan late this year or very early in 2018 and will most certainly employ fewer people in a substantially scaled-down footprint.

The remainder of 2017 will be viewed with caution by owners and developers of office properties as they weigh the impact of pending policy and regulation changes that have delayed corporate hiring and capital expenditures. Users and occupiers of significant office facilities may elect to take advantage of this opportunity by right-sizing and upgrading their office premises while locking in reasonable and stable occupancy costs for the longer term. [DP](#)

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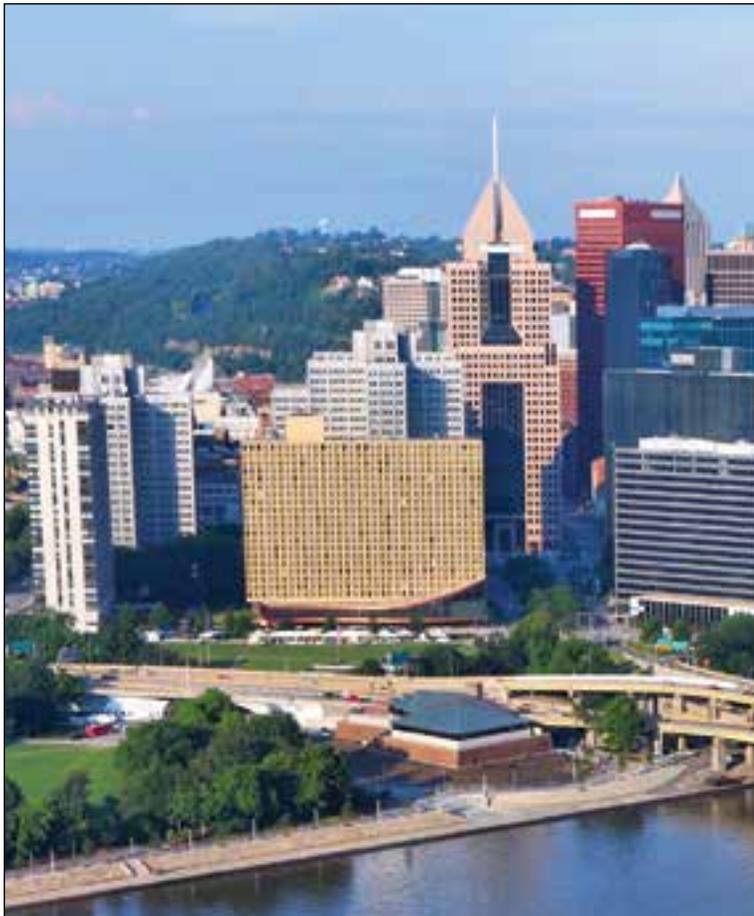
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The greater Pittsburgh industrial market continues to demonstrate that it is alive and well. For the sixth straight quarter we have posted a vacancy rate, which is measured across all product types, of 5.8 percent or less. The second quarter of 2017 finished with a vacancy rate of 5.5 percent which is down two basis points from the first quarter. This combined with positive absorption in all but one of the previous twelve quarters is an illustration of the steady appetite for quality industrial product within the six counties comprising the Greater Pittsburgh Industrial Market, (Allegheny, Butler, Washington, Beaver, Westmoreland and Armstrong).

Total market inventory is currently calculated at 183,039,095 square feet which is comprised of 159,039,095 square feet of warehouse / light manufacturing and 23,311,540 square feet of flex. Average asking rents at the end of the second quarter were \$5.29 and \$11.66 per square foot respectively. The vacancy rate for the warehouse / light manufacturing posted a 5.1 percent which is barely edged out by 4.7 percent in the second quarter of 2016 for the low water mark since 2006. The flex market is at 8.2 percent which is still a healthy vacancy level but higher than the warehouse market due primarily to the willingness of the development

community to speculate with this product type. The takeaway from these stats is, that we are, and have for quite some time, been at historical lows in these categories. Real world translation means that identifying quality options for users seeking space, particularly in the warehouse/light manufacturing realm, has been a challenge.

Submarkets who qualify as shining stars with respect to demand continue to be centered around I-79, I-76 and I-376 i.e. highway accessibility. The north and west, are by far and away the submarkets that are most sought after by companies seeking to relocate within

Total Industrial Market Statistics

Mid-Year 2017

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Armstrong County Ind	52	2,030,548	36,600	36,600	1.8%	(14,115)	0	0	\$6.41
Beaver County Ind	245	11,780,567	407,382	407,382	3.5%	25,258	0	0	\$4.26
Butler County Ind	371	15,015,138	761,121	791,563	5.3%	(49,530)	41,125	32,000	\$5.67
Greater Downtown Ind	505	14,353,240	620,000	620,000	4.3%	(14,239)	0	0	\$6.53
Monroeville Ind	101	2,583,982	132,168	132,168	5.1%	141,820	0	0	\$9.87
North Pittsburgh Ind	584	17,777,941	429,092	451,547	2.5%	429,613	0	0	\$5.83
Northeast Pittsburgh Ind	473	17,463,151	360,745	360,745	2.1%	86,376	10,000	0	\$9.72
Oakland Ind	28	403,132	0	0	0.0%	0	0	0	\$3.00
Parkway East Corridor Ind	466	14,173,953	585,423	585,423	4.1%	18,606	0	0	\$4.93
Parkway West Corridor Ind	304	9,938,859	750,465	750,465	7.6%	194,406	140,000	73,920	\$7.79
South Pittsburgh Ind	708	18,457,517	607,757	607,757	3.3%	(271,531)	0	0	\$5.52
Washington County Ind	366	13,216,738	1,635,978	1,635,978	12.4%	35,539	14,936	0	\$5.58
West Pittsburgh Ind	358	14,569,868	776,254	776,254	5.3%	198,801	0	289,650	\$5.65
Westmoreland County Ind	611	31,274,461	2,905,871	2,955,871	9.5%	(115,589)	51,500	0	\$4.95
Totals	5,172	183,039,095	10,008,856	10,111,753	5.5%	665,415	257,561	395,570	\$6.13

Source: CoStar Property®

Total Industrial Market Statistics

Mid-Year 2017

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2017 2q	5,172	183,039,095	10,008,856	10,111,753	5.5%	467,764	3	151,500	4	395,570	\$6.13
2017 1q	5,169	182,887,595	10,372,000	10,428,017	5.7%	197,651	4	106,061	6	515,070	\$6.09
2016 4q	5,166	182,816,094	10,498,150	10,554,167	5.8%	371,585	7	585,923	9	547,211	\$5.84
2016 3q	5,159	182,230,171	10,301,932	10,339,829	5.7%	(140,394)	9	691,479	16	1,133,134	\$5.72
2016 2q	5,150	181,538,692	9,470,059	9,507,956	5.2%	1,171,685	4	101,540	19	1,593,177	\$5.76
2016 1q	5,145	181,427,152	10,463,028	10,568,101	5.8%	935,616	7	139,549	22	1,619,794	\$5.83
2015	5,138	181,287,603	11,254,703	11,364,168	6.3%	1,823,175	22	1,703,298	22	859,178	\$5.64
2014	5,116	179,584,305	11,365,216	11,484,045	6.4%	2,005,839	10	413,536	12	799,596	\$5.61
2013	5,113	179,783,200	13,537,715	13,688,779	7.6%	1,148,220	11	286,142	10	861,574	\$5.28
2012	5,103	179,503,458	14,451,557	14,557,257	8.1%	410,042	6	366,281	9	162,113	\$5.30
2011	5,098	180,080,117	15,424,458	15,543,958	8.6%	829,958	12	369,834	5	257,161	\$4.95
2010	5,087	179,729,251	15,902,899	16,023,050	8.9%	1,596,732	7	259,863	6	262,625	\$5.06
2009	5,084	179,629,772	17,437,852	17,520,303	9.8%	(2,698,152)	13	1,259,441	8	343,625	\$4.93
2008	5,072	178,373,086	13,275,551	13,565,465	7.6%	5,510,093	11	567,732	7	363,987	\$4.70
2007	5,057	177,724,444	18,212,921	18,426,916	10.4%	2,438,830	16	920,462	11	364,432	\$4.66
2006	5,038	177,128,568	20,109,666	20,269,870	11.4%	2,143,627	12	444,288	18	752,063	\$4.71

Source: CoStar Property®



percent. Tech Center Drive which is leased to Phillips Respironics and located in Westmoreland County sold for \$17,765,318 or a 6.5 percent cap rate. Both were Class A single tenant buildings with ten plus years of term remaining on the leases. This is a far cry from the record setting rates being set in Tier 1 markets such as the Inland Empire, Chicago, Atlanta, and the Lehigh Valley where they are seeing sub 5 percent rates, but is testimony to the increased confidence investors are placing in the Pittsburgh market.

the Pittsburgh market. Not coincidentally these submarkets are where the majority of speculative development is occurring. To the north, the Sampson Morris Group and Buncher are pushing the boundaries of the Cranberry market by extending development north along Route 19. Sampson Morris Group is focused on flex space with the Century Business Park and Buncher is on the second and soon to be third phase of Jackson Pointe a predominantly warehouse focused park with mixed use elements. The west is seeing both Class A warehouse and flex development albeit in greater quantity and scale due to the availability of developable ground. The Sampson Morris Group is again leading the charge on the flex side with delivery of the McMichael Road Business Park. Gateway Engineers took occupancy of the first of ultimately five planned single story flex buildings in early first quarter 2017.

The amount of recent flex and warehouse speculative development is encouraging as it is a long overdue reaction to the pent up demand and the aforementioned scarcity of product. Neyer Development, Ashley Capital, Chapman Properties and Buncher all are either complete or underway on Class A warehouse projects in proximity to the Greater Pittsburgh International Airport. Ashley and Neyer have built a combined 850,000 +/- square feet of Class A warehouse within Findlay Industrial Park (Ashley) and Clinton Commerce Center (Neyer). Neyer leased the first of their planned two building project to Berlin

Packaging and is under roof on the second 252,000 square foot building. Ashley signed their first tenant for their 316,000 square foot project and has seen continued activity for the balance of the available space. Other notable projects that are in the pipeline at various stages include Buncher with two 100,000 +/- square foot buildings planned for the Findlay Industrial Park and Chapman with a 73,000 square foot multi-tenant flex building in Chapman Westpoint. Castlebrook Development also has plans to build next to the Turnpike Distribution Center at the intersection of I-76 and I-376 in Beaver County. The clearing is underway on the land site that will ultimately accommodate up to three buildings totaling 1,000,000 +/- square foot in size.

The capital markets are looking toward Pittsburgh with increased frequency as an alternative and perceived value proposition to Tier I markets. The industrial sector is generating significant interest although product is scarce. Given the fact that much of the industrial product built has been done so by developers with a long term investment philosophy, there are just not many willing sellers. When product does become available it is trading quickly and at steadily more compressed cap rates. The two latest examples of this are the Neyer Spec building and a build to suit for Phillips Respironics. Clinton Commerce Center (Neyer) recently traded for \$23,650,000 which translates to a cap rate of 6.93

Looking forward, there is cause for ongoing optimism. The primary market drivers remain positive and the conservative nature of the development community protects Pittsburgh from the extreme highs and lows seen in many of the more volatile markets. Admittedly, we have been riding the crest for going on three years and an eventual slowdown is inevitable, but based on current conditions and absent a political landmine (we will allow you to set odds on this), the impact to Pittsburgh should be minimal.

It will be interesting to witness the evolution of what will be the sustainable industries driving industrial development. An article without mention of the Shell Cracker Plant would be remiss but there are other players in the energy sector who are investing significant or even equivalent dollars in the region. These are occurring with slightly less fanfare but the roles that Mark West, EQT, Range Resources, and Schlumberger play in the upstream and midstream are equally critical. The investment in infrastructure in the form of pipelines and traditional transportation modes such as rail and barge is quite literally laying the groundwork for future development.

This is in conjunction with the technology sector and our home grown Eds and Meds which are taking advantage of the intellectual capital being generated by our universities. Additionally, the trend toward a

"just-in-time" delivery model is causing the larger warehouse users to move away from the mega warehouse model and create multiple smaller facilities within closer proximity to their customer base. This bodes well for Pittsburgh which has historically been viewed poorly when competing for larger warehouse users. We are already witnessing an uptick in interest for regional distribution centers in the 250,000 to 400,000 square foot range.

At the risk of closing on a down note, the one issue which has been a consistent impediment to development is the region's availability of well-located and cost effective developable ground. We can't, nor would we want to change the topography that makes Western Pennsylvania so beautiful, but it does pose challenges when designing a pad to accommodate larger users. The good news is that as a region we have begun to recognize this and actions are being taken by the Allegheny Conference as well as several

of the surrounding county industrial development corporations to facilitate development. This forward looking approach will hopefully enable the private sector to deliver sites as well as inventory to satisfy the demand that we believe will continue to exist over the coming years. DP

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(From left) The Colliers International industrial team includes John Bilyak, Raymond Orowetz and A.J. Pantoni.



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It hardly seems like a time of stability in the U.S. when you read the headlines of any newspaper or media outlet. Yet, at mid-year 2017, the economy and the commercial real estate market that responds to it are quite stable. In a dynamic political and social climate, commercial real estate is positively static. For capital markets that's a good thing, especially when the current market conditions are compared to the last business cycle.

Like in 2006-2007, today's real estate market is flush with investors looking for places to get yield. In those frothy conditions, lenders could find buyers for nearly any kind of debt and, therefore, found little incentive to concern themselves with quality. Not so today.

"In 2007 they would lend for a stop sign, if you said there was rent," jokes Mark Popovich, senior managing director and co-head of HFF's Pittsburgh office. "I think the opportunities now exist because there is a lot of capital and not as many deals. Mezzanine debt funds and CMBS (commercial mortgage-backed securities) are chomping at the bit to do deals but, at the same time, we haven't seen them change their underwriting standards. There is a lot of discipline in the market. Ultimately they need to sell the loan or make sure it's taken out [with permanent financing]."

That discipline Popovich describes bodes well for the coming years, especially in the event of a recession or correction in the investment markets. As opposed to ten years ago, commercial real estate seems to be valued properly and loan-to-value ratios are staying below 80 percent. Lenders are buffered against downturns because the properties underlying

the loans have room to decline without triggering defaults.

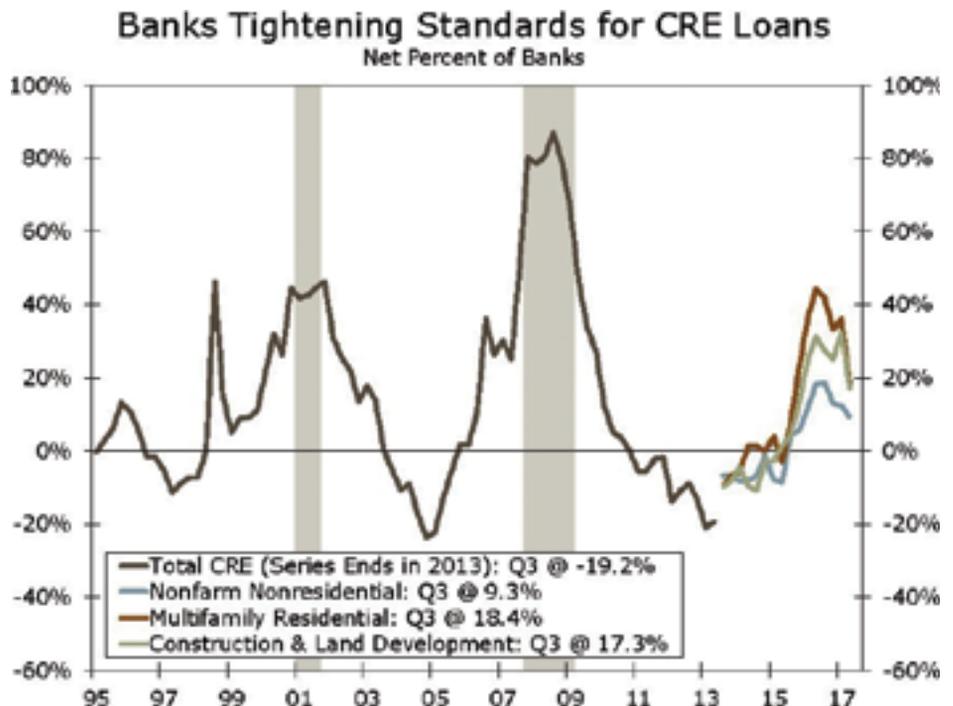
Moreover, one of the big fears about the current economic cycle – rising interest rates – has proven to be unfounded.

As capitalization rates compressed unusually during the commercial real estate recovery five years ago, most observers expressed concerns about the coming days when full economic recovery would push interest rates higher. There were legitimate concerns that rate hikes of 200 or 300 basis points over a short time period would wreck deals and make exit strategies untenable. The U.S. economy has fully recovered in mid-2017; yet, there is little chance that rates will rise

quickly in the coming 18 months.

The election of Donald Trump as president was expected to usher in a dramatically different era for economic and fiscal policy, which markets reacted to almost immediately. Debt and bond investors priced in expectations of higher inflation from increased government spending and expansionist policies, pushing long-term rates higher. The yield curve began to resemble a more normal arc by the end of January, with Treasury Inflation Protected Securities (TIPS) yields rising above two percent.

In the six months that have followed, the inability of the Trump Administration to act on the economic agenda that



The SLOOS survey after the second quarter found that lenders were tightening standards for commercial real estate.



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Trump campaigned on – especially action on tax reform, infrastructure and trade policy – has tempered the expectations of investors. TIPS break even yields for both five- and ten-year Treasury bills were below the levels traded prior to November 8. Investors are now clearly betting that inflation will not increase more than nominally above the current two percent levels. Treasury bond issuances have also fallen as the federal budget deficit declined in the latter years of the Obama Administration, creating downward pressure on yields. Moreover, the tight labor markets will continue to limit the ability of U.S. companies (and the economy) to grow above two percent. Investors seem to be taking all of these factors in stride.

“Trump is going to get a lot of leeway to act. I think anything he might do is baked into the markets now,” predicts Paul Griffith, president of Integra Realty Resources. “Unless he really messes up I don’t see a big response in the markets.”

Inflation is one wild card that could change the markets but inflationary pressures are counter-balancing each other. Slack in the labor markets has all but vanished, with nearly one job opening for every unemployed person. Tight labor has pushed wage growth to 2.5 percent year-over-year but the bump in wages is being counterbalanced by falling prices for energy, gasoline, cellular phone service and retailing. Heightened competition and oversupply should dampen prices in these large sectors of consumption for the foreseeable future. Employers have historically responded slowly to tight labor, which could mean that growth in wages will be greater as the next year unfolds, but few economists see inflation as a problem that the central bankers will need to remedy with tighter fiscal policy.

Taken together, these factors should keep interest rates from rising beyond the 25 basis point bumps that the Federal Reserve Bank expects to impose on its overnight lending rates during most of the next few quarters. Wells Fargo reiterated its forecast of five increases over the next six quarters, a scenario that would leave the Fed Funds rate at 2.25 percent at the end of 2018, while the ten-year Treasury is expected to remain below three percent.

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Stable interest rates are good news for the life insurance companies and for the CMBS market. Life companies would benefit from having higher yields on non-real estate assets but since the insurance industry has steadily upped its allocation of commercial real estate lending, an abrupt rise in rates would leave the industry over-weighted in long-term loans with low rates.

CMBS has begun to experience more difficult years since 2016 but, compared to the dire forecasts for this period, the performance of loans has been solid. The delinquency rate in June edged up to 3.19 percent, its highest level since December 2015 and 33 basis points higher than a year ago. The root of the rise in delinquency rate is the maturing of many loans from 2006 and 2007, the peak of issuance for commercial mortgage-backed securities. But the delinquency rate is hardly a source for alarm. For perspective, the post-crisis delinquency rate low was 2.76 percent in February 2016.

In its June CMBS Surveillance Maturity Report, Morningstar Credit Ratings noted:

While the delinquency rate could inch higher, Morningstar believes it is near its peak, as there are fewer CMBS loans left that we expect to default at maturity, resolutions remain high, and issuance has picked up, which would increase the denominator for calculating the delinquency rate.

Looking forward, the main area of continuing concern for CMBS performance is the balance of the 2007 loans that will mature. More than 45 percent of those issuances include loan-to-value ratios of 80 percent or higher (20.3 percent exceed 100 percent LTV), which could make refinancing difficult. Observers note that these leverage ratios have been consistent during the past 12 months and expect that the ultimate performance at maturity won't decline from here.

Banks generally are reporting excess liquidity and more pressure to lend than not, but concerns about late-cycle credit worthiness and lower loan demand are producing a tighter credit environment. As interest rates creep higher, demand for refinancing existing loans has dried up in most major categories. This kind of trend



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has in the past led to frothier conditions but the most recent Senior Lending Officer's Opinion Survey (SLOOS) found the opposite to be true. Senior loan officers at 76 U.S. banks and 22 U.S. branches of foreign banks reported that lending standards tightened during the second quarter on all three loan categories.

On net, 17 percent of banks reported tighter standards for multi-family and construction and land development loans. More than nine percent reported tighter standards for other commercial real estate properties. Respondents to the first quarter reported concerns about cap rates, real estate prices, regulations, and reduced risk tolerance. Those concerns appear to be influencing credit standards for the balance of 2017. Many of the senior loan officers cited increasing spreads, lower loan-to-value ratios and higher debt coverage ratios as the vehicles for tightening standards.

Stable global capital markets benefit micro-markets too. For a regional market, like Pittsburgh, there are always variations that impact financing. Pittsburgh's real estate news has been almost uniformly positive but there are some fundamental issues that dampen financing conditions.

Even as Pittsburgh's commercial real estate market seems to be in a heyday, there are still signs that the region lags many U.S. markets. Investors have certainly turned their eyes – and capital allocations – towards Pittsburgh. Of the last 20 major transactions in the city, 18 have had out-of-town buyers. But the perception of investing in Pittsburgh properties is that the market is steady and dependable, not growing. That shows up in the cap rates for Pittsburgh deals, which are well below gateway cities and some 50-to-80 basis points behind comparable cities like Nashville and Austin. That limit on cap rate compression puts more pressure on deals in Pittsburgh.

"The fundamentals of the Pittsburgh market aren't keeping up with the headlines. We're not Nashville or Austin, even though we're in that category," says Popovich.

"With higher capitalization rates than the larger and more main stream Tier I markets it becomes more difficult to generate sufficient investment yield to

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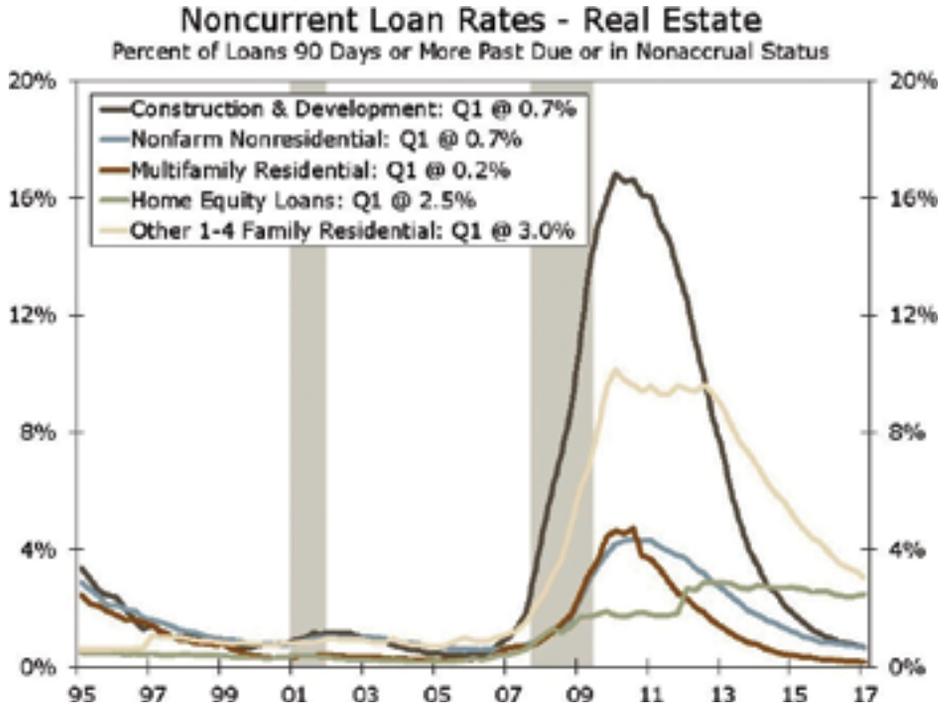
attract large institutional investors,” observes Steve Guy, CEO of Oxford Development. “The impact of higher capitalization rates is lower valuation that results in lower leverage and the need to increase equity investment; the combination conspires to reduce yield and makes attracting equity capital more difficult”

Pittsburgh properties create lower yields but cap rates could be compressed because of other factors. Guy makes the point that investments aren’t made just for yield but also for capital preservation.

“Cap rate compression is the long-term investor’s impression of a market. Investors look at the long-term potential of markets,” he says. “Pittsburgh’s cap rates are very good, excellent compared to history. But that’s more a reflection of the national trend or, really, the global trend in cap rates.”

“When out-of-town guys look at a market they look at job growth and population growth. That’s the big picture,” says Griffith. “Then they drill down into the details to estimate rent growth. If there isn’t growth in rent or population it’s hard to justify rent growth.”

This calculus has a dramatic impact on



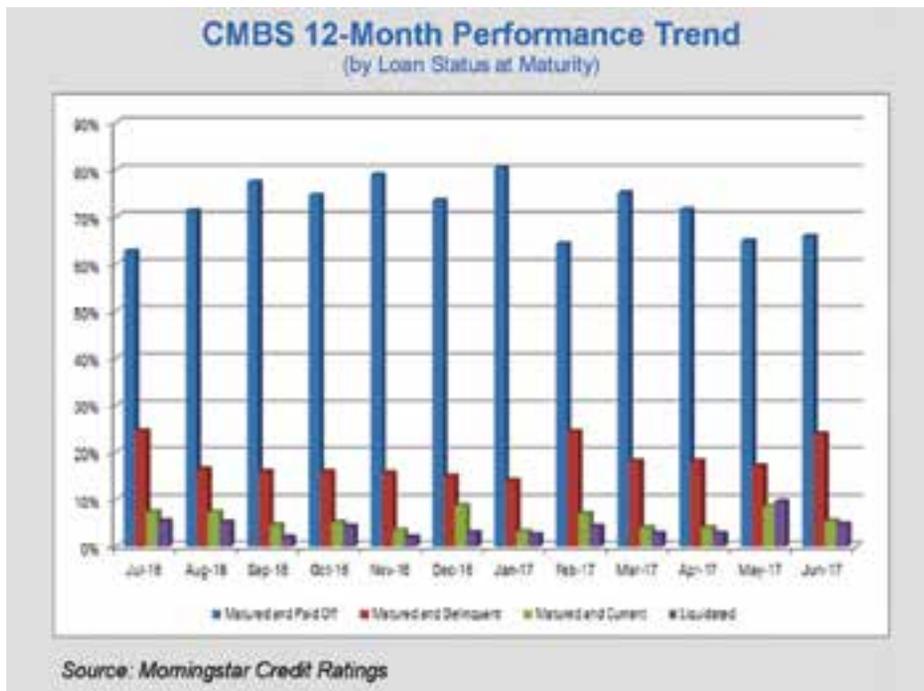
The downward trend in noncurrent loans has continued in the first quarter of 2017 for all categories except home equity loans. Source Wells Fargo Securities.

the cap rate that investors are willing to accept in a market. The market-level calculation for cap rate is pretty straightforward, if a little wonky. Investors expect the discount rate (which is the same in all markets) to equal the rate of change in

income plus the cap rate. If the discount rate is eight percent and the growth rate is three percent, the cap rate will be five percent. If the growth rate is expected to be one percent, the cap rate will be seven. With a population that is still declining or stagnant and job growth that is less than one percent, Pittsburgh isn’t going to be perceived as a market with a high rate of change.

“In markets where the long-term viability looks secure, investors will compress cap rates. Pittsburgh is stagnant in job growth and population. What’s the perception of viability for a market without growth?” asks Guy.

That low-growth is also having an impact on the level of interest from debt funds and institutional investors looking for higher returns. Debt funds emerged to take the place of CMBS after the crash of that market in 2008. Typically looking for projects or properties that won’t be on their books for more than three-to-five years, debt funds have made few inroads in Pittsburgh because of the low deal volume and the aggressive approach of Pittsburgh’s banks. Debt funds can also act as mezzanine lenders but, again, the shortage of value-added projects with



Source: Morningstar Credit Ratings

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rapid growth makes it difficult to rationalize. The same is true for institutional equity.

"There's plenty of 'friends and family' equity in this market looking to partner with developers on projects. Institutional equity is out there but it's harder to make the numbers work in Pittsburgh because [those investors] want to be out in three-to-five years and want two-times their equity," notes Popovich. "That's tough to find in Pittsburgh. We don't have a high volume of value-added or adaptive re-use projects; and the development deals are pretty thin between the cost of development and the value of the property when it's complete."

Of course, the relatively low transaction velocity also means that Pittsburgh property owners and developers have a lower demand for capital in aggregate. Developers, including Oxford, report that there is ample debt and equity to service the market as it currently exists. One trend that is appearing is a shift in property focus.

"We have our pool of equity to deploy and are actively looking for deals but there is no shortage of money chasing deals," explains Tyler Noland, chief operating officer for PenTrust Real Estate Advisory Services. "Equity is drying up a bit for hospitality and multi-family. In the right location and for the right developer both are getting financed but, both on the debt and equity side, I think there is a bit of a pullback on hospitality and multi-family from investors and lenders."

Hotels and apartments have experienced a boom of sorts during the past five years. Hotel construction was spurred by the demand from the Marcellus Shale exploration and, later, by the revitalization of the Downtown and East End neighborhoods. The fundamentals of the hotel business have declined noticeably over the past year and construction of new properties has chilled.

Apartments were driven by a decade of under-supply and changing demographics. While it may seem as though there were apartments going up everywhere, the projects were confined to a few sub-markets and the overall new volume was only about 1,000-1,500 more units than average per year. Fundamentals in that segment softened late in 2016 but have rebounded since spring – especially in the city proper – and developers have begun to look at another wave of projects to open at the end of the decade. For now, however, lenders and investors are becoming more interested in financing places for people to work.

"Our market studies have shifted from multi-family to office. It seems we're in a cyclical change from one product to another," notes Griffith. "The office market is being driven by the tech companies. As long as the tech companies continue to add to employment, these office projects should do well." DP

VOLUNTARY MUNICIPAL DISINCORPORATION:

Another Tool in the Toolbox

Developers coming from outside Pennsylvania to build new facilities in Pittsburgh are almost always taken aback at the fragmented municipal makeup of Western PA. Allegheny County has 130 separate municipal jurisdictions, for example. In most other states, municipal government is exercised at the county level, with major cities governing themselves within the county's unincorporated area. The multi-layered jurisdictions of permitting and regulations in Pennsylvania makes developing just that much more difficult and uncertain. Those aren't descriptors of a development-friendly locale.

The municipal situation is made that much more incomprehensible by the fact that many of the communities in Pennsylvania are in some state of financial distress.

The root of the fragmentation is in our industrial past. Most of the small communities that dot the map in Western PA were once company towns that could rely on the taxes and economic output

from the local mill. That dynamic is why the boroughs of Homestead, West Homestead and Munhall exist adjacent to one another separated by six-tenths of a mile along the Monongahela River. When it developed The Waterfront at the site of the former U.S. Steel Homestead Works, Continental Real Estate experienced how three starving communities could resist a project that would bring much-needed revenue, even as each struggled to maintain the salaries of police and administration.

It is rare that a small community with untenable finances – let alone back-breaking pension obligations – will look to merge with another. There is community pride and self-reliance in these small towns. But as financial realities close in, the small or distressed municipalities must cut services to survive. To avoid insolvency the Pennsylvania legislature passed the Financially Distressed Municipalities Act of 1987, also known as Act 47. Act 47 allows municipalities to restructure debt, much like a bankruptcy, while qualifying for funding to recover. But the act also provides for oversight from a state-appointed panel and in August 2014, the legislature amended Act 47 in ways that will make it more difficult for designated communities to recover.

Among those 2014 amendments was a

provision for a five-year exit strategy and one that allows the Commonwealth to disincorporate "non-viable municipalities," making the citizens of that community wards of the state, so to speak. While the legislature signaled that it was not in the mood to force disincorporation on troubled communities, and left open the door for distressed communities to return to Act 47 protection, those amendments added a measure of anxiety to the environment. One local leader was prompted to look at the problem in a different way.

Since Act 47 was enacted, 29 municipalities have been designated financially-distressed under the act. Nine of those have been in Allegheny County, including the City of Pittsburgh. In 2016, Allegheny County Executive Rich Fitzgerald asked the University of Pittsburgh's Institute of Politics to impanel leaders to study another alternative to Act 47 that is being used in 38 states: voluntary municipal disincorporation.

"Chancellor Nordenberg convened a great panel to look at this," Fitzgerald recalls. "The panel included two former county executives - Jim Roddey and Dan Onorato, one Republican and one Democrat. The idea was never to put a spotlight or threaten any of the 130 municipalities. The panel looked at the problem of how towns

Municipality	County	Entered Act 47	Emerged from Act 47
Aliquippa	Beaver	December 22, 1987	
Clairton	Allegheny	January 19, 1988	November 24, 2015
Wilkinsburg	Allegheny	January 19, 1988	November 10, 1998
Braddock	Allegheny	June 15, 1988	
Rankin	Allegheny	January 9, 1989	
Ambridge	Beaver	April 10, 1990	April 16, 1993
Duquesne	Allegheny	June 20, 1991	
East Pittsburgh	Allegheny	November 13, 1992	December 27, 1999
Homestead	Allegheny	March 22, 1993	March 28, 2007
North Braddock	Allegheny	May 22, 1995	April 11, 2003
Pittsburgh	Allegheny	December 29, 2003	

Most of the municipalities that have entered Act 47 oversight have not emerged.

go forward when losing population and their economic base.”

The panel included 15 people from all walks of public life, including the chief counsel and an attorney for the Department of Community and Economic Development. Meeting regularly for nine months, the task force produced a report this past spring that it hopes will be the foundation for new law. What the panel recommended was a process for eligible municipalities in second class counties to disincorporate. The recommended process must become legislation before any community can consider taking this step. One former state legislator sees the benefit of the option disincorporation offers.

“It’s not something that we have run through the Chamber of Commerce’s process yet but Mark Nordenberg asked me to be on the task force,” explains Matt Smith president of the Greater Pittsburgh Chamber of Commerce and former state senator. “To me the biggest benefit of disincorporation is it gives municipalities

another tool in their toolbox to govern themselves. If a municipality doesn’t want to, that’s fine. It’s voluntary.”

Disincorporation allows municipalities to cease to exist as governing entities. Its citizens become part of another jurisdiction, usually the county in which the municipality exists. As the Financially Distressed Municipalities Act is currently written, a few distressed municipalities could consider disincorporation. The Voluntary Municipal Disincorporation Task Force recommended a multi-step process that begins with the municipality’s leadership – in most cases a council – passing an ordinance that its citizens must approve. That ordinance must be passed at least 180 days ahead of an established election and public meetings must occur during a 150-day period before the election. Should the ballot measure pass, the county absorbing the municipality would then vote to approve the disincorporation of that municipality. If the citizens of a municipality vote down a disincorporation ordinance, there can

be no vote on disincorporation again for five years.

Following a successful disincorporation referendum, there is still a lot of work to be done. The county creates a five-person advisory committee to create an essential services plan and assess a tax on the former municipality to retire any debt that existed. The county will create agreements for intergovernmental services to be delivered to the now-unincorporated area. As recommended by the panel, disincorporation will have no impact on volunteer fire departments and municipal authorities that exist. In those cases, the county will fill the role that the municipal government played.

“For municipalities that are struggling, those that can’t get people to run for election or struggling to provide essential services, voluntary disincorporation is an alternative to Act 47,” explains Vanessa Gleason, finance director for Cranberry Township.



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Gleason previously worked in municipal-level finance at Whitehall Borough and the City of Clairton. The latter is one of two communities – Wilkesburg is the other – that have succeeded in emerging from Act 47 oversight. In both communities, there were great stresses placed on the municipal government and many services pared back or eliminated. The Act 47 process imposes such financial discipline that the communities involved can do little to promote the growth that would help improve the financial health of the municipalities. It's a double-edged sword that proponents hope municipal disincorporation will prevent.

Fitzgerald also points out that Act 47 has provided an incentive for many municipalities to exercise financial discipline and take prudent steps to avoid the oversight. Solvency isn't the only measure of health.

"Just because a municipality isn't in financial distress doesn't mean that it's healthy," he notes.

The county executive also reminds people that Allegheny County already provides many of the services that municipalities require and currently contracts with some for specific services. Fitzgerald gave the example of Wilmerding Borough, which had cut its police force and contracted with North Versailles Township for police service. Last year, Wilmerding's leadership approached Allegheny County for help.

"They came to the county to request that we provide police services," Fitzgerald explains. "We started in January 2017 and it's been the most successful thing. They love it."

Vanessa Gleason called the task force's work a "great start" and expressed hope that the legislative process goes forward. Fitzgerald says that Allegheny County officials and task force members have met with the Allegheny County representative from all four caucuses in Harrisburg and he believes there is bipartisan support for such a bill.

Of course, having the legal mechanism for disincorporating a municipality hardly guarantees that it will be used. The legislation proposed would be voluntary and civic pride may trump convenience in a referendum. Government leaders in the two Allegheny County municipalities that most recently exited Act 47 – Wilkesburg and Clairton – are skeptical that either the councils or the citizens of the communities would have chosen to dissolve. Both fought hard to avoid any suggestion of merger, even for their school districts. But the presence of an additional tool for managing through municipal problems is valuable enough, even if it's not used.

"It's a different world now. Local governance is like anything else; you need to be able to adapt, to do what it takes to govern most efficiently," notes Smith. "The taxpayers of a municipality will decide whether [disincorporation] is the best thing for their community." DP

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PITTSBURGH'S AGING POPULATION MASKS A DEMOGRAPHIC SHIFT

Pittsburgh is getting older. Pittsburgh is also getting younger. And smarter. The demographics of Western PA are evolving and it's getting complicated to follow.

There are several truths – or articles of faith – about Pittsburgh's demographics that are changing somewhat rapidly. For decades, it has been true that Allegheny County had one of the oldest populations in the country. For a long time, the saying was that only Dade County, Florida was older. That may never have been true but, nonetheless, the demographic makeup of Pittsburgh was among the nation's oldest, until it changed.

A variety of factors collided to create the status quo, in which Pittsburgh finds itself with one of the largest shares of older residents than most cities. But starting about ten years ago, the base of the economy began creating jobs that attracted younger people to the region. This has been especially true for the City of Pittsburgh proper, where the median age has plummeted to less than 33 years old. Driven by that stunning reversal of trend, the demographics of the entire metropolitan area have changed and, in several important metrics, Pittsburgh is bucking the national trends.

Since 2009 and including the 2010 census, Pittsburgh has seen its population decline by 0.1 percent to

2,353,045 compared to a 4.8 percent increase in the U.S. Beneath that top line population figure, people in Pittsburgh are moving counter to the rest of the nation. The share of residents without a high school diploma fell to seven percent, a two percent decline (the rest of the country fell by 1.9 percent). The share of all Pittsburghers with at least an undergraduate degree increased by 5.1 percent, while that share grew by only 2.7 percent nationwide. Likewise, median income rose 5.6 percent to \$55,583 annually, compared to a 0.5 percent hike across the U.S. Even a Pittsburgh resident's median age rose more slowly, 0.7 percent versus one percent. Pittsburghers, over the last decade, have grown younger, better educated, and better paid.

That news isn't getting out there to enough people, according to Pittsburgh Councilman Dan Gilman, who represents District 8 in the city.

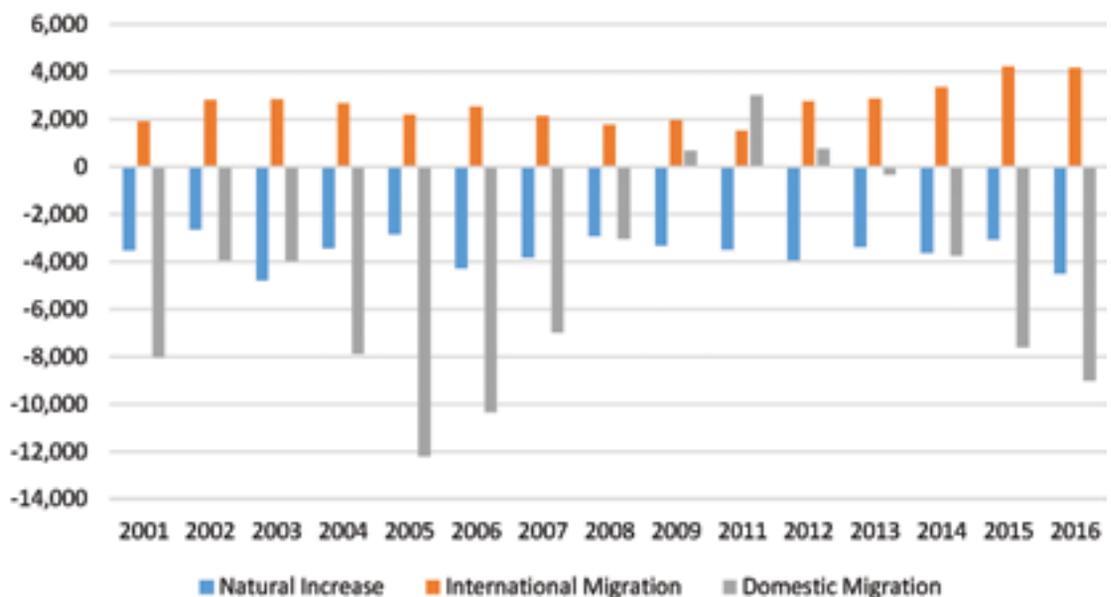
"I have concerns about the accuracy of the survey count for the city versus the entire MSA but, even more importantly, I think it misses the critical details that actually matter, which is the demographic

shift," asserts Gilman. "If I'm replacing an 88-year-old mom's income with a 28-year-old PhD making six-figures I may have a zero delta in population shift but I have a massive change in everything from tax revenue to the needs of the city."

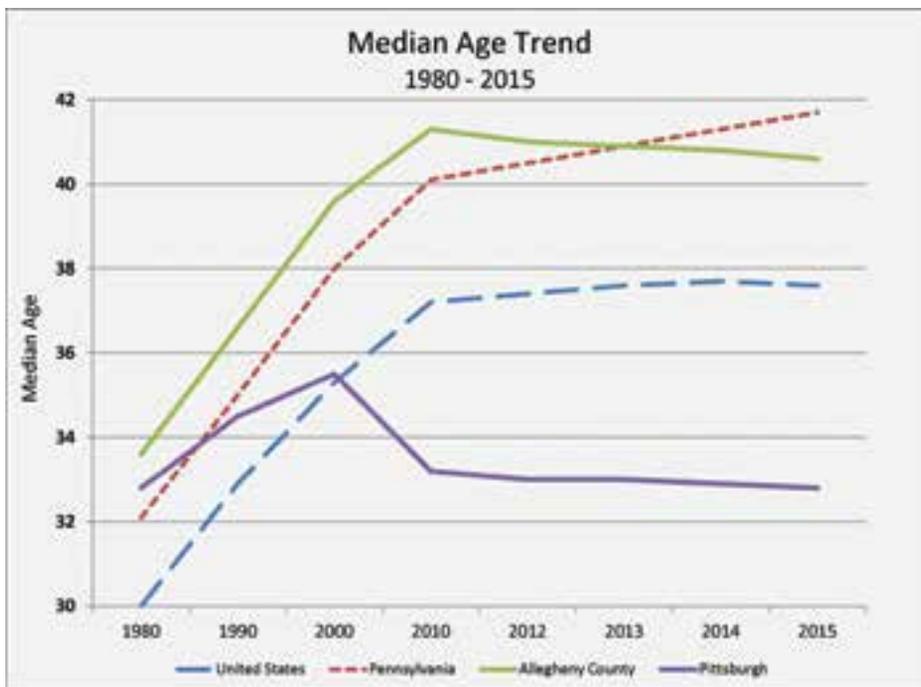
Gilman represents the Pittsburgh district that is one of those seeing unusual growth, even as tracked by the Census Bureau. The 2010 Census showed Gilman's district – which takes in all of Shadyside and half of Oakland, Squirrel Hill and Point Breeze – grew by ten percent from 2000 to 2010. He expects that the 2020 Census will show even more growth. When pressed, Gilman acknowledges that he can't refute the accuracy of the Census with his own data but isn't willing to disbelieve the evidence of his own eyes.

"It's just the consistent stories that have come out about the city. Study after study has come out and each is a little different but it's been found that Pittsburgh has the second fastest or third fastest growing population of Millennials with college degrees in the country," Gilman notes. "You can see the impact of that with the growth of the apartment industry, with

Components of Population Change – Southwestern Pennsylvania – 2001 to 2016



Note: Components not calculated in 2010.
Source: U.S. Census Bureau Population Estimates



A breakdown of the median age by geographic area reveals that Pittsburgh is getting much younger at its core, even as the region ages at a pace similar to the rest of PA. Source: State of Aging in Allegheny County Survey.

the types of jobs that are being created. I think there was 13 percent job growth in the tech sector last year alone. I can feel it every day in my district, from the number of strollers I see being pushed to the kinds of constituent concerns that are expressed to me.”

The anecdotal evidence that Dan Gilman presents is at loggerheads with the data from the Census Bureau, however. The government’s population tally shows a continued, albeit slowing, decline in population for the metropolitan statistical area of Pittsburgh, with only the city itself, Allegheny and Washington Counties increasing. Data on job creation and housing starts, which differs from the government’s housing data, suggest that the Census Bureau may not be correct but there is no other definitive source of population information.

One person charged with keeping track of the population, Jim Futrell from the Allegheny Conference on Community Development, is among those who work with the Census data.

“The loss of population is something I struggle with. Do we have it right and how do we reverse it?” says Futrell, vice president of research and analysis for the Conference. “We do have stagnant population growth.

I accept that to be true but if you look at our growth among Millennials, that’s an interesting phenomenon.”

The intermediate demographic data from the Census Bureau does confirm what our eyes have told us (and Dan Gilman) about the shift younger. For certain, a walk through the streets of the more vibrant parts of the city tells you that there is a younger mix of people working, dining and shopping in the region. A look at the components of our population mix also confirms this change, as well as the theories about what is happening with our population.

Since 2001, the natural change in population – meaning deaths compared to births – has been negative every year. At minimum, 2,000 more people have died than have been born and on average more than 3,000 more people have died. During that same period, international migration has been positive every year and, during the past three years, has kept pace with the natural loss of population. That jives with what we know has been going on in the regional economy, with the high rate of growth in emerging technologies serving as a magnet for immigration of engineers and entrepreneurs from other countries.

The decline in population primarily boils down to the larger net loss of domestic population, what has popularly been characterized as “brain drain” and the “Pittsburgh Diaspora.” The latter was certainly a major factor in the 1980s and early 1990s, when the Pittsburgh economy’s industrial base of jobs evaporated. In recent years, however, the growth of energy and tech jobs have brought workers in from other parts of the U.S., as will likely happen in the construction industry over the next decade. What appears to be the bigger drag on Pittsburgh’s population is the loss of the kids who grow up and are educated here but leave to start careers elsewhere.

On the face of it, this theory has a few flaws. Most prominent among them is the younger shift in the region’s demographics. It’s a reasonable question to ask how the city can be getting younger at the same time its young people are leaving. In part, the answer is because the immigration demographics are decidedly younger, meaning that the international migration offsets a death with a young person. But a recent Allegheny Conference study of the region’s workforce showed that young people are simply leaving town after they are educated at a high rate, perhaps because they aren’t aware of the opportunities that exist.

Research done for the Conference’s Inflection Point report on the future workforce found that 50 percent of the roughly 40,000 annual graduates from all of Pittsburgh’s higher education institutions leave the region within five years. The report also found that when confronted with the fact that there were nearly 30,000 open jobs in Pittsburgh, roughly half of the graduates said they were unaware of the volume of opportunities. Decades of public perception that you had to leave the region to find work seem to have become an assumption among our students.

This matters because Pittsburgh’s demographics mean that the region is experiencing the draining of its most experienced workers – Baby Boomers – from its workforce before the rest of America will. Moreover, the segments driving the new Pittsburgh economy – notably technology, healthcare, energy, and financial services – need young

engineers and business school graduates to a greater degree than are currently available from the pool of graduates from local colleges. For the economy to reach the potential that is being forecasted, Pittsburgh will need to attract more people to live here.

Over the next 20 years, the demographic cohorts will re-balance naturally. Older people will die. The younger residents who have been attracted to the city will mature and raise kids. Birth rates will outstrip death rates. The proportion of elderly is expected to increase to nearly 22 percent of the population by 2030. By 2040 the proportion of elderly in both Allegheny County and the United States will stabilize with a comparable 21 percent of the population age 65 and over.

Even as this change in demographics is occurring naturally, exponential growth in robotics, artificial intelligence, autonomous vehicles, natural gas, and chemicals all show the potential to dominate the economy in the manner that heavy industry once did. The companies that are coming to Southwestern PA for the intellectual capital and technology transfer won't wait for nature to provide the talented younger workers they need. Without growth in population – at least in the near-term – an opportunity could be lost. The good news is that the trickle of great headlines about Pittsburgh may, in fact, be already filling the gap.

The 2020 census may show that metropolitan Pittsburgh is growing again but the Census Bureau's methodology relies on surveys and estimation rather than counting. That makes it difficult to adjust to sea changes in population in older cities. It may also be accurate that the population of Pittsburgh isn't growing. Given the birth/death ratio, that seems the more likely outcome.

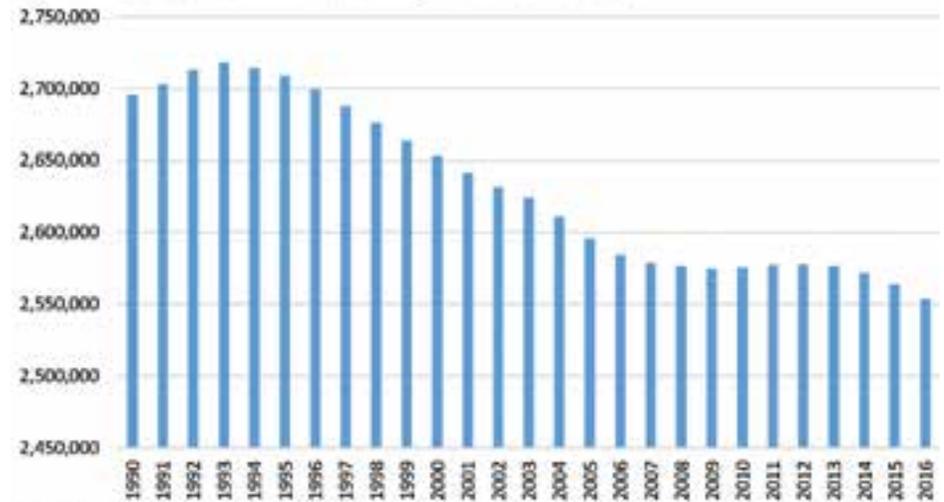
Such an outcome won't surprise Dan Gilman, who sees how the shift in demographic makeup has triggered a physical shift in where people live in Pittsburgh. He remains concerned that the headline about Pittsburgh's demographics will still be about an aging and shrinking population, which sends a bad public message to the rest of the country.

"There are certainly neighborhoods in the city that are losing population,"

he says. "There's definitely a bit of the same person moving from one part of the city to another,

which is why I go back to saying that population growth is only a piece of a much larger pie in understanding a city's needs or a city's economic future." DP

Population Trends – Southwestern Pennsylvania – 1990 to 2016



Source: U.S. Census Bureau Population Estimates

Pittsburgh's total population has steadily declined since 1990, with more than 150,000 fewer people living in the seven-county metropolitan area in 2016.



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FOR ALL THE POSITIVE TRANSFORMATION THAT HAS OCCURRED IN PITTSBURGH OVER THE PAST DECADE OR SO, WHAT AREAS OF IMPROVEMENT REMAIN TO ENSURE THAT PITTSBURGH IS EVEN STRONGER FOR THE NEXT GENERATION?



Patricia L. Dodge,
Managing Partner,
Meyer, Unkovic & Scott LLP

"A study earlier this year by the Regional Transportation

Patti Dodge

Alliance included guiding principles and dozens of ideas to improve transportation in Pittsburgh, including improved access and service upgrades to Port Authority of Allegheny County's bus ways and light rail system. I believe continuing our effort to expand public transportation is critical to securing a strong future for our region. These types of changes will foster a more robust economy, encourage a more diverse population and enhance our ability to attract and retain employees. Two of the more intriguing possibilities, in my mind, were preserving the enormous amount of unused railroad lines in the area so they could be utilized in the future, as well as using existing freight rail lines to provide commuter service. With new infrastructure so expensive, we have to be mindful of the best ways to repurpose existing resources."



Doug Heuck
Program Director,
Pittsburgh Today
Publisher,
Pittsburgh Quarterly

"The biggest difference between

Doug Heuck

Pittsburgh and benchmark cities is our lack of population growth due to steep population losses after steel's decline in the early '80s. This is why we have tepid job growth compared to other regions and a relatively slower economy, etc. In the 10-15 years before this works itself out, we might tout the charms of being in a place that isn't overcrowded, where people treat each other very well, and where, as the old song goes, 'The Livin' is Easy.' Ironically, of course, this might attract more people to live here, which we'll need in the short term. Longer term, quality is what will make the difference. We're a small city that should be able to solve difficult problems, such as public education and bringing everyone along, through innovative solutions. We have anomalously great philanthropic wealth, which can spur new ideas and approaches to education, transportation and quality of life. And we have great universities which should spawn ideas and companies. If we set our goal as being the greatest medium sized city in the world and it becomes a mantra and a matter of civic pride and identity, we ultimately will become just that."



David Ruppertsberger
President,
Pittsburgh Regional Alliance

"The lack of sites, region-wide, ready for development is a priority concern. Most companies

David Ruppertsberger

looking to expand or relocate do not have the time, patience or capital to invest in developing greenfield or brownfield sites. They want sites that are prepped and ready to go when they are ready to build. Shell was an exception. We need to restock our inventory of sites, including large riverfront parcels that are permitted and ready for vertical construction, as well as invest in spec buildings. Otherwise, missed opportunities are going to more and more be the norm for our region, and that's unacceptable.

With respect to maintaining a competitive business climate, state tax and labor policies put us at a disadvantage for some types of projects. And projects requiring financial incentives are also problematic. While some states are reconsidering their incentive programs (Florida, for example), others, including some of Pennsylvania's neighboring states, are becoming more aggressive. However, we have had some recent successes: the Greater Pittsburgh Chamber of Commerce worked with key partners to eliminate the anti-competitive Capital Stock & Franchise Tax in 2015. The Ethane Tax Credit was instrumental in attracting Shell's \$6 billion investment in Beaver County in 2016; and just this spring, a major pension reform bill was enacted. Changes like these are helping to improve Pennsylvania's competitiveness, for certain, but there's room for more improvement.

While our population is trending younger than it has been in decades (and is more educated), particularly in the city – which is promising – the pin in the balloon is southwestern Pennsylvania’s relatively flat population growth, which leaves us falling behind other regions. From an economic growth perspective, this means that B-to-C companies have fewer customers, and B-to-B companies have fewer potential employees. Neither of these scenarios is a benefit to business attraction. In addition, flat population growth has serious implications for our tax base, our influence on federal policy matters and our regional diversity. Our region needs to grow in numbers. The good news in that regard is that we have plenty of jobs and a cost of living/quality of life that’s quite competitive.”



Guhan Venkatu

**Guhan Venkatu
Group Vice President,
Regional Outreach & Analysis
Federal Reserve Bank of Cleveland**

“Recent research has documented the importance of skilled workers to the economic prospects of American metro areas. For example, economists from Penn and Harvard have identified a positive association between bachelor’s-degree attainment in 1980 and a metro area’s population growth over the subsequent twenty years. This association appears to have been especially important in places we might think of as older and colder, like Pittsburgh. Similarly, work by a Berkeley economist notes that areas with high human capital levels where workers are engaged in innovative industries—areas that he terms “brain hubs”—have fared best over the past three decades. Moreover, this research suggests that one “innovation job” creates an additional five jobs, often for workers who aren’t as skilled or credentialed.

If this pattern holds for the following twenty years, attracting skilled workers to the region and retaining them seems essential to the area’s ongoing economic success. While local universities are critical centers for attracting and incubating this talent, the talent can be transient. Accordingly, efforts that make the area a more attractive destination—with the possibility of keeping people here over the longer term—seem like worthwhile investments. To this point, some researchers suggest that while cities can offer important advantages related to production—for example, by allowing a dense cluster of workers to more easily share ideas and information—they note that “too little attention has been paid to the role of cities as centers of consumption.” They go on to write that: “Our advice for local leaders is to pay attention to creating consumer cities. This means that the quality of life [offered by an area] is paramount.” Indeed, according to Andrew Moore, Dean of CMU’s School of Computer Science, “When I relocate people [to Pittsburgh], it’s not all about CMU or Google. They ask, ‘What else is going on? What other interesting, exciting things are there to do?’”

In recent years, various headlines have noted the region’s transformation, both economic and aesthetic. For it to continue to thrive, it is critical that Pittsburgh persist in its transformation from “Hell with the lid off” to a safe, scenic, arts, culture, and culinary destination and one of the most livable locations in America.”



Bill Strickland

**Bill Strickland,
President & CEO,
Manchester Bidwell Corporation**

I think that one of the areas where we’ve got to get better is inclusion. Pittsburgh is racially divided and we need to work on diversity and inclusion, specifically in the employment

area. We don’t have enough people of color coming to Pittsburgh and, more importantly, staying in Pittsburgh. That’s a gap that we have to improve if we’re going to continue to be viewed as America’s “Most Livable City”. We’ve got to make some significant strides in that space.

There need to be jobs but there also needs to be engagement of the corporate sector in helping to solve the problem. The political and corporate leadership have got to raise flag on this thing and make it sort of a Marshall Plan for Pittsburgh. I think the good news is we’ve got the political will and I think we have the corporate backing to make big, big strides. Pittsburgh is exactly the place to do it. It’s big but it’s also small. Pittsburgh’s a village. I believe we’ve got the right political leadership and corporate leadership to really make a mark.



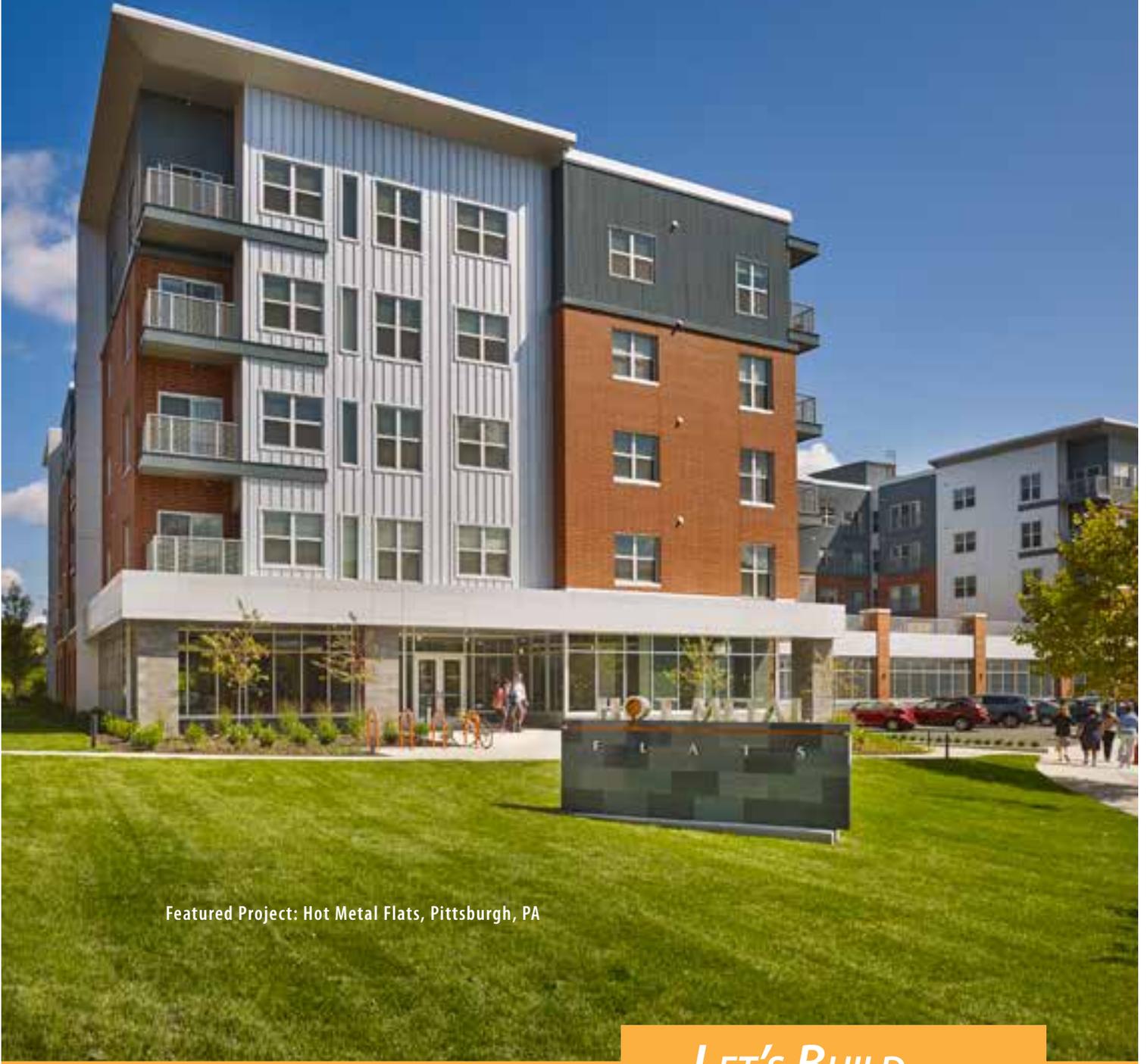
Susie Shipley

**Susie Shipley,
President,
Western PA & Ohio Valley Region,
Huntington Bank**

Talent, hard work and

entrepreneurial spirit have moved this region forward, and our transformation sets an example for other cities and regions. Looking forward, investments into the region’s infrastructure (such as our locks and dams, affordable housing and educational systems), ensure that we have an ecosystem that supports our diverse economy and advances our quality of life. These investments are essential for success in the years to come.

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Allegheny County continues to attract business interest and investment from all over and is working to ensure the region remains a top place to live, work, and play. To foster and support this economic investment and activity, Pittsburgh International Airport

has been a key economic driver in the region. Named Air Transport World's 2017 "Airport of the Year," Pittsburgh International serves 68 nonstop destinations, up from 37 just 2½ years ago, and continues to add non-stop destinations, including large gains with Southwest, regional nonstops with OneJet, the arrival of three low cost carriers and new transatlantic service among others. The Redevelopment Authority of Allegheny County (RAAC) provided a loan to support the expansion of OneJet's operations in Pittsburgh in the spring of 2017, ensuring additional direct flights to be added within the coming year. The airport remains focused on increasing its air service portfolio, including a recently announced non-stop charter flight to China.

As Allegheny County Economic Development (ACED) and its partners

work to attract investment to the region, efforts continue to repurpose brownfields and vacant land into productive space for business and recreation. RAAC is working with partners to develop the Sports & Athletics Complex at Montour Junction, a 78-acre parcel and former brownfield located in Coraopolis Borough, Moon Township, and Robinson Township. The project includes the development of nontraditional sports fields for amateur sporting activities, including: soccer, rugby, lacrosse, field hockey, Gaelic Football, cricket and more. A minimum of 10 artificial turf and natural grass fields are being constructed on site, along with restroom and locker room facilities, parking areas, and walkways. A one-mile extension of the Montour Trail is also being constructed on the site. The new extension will end with a new trailhead at the Coraopolis Bridge. This extension of the trail will add continuity for bicyclists, runners, and walkers.

Progress continues on The Carrie Furnace Site, the 168-acre former steel mill located across many municipalities along the Monongahela River. RAAC is working to assess the environmental and structural condition of the Hot Metal Bridge in order to develop it as a point of access to the site for vehicular, bike, and pedestrian traffic. By the conclusion of 2017, Allegheny County expects to have 70 acres of land ready for development with the goal of creating 1,000 jobs in a light industrial, flex space environment. ACED is working to support housing and commercial development project in the communities adjacent to the site as well.

We look forward to continued progress and success in these efforts as we move into 2018, and to working with partners to build upon the momentum that we are creating together.

ARMSTRONG COUNTY

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Iowa-based Involta LLC continued construction of their 40,000 square foot multi-tenant data center in Northpointe. The state-of-the-art facility, scheduled to open in October 2017, represents a \$16 million dollar investment in Armstrong County. UPMC will be the anchor tenant and selected Involta to build, own and operate the facility. The high-security, concurrently maintainable data center will also house mission-critical computer systems and provide related managed services for other clients in the Pittsburgh technology sector.

The Armstrong County Industrial Development Council (ACIDC) received a grant from the PA Department of Education

to build a flexible office and business tutorial space within Northpointe Technology Center II, a multi-tenant flex building. The office will provide users the ability to join on a subsidized, monthly membership basis and have 24/7 access to a wide range of resources including shared desks, reserved cubicles, private offices, social/collaborative space and conference rooms. Local universities and private consultants will provide members with mentoring and industry research support. The flexible office will be ready for occupancy in October 2017.

A new tenant moved into a conventional office space in Northpointe Technology Center II. Interim Healthcare of Western PA, Inc. leased approximately 900 square feet from the ACIDC in June 2017. Founded in 1966, Interim Healthcare has a network of more than 300 independently-owned franchise offices. Services provided include non-medical and personal care, nursing and healthcare staffing services.

Working in cooperation with Armstrong School District, Ford City Borough and Kittanning Borough, the ACIDC solicited bids for hazardous material abatement and demolition of the former Ford City Jr./Sr. High School and Kittanning Middle School. The schools closed in 2015 upon completion of the Armstrong Jr./Sr. High School, a 265,000 square foot facility centrally located between Ford City and Kittanning. Demolition activities will begin in Fall 2017. The downtown properties will be made pad ready and marketed for redevelopment.

Tech Forge on 47th IN LAWRENCEVILLE NEARS COMPLETION *Strengthening Pittsburgh, Building Excellence*



Leasing Inquiries? Contact: Tim White • 412.315.6447 • www.ridc.org

In January 2017, PennDOT District 10 announced the next phase of the Route 422 safety improvement project. The project includes the realignment of Route 422 in Kittanning and Manor Townships and concrete patching through the Route 28/422 interchange. This \$9.9 million safety improvement project is expected to be completed in late Fall 2018.

There was a notable increase in food and beverage construction projects during the first half of 2017. Four new restaurants opened: Rachel's Roadhouse - Kittanning, The Craft House & Gastropub Kittanning, Yamato Japanese Cuisine and Manor Inn Sports Pub. Other projects currently under construction include A Mano Pasta, Carles's Wood-Fired Pizza, Harper's Black Angus Grill, Ryan's Creek House Restaurant, Spigot Brewing and The Meredith Inn. Also during the first half of 2017, the ACIDC provided financing assistance to the purchaser of Widnoon Soft Serve, located in northern Armstrong County. With assistance from the Clarion University Small Business Development Center, Widnoon Soft Serve received a low-interest loan from the Southwestern PA Commission revolving loan fund to purchase real estate.

The time is right for economic growth in Armstrong County and southwest Pennsylvania.

BEAVER COUNTY

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The Beaver County Corporation for Economic Development (CED) has assumed ownership of the property at 2835 Darlington Road in Chippewa Township from Starting-Gate. The 72,000-square foot structure on 10 acres was constructed by Starting-Gate in 2009. The building was intended to serve various early stage companies but Starting-Gate was not able to complete the required interior build-out and the building has remained vacant since construction.

CED agreed to assume Starting-Gate's outstanding obligations under debt and grant agreements that financed construction as the consideration for taking ownership. CED's preliminary plans for the site include creating up to 7 separate tenant spaces in the building for potential manufacturing, industrial, research, and office users. The building is large enough to be able to accommodate 100 employees.

CED sold its Monaca Commerce Center multi-tenant industrial property to JGVD Family Limited Partnership. The 110,000-square foot property was 90% occupied at the time sale. The buyer owns several other industrial properties in the immediate vicinity of the Monaca Commerce Center and plans to market its group of industrial sites under the Monaca Commerce Center brand.

CED approved a loan in the amount of \$183,000 to BVHT, Inc. BVHT heat treats, shot blasts, saw cuts, and straightens metal bars. The \$365,000 project will allow the company to purchase and install a new shot blaster to meet the requirements of a recently obtained customer. The project will create 2 new jobs and retain 4 existing at the company's plant in Monaca.

Finally, CED, as administrator of the Commonwealth of Pennsylvania's Keystone Innovation Zone (KIZ) program within Beaver County, was able to secure a significant increase in the geographic coverage of the program. The KIZ creates designated zones to boost innovating fledgling companies by combining educational institutions expertise along with public sector tax incentives. Since its inception in 2005, the program covered portions of only four communities. With the expansion, eligible business in portions of 27 Beaver County municipalities may now apply for funding which should vastly increase opportunities available through the program.

BUTLER COUNTY

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The southwest corner of Butler County continues to see lots of activity. A six-story Best Western Plus hotel and a four-story Hampton Inn and Suites are being constructed in Cranberry Township. In addition, a Cracker Barrel Restaurant is being constructed along Route 228. Franklin Square, an 11,000 square foot retail development is being built at the intersection of Route 228 and Franklin Road.

Jackson Township Phase Two of the Jackson's Pointe development will include a 12,000 square foot strip mall. The mall will include a fitness center and developers are negotiating with other possible tenants for the additional 10,000 square foot building to be constructed. Penske Sales and Leasing recently broke ground on their parcel at Jackson's Pointe. Penske's 12,000 square foot sales and rental facility should be opened later this year. Site work has begun on Phase Three of the Jackson's Pointe development which includes 45 acres of land located between Route 19 and Interstate 79.

The CDC recently sold a six-acre parcel at the Victory Road Business Park to the DDS Companies. The New York based construction firm will construct a 10,000 square foot building at the site.

For additional information on the land available at the Pullman Center Business Park Expansion and the Victory Road Business Park please contact Steven Gifford, Executive Director, at the CDC Office at (724) 283-1961.

FAYETTE COUNTY

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The first six months of 2017 have been remarkable for Fayette County. Fay-Penn's staff has closed four loans totaling \$172,500 with total project costs of \$206,735. These projects have created nine jobs and retained three. There are three more loan projects in the pipeline that total \$995,000 with total project costs of \$7,250,000. These projects will create 88 jobs and retain 45.

Fay-Penn has partnered with Penn State Fayette – The Eberly Campus on a Launchbox, an economic development initiative in which entrepreneurs who have conceptual ideas for businesses can take advantage of Penn State Fayette resources. Penn State Fayette was recently awarded a \$50,000 Invent Penn State grant, which will help to fund the onset of the Launchbox. Fay-Penn is renovating 6,000 square feet in the Eberly Business Center at the University Business Park to house start-up, emerging companies.

Fay-Penn assisted in a 10,000 square foot renovation project at the NiSource/Columbia Gas facility at the Fayette Business Park. Several hundred thousand dollars were invested in the renovation, which retained 290 employees and is slated to create 100+ additional jobs with starting salaries around \$15 an hour.

Fay-Penn also purchased the ProLogic building in the University Business Park and is in the process of looking for potential buyers or lessees.

In trying to focus more efforts on promoting Fayette County, Fay-Penn has hired a site selection coordinator to begin marketing all of Fayette County and its properties and amenities to companies outside the state. Fay-Penn also has chosen a site selection consultant firm to conduct a SWOT analysis and identify target companies that would be interested in locating to Fayette County.

Fay-Penn Economic Development Council assists in growing and diversifying the economy in Fayette County, Pennsylvania. We desire to be the pre-eminent "1st stop shop" economic development organization in Fayette County by providing comprehensive, second-to-none business development services through our staff or partners to make our clients more competitive in a global marketplace.

Fay-Penn's ultimate objective is to sustain a supportive environment for business

start-up, expansion, and attraction.

Although Fay-Penn's efforts are broad in scope, we focus on bringing the highest economic benefit return to our community. Since its inception in 1991, Fay-Penn has helped to create and retain over 9,000 jobs and generate \$1.5 billion in business investment.

GREENE COUNTY

Greene County Industrial Developments, Inc.

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Greene County and its Greene County Industrial Developments saw Spring 2017 bring new activity that bodes well for the rest of the year.

In March, the second joint meeting of the newly formed Fayette-Greene Manufacturing Consortium was held in Stahl's Hotronix operation center located in Carmichaels' Paisley Industrial Park. Petra Mitchell of Cataylst Connection and Katie Klaber, formerly of the Marcellus Shale Coalition and now principal of the Klaber Group, were the main presenters to the consortium.

April saw American Power Ventures (APV) announce plans to construct a \$600 million gas-fired power plant on 33 acres of property where the Hatfield Ferry Power Plant currently stands idle. A town hall meeting was held at the Carmichaels-Cumberland Fire Department and the project was well received. Eventually 35 people will be employed full time once the plant is up and running while up to 600 people will be employed during peak construction.

UMWA Career Centers, Inc., located in Ruff Creek, received a \$1.2 million Appalachian Regional Commission through the federal Power initiative to create and operate a new training program for displaced coal miners.

May saw construction completed on a 26,000 square foot operations center located in EverGreene Technology Park for Community Bank. Employees began relocating to the site in June.

First Federal Savings and Loan Association of Greene County completed construction of a 6,500 square foot addition to their downtown Waynesburg office.

During the first five months of the year, Sheetz began tearing down their two Greene County operations in Carmichaels and Waynesburg to make way for two completely new and modernized service facilities. Both will re-open later this year. Moving earth for their third site in the county is slated to begin in the second half of 2017 along SR 21 and I-79.

Construction on the new EQT REC Center being developed by the Greene County Memorial Hospital Foundation continued and is scheduling an October opening.

A joint venture between the Greene County Office of Economic Development and the Fayette County Community Action (Republic Food Enterprise Center) received a \$1.7 million Appalachian Regional Commission grant to increase food production and exportation in 38 counties across Pennsylvania, West Virginia and Maryland.

INDIANA COUNTY

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**Byron G. Stauffer, Jr.,
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In a coordinated effort to strengthen downtown centers, several Indiana County communities are undertaking or preparing for major infrastructure improvement projects. Indiana Borough recently celebrated the completion of the Renaissance Indiana Streetscape Project, a multi-phased infrastructure project in the central business district over the last 12 years totaling approximately \$14,987,813, which was made possible through a collaborative partnership between Downtown Indiana, Indiana Borough, the Indiana County Commissioners and Indiana University of Pennsylvania. The Boroughs of Blairsville, Homer City, and Clymer are also making major streetscape improvements, which include utility line upgrades, storm

drainage improvements, sidewalks, historic street lighting, and targeted demolition and other beautification efforts to the downtown areas.

On the corner of 4th and Philadelphia Streets in Indiana, a new retail development is currently under construction. The owner, Robert Musser, is developing a 9,000 square foot retail and office plaza. The first confirmed tenant is a Verizon Wireless retail store. Mr. Musser has an additional 7,000 square feet available for interested tenants.

The Indiana County Center for Economic Operations announced the Indiana County Revolving Loan Fund (RLF) has available funding for low-interest loans for eligible businesses up to \$250,000. Additionally, the Pennsylvania Industrial Development Authority (PIDA) is offering loans at a 2 percent fixed interest rate for eligible businesses for applications received through December.

The Windy Ridge Business & Technology Park, near Indiana, has commenced Phase 3 with roadway design and permitting. Project bidding is to take place in the Fall of 2017 and construction to begin in early 2018 making available an additional 70-acres of pad-ready KOZ designated sites.

Additionally, both the 119 Business Park in Center Township and the Corporate Campus business park near Blairsville have available pad-ready KOZ designated sites offering all underground utilities and immediate access to major highways.

For more information on business financing opportunities and commercial and industrial real estate in Indiana County, please visit www.indianacountyceo.com.

LAWRENCE COUNTY

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Neshannock Township continues to see commercial expansion. Wish Development has broken ground at Ward's Ridge. Located at 72 Nesbitt Road, three multi-tenant buildings are proposed, providing 30,836 square feet of office, commercial and retail space. Currently, Wish has committed to building the first two buildings. Building One will house the Pennsylvania Department of Health's Bureau of Vital Records, which is relocating from the City of New Castle. Occupancy is expected by year's end.

North Beaver Township continues to be targeted by Tyr Energy, Inc. (TEI) for a gas-fired electric generation plant. TEI announced last year that it acquired 100% of the equity interest in Hickory Run Energy, LLC ("Hickory Run"), for development of a highly efficient natural gas-fired combined cycle power plant with an electric generating capacity of up to 1,000 megawatts located in Lawrence County, Pennsylvania.

Originally, the project was developed by an affiliate of LS Power Associates, LP ("LS Power"). At that time, LS Power reported the project would cost \$750 million and that it would create 500 construction and 20 permanent jobs. The proposed plant was given a conditional use permit in 2013 for LS Power Development under the name Hickory Run Energy, which had an option at that time to buy the land from New Castle Development Corp. Water for the plant was to come by pipeline from the New Castle Sanitation plant to the site. The project is ideally situated among the Marcellus and Utica natural gas production areas with access to Tennessee Gas Pipeline Zone 4. When the project is complete, electricity and associated products generated by Hickory Run will be delivered in the PJM Interconnection.

Next, UPMC Jameson's former emergency room has been transformed into a Heart and Vascular Institute. The Institute will serve patients in Lawrence, Mercer and Venango counties. Additional renovations include an improved outpatient Pulmonary Rehabilitation center and Center for Wound Healing. UPMC has invested more than \$31 million in upgrades at Jameson since the merger between Jameson and UPMC just over a year ago.

Finally, Holistic Farms of Haverford, Pennsylvania has received approval to be one of the first 12 medical marijuana grower/

processors in Pennsylvania. The indoor growing operation is planned for a 30,000 square foot mostly-abandoned factory building on Industrial Street in New Castle. Operations are expected to begin in December 2017 with 100 to 150 jobs being created.

WASHINGTON COUNTY

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Washington County offered a strong performance in the first half of 2017 especially with infrastructure development. Columbia Gas, located in Southpointe, announced it will spend nearly \$1 million to upgrade gas lines in Canton and Cecil townships as well as the City of Washington. In addition, the company has started a \$751,000 project to replace pipeline in North Strabane Township along Canterbury, Griffwood Drive and Thomas Road.

The highway construction season is also open in Washington County with five Pennsylvania Department of Transportation (PennDOT) construction projects on Interstate 70 between the Welcome Center in Donegal Township and the Centerville/Monongahela Interchange. Total cost of the projects is estimated at \$298 million. Other projects include a \$1.4 million reconstruction of Morganza Road at the intersection of McClelland Road and Cavasina Drive; a \$3.1 million project to improve the intersection at Routes 88 and 837 near the Donora and Monongahela line; a \$1.7 million bridge replacement in Avella; and a \$1.13 million bridge replacement project in Hanover Township. Penn DOT also has awarded a grant of \$1.8 million from the Rail Improvement Fund to upgrade the Wheeling & Lake Erie Railway between Union Township and Rostraver.

In addition, a joint venture between the Turnpike Commission and Penn DOT was

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WASHINGTON COUNTY
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announced to widen a three-mile stretch of I-79, north of the Southpointe Exit, to three lanes in each direction at a cost of \$23.1 million. In other highway news, Ohio-based Independence Excavating was awarded the \$90 million project for the westernmost stretch of the 13-mile expansion of the Southern Beltway.

Also, First Energy will construct a 1.3-mile transmission line to provide electrical service to a Smith Township natural gas processing facility for a cost of \$4 million.

Health care in Washington County also led the economy during this period. Bolstered by \$50,000 from Range Resources, Monongahela Valley Hospital will begin a \$75,000 project to upgrade their emergency rooms with TVs, phones, computer stations, furniture, privacy curtains and standardize the location of medical equipment.

Aspen Dental opened a new office on January 31st at 360 Washington Road, Washington and The Healing Center was one of 27 companies across the state approved to open a medical marijuana dispensary on Chestnut Street in the City of Washington.

Education continued to play a key role in the county's development with several initiatives underway. The University of Pittsburgh's Small Business Development Center is offering a new course aimed at anyone exploring and evaluating the possibility of starting a small business, including dislocated coal industry related workers and family members. The program is funded by a \$500,000 grant from the Appalachian Regional Commission's federal Power initiative.

California University of Pennsylvania announced their long-range capital projects spending plan. The plan includes construction of a \$37 million science building and a \$23.6 million renovation and expansion of Keystone Hall. The construction projects should begin as early as 2020.

In retail, AR Group of Restaurants of Trenton, N.J. will convert the former Long John Silver's restaurant to a Popeye's Louisiana Kitchen. The project, located at the entrance to the Washington Mall, is expected to be completed in July and employ eight full time and 14 part time associates.

The owners of Yoest Feed & Farm Supply

purchased the former Minter's Market in Claysville. The re-opened store will retain the some of the market and deli items previously offered and will add gardening supplies and other items from the feed store.

New restaurants are offering diners new options in the county starting in the Old Mill retail development. Asahi, a sushi & hibachi restaurant held their grand opening celebration there in March. Hepinger's Legacy Tavern opened April 21st on South Main Street in Washington serving comfort food with a modern twist and with theme nights featuring tacos and wings.

The county's second location of Firehouse Subs opened in June at former Sharp's Furniture location on Route 19 in South Strabane Township. Also announced for the former Sharp's site is a T-Mobile Store and Quest Diagnostics. The second Zoup! location in Washington County will open in August at the Old Mill shopping center.

Financial services continue their strength in the county as Washington Financial acquired the former PNC branch in Burgettstown and opened a new location to service their clients. The branch will initially employ four people.

In quality of life projects, Iceoplex Operating LLC, an affiliate of Blackstreet Capital Holdings of Chevy Chase Maryland, invested \$4.5 million dollars to purchase the assets of a sports complex located in the Southpointe Business Park. The facility contains one sheet of ice, a multi-purpose indoor sports court used for soccer and other turf sports, a health club, out-door volley ball courts and restaurant.

A franchise of Michigan-based Goldfish School opened a location in a newly constructed facility on Crosswinds Drive in McMurray. Lessons for children from four months through age 12 will be available year-round in the 75 x 30 foot indoor pool.

The county's prominence in manufacturing was demonstrated by J.J. Kennedy Inc. announcing it will construct a ready-mix concrete plant on property on Old Steubenville Pike in Robinson Township. Along with the plant, the company's plans call for a small office building, an 80-foot-tall silo for concrete storage and a supply yard. The Robinson plant will be the company's eighth in Western Pennsylvania. Strong growth is expected in Robinson Township because of the construction of the Southern Beltway and proximity to the

Shell Cracker site.

Ensinger, a plastics manufacturer located in the Meadowlands Industrial Park, has selected a new site in the park to build a 214,000 square foot manufacturing facility. The company will add on to its existing facility on Meadowlands Boulevard to allow for additional manufacturing space while the new facility is under development.

As part of an 80,000 square foot expansion in the Northeast, Saia Inc., has opened a six-acre freight terminal in Washington County. The terminal located on Meadowlands Boulevard has 20,000 square feet, 32 doors and 23 employees.

Washington County also retained its position as the Energy Capital of the East with three energy companies leasing space in the Southpointe Business Park - ECM Energy, Huntley & Huntley, DTE Energy.

MarkWest submitted plans to Smith Township to obtain approval to build two de-ethanizers and four cryogenic plants at their 130-acre Harmon Creek processing facility. The plant located between Point Pleasant and Creek roads will employ 25 full-time employees.

EQT is buying Southpointe-based Rice Energy for \$6.7 billion making EQT the largest natural gas producer in the United States.

Finally, Eddy Land Co. gained approval to construct Sherwood Pond, a 54-unit patio home development on 15.761 acres in Peters Township. Four floor plans will be available, ranging in size from 1,800 to 2,700 square feet with an expected average price tag of \$550,000.

In March, The Center on Strawberry, a 5,200 square foot, newly-constructed community center opened in the City of Washington. The center, which includes a 1,900 square foot community room, attached catering kitchen, a conference room and offices, is intended to provide the community and nonprofit organizations in particular, an affordable option for events.

In June, the Mid-Mon Valley Transit Authority opened a \$2 million compressed natural gas fueling station for its fleet of buses as well as a \$4.9 million renovated bus garage on Galiffa Drive in Donora.



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The first half of 2017 was full of new and ongoing economic development projects in Westmoreland County.

Work on Tenaska's state-of-the-art 925-megawatt generating station is progressing on schedule due in large part to the efforts of more than 100 regional business supporting the project. Construction of Tenaska Westmoreland is expected to boost the local economy, with direct construction costs of more than \$500 million. In addition to opportunities for local contractors and vendors, the Tenaska Westmoreland project is expected to create more than 600 jobs during peak construction and 25 well-paying, full-time positions once operational in late 2018. The plant will also contribute millions of dollars in tax revenue through its lifetime.

Redevelopment efforts continue in the City of Jeannette. The Westmoreland County Industrial Development Corporation (WCIDC) completed site development at the former Monsour Medical Center site this past spring. Currently, the WCIDC and the Westmoreland County Lank Bank are reviewing developers' proposals for the 6.7-acres of property located along the Route 30 corridor. New development at this location will provide a new economic driver for the city and the corridor.

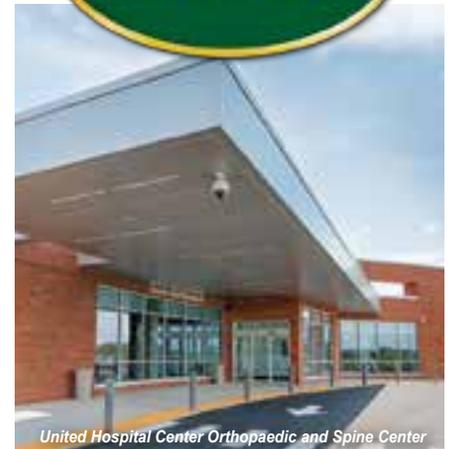
In Jeannette's downtown, the WCIDC held a groundbreaking ceremony in May to mark the start of demolition and remediation efforts at the blighted 13-acre Jeannette Glass Site. During the ceremony, Secretary Dennis M. Davin from the Pennsylvania Department of Community and Economic Development announced the WCIDC was awarded

\$960,300 in Industrial Site Reuse Program (ISRP) grant funding to be used for site cleanup efforts. From now until November, environmental assessment, hazardous site cleanup, and site-wide demolition will be taking place at the site.

In June, Siemens Corporation signed a long-term lease with the Regional Industrial Development Corporation of Southwestern Pennsylvania (RIDC) for 230,000 square feet of existing space at RIDC Westmoreland, the 2.8 million square foot former Sony Plant located in New Stanton. Along with leasing the existing square footage, Siemens will construct a new addition to the building that will be over 60,000 square feet. Approximately 200 full-time employees will work at the facility when it is completed in 2018. The WCIDC and the RIDC partnered with the Commonwealth of Pennsylvania and Westmoreland County to begin redevelopment of the former Sony and Volkswagen plant in 2012. Total investment into RIDC Westmoreland is anticipated to exceed \$100 million in the next year, and will employ over 700 employees on-site.

The WCIDC in partnership with Penn State New Kensington (PSNK) is getting ready to open the doors to an Entrepreneurial Center at 707 Fifth Avenue in downtown New Kensington during the 2017 Fall Semester. The Center will bring faculty, students, entrepreneurs and potential investors to downtown New Kensington. The Center will also create an opportunity to capture the imagination of those traveling into New Kensington to encourage them to stay and invest in the developing downtown, sparking further revitalization along the New Kensington Corridor of Innovation. The corridor will run from the Penn State New Kensington Entrepreneurial Center at 707 Fifth Avenue to the Westmoreland County Community College at 1150 Fifth Avenue.

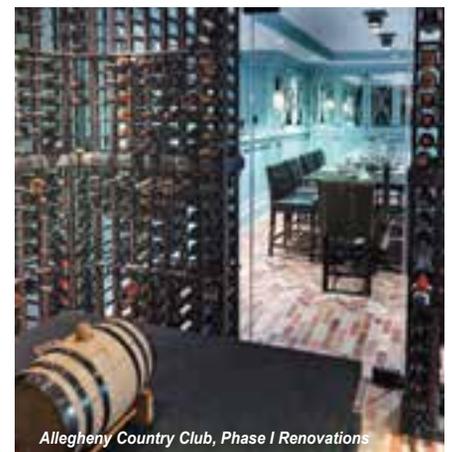
To learn more about economic development projects in Westmoreland County, visit WestmorelandCountyIDC.org.



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Nick, Ruby and Jim Scalo represent Burns & Scalo Real Estate at the NAIOP Pittsburgh golf outing at Fox Chapel Golf Club.



(From left) Babst Calland's Matt Jameson, John Skorupan from Pennoni and PA Commercial's Bob Cornell.



(From left) SunCap's Matt Kramer, Grandbridge's Dan Puntl, Brian Pukylo from First Commonwealth and Wally Enick from Clark Hill.



Lennon Smith Souleret's Kevin Brett (left) and John Heyl (right) flank Jerry Bunda from Imperial Land Co.



(From left) JLL's Jason Stewart, RIDC's Don Smith and Lou Oliva from Newmark Knight Frank.



Continental's Barry Ford (left) with Elmhurst's Bill Hunt.

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Tina Mechling from Continental Building Co. with (from left) CBRE's Tony Rossi, Jon Altman from Sherrard German Kelly and Mike Hudec from Continental Real Estate.



AE7's Yasa Petrunak (left) and Marley Romano at CREW Pittsburgh's Escape the Room event on June 13.



(From left) NAIOP Pittsburgh members serving on the Women's Leadership Initiative of ULI include Meyer Unkovic & Scott's Andrea Geraghty, Dusty Elias Kirk from Reed Smith, BNY Mellon's Tamara Dudukovich and Lynn Delorenzo from TARQUINCoRE

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(From left) Jim Lyle from Community Bank, Washington County Chamber President Jeff Kotula, Washington County Commissioner Larry Maggi, and John Burglund from WallacePancher.



(From left to right) Millcraft's Chad Wheatley, Jack Macioce, Chelsea Peluso, and Ed Page were part of the team sponsoring St. Clair Hospital's Summer Swing golf outing.



(From left) Toby Burke, NAIOP Corporate Sr. Director of State & Local Affairs, NAIOP Pittsburgh Economic Development Chairman Michael Takacs from Bohler Engineering, PennDOT Secretary Leslie Richards, LLI's Jamie White, and NAIOP Pittsburgh President David Weisberg from BNY|Mellon.



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NAIOP Pittsburgh Announces New Addition

NAIOP Pittsburgh is proud to announce that Erica Loftus has stepped into the role of Chapter Administrator, effective August 1, 2017.

Loftus most recently was marketing and public relations manager at the Ambridge Regional Distribution & Manufacturing Center. From 2010 to 2015, she was president of the Beaver County Chamber of Commerce.

Erica earned her degree in Communications from Geneva College in 2006 and shortly thereafter fell in love with being engaged in the community. The majority of her career has been helping to define and grow non-profit organizations. "NAIOP Pittsburgh is thrilled to have Erica on board. She will be a great asset to our organization. Along with administrative and event duties, Erica will bring her considerable marketing and social media expertise to the chapter," says NAIOP Pittsburgh Executive Director Leo Castagnari.

Erica is married and resides in the Pittsburgh suburbs with her husband, stepson and English Mastiff.

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(From left) Robin Zoufalik from Pieper O'Brien Herr, Mascaro's Alyssa Kunselman, CBRE's Michael Stuart and Nicole Graycar from Carnegie Mellon at the CREW/NAIOP Pittsburgh Clay Shoot.



Claire Puntil and Grandbridge's Dan Puntil at the NAIOP/CREW shoot.



(From left) MBM's Andrea Lepore, Rebecca Williams from Kimball Office, Amity McClelland from Hatzel & Buehler, MBM's Missy Powell and Alicia Smith from CREW Pittsburgh.

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(From left) Holly Forsberg, Kimly Vu Gianoutsos and Brittney Wozniak from McGuire Woods at the CREW Pittsburgh networking event.



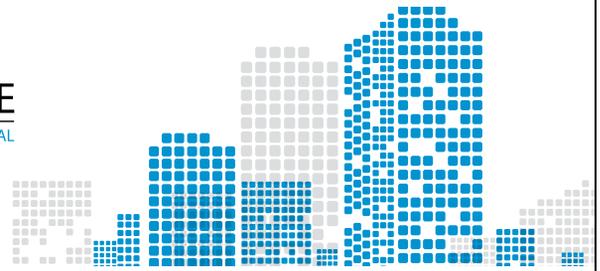
Tiffany Hixon (left) from EQT Production with Century Realty's Jessica Jarosz.



(From left) Sharon Landau, The Hartford's Cindy Pfeiffer, ALCOA's Maureen Ford and PNC's Abigail Hopkins.



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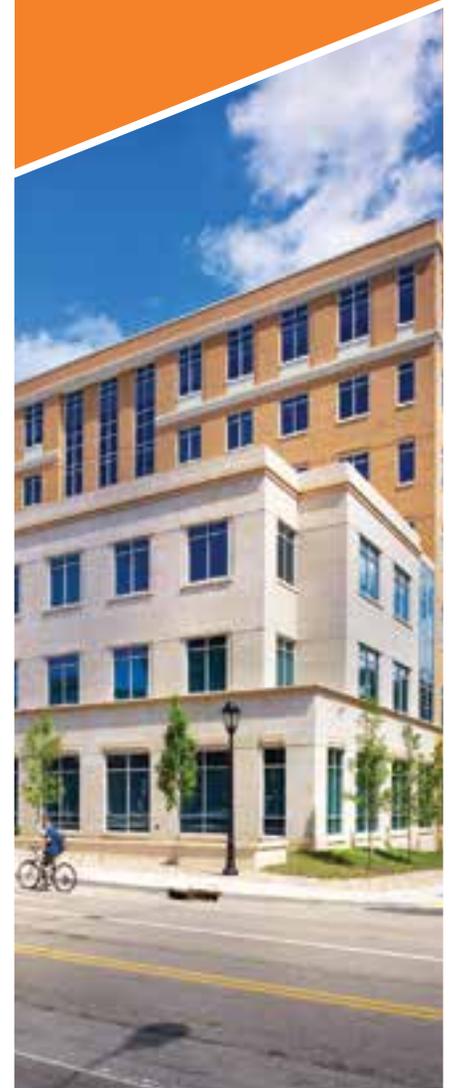
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Gateway Engineers and its predecessors have played an active role in the development of the Ohio Valley since 1882. Our incessant pursuit of project management excellence has created strengths in municipal engineering, consulting work, and all facets of private development including the burgeoning energy industries. The tradition of providing value-added engineering solutions carries on as the company continues to grow. Gateway Engineers staff of registered professional engineers, surveyors, construction inspectors, and landscape architects, along with qualified technicians, is ready to provide the expertise and personalized service which every project deserves. For more information, please visit the new GatewayEngineers.com



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raSmith is a multi-disciplinary consulting engineering firm that is a leader in civil engineering and site development, structural engineering and land surveying. raSmith works with clients to deliver excellence, vision and responsive service. Developers and governmental agencies take advantage of the diverse expertise and team collaboration that is incorporated in every project. The firm provides comprehensive services that include civil engineering, structural engineering, site development engineering, site planning, surveying, water resources engineering, LiDAR (3D laser scanning) and UAS (unmanned aerial systems, or drones) services. Offices are located in Oakmont (Pittsburgh), PA; Brookfield (Milwaukee), Madison, Appleton and Cedarburg, WI; Naperville (Chicago), IL; and Irvine, CA.



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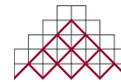
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Todd Dominick – todd@ryconinc.com

Rycon Construction, Inc. is a premier preconstruction, general contracting and construction management firm with offices in Pittsburgh, Atlanta, Cleveland, and Ft. Lauderdale. An ENR Top 400 Contractor, Rycon specializes in new construction, renovations and designbuild projects for owners of commercial, industrial, institutional, multi-unit residential and governmental buildings. Rycon's stellar reputation for quality service is built on a solid history of successful projects completed on time and on budget and an unwavering business philosophy that puts customer satisfaction first. The results are return customers and impressive company growth. The company has executed more than \$2.5 billion of work and currently Rycon's revenues exceed \$300 million.

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www.adventuredev.com

Kevin M. Dougherty – kmd@adventuredev.com

Kevin Dougherty formed AdVenture Development, LLC in 2005. AdVenture Development focuses on commercial real estate development projects and is actively involved in the acquisition, development, leasing and management and has also retained real estate consulting assignments in Pennsylvania, Virginia, West Virginia and North Carolina. Currently being developed in Pittsburgh, PA is McCandless Crossing, a 1.2 million sf mixed-use development. In the Raleigh, North Carolina area a similar development, EASTFIELD, is planned. Kevin and his team are dedicated to exceeding their clients' expectations. Please visit our website at: www.adventuredev.com to learn more.



Chapman Properties

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Steve Thomas – sthomas@chapmanprop.com

Chapman Properties is a leading provider of quality business facilities in Southwestern Pennsylvania. An award winning commercial property development and management company based in Pittsburgh, Chapman designs, builds, and operates state-of-the-art business parks with a concentration on regional distribution and industrial projects. They are best known for their redevelopment of the 2+ million square foot Leetsdale Industrial Park, and are currently developing Chapman Westport, a 2.6 million square foot master-planned mixed use business park located 3 miles from Pittsburgh International Airport on the Westport Road Interchange of PA Turnpike 576, and Chapman Southport, a 153-acre mixed use office park located on Racetrack Road in Washington County next to the Meadows Racetrack and Casino and Tanger Outlet Mall.

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DJ McClary, Director of Operations
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ECONOMIC DEVELOPMENT



Armstrong County Industrial Development Council

Northpointe Technology Center II

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www.armstrongidc.org

Michael P. Coonley, AICP, Executive Director
economicdevelopment@co.armstrong.pa.us

The Armstrong County Industrial Development Council (ACIDC), established in 1968 is a private 501(c)(3) industrial development corporation. Identified as the lead economic development group within the County, the ACIDC, along with its sister organization the Armstrong County Industrial Development Authority, provides single-point-of-contact service for emerging or expanding business and industry. Owners and operators of four industrial parks, single use and multitenant facilities, the ACIDC works closely with existing or prospective businesses to identify the right location. They also provide financing assistance to companies through government loan/grant programs and private sector financial institutions.



Community Development Corporation of Butler County

112 Hollywood Drive #102, Butler, PA 16001
T: 800-283-0021 | F: 724-283-3599
www.butlercountycdc.com
Steven Gifford, Executive Director
sgifford@butlercountycdc.com

The Community Development Corporation of Butler County (CDC) is the lead economic development organization in Butler County. The CDC is your first contact for economic development in Butler County. The CDC works closely with you to identify the right location for your business. Available land includes 60 acres at the Victory Road Business Park, with a KOZ designation, and 30 acres at the Pullman Center Business Park Expansion. Initial lots at the Pullman site are priced as low as \$50,000 per acre. All utilities are at both sites. The CDC also has financing available for real estate, equipment, working capital and lines of credit.



Fay-Penn Economic Development Council

1040 Eberly Way, Ste. 200, Lemont Furnace, PA 15456
T: 724-437-7913
www.faypenn.org
Bob Stark, Executive Director – Bobs@faypenn.org

Fay-Penn Economic Development Council is on point to grow and diversify the economy in Fayette County, Pennsylvania. We're the pre-eminent "1st stop shop" economic development organization in the county, providing comprehensive, second-to-none business development services through our staff and partners to make clients more competitive in a global marketplace. We do "traditional" economic development – rental space, pad-ready business park acreage, and financing – but also provide innovative programming to support entrepreneurs, develop leaders, and promote the business amenities of Fayette County.



Indiana County Center for Economic Operations

801 Water St., Indiana, PA 15701-1705
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www.indianacountyceo.com
Byron G. Stauffer, Jr., Executive Director
byronjr@ceo.co.indiana.pa.us

The Indiana County Center for Economic Operations (the "CEO") was established in 1994 as a county-wide public-private initiative. The CEO Affiliates include the Indiana County Commissioners, the Indiana County Chamber of Commerce, the Indiana County Development Corporation, the Indiana County Tourist Bureau, and Indiana University of Pennsylvania, whom jointly seek to support the continuous improvement and vitality of Indiana County through increased business, economic growth, tourism, education, and the quality of life in Indiana County. The CEO facilitates access to information, resources, and the delivery of integrated programs and services to assist businesses in their efforts to grow and expand.



Washington County Chamber of Commerce

375 Southpointe Blvd. #240, Canonsburg, PA 15317
T: 724-225-3010 | F: 724-228-7337
www.washcochamber.com
Mary Stollar, Senior Vice President Economic Development – marys@washcochamber.com

The Washington County Chamber of Commerce is the largest business organization in Washington County and the second largest chamber of commerce in Southwestern Pennsylvania. The Chamber focuses on economic and business development initiatives to expand the economy of Washington County and was one of the first organizations to publically support the economic benefits and job creation potential of the natural gas industry. Learn more at www.washcochamber.com.



Westmoreland County Industrial Development Corporation

5th Floor, Suite 520,
40 North Pennsylvania Ave., Greensburg, PA 15601
T: 724-830-3061 | F: 724-830-3611
www.westmorelandcountyidc.org
Jason W. Rigone, Executive Director
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Founded in 1983 by the Westmoreland County Board of Commissioners, the Westmoreland County Industrial Development Corporation (WCIDC) implements a comprehensive economic development strategy to promote growth in terms of job creation, economic output and a stable tax base for Westmoreland County. Through the development of a county-wide industrial park system, a responsive Business Calling Program and involvement in public/private partnerships, WCIDC strives to foster business growth, resulting in job opportunities for the citizens of Westmoreland County.

ENGINEERS



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Civil & Environmental Consultants, Inc. (CEC) is a company of professionals who provide integrated design and consulting services at all points in a property's life cycle. CEC's industry experts offer a full complement of evaluation, technical and regulatory insight. Our value lies in the practical knowledge senior leaders contribute along with our broad skill-sets and desire to advance our clients' strategic objectives. We're building trust and our reputation on a local level through personal business relationships while continually assessing our environmental and economic sustainability in the communities where we practice.



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KU Resources, Inc. provides a full range of environmental management and site development engineering services to industrial, commercial, and community based clients. The firm specializes in brownfield redevelopment, environmental site assessment, economic revitalization assistance, regulatory permitting and compliance, remediation design and implementation, and environmental risk management strategies. The firm's engineering and environmental consulting capabilities also include the areas of civil and geotechnical engineering, site development engineering, water resources engineering, mining and quarry services, water quality monitoring, and air quality compliance and permitting.



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Established in 1985, Lennon, Smith, Souleret Engineering (LSSE) is a civil engineering and surveying firm with offices located in Coraopolis (Allegheny County) and Greensburg (Westmoreland County), PA. LSSE has provided planning, surveying and design services for sites throughout Pennsylvania and Ohio, including Pittsburgh's South Side Works and South Shore Riverfront Park; an 833-acre industrial park site in Allegheny County; 50 big-box commercial sites; 20 warehouse/package delivery sites; residential developments comprising over 4,000 housing units; institutional sites; brownfield redevelopment and unique, mixed-use recreational, commercial and residential sites.



LLI Engineering

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James D. White, PE, LEED AP
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LLI Engineering provides mechanical, electrical, architectural, commissioning, and structural engineering services. Since 1910, LLI Engineering has been consistently recognized for providing top-quality engineering design services. We specialize in commercial, critical facilities, education, healthcare, industrial, infrastructure upgrades, green building design, energy conservation modifications, project engineering, and engineering estimates. Located in Pittsburgh, Pennsylvania, LLI Engineering has completed projects in over 20 different states.



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ACA Engineering, Inc. is an independently owned and operated geotechnical and environmental engineering, materials testing and inspection firm with offices in Pittsburgh, Mechanicsburg, and Laporte PA, and Youngstown, OH. Our engineers, geologist, draftspeople, inspectors, and technicians provide quality designs, engineering studies, surveys, and project management. Our senior staff has a combined experience of over 100 years in engineering, construction inspection, and laboratory testing. ACA maintains an in-house laboratory that has been inspected and accredited by AASHTO Materials Reference Laboratory, Cement and Concrete Reference Laboratory, and the U.S. Corps of Engineers.

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ASA Western PA, the American Subcontractors Association of Western PA, is a non-profit organization dedicated to the representation and advocacy for the subcontractor, specialty trade contractor, supplier and service provider business community; promoting an equitable business environment through providing professional education, networking opportunities, government advocacy and influence throughout the construction industry. ASA was founded in 1966, our chapter was established in 1989. ASA of Western PA has been around for 26 years. Learn more about what ASA Western PA can do for your company by visiting our website or contacting the office.



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Established in 1985, Lennon, Smith, Souleret Engineering (LSSE) is a civil engineering and surveying firm with offices located in Coraopolis (Allegheny County) and Greensburg (Westmoreland County), PA. LSSE provides surveying services for sites throughout Pennsylvania and Ohio. Our recent experience includes an 833-acre industrial park site in Findlay Township, 40+ miles of new waterlines for a regional utility, approximately 300 miles of new sanitary and storm sewers, property surveys for sites ranging from 0.5 to 833 acres, and over 3,300 rights-of-way.



Red Swing Group

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Babst Calland's attorneys offer experienced legal counsel in real estate development, finance, construction, energy, environmental risk assessment, zoning and land use, tax assessment appeals, eminent domain, and other corporate and litigation services. We provide creative, pragmatic advice to developers, landlords, tenants, investors, brokers and managers of commercial real estate to help them reach their goals, through attentive service that keeps the client's bottom line in mind. From acquisition to disposition, our approach to the practice of law gives our real estate clients an edge.



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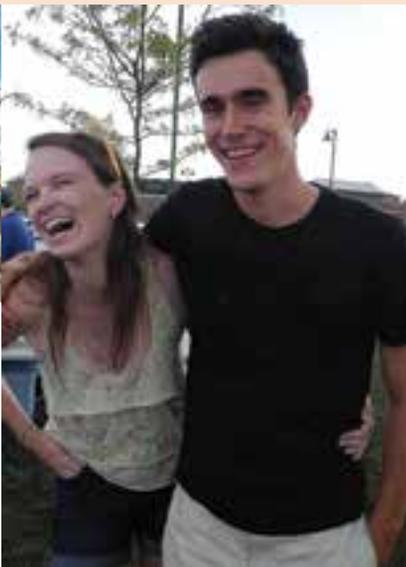
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