

Capital Region Development Authority

100 Columbus Boulevard, 5th Floor

Hartford, CT 06103

Monday, November 13, 2023

10:00am – Teams Meeting

(The Board Meeting was held via Microsoft Teams with public access)

Board Members Present: Chairman David Robinson; Andy Bessette; Andrew Diaz-Matos; Paul Hinsch; Randal Davis; Bob Patricelli; Pam Sucato; Mayor Luke Bronin; David Jorgensen

Board Members Absent: Joanne Berger-Sweeney; Seila Mosquera-Bruno; Alexandra Daum; Mayor Connor Martin

CRDA Staff Present: Michael Freimuth, Anthony Lazzaro; Joseph Geremia; Robert Houlihan; Jennifer Gaffey; Kim Hart; Terryl Mitchell Smith

Chairman David Robinson called the meeting to order at 10:03.

XL Center Construction Contracts – Lowers Bowl Improvement Program – Next Phase/Project

CRDA Executive Director Michael Freimuth briefed Board Members with regards to the recommendation of using a PLA that pre-sets wages and any increase in them via a formal collective bargaining agreement with the workforce. He explained the reasons why a PLA would benefit the Lower Bowl Improvement Program. This is further explained in the outline below.

XL Center Construction Contracts

Lower Bowl Improvement Program – Next Phase/Project

The proposed renovation of the XL Center is classified as a public works project within the context of the Connecticut State Statutes and as such it would require, minimally, the payment of the State Prevailing Wage. A PLA is also permitted per Section 5 of Public Act 12-70 and if the public interest as determined by such factors as cost, efficiency, workforce availability, avoidance of delays, MBE/WBE and apprenticeships is met, it can be employed in the procurement of state construction projects.

During the most recent construction work project (Jan 2022-Sept 2023) at the XL Center that added the sportsbook facility and related work as a first phase of the overall program to improve the building, the Authority experienced delays and disruptions due to both supply chain problems as well as episodic lack of bidders and/or labor force to meet the schedule as outlined. This led to time loss in delivering the final product.

The schedule for the proposed Lower Bowl Improvement Program is extremely tight, not only relying on bids to be held for nearly a two-year period but work scope that will have to be pursued and choreographed during arena events and related operational activity at the XL Center. There will be (a) construction work that can be pursued during operations of the venue; and (b) more specific structural work that can only be completed during actual programmatic and time limited shutdowns of the arena.

All the sub-contracts managed by the CRDA Construction Manager must ultimately connect and work in an interim as well as final configuration. The actual workday/work period will be tightly restricted due to the building continuing to operate as an open public place. Disruptions in the schedule due to lack of strong bidders and/or insufficiently sized and trained work force will prevent the venue from meeting its operating goals and budget or possibly even lead to a failure to timely re-open the facility with the corresponding risk of lost events and revenues.

Further, one of the most critical elements to control is the inflationary construction cycle over the projected two-year (or more) construction window for the XL Center Lower Bowl Project. Such costs increased more than 20% over the last two years, in both materials as well as labor. In order to mitigate this inflationary pressure during the upcoming long bid contract period, there are two strategies, both of which will need to be employed. For material and specific products to be used in the job, the authority and/or its contractors will need to either pre-purchase and store; or secure a long price hold on such supplies. Second, there is a need to govern the wages that a bidder will be subject to, and this can be accomplished via a PLA that pre-sets wages and any increase in them via a formal collective bargaining agreement with the workforce. This will remove wage related uncertainty in the bid packages and serve to eliminate any likely overestimating that can increase bids purely to protect contractors from this unknown.

A PLA will also provide priority access to the local labor union member network should demand increase on the local labor pool, a real possibility for specific trades, such as carpenters once the federal infrastructure act becomes fully engaged within the region over the next two years. Priority will be given to the XL project.

It should also be noted that higher skill sets will be needed for the complex mechanical upgrades and significant structural scope of work envisioned at the XL Center that will come with union crews that are most likely to be on this project for such work even without a PLA. Such an agreement is consistent with this reality.

With the inevitable surprises that we've come to expect with work at the XL Center as well as the aforementioned tight schedule between events and building operations, there may be a need for multiple shift work. A PLA will set a single standard for shift differentials, allowing flexibility in scheduling and sizing of work crews should this prove necessary.

The development budget for the project has been fixed at \$100 million. Should bids total over this amount and a value engineering process does not deliver the critical project elements needed to improve the building (as per the Lower Bowl Improvement Program), then it will not proceed. A question arises if a PLA will increase the bids by a significant amount. However, it should be noted that 40% of the work is material and supplies. Approximately 60 % is expected to be labor, but a labor price that is already at a prevailing wage that is equal or close to union contracted wages.

Further, the hiring of local labor from the City of Hartford and its immediate area is critical to the City and the State as it invests significant public funds to renovate large public facilities such as the XL Center. The use of a PLA not only presents the opportunity to assure an uninterrupted supply of qualified workers at a predictable price, at wages that would be synched up with the prevailing wage, but it will also have a built-in structure to reach out and nurture new apprenticeships and MBE/DBE affiliations within the Hartford labor market.

It is critical to understand that the next phase of the XL project is a separate phase and project, continuing the work of an overall master plan. On February 1, 2022, a selection committee composed of members of CRDA, and the Office of Policy and Management awarded the project to Dimeo Construction. The contract was executed on March 25, 2022 and work on the project's funded first phase began soon thereafter. The CM has acquired considerable insight and knowledge of the building, its operations, and an understanding of the overall strategy and how it can all fit together. It is in the Authority's best interest to maintain this relationship through various phases/projects of the overall program to improve the facility. To date, approximately \$20 million worth of work has been completed at the XL including the primary task of building out the Sportsbook along with a variety of building improvements that served both the Sportsbook as well as the full arena. The Dimeo contract envisioned future phases as funding became available and to date, funding for the conversion of the lower bowl and the reconstruction of the loading docks and ramps has not been allocated by the State Bond Commission. Therefore, the next phase of the overall XL strategy is a new project with a new budget, it will be bonded

specifically by the State Bond Commission as a new scope of work once bids are established to be within the overall budget and will be procured via a competitive bid process that is advertised and evaluated.

Quoting directly from State Statute, a public entity can require a PLA for any public works project when such a public entity has determined, on a project-by-project basis and acting within its discretion that it is in the public interest to require such an agreement. In making such determination, the public entity may consider (1) the efficiency, cost, and direct and indirect economic benefits, (2) the availability of a skilled workforce to complete the project, (3) the prevention of construction delays, (4) the safety and quality of the public works project, (5) the advancement of minority and women-owned businesses, and (6) employment opportunities for the community.

The State Statute further states that the public entity *shall* ‘invites all contractors to bid on the project without regard to whether the employees of any such contractor are members of a labor organizationand permit the selection of the lowest responsible bidder without regard to labor organization affiliation’. A bidder would have to agree to abide by the PLA once selected.

Dimeo Construction, the CM selected for the project has and can work with a PLA and CRDA will have to give specific instruction to Dimeo to utilize the PLA in its bid packages for the next phase of work. OVG, a partner in the funding of the XL Lower Bowl Improvement Program is comfortable and has indicated their support for a PLA. A PLA with local unions will assure the size, skill sets and availability of the necessary workforce for a project that is being pursued within an extremely tight timeframe with a very specialized work scope and will include provisions to ensure the recruitment of and the training for underrepresented groups.

The Office of Legislative Research issued a report in 2011 summarizing the pros and cons of a PLA and summarized the pros as providing uniform wages, benefits, work rules for major projects, providing contractors with reliable and uninterrupted supply of qualified workers at a set price, increases the likelihood of project completion on time and on budget, ensures against labor strife and makes such projects easier to manage with one contract governing several unions, carry obligations to recruit and train under-represented groups, and maintains a higher percentage of wages staying in the state. The same report noted as concerns that a PLA could lead to increased wages, they can reduce the number of bidders and hence increase costs (though recent experience has shown a lack of skilled, or fully staffed bidders for some aspects of the work at the arena).

In consideration of all these concerns, it is the recommendation of the Authority’s Executive Director to authorize the construction manager, Dimeo to pursue a PLA for the next phase of the XL Center Lower Bowl Improvement Program.

Andy Bessette asked if we are still experiencing inflated costs of construction over the next two-year period? Mr. Freimuth indicated that we are trying to govern that as best we can. If we can get to Bond Commission relatively quickly, materials can be preordered, that would be a big help because that is about forty percent of the project cost.

Chairman Robinson asked if Union and Non-Union shops would be able to bid but everyone would have to sign onto the labor agreement? Mr. Freimuth responded yes.

David Jorgensen asked if Non-Union shops would be competitive if this is the direction CRDA is going? Mr. Freimuth explained that the cost of the labor will be the same. The management does not change, they bring in the same team that runs their jobs. It’s a question of what labor force they would go to, and they would have to see the wage rates and factor that into their bids. The wage rate will be similar for all bidders. It’s a question of their approach, their access to material, schedules and their management teams. That will be the competitive difference.

Chairman Robinson stated that the Board will be authorizing to bid the future construction work and such agreement in accordance with the budgetary allowances. Chairman Robinson asked Legal Counsel Anthony Lazzaro if this is correct? Attorney Lazzaro responded that the Board is approving the justification.

The following motion was moved by Bob Patricelli, seconded by Paul Hinsch and approved.

“As a separate project with its specific bonding, budget, procurement, and scope of work from the construction recently completed, the executive director is authorized to bid the future construction work at the XL Center for the Lower Bowl Improvement Program as a PLA and enter such agreements in accordance with budgetary allowances.”

Adjourned 10:16am

Next Board Meeting - December 6, 6:00pm – in person with a virtual option