

PORTLAND INTERNATIONAL AIRPORT UPDATE

TO: PDX Community Advisory Committee

FROM: Vince Granato, Chief Operating Officer

DATE: January 18, 2017

BUSINESS UPDATE

Airport Activity

PDX reached 18,352,767 passengers in 2016, representing a growth rate of 8.9% over 2015 with the airport serving 1.5 million more travelers than last year.

This represents the 4th year of record growth with the airport gaining over 3.3 million passengers since 2013. This is being driven by a strong rate of growth in seats and new destinations and strong demand for travel and tourism to our region.

Additional Air Service Development Updates

Heading into 2017, we have already received notice of additional service from both Alaska and Southwest Airlines. Starting June 4th on a summer schedule, Southwest Airlines will be adding new destination at PDX: 3 daily SFO/San Francisco flights year round and also an additional frequency to San Jose.

Icelandair continues to expand its global network with additional flights and increased capacity to and from North America. As part of the 2017 schedule, Icelandair will now offer up to 5 flights a week from Portland International Airport.

Alaska Airlines is bringing four new markets to PDX in 2017.

- New seasonal service will include Portland-Philadelphia starting May 22
- Portland-Milwaukee, Wisconsin, starting June 5
- Portland-Baltimore starting June 6
- New nonstop service between Portland-Albuquerque will start Aug. 18 and operate year-round

Albuquerque, Baltimore and Philadelphia offer Portland-area travelers more convenient nonstop options. And, until now, Milwaukee was one of the top 10 markets to which Portland didn't have nonstop service.

Rural Air Service

As reported at our September CAC meeting, PenAir kicked off new nonstop service from Portland to Klamath Falls, in October, the first flights serving that community since June 2014 when SkyWest left the market.

The achievement was the result of community effort working with the TSA and Port of Portland.

In addition, the City of Pendleton was 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.

Following the departure of SeaPort Airlines, the city of Pendleton and the U.S. Department of Transportation worked together toward finding a replacement to provide air service. That new service has come from Boutique Air, a San Francisco airline, which began daily flights between Portland and Pendleton in December.

Both Pen Air and Boutique Air represent an important addition to the air service available at PDX. In particular, these two airlines have a specific regional focus that strengthens rural air service in Oregon. The Port continues to work with both airlines as they work to sustain and grow their operation in Portland.

Airport Concessions/Properties

Concessions Redevelopment Phase 2

Work is well underway on the second phase of PDXNext concessions redevelopment; new concessions and ongoing 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
- Portland Roasting – now open on Concourse C, North Concourse Lobby, and North Ticket Lobby.
- Starbucks – now open on Concourse C and the South Ticket Lobby.
- Stumptown Coffee – now open in South Concourse Lobby, will be opening on Concourse D this summer
- House Spirits – Now open on Concourse C.
- Made in Oregon – Now open on Concourse C.
- Soundbalance – Now under construction on Concourse C, will be opening January 13th
- Vino Volo – Now open on Concourse C.
- Timberline – Now open on Concourse D.
- Blue Star Donuts-Now open in the Oregon Market
- Kenny & Zukes – Now open on South Concourse Lobby.

- Caper's Farm to Table Market – Now open on North Concourse Lobby.
- Tamale Boy – Slated to open on Concourse D June 1
- Tender Loving Empire - Slated to open on Concourse D May 1

Phase 3 of the concessions redevelopment program will get underway in 2017 and Ron Glanville, East Portland Office of Neighborhoods, will represent the CAC in the concessions selection RFP process.

Hollywood Theatre

Plans have been 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 project is now under construction with a planned opening in February 2017.

CONSTRUCTION UPDATE

Security Upgrades, Expansion (PDXNext)

The Access PDX project is on schedule and is approaching the final phase of construction. The system is essentially installed with the exception of some final work around the known crew member lanes at the TSA checkpoints which should be installed over the next 3 months. The airfield gate work is complete. Construction of the new concourse exits is complete and visible at both the north and south ends of the ticket lobby. The software to operate the exit lanes is in final testing and we hope to get the new exit ways operational before the end of January, but the final start up is dependent upon software modifications and testing which is being coordinated with the manufacturer in Germany.

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. The new taxi hold lot and employee parking are now open and work is underway for the QTA. A construction contract amendment will be presented to Port Commission in January. The amendment will address previously unknown conditions not covered in the current scope as well as contract delays related to a building permit approval process which extended five months past the expected May completion date.

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 is complete and removal of surcharge material is on-going. Design review is complete and Federal Aviation Review (FAA) review is underway with approval expected this month. Construction will begin as soon as FAA approval is obtained and is slated to be complete in the summer of 2017.

Atlantic Aviation

Final finishes are in the process of completion for hangar 1 (west hangar) and the business aviation terminal. Final reviews by both the tenant and the Port are scheduled for later this month. Hangar 2 (east hangar) will be completed February 2017. Phasing to turn over the new facility has been coordinated between the Port and Atlantic Aviation and they plan to begin operating out of the new location before the end of January 2017.

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 design review. The initial phase of the project which included demolition of two existing buildings has been completed. 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 revisions to the terminal balancing project, the Public Parking and Consolidated Rental Car (PACR) facility, and the terminal core refurbishment (TCORE).

Terminal Balancing (PDXNext)

As previously reported, this project is intended to alleviate the current imbalance of a majority 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.

A revised concept, including six new boarding gates, was approved by the airlines in August. The project is currently in the Schematic Design phase and work on the apron will begin in the summer of 2017.

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.

Airlines have approved \$17M in conceptual design funding. After a project alignment phase to determine if there were any compelling alternatives to the current direction (expansion of the existing core terminal building), the decision was made to proceed as planned. Conceptual design has begun with the first internal workshops held in October. Workshops and the design will progress through the spring and early summer time frame. Consistent with the Port policy, sustainability will be a key consideration.

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. The facility is strategically located to operate in coordination with the Rental Car Quick-Turn-Around facility currently under construction as well as the existing short-term and long-term parking garages.

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 and terminal roadway capacity. The project is intended to help PDX maintain balanced access to PDX through a diverse program of transportation options including, light rail, taxi's, transportation network companies, rental cars, pick-up/drop-off and bicycle.

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

ISO 14001 Certification

The Port recently completed an annual audit to confirm our continued certification under the ISO 14001 International Standard for Environmental Management Systems.

This is the second surveillance audit by a third-party accreditation agency since our certification in 2014, and the audit again concluded with zero findings of non-conformance. In fact, the auditor remarked that for an organization as large and complex as ours, a report and record of no findings is very rare.

The audit also serves as a learning mechanism for promoting continual improvement. The report does offer some opportunities for improvement, and you can be sure we will take them under serious consideration so that we can look forward to the continued success of our Environmental Management System.

Our ISO 14001 certification reflects our efforts to align our business with our community's values and expectations.

Sustainable Aviation Fuels Northwest

At Seattle-Tacoma International Airport (Sea-Tac), Alaska Airlines is moving forward with plans to implement a biofuel supply for its commercial jets.

An Alaska Airlines commercial flight (Boeing 737-800) traveled from Sea-Tac to Ronald Reagan Washington National Airport (DCA) on November 14 using alternative jet fuel made from forest residuals. About 20 percent of the biofuel was blended in for the flight, using about 1,080 gallons.

The company's move to new fuel began about seven years ago when a group of stakeholders in the Pacific Northwest called Sustainable Aviation Fuels Northwest (SAFN) — which included the Alaska Airlines, the Port of Seattle, Port of Portland, Port of Spokane, Boeing and various government entities — wanted to determine if there was a feedstock available in the region to support a viable biofuel industry.

OTHER

Executive Director Search

As you may have heard, the Port's Executive Director Bill Wyatt will be retiring on June 30. The Port's nine commissioners hold responsibility for selecting the executive director. However, the process will also include external stakeholders as part of an advisory group to the Commission and will include an on-line opportunity for the general

public to comment on job and search criteria. The deadline for public input is Jan 27. The advisory group membership has not yet been finalized.

The Port has hired McDermott and Bull, an executive search firm, to conduct the search. The process will be as follows:

January 13-27, 2017: On-line public comment period opens to gather input regarding the search criteria and job profile. Go to <http://mbsearch.com/port-of-portland-public-comment/>.

February 8, 2017: Commission adopts job profile and search criteria and finalizes the search process during the regular public meeting.

Spring 2017: Advisory group executive session to interview candidates

Commission executive session to interview finalists

June 2017: Commission to approve and hire candidate at regular public meeting.

Children's Play Area

The new children's play area, located on Concourse D, opened in December 2016 providing fun and engaging activities for children with a little extra time in the airport terminal.

PDX Shuttle Fleet Upgrades

Installation of equipment for new GPS tracking, CCTV cameras and free public Wi-Fi was successfully implemented for 18 of 24 shuttle buses with the final six to be completed in January. Our parking management provider is now using the system to track bus locations. New on-board cameras are recording activity on and around each bus. Location tracking of each economy lot bus is now publically accessible at <https://pdxparkingshuttle.com>. New signage is planned for the economy lot shelters directing the public to this website.

TSA Partnership Award

PDX won the 2016 Transportation Security Administration Honorary Partnership Award.