

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>6b</u>
Date of Meeting	<u>April 9, 2013</u>

DATE: April 1, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Ralph Graves, Managing Director, Capital Development Division
Gary Schmitt, Director Labor Relations
SUBJECT: North SeaTac Airport Renovation Program (NorthSTAR) (CIP #C800544)

Amount of This Request: \$0	Source of Funds: N/A
Est. State and Local Taxes: \$0	Est. Jobs Created: Approx. 2,000
Est. Total Project Cost: \$300,000,000	

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to enter into a project labor agreement (PLA) covering the NorthSTAR program's five major construction projects.

SYNOPSIS:

Staff recommends the Port negotiate and enter into a PLA for the entire NorthSTAR program to ensure labor harmony, a quality labor force, a safe and uniform working environment, to minimize jurisdictional disputes, and as insurance to minimize the potential for lost revenue, increased costs, operational impacts, and construction schedule impacts if there were to be a labor dispute or issue.

BACKGROUND:

The NorthSTAR program is an outcome of the Airport Terminal Realignment Project where Alaska Air Group (AAG) will be the only airline operating out of the North Satellite at the end of the project. As such, Alaska decided to relocate most of its operations to the North Satellite (NS) to improve its "Curb to Seat" experience. To meet Alaska's requirements, the Port and Alaska jointly determined that the north end of the Airport required renovation from the curbside of the Main Terminal to and including the entire North Satellite. The NorthSTAR program consists of six capital projects as follows:

- CIP #C800544 NS NorthSTAR Program
- CIP #C800545 NS Main Terminal Improvements
- CIP #C800547 NS Concourse C Vertical Circulation
- CIP #C800554 NS Exterior Stairs Concourse C & D

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- CIP #C800555 NS Refurbish Baggage Systems
- CIP #C800556 NS North Satellite Renovation & NSTS Lobbies (NSAT)

The cost of the NorthSTAR program is estimated at approximately \$300 million. The renovation of the North Satellite and portions of the Main Terminal were built over 40 years ago and now require modernization. This includes renewal or replacement of basic mechanical, electrical, communications, heating/air conditioning (HVAC) and plumbing systems along with seismic upgrades. The Commission has authorized design for three of the five projects: North Satellite Renovation & NSTS Lobbies, Concourse C Vertical Circulation, and Refurbish Baggage projects. The Main Terminal Improvements and the Exterior Stairs Concourse C & D projects will and may, respectively, be authorized for design later in 2013. Construction will begin with Concourse C Vertical Circulation and the Refurbish Baggage System projects toward the end of 2013 and extend through 2017 with completion of the North Satellite and Main Terminal projects.

Given the size of this program and varied scopes of work for each project, essentially all crafts will perform work on the program. Due to the length of the program's construction, every collective bargaining agreement associated with these crafts will expire before completion of the program, making the probability of labor-related delays likely. Based on the program's size, the current total estimated jobs created under this program is approximately 2,000. This estimate will be updated as the program progresses.

Staff analyzed the NorthSTAR program and each project within it at a high level, evaluating any interconnection each project has with the other and with tenant improvement projects, airline and Airport operations. This interconnectivity was integrated into the program schedule to confirm the ability for the Port to meet its commitment as agreed between the Port and AAG. The size and complexity of constructing the NSAT project and to a lesser degree the Main Terminal Improvements were analyzed and found to require multiple phases in order to maintain operations and require extensive coordination and management between the numerous contracts expected to implement the program and tenant improvements. Airport and airline operations were reviewed, including contractor access and laydown, to understand the impacts construction will have. Labor Relations was involved in understanding the collective bargaining agreements and potential jurisdictional issues that have occurred recently. Staff concluded there are significant benefits a PLA would have on the Port's ability to successfully implement the NorthSTAR program. These benefits and objectives of the PLA are summarized below. As a result of this significant review, staff recommends the Port enter into a programmatic PLA for the major construction projects based on this analysis and NorthSTAR's overall objectives.

PROJECT JUSTIFICATION:

Enter into a PLA that encompasses the entire NorthSTAR program and each of the capital projects that makes up this program based on the program specific objectives stated below.

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Project Objectives:

- Maintain each project's schedule due to linkages critical to and integrated into the program's schedule.
- Meet completion date of the program critical to improving the Airport's operational efficiency and accommodating AAG's forecasted growth demands as committed to in the Port's NorthSTAR Letter of Understanding.
- Minimize impacts to all areas of Airport operations, except Landside, due to the size and complexity of the program.
- Ensure extensive coordination and management between construction projects (Port, AAG, concessions and tenants)
- Minimize delay impacts in construction on one project to another project, the Airport, airline operations, AAG, and/or other concessionaires or tenants.
- Maintain operations of the existing building, its systems, AAG, concessions and tenants through coordinated multiple construction phases to renovate the NSAT.
- Ensure a skilled, cooperative and stable labor force across every craft on each project to minimize adverse disruptions to the Airport and airline operations and make the implementation of the program a success.
- Minimize impacts to NorthSTAR construction created by occasional unscheduled labor protest events that occur periodically, including those experienced by the airlines from pilots, flight attendants, or ramp crews.
- Ensure having uniform working conditions on each project given the close proximity of construction, Port, AAG, concessionaire and tenant workers.
- Minimize work slowdowns or stoppages and the cost impacts to contractors estimated to be \$20,000-\$30,000 per day of delay.
- Ensure a safe environment to the traveling public and employees walking or working on, adjacent to, and possibly through construction work zones; necessary for maintaining Airport and airline operations.
- Ensure construction continues if jurisdictional issues arise that require resolution through dispute resolution process or a Department of Labor and Industries (L&I) determination.
- Ensure labor harmony between union and non-union contractors working adjacent or side-by-side performing tenant improvements.
- Minimize the potential loss in revenues to the Airport, airlines or concessionaires if passengers cannot make their flights, those flights are delayed, they must operate out of gate locations away from leased areas or there are insufficient opportunities for amenities for the traveling public and employees during construction.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

Staff will engage in negotiations with the local building and trades unions and enter into a programmatic PLA.

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Schedule:

Begin Negotiations: April 15, 2013
Complete negotiations: August 30, 2013
PLA executed: September 28, 2013

STRATEGIC OBJECTIVES:

This PLA and this program promotes the Port's strategic goals to make Seattle-Tacoma International Airport the West Coast "Gateway of Choice" for international travel, to meet the region's air transportation needs at Seattle-Tacoma International Airport for the next 25 years and to encourage the cost-effective expansion of domestic and international passenger and cargo service and to increase workforce training, job and business opportunities for local communities.

ENVIRONMENTAL SUSTAINABILITY:

This PLA supports the program that will incorporate environmental sustainability elements with a goal of reducing energy consumption and lifecycle costs compared to the current facilities.

BUSINESS PLAN OBJECTIVES:

This PLA is vital to the NorthSTAR program that supports the Airport's strategy of operating a world-class international airport by anticipating and meeting the needs of our tenants, passengers and the region's economy. The NorthSTAR program will improve operations, building safety, and customer service at what will be the primary location for the Airport's largest airline tenant.

TRIPLE BOTTOM LINE SUMMARY:

This PLA supports the program that will increase the long-term ability of the Airport to serve a growing number of both passengers and airlines, thereby supporting the regional economy, customers and the nearby communities. This program also supports environmental stewardship by modernizing building systems infrastructure, and supports social responsibility through jobs creation, and apprenticeship opportunities.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1: Do nothing. This alternative would not have the Port negotiate and enter into a programmatic PLA for the NorthSTAR program. Each project within the program would be responsible for making a determination as to whether or not they would enter into a project specific PLA. If a determination is made on each project not to be under a PLA, each contract will require prevailing wages be paid. Staff inefficiencies will result from having to make a determination for each project and potentially negotiating and entering into multiple project specific PLAs. Labor issues or jurisdictional disputes could also result between projects either not under a PLA or not under a common PLA. This alternative is not recommended.

Alternative 2: Proceed with negotiating and entering into a programmatic PLA for the NorthSTAR program that would cover each of the five capital projects within the program. This

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would result in the most efficient use of Port staff and provide for consistency regarding labor issues and requirements. **This alternative is recommended.**

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

- None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- March 26, 2013 – Commission briefing update of the NorthSTAR program.
- November 6, 2012 – Commission authorized \$3,760,000 for the design of the NorthSTAR Refurbish Baggage System project.
- November 6, 2012 – Commission authorized \$2,775,000 for the design of the NorthSTAR Concourse C Vertical Circulation project.
- July 27, 2012 - Commission authorized \$32,000,000 for the design of the NorthSTAR North Satellite Renovation and NSTS Lobbies project.
- June 26, 2012 – Commission briefing on and update of the NorthSTAR program.
- April 4, 2012 – authorizations for the North Sea-Tac Airport Renovations (NorthSTAR) program for: 1) preliminary project funding; 2) execute consulting contracts for design/construction support services and project management services; and 3) use of Port crews and consultants to conduct regulated materials management surveys and field support services for preliminary project planning tasks.