

PORTLAND INTERNATIONAL AIRPORT UPDATE

TO: PDX Community Advisory Committee

FROM: Vince Granato, Chief Operating Officer

DATE: October 19, 2016

BUSINESS UPDATE

Runway Run

2,250 runners took part in the PDX Runway Run on Saturday, September 24, 2016 at 9 am on the north runway of Portland International Airport. The event welcomed the Portland community to enjoy a once in a lifetime experience on the runway in celebration of the airport's 75th Anniversary and the Port's 125th Anniversary. 130 volunteers, 9 sponsors, and 10 in-kind partners collaborated to present the event. Transportation Security Administration supported security process and Oregon Air National Guard placed two F15s along the runway. Signage interpreted runway guidance lights and markings for aviation education. Concessions partners Kiehl's, Bambuza, Starbucks and Peet's Coffee & Tea shared refreshments and giveaways. Flying Elephants Delicatessen made special commemorative cookies. Social media activity showed a strong, positive response among participants using the #pdxrunwayrun. All sponsor proceeds go to the Boys and Girls Clubs of Metropolitan Portland.

Airport Activity

For the first nine months of Calendar Year 2016, PDX passengers grew at a rate of 8.9% which equates to over 1.1 million more travelers.

During the busiest season of the year, PDX served 5.36 million passengers from June through August, which beat last summer's all-time travel record by 7.1 percent.

We are expecting to finish Calendar Year 2016 serving over 18 million travelers; this will be the fourth year of record growth. Since 2013, PDX has gained over 3 million travelers.

Additional Air Service Development Updates

Alaska Airlines will add nonstop service from its hub in Portland to the Idaho resort of Sun Valley. The seasonal service launches Dec. 17, when Alaska Air regional affiliate Horizon Air will begin one round-trip flight each Wednesday and Saturday through April 1. The route - specifically to the Friedman Memorial Airport in Hailey, Idaho - will return for the peak summer season, resuming June 14 and continuing through Sept. 16.

Alaska Airlines has also announced a significant expansion to the New York City area with multiple new routes to Newark Liberty International Airport. The new service comes as the Federal Aviation Administration approved Alaska Airlines' request to operate four

additional daily flights to Newark. New service from Newark, New Jersey to Portland will start in November 2016.

On October 5th, PenAir kicked off new nonstop service from Portland to Klamath Falls, the first flights serving that community since June 2014 when SkyWest left the market.

This achievement is the result of combined community effort working with the TSA and Port of Portland. Senator Ron Wyden was on the inaugural flight departing Klamath Falls and Senator Jeff Merkley attended the ribbon cutting in Portland and was on the inaugural arrival into Klamath Falls.

The city of Pendleton has been successful in obtaining a waiver from the U.S. Department of Transportation enabling the Eastern Oregon Regional Airport to continue to receive an essential air service subsidy.

With the departure of SeaPort Airlines, the city of Pendleton and the U.S. Department of Transportation have worked toward finding a replacement to provide air service. Pendleton City Council has recommended Boutique Air, a San Francisco airline, to provide air service in 2017-2018.

Cathay Pacific has announced new direct international air cargo service from Portland International Airport to Hong Kong beginning Nov. 3.

Cathay Pacific is a welcome addition for Oregon and Southwest Washington businesses and shippers who rely on PDX to move products swiftly to Asia in order to remain competitive in the global marketplace.

To illustrate that point, Oregon's six largest air cargo export markets, accounting for just over half of the value of all air exports from Oregon (\$4.3 billion), are in East Asia. Cathay Pacific's direct service will now move those exports faster and more efficiently.

The Portland service will operate on a Hong Kong – Anchorage – Los Angeles – Portland — Anchorage – Hong Kong routing every Thursday and Saturday, using Cathay Pacific's newest and biggest freighter, the Boeing 747-8F. Hong Kong is a hub for Cathay Pacific, offering one of the best connecting air cargo services throughout Asia, including destinations like Tokyo, Shanghai, Ho Chi Minh, Singapore and Penang.

Airport Concessions/Properties

Concessions Redevelopment Phase 2

Work is underway on the second phase of PDXNext concessions redevelopment; construction is visible in multiple areas of the terminal including the north and south ends of the ticket lobby. New food and beverage concessions currently under construction include:

- Peet's Coffee & Tea – now open on Concourse D and in Bag Claim and will be opening on Concourse B later in 2017.
- Portland Roasting – now open on Concourse C and North Concourse Lobby and will be opening in North Ticket Lobby mid-November.
- Starbucks – now under construction on Concourse C and the South Ticket Lobby.
- Stumptown Coffee – now open in South Concourse Lobby.
- House Spirits – Now under construction on Concourse C, will be opening late Oct to mid-November.
- Made in Oregon – Now under construction on Concourse C, will be opening late Oct to mid-November.
- Soundbalance – Now under construction on Concourse C, will be opening late Oct to mid-November.
- Vino Volo – Now under construction on Concourse C, will be opening late Oct to mid-November.
- Timberline – Now under construction on Concourse D, will be opening late Oct to mid-November.
- Tamale Boy – Slated to open on Concourse D in mid-2017.
- Tender Loving Empire - Slated to open on Concourse D in mid-2017.

Hollywood Theatre

Plans are being finalized for the new Hollywood Theatre annex near Gate C5. The theater is slated to seat 18, with standing room for another 10 to 20 people and a space for live performances. The goal is to be open later in 2016.

CONSTRUCTION UPDATE

Security Upgrades, Expansion (PDXNext)

The Access PDX project is on schedule and is in the construction phase. The concourses are complete and behind the scenes infrastructure work is ongoing in the terminal. The airfield gate work is progressing with 18 gates complete and the final 4 scheduled by the end of November. Construction of the new concourse exits is underway and visible at both the north and south ends of the ticket lobby. The current schedule is to have the new exit ways operational before the upcoming Thanksgiving holiday.

Colwood Stormwater Pipe and Outfalls

The Colwood Pipe project is scheduled to be substantially completed by November 10. The contractor is working on wrapping up their final work items, which includes the outfall and intake structures as well as the pipe section underneath Cornfoot Road. The Port is aware that the 45-day road closure poses a significant traffic impact and continues working on an appropriate traffic management coordination and notification. The City's Bureau of Transportation has installed a temporary signal at the intersection of Alderwood Rd. and Columbia Blvd. We anticipate that Cornfoot Road will be open for all traffic again no later than November 10th.

Rental Car Quick-Turn-Around (QTA)

Presented to the PDX CAC as a public notice item in April 2015, the QTA construction continues to make steady progress. Two “enabling projects” are underway to clear and prep the QTA construction site. Visible work includes the relocation of the employee parking lot just east of the long-term parking garage and the taxi hold lot near NE 82nd Avenue and NE Air Cargo Way. Mobilization and staging are underway for the QTA with construction beginning this month and expected to be complete in 2018.

PDX Travel Center

Presented to the PDX CAC as a public notice item in January 2015, the Port of Portland Commission approved a lease with MAJ Development Corporation to construct a gas station and travel center at PDX, combined with a new cell phone waiting area. The lease is for 20 years with options for a total potential lease term of 40 years.

Soil surcharging started last week and will continue for 6 weeks as they work to finalize permits. Construction is expected to begin by January 2017. Construction is slated to be complete in the summer of 2017.

Atlantic Aviation

Work is progressing well at Atlantic Aviation. The two aircraft hangars and business aviation terminal are approximately 75% complete and plan to begin operating out of the new location in January 2017.

Paving work is underway for the airfield and general aviation ramp tie-in.

Mecham Air Center

Presented to the PDX CAC as a public notice item in January 2016, the Mecham Air Center, just west of the Atlantic Aviation site, is currently in schematic design. The initial phase of the project will include demolition of two existing buildings at the end of October, 2016. Construction is expected to begin in late spring 2017.

PLANNING UPDATE

PDXNext

At the June 25, 2014 PDX CAC meeting, the Port presented the PDXNext program, a program of strategic investments intended to position the PDX terminal to meet the needs of the future and enhance the overall terminal experience for passengers and tenants. To date, the Port has presented information on the Terminal Balancing Project, PDX Access Project, Phases I and II of the concessions redevelopment program and the Rental Car Quick-Turn-Around facility. We intend to continue to provide information related to major program elements as they evolve, including terminal balancing and the terminal core refurbishment.

Terminal Balancing (PDXNext)

As previously reported, this project is intended to alleviate the current imbalance of passengers being served on the south side of the PDX terminal, enhance operating efficiencies and improve customer service by extending Concourse E. The imbalance has led to operational inefficiencies for the airlines and Port operations and has impacted customer service.

The Port paused this project in May 2016 to consider changes that have occurred since the design began and to make sure the project will continue to meet its intended goals including balance and flexibility. The Port has made considerable progress redesigning the project to reflect a broad range of changes that affect gates, baggage handling, ticketing and other core requirements.

With airline approval, version 2 of this project is underway with schematic design. Construction will begin this fall/winter on power upgrades, lift station improvements and continuation of Common Use improvements at gates that were included in the original version.

Children's Play Area

Planning and design are complete for a new children's play area that will open this fall. The new area will be located on Concourse D and promises fun and engaging activities for children with a little extra time in the airport terminal.

PDX Opens Post-Security Pet Relief Area

As part of Portland International Airport's ongoing efforts to provide a top-notch customer service experience, PDX opened a new post-security Pet Relief Area on August 4th. Located on the south end of the Concourse Connector, which connects the north and south sides of the airport, this space allows a convenient post-security location that is not immediately adjacent to any shops, restaurants or waiting areas.

The pet relief area, while designed and intended for service animals, may also be used by the many people traveling through the airports with their pets. As a reminder, in the interest of pet safety and passenger comfort, non-service animals should remain in their carriers at all times while in the terminal.

Terminal Core Redevelopment (PDXNext)

The Terminal Core Redevelopment program is a modernization of the heart of PDX, necessary to ensure sufficient capacity for future passenger demand, upgrade seismic resiliency, and replace aging systems and infrastructure. Preliminary planning is underway for this effort. The terminal core includes the existing ticket lobby, Oregon Market, security checkpoints, north and south lobbies, and baggage claim area.

The Port will continue to work with the airlines as we proceed with concept development which will include evaluating options for the Terminal Core program and how the work could be phased. Seismic resilience is one of the major issues associated with the terminal core area.

Airline approval for \$17M in conceptual design funding was received. After a project alignment phase to determine if there were any compelling alternatives to the current direction, the decision was made to proceed as planned. Conceptual design has begun with the first internal workshops underway this month.

Public Parking & Consolidated Rental Car Facility (PACR)

With the approval of Port Commission, the Port has issued a competitive request for proposals to select a contractor to design and construct this project using a progressive design-build delivery method. The proposed public parking and rental car facility will be located immediately south of the Port headquarters and long-term parking structure.

Once completed, PDX rental car operations will contain sufficient capacity to accommodate demand through the year 2035. In addition, the number of long-term public parking spaces will be increased to alleviate the ongoing challenge of insufficient parking capacity.

This project will consist of a new seven-floor facility which contains the following elements:

- 720,000-square-foot rental car ready return and 30,000 square-feet of customer service and support
- Entrance and exit helices
- 2,400 new long-term public parking spaces on floors four through seven
- Significant utility relocations that will modernize the dated systems

Design is scheduled for 2017-mid 2018 with construction scheduled for mid-2018 through late 2020.

SUSTAINABILITY UPDATE

Social Equity

The Port has hired a social equity manager, Steve Nakana, to create and manage the Port's social equity program as part of our Community Affairs department. Steve has been doing ongoing assessment and has talked with approximately 50 equity stakeholders and over 40 Port employees. Chris White and Steve Nakana are working with an internal equity team to align the Ports programs.

As part of this work, we have created a draft definition of equity for the Port: "Fair treatment and equitable access to opportunity."

We have also created three tracks of work for the Port:

- Increase Access to Prosperity Related to Port Activities
- Create a More Diverse and Inclusive Employee Workforce
- Demonstrate Regional Equity Leadership

The Port's executive team has approved these outcomes and we are beginning the work to create detailed work plans in these three areas. The Port will be convening a 25 member employee group to discuss diversity and inclusion, be trained on equity in general and help advise on the employee program. We will also be exploring the creation of an RFP to create equity training for Port staff. This training will look at implicit bias, barriers to equitable access and how we will integrate equity thinking into the way we do business.

We believe our initial work will focus on building institutional capacity with Port staff to be able to understand and discuss equity- whether it relates to workforce diversity, procurement, development, minority business inclusion or other topics. This will require us to identify and address institutional barriers that may hinder fair treatment and equitable access to employment opportunities and benefits resulting from Port projects. We will also be looking at ways to influence others and partner with various types of organizations. As the program is developed, we will continue to have discussions with equity practitioners in the region to share best practices.

PDX Workplace Initiative - Review

The PDX Workplace Initiative was adopted in April 2015, and it addressed three core areas including; Job Pathways, Worker Benefits, and Employer-Employee Relationships.

As we presented at the June PDX CAC meeting, job pathways were improved with the roll out of the Jobs @ PDX website, which has been well received by tenants and employees. From employers, we've heard that the quality of the applicants has been high. As we move forward with new Airline Service Provider and concessionaire agreements, the hiring requirements for each will be incorporated into our process.

A major Airline Service Provider transition is happening effective October 19th, when McGee Air Services takes over ground handling operations for Menzies Aviation. McGee will do all baggage handling and ground support for the Alaska Airlines and Horizon Airlines flights. About 190 Menzies employees are affected, most of whom have accepted positions with McGee.

All of the Airline Service Provider operating agreements were replaced earlier this year, and as new contracts and operating agreements are needed, tenants will be required to submit employer – employee relationship plans addressing how the employer maintains positive working relationships with their employees. The plan can include any agreement an employer has with employees and may address things such as compensation plans, benefits, incentive programs, education and training, and advancement opportunities.

The vast majority of PDX concessionaires awarded contracts in the 2016 RFP pay above the minimum wage. The single largest issue facing our tenants right now is competing for employees in a good economy with low unemployment.

As we look forward to the 2017 Concessions RFP, Port staff is working to ensure that we select great employers who also provide great brands and customer service that are the hallmark of the PDX concession program.

PDX Air Quality Program

On September 29, Port staff met with the Cully Air Action Team and Tony DeFalco. Tony had requested the meeting and invited others to attend.

The Cully Air Action Team is a small group of Cully residents who have been involved with air quality issues in their community. They began meeting last year after it was discovered some of the highest concentration of pollutants in moss were found in the Cully neighborhood. Port staff felt it was positive meeting with some good information exchanged. Members had specific questions prepared related to the effect of the airport on air quality.

Tony requested that the Port join in the partnership/collaboration with other agencies such as DEQ, to help Cully work on air quality issues. The Port agreed to support this effort, and will be participating in the weekly conference call with DEQ and other stakeholders.

OTHER

PDX Passes FAA Certification Inspection

PDX recently passed our Federal Aviation Administration Part 139 annual certification inspection with zero discrepancies – a perfect score for the second year in a row.

The FAA is required to issue a Part 139 airport operating certificates to airports that

- Serve scheduled and unscheduled air carrier aircraft with more than 30 seats;
- Serve scheduled air carrier operations in aircraft with more than 9 seats but less than 31 seats; and
- The FAA Administrator requires to have a certificate.

Airport Operating Certificates serve to ensure safety in air transportation. To obtain a certificate, an airport must agree to certain operational and safety standards and provide for such things as firefighting and rescue equipment. These requirements vary depending on the size of the airport and the type of flights available. The comprehensive inspection engages numerous staff in airside operations, aviation maintenance, Portland Airport Fire and Rescue, wildlife hazard management, and public safety and security.

PDX Again Honored as America's Best Airport

Travel + Leisure Magazine has announced the results of the World's Best Awards reader survey. PDX was honored as the Best Domestic Airport for a remarkable fourth year in a row.

Receiving these awards is always an honor, and employees deserve much of the credit for planning and maintaining an efficient travel environment for our passengers.

PDX was also ranked as the top airport in the 2016 Travelers' Choice Favorites awards for U.S. airports, based on feedback from the TripAdvisor community.

Presented for the first time this year, the awards highlight the most popular domestic airports in four categories: shopping, dining, large airports and medium airports (based on their size classification by the FAA). Award winners were determined based on findings from a survey of more than 114,000 TripAdvisor travelers from the U.S.

PDX Shuttle Fleet Upgrades

The Port Commission recently approved an equipment procurement contract for Syncromatics Corp. to furnish and install camera surveillance systems, Global Positioning System (GPS) tracking, automated destination signs, and stop announcement systems into the 6 new and 18 existing shuttle buses at Portland International Airport (PDX).

The PDX shuttle bus fleet consists of 24 CNG passenger buses, which are used to move people to and from the PDX terminal and the Economy and Employee Parking Lots. These buses are intended to run on a schedule, but there is currently no way to verify that the schedule is maintained or to alert customers that a bus will arrive. Additionally, under the Americans with Disability Act (ADA), shuttle bus fleets are required to provide both visual as well as audible passenger stop notifications.

This project will update the passenger stop notification system and add GPS tracking for public and Port use, a surveillance camera system with an on-board Digital Video Recorder (DVR), and Wi-Fi hotspot access on each bus. The installation of a multi-camera and DVR system will provide recorded footage that can be retrieved if an incident occurs inside or outside the bus.

The GPS location tracking system will provide real-time and recorded GPS data for each shuttle bus, including location, speed and direction of travel. Real-time GPS data will enable mobile apps for customers and bus fleet management. Using mobile applications, customers will be able to anticipate

the time of arrival for any given bus. The on-board Wi-Fi equipment is included in the connectivity equipment required for live GPS tracking.

This project will help the Port's shuttle bus fleet continue to provide the highest level of customer service and safety possible. It also provides tools to optimize bus routes to ensure a regular and predictable bus schedule at every stop.