

PORTLAND INTERNATIONAL AIRPORT UPDATE

TO: PDX Community Advisory Committee

FROM: Vince Granato, Chief Operating Officer

DATE: January 20, 2016

BUSINESS UPDATE

Runway Run

On October 13, 2015, Portland International Airport celebrated 75 years of service to Oregon and Southwest Washington residents. As part of the Celebration of the Port's 125 years and the airport's 75th, we are providing a unique opportunity to celebrate. On Saturday, Sept. 24, you'll be able to run (or walk!) on the Portland International Airport's north runway during our PDX Runway Run.

The Port is partnering with Hood to Coast Race Series to host the Runway Run. The 6K challenge, from one end of the north runway to the other and back, is limited to 2,500 participants age 12 and older. Cost ranges from \$30-45, depending on when you register.

All proceeds from the race event will be donated to The Boys and Girls Club of the Portland Metropolitan area whose mission is to enable all young people to reach their full potential as productive, caring, responsible citizens.

For details about race costs and security information, visit the registration page.
<http://htcraceseries.com/event/pdx-runway-run-2016/>

Best U.S. Airport

According to a survey by J.D. Power, Portland International Airport ranks first among large U.S. airports, topping the second-through-fifth quartet of Tampa International Airport, Las Vegas McCarran International Airport, Orlando International Airport and Salt Lake City International Airport.

Airport Activity

2015 represents our third year of record passenger growth, surpassing the 16 million mark with 16,850,952 passengers, representing 5.9% growth. That growth is largely attributed to five new international flights: Guadalajara, Puerto Vallarta and San Jose del Cabo, Mexico, Frankfurt and Iceland. The airport load factor, or how efficiently air carriers used capacity, also hit a new high of 85%.

We also continue to see continued recovery of the air cargo business with air cargo tonnage up 4% for the year to 237,805 tons.

As usual, the holidays were a very busy time at PDX with the busiest travel days being Nov. 29 and 30, and Dec. 23, 28 and 29. On each of those days, the airport served approximately 56,000 travelers. An estimated 800,000 passengers visited PDX between Dec. 17, 2015 and Jan. 1, 2016 to close out a very busy year.

Additional Air Service Development Updates:

This spring and summer, Frontier Airlines will add nonstop service to Chicago, Cleveland and Phoenix. These three new cities significantly expand Frontier's service at PDX; the airline currently flies nonstop to Denver.

Southwest Airlines will begin flying nonstop between PDX and Lambert–St. Louis International Airport on June 5. This new service will give Oregon and Southwest Washington travelers a second option to fly nonstop to St. Louis.

Alaska Airlines will begin daily service to Omaha, Kansas City and Minneapolis Feb. 18, 2016. The daily flights will be operated by SkyWest Airlines with 76-seat jet aircraft.

Spirit Airlines will start new service to Los Angeles (LAX) on March 25th offering our passengers an additional LAX flying option.

Seaport Airlines will start new Moses Lake, WA service on March 1st.

Delta Air Lines will resume summer seasonal service to Anchorage from May 13-Sept. 5th and Air Canada will resume service to Toronto.

Condor will add a 4th frequency (Saturday) to Frankfurt in summer 2016.

Airport Concessions/Properties

Concessions Redevelopment Phase 2

On March 17 the second phase of PDXNext concessions redevelopment continued with an Outreach/Informational Meeting with over 100 prospective concession businesses attending to explore the Request for Proposal process for the leases that expire in 2016.

Jeff Swanson, our PDX CAC - Clark County representative agreed to participate on the Selection Committee as the representative from the PDX CAC.

The Port of Portland Commission awarded leases for the second phase of the concessions redevelopment program on January 13, 2016. The new offerings are the second of three phases of concessions redevelopment that will continue through 2017.

The Commission approved 11 lease agreements for retail and food and beverage locations coming on line starting in mid-2016. The leases are the second phase of a multi-year project to refresh PDX concessions through 2018. The focus of phase two is

on coffee, expanding from 10 to 12 locations at PDX and offering travelers four brands, rather than two, from which to choose.

The second phase of the concessions redevelopment program continued to strive to expand the mix of local and regional choices, and focused on companies that could deliver the best customer experience possible. In addition, the selection process paid close attention to quality employers who appreciate the value each employee brings to the job. When all locations are fully operational, approximately 100 new jobs will be added at the airport. Current information about airport job openings can be found on the PDX Jobs board. <https://jobs.pdx.com/>

This fall, outreach is planned as part of the third phase of PDX concessions redevelopment.

New food and beverage options include the following:

Coffee Options

- Peet's Coffee & Tea
- Portland Roasting
- Starbucks
- Stumptown Coffee

New and expanded shops and restaurants

- Capers Farm-to-Table Market
- House Spirits Distillery
- Kenny & Zuke's Delicatessen & Market
- Made in Oregon
- Soundbalance
- Timberline Lodge
- Vino Volo

Hollywood Theatre

Northeast Portland's Hollywood Theatre plans to open an annex at PDX in a 650 square foot space near Gate C5 donated by the Port. The theater is slated to seat 18, with standing room for another 10 to 20 people and a space for live performances.

It will screen short films, typically one to five minutes long and will feature Portland artists, as well as films about the city and the state of Oregon.

For travelers, all shows will be free.

Grants from Travel Oregon and the Oregon Community Foundation provided initial funding for the project, but the theater continues to raise money.

CONSTRUCTION UPDATE

Security Upgrades, Expansion (PDXNext)

The Access PDX project is on schedule and is in the construction phase. Behind the scenes infrastructure work has started in the terminal, and the closure and rebuilding of airfield vehicle gates is underway. Rebadging efforts have been completed for almost all airport employees. The contract has been awarded for the new exit lane technology system. The design and construction of lactation rooms at both north and south terminal locations has been added to the scope of the project. The addition of the lactation rooms is in response to a request from the Breastfeeding Coalition of Oregon, which was submitted as public comment at the June 24 PDX CAC meeting.

Federal Inspection Station (FIS) Remodel

The new automated passport control kiosks, lighting, new carpet, and Wi-Fi improvements have all been completed. New informational video monitors to display state tourism destinations have been installed and the new wall graphics are complete.

Construction is nearly complete on two new bus canopies adjacent to the remodel. These will keep international travelers dry when embarking and disembarking buses that transport them from the Federal Inspection Station to the baggage claim area.

Colwood Stormwater Pipe and Outfalls

More than 700 acres of land, including a major portion of the PDX airfield as well as some smaller non-Port of Portland owned properties south of PDX, drain into a large drainage ditch called McBride Slough. From McBride Slough, the water drains through an approximately 1,000-foot-long, 60-inch-diameter pipe into the Columbia Slough. This existing pipe was installed in 1936 and is now past its expected useful life and is showing signs of impending failure.

A full failure and blockage of this pipe could result in widespread flooding of McBride Slough and the PDX airfield, which would impact both major runways and terminal access as there is no other outlet from this basin. Because the Port does not own this pipe or the land it is located on, and the pipe is located immediately adjacent to buildings underneath a business park, repair or replacement of this pipe by the Port in its current location is not feasible.

Because of the risk posed to the airport in case this existing pipe were to fail, the Port decided to construct a new pipe that will assure proper drainage of the airfield independent from the existing pipe. The selected routing of this new pipe is through the former Colwood golf course, which is currently being developed for commercial use by Colwood Industrial Park, LLC. Access to the land for construction and pipe placement is being provided under an easement.

The new pipe will create an alternative secondary connection between the McBride Slough and the Columbia Slough, so that proper drainage of the PDX airfield is no longer dependent on the old failing pipe.

This project will construct a new approximately 1,260-foot-long, 72-inch-diameter concrete pipe providing an additional connection between McBride Slough and the Columbia Slough. The project will include construction of an inlet structure at the bank of McBride Slough and an outlet structure at the bank of the Columbia Slough.

In order to construct the portion of the new pipe underneath Cornfoot Road, the Port's plan provides for a 45-day closure of Cornfoot Road to motorized traffic, with detours around the work area for impacted traffic.

The Port is currently also working on a separate project involving cleanup of the sediments in McBride Slough, anticipated to be performed in 2017. To address concerns regarding possible spread of contaminated sediments through the new pipe, the Port has agreed to delay using the new pipe until the McBride Slough cleanup has been completed

Rental Car Quick-Turn-Around (QTA)

Presented to the PDX CAC as a public notice item in April 2015, the QTA design continues to move forward steadily. Two "enabling projects" are scheduled to begin in March 2016. The projects will help clear the QTA's construction site. One project will move the employee parking lot. The second project will move the taxi hold lot. The actual QTA construction will begin immediately after that and is expected to be done in 2018.

On January 13, 2016, Port of Portland Commission awarded a public improvement contract to Hoffman Construction Company of Oregon for construction of the Rental Car Quick Turn-Around Facility and associated parking and storage surface lots for a total value \$52,406,784.

The contract includes small business subcontractor participation goals including; 18 percent of project construction costs will be paid to disadvantaged, minority or women-owned and emerging small businesses (DMWESB); with sub-goals of 2.5 percent for African American-owned firms and 3.5 percent for Latino American-owned firms.

It also includes a workforce utilization goal of 20 percent apprentice hours for each apprentice-able trade, and a diversity sub-goal of 10 percent of total construction labor to encourage the recruitment and retention of historically disadvantaged or under-represented communities including racial and ethnic minorities and women.

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 approximately 210 feet. The imbalance has led to operational inefficiencies for the airlines and Port

operations and has impacted customer service. Terminal balancing will also make PDX more sustainable, by utilizing the airport's existing footprint as much as possible while minimizing expansion.

Detailed design on the project is nearly complete and the team is now working on issuing the first bid packages, completion of construction documentation, and negotiation of the final construction cost. The Port continues to work with the City of Portland and FAA on necessary project approvals, and is working on detailed project phasing plans. Construction is scheduled to start in early 2016, with completion in early 2018.

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. At our January 2015 meeting, the Port presented information on the Terminal Balancing Project and today we will hear about the next phase of the concessions program. We intend to continue to provide information related to major program elements as they evolve, including terminal balancing and the terminal core refurbishment.

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. Preliminary planning results are due in the first half of 2016, with a schematic design phase to follow for the remainder of the calendar year.

The Port has retained the services of ZGF Architects and Turner Construction for consulting services for this body of work, following a competitive Request For Proposal process. Port Commission action on the first phases of the design and construction management contracts is complete.

SUSTAINABILITY UPDATE

2016 Friends of Trees Plantings

There are volunteer events coming up with Friends of Trees that are part of the PDX CAC Natural Resource Program recommendations. If you are interested in volunteering some of your time on a Saturday morning, check out these opportunities, open to anyone. These events are a great opportunity to connect with the community and meet local stakeholders. We have included a list of those plantings in your materials.

Social Equity

The Port continues to move forward with the following PDX CAC Social Equity Opportunities Ad Hoc committee recommendations:

- 1) Create an organization-wide equity definition and strategy
- 2) Create a template of equity considerations which could be used voluntarily with certain projects, and
- 3) Report out annually on progress towards certain equity goals

The PDX CAC Social Equity Opportunities Ad Hoc committee met for the final time on July 24, and discussed the Portwide equity assessment and the Port's plans for moving forward with an organization-wide equity strategy. Creating this strategy is a Strategic Initiative in the Port's new Strategic Plan.

The Port has created a senior level Social Equity Manager position, which was posted in late December and will close on January 25. We have promoted the position widely to various community groups and organizations, as well as individuals in the equity field. We expect to interview in February.

In June the Port's Human Resources Department selected a consulting firm, Innovative Growth Solutions (IGS), to assist us in developing a more robust diversity program. The overall objectives of the project are to:

- Operationalize our vision of strengthening the Port's culture as a strategic asset, being identified as an employer of choice, and meeting Affirmative Action requirements.
- Incorporate best practices to ensure the principles of diversity and inclusion are built into Port business processes.
- Evaluate and identify methods to strengthen the Port's diversity efforts.

IGS has finished their assessment and is working on finalization of their report. The Port will analyze their recommendations to inform future program enhancements. Any enhancements in the Port's diversity program would be included in the overall equity strategy.

In the next few weeks, the Port will be holding employee focus groups to gather the "organizational wisdom" on what/how we can improve in the area of diversity and inclusion. At the same time, with the consultants, we are looking at all our internal business processes to identify any impediments to progress.

PDX Workplace Initiative

The PDX Workplace Initiative was adopted in April 2015, and it addressed three core areas including; Job Pathways, Worker Benefits, and Employer-Employee Relationships. Job pathways were improved with the roll out of the Jobs @ PDX website, which has been well received by tenants and employees. Currently there are

50 jobs listed on the site from concessionaires, rental car companies, airfield businesses, TSA, and airline service providers. Since the roll out of the website, we had more than 45,000 visits to the home page. As we have moved forward with new Airline Service Provider and concessionaire agreements, the hiring requirements for each will be incorporated into our process.

As we roll out new contracts and operating agreements, 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. We have also included this in the latest Request for Proposal process that just closed.

OTHER

Winter Weather

Airport staff responded to a significant winter event which began on the morning of Sunday January 3. A mix of snow and freezing rain moved in to the Portland Metro area Sunday morning. In anticipation of the freezing precipitation, PDX Operations and Maintenance personnel began treating airport paved surfaces at 5:30 a.m., including aircraft movement areas as well as public roadways. Snow removal and surface treatment continued through Tuesday and all airport surfaces remained open and usable throughout the weather event. Airline delays or cancellations were minimal.

Upgraded PDX Wi-Fi

Just in time for the holidays, the IT communications services team worked with our service provider to increase the bandwidth of the free PDX Wi-Fi. The upgraded gigabit service now offers 10 times the prior speed for travelers at PDX.

Ameriflight

The Ameriflight project is progressing well. They have completed the steel erection, exterior siding and insulation. The contractor is currently working on interior finishes with all City of Portland inspections completed for mechanical, electrical, plumbing and framing. Underground utility work which will bring utilities to the building on Airtrans Way is underway. The project is tracking for completion by February 2016.

Atlantic Aviation

Atlantic has submitted 100% complete plans for review. Port construction permits have been issued and City of Portland construction permits are expected by the end of January 2016. Demolition is complete and construction will start at the end of January as soon as all permits are obtained.

Colwood – U.S. Postal Service

The City of Portland's urban renewal agency approved terms of an \$88 million deal Wednesday to buy the 13.4 acre U.S. Post Office campus in the Pearl District. The deal includes development of a new \$157 million Postal Service campus on the 47.5 acre Trammel Crow Company property that was formerly part of the Colwood Golf course.

Gateway to the Globe 125th Anniversary

PDX CAC members will be receiving invitations to the Gateway to the Globe annual business event on the evening of February 18th at the Oregon Convention Center. The Port will recognize the Compass Award winner. The annual award recognizes individuals who serve as civic and/or corporate role models in the community, and who have demonstrated exceptional engagement with and/or support for the Port of Portland.