

PORTLAND INTERNATIONAL AIRPORT UPDATE

TO: PDX Community Advisory Committee

FROM: Vince Granato, Chief Operating Officer

DATE: April 1, 2015

BUSINESS UPDATE

Airport Activity

For February PDX posted a 2.2% growth rate for passengers during a 2.5% decrease in seat capacity. This increased the load factor to 84.5%, an all-time record load factor for the month of February.

PDX cargo had a strong start for 2015 with 6.8% growth for February for a total of 17,912 tons.

PDX total operations (landings and take-offs) grew at a rate of 1.1% to 15,048 operations. 2014 was the first year in seven that PDX operations increased.

Roughly 600,000 travelers came through PDX last week as part of Oregon's spring break, spanning March 18 through March 31. On the busiest forecasted days – March 19, 20, 22 and 23 – roughly 46,000 travelers will pass through PDX each day, compared to the normal daily average of 41,000 during this time of year. Although not as heavy a travel period, Washington schools spring break will generate additional travelers from April 6 to 10.

Additional Air Service Development Updates:

Southwest Airlines will start new service to Orange County, California on August 9th with two daily flights; this is a new market for the carrier.

PDX will add two new direct international destinations in the coming months. Iceland Air will begin seasonal nonstop service from Portland International Airport to Reykjavik, Iceland beginning May 20, 2015. German-based Condor Airlines will begin seasonal nonstop service to Frankfurt beginning June 19, 2015.

PDX travel doubles between Portland and Europe during the busy summer months, so these new flights will help continue to meet the needs of travelers.

Airport Concessions/Properties

As of today, April 1st, Portland International Airport travelers have started enjoying another wave of the 11 new shop and restaurant leases awarded in September 2014.

These are 10-year leases and are the first phase of refreshing PDX concessions through 2017.

New shops and restaurants include:

- The Country Cat Casual Dining & Bar located on Stark St in Portland, featuring farm to table offerings from local chefs Adam & Jackie Sappington. Located in the North Lobby post-security.
- Café Yumm headquartered in Eugene, featuring Asian- influenced, healthy food choices, with local sourcing of product and one the first 29 Public Benefit Companies registered in the State of Oregon. Located in Concourse C East.
- MOD Pizza with five locations in the Portland area, featuring artisan-style pizzas are Made On Demand with your own choice of toppings in an 800 degree oven in less than 3 minutes for only \$7.49. Located in Concourse C East.
- Potbelly Sandwich Shop headquartered in Chicago, featuring toasty warm sandwiches, signature salads and hand-dipped milkshakes all made fresh to order. Located in Concourse C East.

In March we welcomed the following new concessions opening their new operations:

- Metalsmiths Sterling Jewelry headquartered in Edmonton, Canada, featuring high quality, hand crafted modern jewelry at affordable prices that embodies the state of mind and feeling of being in Portland. Located in Concourse C East.
- Bambuza Vietnam Kitchen based in Portland, featuring an appealing mix of high-quality, Asian-themed menu items that are full of flavor, healthy and convenient. Located in Concourse C East.
- ccMcKenzie Shoes & Apparel based in Portland, featuring a variety of unique clothing, shoes and accessories while promoting Pacific Northwest fashion designers. Located in Concourse C East.

The award-winning PDX concessions theme is based on offering the best of the Northwest in addition to popular national brands. All PDX shops and restaurants provide products at the same prices as their off-airport locations. PDX currently offers travelers more than 60 shops and restaurants.

On March 17 the second phase of PDXNext concessions redevelopment continued with our Outreach/Informational Meeting with over a 100 businesses attending to start the Request for Proposal process for the leases that expire in 2016

CONSTRUCTION UPDATE

Terminal Carpet Replacement (PDXNext)

Approximately three acres of carpet has been replaced in Concourse C, the pedestrian tunnels, mezzanine and the FIS security checkpoint. After spring break, work will progress next into the north and south security checkpoints, baggage claim, and the remainder of Concourse C. Installation is progressing on schedule, and carpet crews continue to work simultaneously pre- and post-security to ensure timely project completion. Coordination has been occurring, and will continue, with airport stakeholders, including airlines, concessionaires, TSA and others, as well as with the public throughout construction.

Security Upgrades, Expansion (PDXNext)

To enhance security and comfort, a complete replacement of the PDX security access control system is underway, and relocating and expanding both north and south security checkpoint exit lanes is planned along with new passenger waiting areas.

The access control system upgrade will include replacement of locking systems on airport security doorways, new airfield gates and airfield check stations, as well as a new training facility for teaching airport workers about safety and security requirements.

The new, wider exit lanes at security checkpoints will feature doors that automatically lock out anyone entering the exit lane. Comfort will improve for those waiting for arriving passengers with the development of two new waiting areas.

Federal Inspection Station Remodel

Remodeling of the Federal Inspection Station is underway to improve comfort and efficiency and provide a more welcoming environment for passengers arriving from international destinations. The project will open up floor space, improve lighting, install new carpet, refresh painted walls, and add wall graphics. Upgrades will include new informational video monitors displaying state tourism destinations, and the installation of Wi-Fi.

Two new canopies are also planned in 2015 and will keep international travelers dry when boarding buses from the Federal Inspection Station to the baggage claim area.

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 intends to continue to provide information related to major

program elements as they evolve, including the concessions program, terminal balancing, and the terminal core refurbishment.

Terminal Balancing

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 impacts customer service.

In December 2014, the Port Commission exempted the public improvement contract from competitive bidding. The Port subsequently advertised a request for proposal to procure a Construction Management General Contractor (CM/GC) for the project and selected the highest-ranked proposer. Subject to successful negotiations, the Port intends to enter into a preconstruction services agreement and dependent on performance, a preconstruction services contract. Commission approval to award the public improvement contract will be sought when appropriate. Construction is scheduled to start in the fall of 2015, with completion in late 2017.

Terminal Balancing – Workforce Partnership Agreement

The Port has determined that requiring a Workforce Partnership Agreement (WPA) on the Terminal Balancing project is in the Port's best interests. Because the Port's WPA would contain some elements of construction industry agreements commonly known as project labor agreements (PLAs), the Port's WPA would be subject to the Port's policies and procedures for PLAs.

The Port maintains a Commission Policy that sets forth the Port's decision-making framework for deciding whether to use PLAs on Port public improvement projects. The Port also maintains an Administrative Procedure that facilitates Port compliance with its PLA Use Policy and sets forth minimum requirements for Port PLAs.

Terminal Core Redevelopment (PDXNext)

Preliminary planning is expected to begin in summer 2015 for a comprehensive terminal core redevelopment at PDX. The terminal core includes the existing ticket lobby, Oregon Market, security checkpoints and baggage claim area.

As a follow-on study to Airport Futures, the Port completed a Terminal Area Master Plan (TAMP), beginning with a Phase I Ticket/Check-in Lobby Concept Plan. The objective of the TAMP was to evaluate the terminal in its entirety and develop a comprehensive strategy and plan to incrementally reconfigure the terminal, thus avoiding a piecemeal approach to improvements.

At a high level, the TAMP Phase I concept plan recommends a series of phased projects to implement an overall terminal core development vision, with primary goals of improving passenger flows and experience, improved airline and airport operational efficiency, and a refresh of the terminal interior space.

The Terminal Core Redevelopment project will undertake preliminary design to develop and implement a construction project to address deficiencies in design, operation, and function in the ticket lobby, unifying the terminal core as a comprehensive space.

SUSTAINABILITY UPDATE

Certified for Carbon Accounting

Portland International Airport is now certified through the Airports Carbon Accreditation program, making it the fourth airport in North America to achieve the status. The Port also achieved certification for Hillsboro Airport and Troutdale Airport as the fifth and sixth airports to be certified.

The program was launched by the European region of Airports Council International in 2009. It provides a framework for airports to commit to reducing carbon emissions from their operations with the ultimate goal of becoming carbon neutral. Port of Portland signed on as an early adopter in 2014 for the program's initial expansion to North America. The Port airports now join Montréal-Trudeau International Airport, Victoria International Airport, and Seattle-Tacoma International Airport in obtaining the certification.

The Port brings a wealth of experience in carbon accounting to this new process. As part of its commitment to promoting clean air and reducing impacts to global climate change, the Port signed on as a founding reporter to The Climate Registry in 2008. The Port has reported greenhouse gas emissions organization-wide in each subsequent year. In 2009, the Port committed to reducing greenhouse gas emissions by 15 percent below 1990 levels by 2020 – a goal already achieved and surpassed. Through a suite of actions, the Port has reduced greenhouse gas emissions to about 65 percent below 1990 levels.

The Airports Carbon Accreditation program is specific to airports and champions the voluntary and collective efforts of airports worldwide to guide and support continual improvement. The Port now joins over 100 other leading airports across the world, in the most credible and internationally-recognized framework for active carbon management at airports.

Social Equity

The Port continues to move forward with the following 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 Port hired a consultant last May called Good Company to assist us with creating an organization-wide equity strategy. They have completed a draft of their report, which

benchmarks best practices in the field and assesses the Port's current equity work. It also identifies where there are gaps and makes recommendations about possible future goals and activities. The Port has also asked five community organizations to complete a survey on equity, and is waiting for those results to add to the report.

These groups are the Urban League, APANO (Asian Pacific American Network of Oregon), North/Northeast Portland Business Association, NAYA (Native American Youth and Family Center) and Latino Network.

Social Equity continues to be one of the key initiatives that we will be addressing over the next five years in the Port's new strategic plan.

PDX Workplace Initiative

As we discussed at our last CAC meeting, the Port is moving forward with the PDX Workplace Initiative to respond to concerns from SEIU and UNITE HERE. The Port will be offering a package of improvements to address some of these concerns. This initiative is one piece of the Port's larger social equity work.

We took the policy recommendations to the Port Commission in February and March, after outreach to a variety of organizations, including the CAC. Port staff and Directors continue to talk regularly with both unions, to understand their interests. The Port will be working with other airport stakeholders to seek ways to create more value in the workplace experience. We will bring a final version to the Commission in April for a vote.

Tree Planting Opportunities

The Port's urban tree canopy enhancement program, funded in part through our Airport Futures agreements, completed tree planting projects at the following locations:

1. Jackson Bottom Wetlands on 10/4/14
2. Sandy River Delta Park on 11/8/14
3. Columbia Children's Arboretum on 1/31/15
4. Cathedral Park, St. Johns, University Park on 2/21/15
5. Argay, Parkrose, Parkrose Heights, Russell, Sumner, Wilkes on 2/28/15
6. Concordia, Vernon on 3/14/15
7. Beaumont-Wilshire, Cully, Roseway on 3/28/15

On January 31, Friends of Trees and the Portland Opportunities Industrialization Center, Inc. turned out 75 volunteers to plant another 300 native trees and shrubs at the Columbia Children's Arboretum.

NW Youth Careers Expo

Port of Portland employees were out in the community on March 17, explaining the ins and outs of what they do to nearly 6,000 local students. The Port is one of more than 120 employers and organizations that participated in the NW Youth Careers Expo,

created to show students the diversity of career opportunities in our region, as well as the skills and education needed to pursue those jobs.

Making our airport autism-friendly

An airport is a busy place that can quickly become overwhelming for a person with autism. To help travelers navigate their PDX experience, there's a new photo guidebook created with help from special education teacher Brett Bigham. You can pick up "Let's Fly!" at the traveler information centers or view it online at LetsFlyPDX.

OTHER

Ameriflight

The Ameriflight project has completed design review, and is currently wrapping up construction review which is the last step prior to a tenant construction permit being issued. City of Portland permits were issued in mid-March. Initial site work is underway with full construction expected to begin mid-April. Construction will last through the summer and fall with the current schedule projecting construction completion and Ameriflight relocation to the new facility in January 2016.

Fire and Police Chiefs Retire

At the end of March, two of the airport's leaders—Fire Chief Craig Callicotte and Police Chief Phil Klahn—will move on from the airport and off into retirement.

Governor's Transition Team

Oregon Governor Kate Brown has appointed Port Public Affairs Director Kristen Leonard to coordinate her transition. In Kristen's capacity as the transition coordinator, she will be assisting with recruitment and other staffing issues as they arise.

Carpet News

While the Port did not seek the honor, the famed flooring of the Portland International Airport has been selected as Grand Marshal of the 2015 Portland General Electric/SOLVE Starlight Parade (May 30, 2015). The Portland Rose Festival made this selection as a tribute to the millions of travelers and visitors who have walked on the one-of-a-kind carpet, as well as to honor the thousands of airport workers who welcome people each day to the City of Roses.

PDX Carpet Festival

On March 20th, from 8 a.m. until 2 p.m., the airport hosted the PDX Carpet Festival, a celebration of the airport's iconic floor covering. Employees and travelers wore PDX carpet attire, sampled Rogue Brewing's PDX Carpet IPA, shopped for a wide array of carpet-related apparel and accessories at different PDX stores, and visited the PDX carpet photo booth at the Clock Tower in the Oregon Market.

PDX Carpet Vendors Announced

Four local organizations were selected to receive and distribute Portland International Airport carpet. Earlier this year, the Port of Portland advertised the opportunity for interested parties to obtain carpet which they would make available to the community. Four organizations out of 32 were ranked highest on their ability to make the carpet widely available. Each of these winning proposers will receive 1,000 square yards of carpet in approximately May to sell or otherwise provide to the community. Some recipients will create carpet products like floor mats, coasters, and wall hangings, and some will create artistic avenues for the public to experience the carpet.

Those interested in obtaining carpet are asked to contact the winning proposers directly via their preferred contact methods, as listed:

City Liquidators

823 SE 3rd Avenue, Portland, OR 97214

503.238.4477 pdxcarpet@cityliquidators.com www.Cityliquidators.com

instagram.com/cityliqs facebook.com/cityliquidators twitter.com/cityliquidators

(@CityLiquidators) pinterest.com/cityliquidpdx

Carpet Mill Outlet

Mill End Store, 2000 SE Milport Road, Portland, OR 97222

503.786.9441

info@carpetmill-portland.com www.carpetmill-portland.com

Nagl Floor Covering

21717 Hwy 99E, Aurora, OR 97002

503.272.1258 hello@mypdxcarpet.com www.mypdxcarpet.com

instagram.com/mypdxcarpet

Two Dogs in a Boat

1210 SE Gideon St., Portland, OR 97202

503.894.5332 info@thepdxproject.org

www.thepdxproject.org

Best New Specialty Retail Concept, Small Operator

House Spirits Distillery, a leader of the American craft distilling resurgence, was honored with the award for “Best New Specialty Retail Concept, Small Operator,” at the 2015 Airport Revenue News (ARN) Awards. The award recognizes the craft distiller’s retail experience at Portland International Airport (PDX) that is operated directly by House Spirits Distillery staff and offers an entire catalogue including limited edition spirits and the critically acclaimed Aviation American Gin.