

PORTLAND INTERNATIONAL AIRPORT UPDATE

TO: PDX Community Advisory Committee
FROM: Vince Granato, Chief Operating Officer
DATE: January 15, 2015

BUSINESS UPDATE

Airport Activity

PDX experienced 52 months of positive passenger growth through November 2014 and is on track to post a new record for the calendar year. Growth is coming from strong domestic demand and additional seat capacity from Alaska, American and Delta Air Lines.

Preliminary passenger counts for 2014 are estimated around 15.9 million travelers, a 5.9% growth rate over the 2013. The load factor for the year is averaging 83.4%, the highest level in airport history.

Based on preliminary numbers, cargo also posted a strong year with 228,564 tons, up 4.2% growth over 2013.

PDX operations (a take-off or a landing) increased 3.6% current year to date through November. This year will represent the first year in seven that PDX aircraft operations increased.

The busiest days of the year at PDX were on Nov. 30, and Dec. 19, 21 and 28 with more than 50,000 travelers each day. More than 300,000 travelers used the airport Thanksgiving week and PDX served an estimated 735,000 travelers between December 17 and January 1. While the airport was busy for holiday travelers, operations went smoothly.

Additional Air Service Development Updates:

Alaska Airlines announced it is expanding its partnership with SkyWest Airlines with the addition of new service on the 76 passenger Embraer E175 jets. Alaska will begin offering daily nonstop service starting July 1 between Portland and St. Louis.

Southwest Airlines is expanding service with the addition of daily service to Los Angeles (LAX) in June.

Airport Concessions/Properties

PDXNext - New Shops & Restaurants:

In an effort to connect concession operators and PDX concession employees, two job fair events were held. The first, held on October 24th, 2014, was hosted by the concessionaires and open to badged PDX employees. The second, held on November 17th, included a morning only session for PDX badged employees and an afternoon session open to the public. Over

200 people attended the November job fair, where over 300 interviews were conducted and 60 job offers made on the spot.

As of January 1st, Portland International Airport travelers have started enjoying the first 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:

- Bambuza Vietnam Kitchen and Café Yumm who opened up temporary cart operations on January 1st while their restaurants are under construction.
- Mo's Seafood & Chowder who opened their new restaurant for business on January 3rd.
- MOD Pizza, Potbelly Sandwiches and Subway Sandwiches will be opening temporary cart operations shortly while their restaurants are under construction. The carts will allow us to continue to offer a broad variety of options to travelers while new space is under development.
- cc McKenzie, Metalsmiths Sterling, Henry's Tavern, The Country Cat at PDX and Hissho Sushi are all currently under construction with openings scheduled between January 30th and April 1st of this year.

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 at their off-airport locations. PDX currently offers travelers more than 60 shops and restaurants.

This spring the second phase of PDXNext concessions redevelopment will continue with the outreach and Request for Proposal process starting for the leases that expire in 2016.

CONSTRUCTION UPDATE

Airport Way Interchange

On January 14th, ODOT will begin operating the new ramp meter signals on the northbound on-ramp from Airport Way. Since opening the new ramp design this summer, on-ramp drivers simply merged onto I-205 the best they could. Similar to other ramp meter signals in the Portland area, on-ramp drivers will take turns entering I-205.

Even though this may feel like new delay for drivers, in principal it should help I-205's lanes work more efficiently for more of the day. In turn, that should help on-ramp drivers once they are on the freeway. During the most demanding times of the day, the ramp meters might simply change where you wait, not how long you wait.

Terminal Carpet Replacement

Approximately 13 acres of carpet is currently being manufactured and installation throughout the terminal, pedestrian tunnels and rental car service center will begin in late January. Work will be performed primarily at night to minimize disruption to terminal users. Multiple carpet crews will be working simultaneously pre- and post-security to ensure timely project completion. The

Port will continue to communicate with the broad range of airport stakeholders, including airlines, concessionaires, TSA and others, as well as to the public throughout construction.

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. The Port will continue to provide information related to major program elements as they evolve, including the concessions program, terminal balancing, and the terminal core refurbishment. The following PDX Next projects and plans are currently underway:

- Terminal Balancing – Design
- Terminal Core (Ticket Lobby) Refurbishment – RFP for Preliminary Design
- Concessions Redevelopment – Phase I underway, Phase II Outreach – Spring 2015
- Terminal Carpet Replacement – Begins January 2015
- Concourse Exits Relocation & Meeter Greeter Areas

Gate Utilization Model

In-line with the Port's goals of balancing the terminal, we are updating the gate requirements for all airlines serving PDX and developing gating scenarios to 1) identify potential locations where airline gate requirements exceed available, adjacent gates and bump up against other airlines, and 2) develop alternatives to mitigate these conflicts. The work includes a refresh of the master plan flight schedules with the current peak passenger airline departure operations profile to account for changes that have occurred since Airport Futures. The gate model will be useful for evaluating airline gating scenarios in coordination with Terminal Balancing, construction phasing, Remain Overnight Aircraft Parking and other projects.

Concourse A/B Concept Plan

Concourse B is currently used as overflow for mainline and regional jet service. While its close proximity to the south security checkpoint is ideal, the limited apron area is not as desirable for airlines with an operation larger than 3 or 4 mainline gates.

Due to the Terminal Balancing design project, planned airline reallocations, and the recently announced reductions in regional service (not including Horizon); the Port is studying the highest and best use of Concourse A and B.

The study will recommend a utilization strategy for the future of Concourse A following completion of Terminal Balancing as well as a future concept for Terminal B.

PDX Technology Master Plan

The PDX Airport Technology Master Plan will be completed in spring 2015. The Plan will identify ways in which PDX can maximize investment in existing technologies as well as leverage vendor products and relationships. The Master Plan will directly address the key Port strategy of enhancing the customer experience through technology.

The last Airport Technology Master Plan was published in 2002 and focused on wireless communication, common use systems, flight information, and core airport-wide infrastructure. All of these technologies have been implemented or updated in the subsequent years and many new technologies have emerged since that time.

Airport Futures/PDX Master Plan is the basis for the current planning effort related to rebalancing the PDX Terminal (ticket lobby and related passenger processing areas) in anticipation of future travel and passenger trends. The PDX Airport Technology Master Plan is linked to any changes in ticket lobby or passenger space and is a key follow-on element of that work.

Rental Car Quick-Turn-Around (QTA)/Consolidated Rental Car Facility Feasibility

The Airport Futures/2010 PDX Master Plan concluded that rental cars close to the terminal were important to the airport's high level of customer service and that the Port should plan to keep rental cars in that location for as long as practical, delaying the need to develop a remote consolidated rental car facility until we grow to approximately 24 million annual passengers. To that end, the Port has undertaken planning related to meeting the capacity requirements of the rental car Quick-Turn-Around area (or QTA). The QTA is where the rental car companies clean, fuel, and ready recently returned vehicles for future rentals. The Port presented background on this project at the April 2014 CAC meeting and since that time has awarded a contract to Mackenzie for the design. We will be bringing this project back to the CAC as part of our public notice process later in 2015.

The Rental Car QTA design is being coordinated with another planning project that is studying alternatives aimed at meeting both rental car storage (ready/return) and public parking needs as close to the terminal as possible. Both requirements were identified in Airport Futures as key needs by the time the airport reaches 18 million annual passengers.

Phase II 82nd & Airport Way Interchange Study

In 2014 a planning study was conducted to identify and develop a series of conceptual designs and operational improvements at the intersection of NE 82nd Avenue and Airport Way that would address future capacity needs and meet the long term objectives of PDX. The project, including the final three alternatives, was presented to the PDX CAC in June 2014. The objective of the Phase II is to further develop and refine the three remaining concepts, comparing and weighing the benefits and impacts to establish a final preferred concept. This study has now narrowed the focus down to two alternatives with the goal of selecting the final alternative later this year. Recent work has analyzed how each alternative can accommodate return-to-terminal traffic, how the project would be constructed and impacts/access to adjacent development.

SUSTAINABILITY UPDATE

Social Equity

The Port continues to move forward with the following CAC 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 are in the process of completing their report, which benchmarks best practices in the field and assesses the Port's current equity work. They will also identify where there are gaps and make recommendations about possible future goals and activities. This effort is a subset of the Port's sustainability work and is in alignment with the Port's strategic plan. This project consisted primarily of a literature review and internal and external interviews. Staff met on January 9 with the PDX CAC Social Equity Opportunities ad hoc committee, and discussed some of the initial ideas presented in the draft report.

The general conclusion is that the Port of Portland is not far behind the visible leaders in the airport and port world, as this is currently an evolving issue. Most ports lack social equity definitions and program cohesion, and social equity efforts appear ad-hoc and reactive. Ports that have more planning, goal-setting and tracking mechanisms – such as the Global Reporting Initiative- have more advanced programs. These are often European ports. The organizational structures of these Ports often assign ownership to a Director or leadership team member. Certain local jurisdictions with broad missions are ahead of the Port: City of Portland, Metro and Multnomah County are in the period of formulating their programs. These are programs that we want to look to for leadership and ideas.

We are also in the process of setting up contracts to do some survey work on social equity with five community groups: 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. This will also be incorporated into the report.

Thank you to the ad hoc committee for their six meetings and their time and work on this subject. Social Equity continues to be one of the 19 key initiatives that we will be addressing over the next five years in the Port's new strategic plan.

PDX Workplace Initiative

As we have discussed previously, UNITE HERE is interested in organizing retail, food and beverage workers at PDX. There is a national effort undertaken by SEIU to organize ground service and Huntleigh personnel, and it is affecting many significant airports, including PDX. The Port wants to be proactive and offer a package of improvements to address some of these concerns. This initiative is one piece of our larger social equity work.

We will bring the policy recommendations to the Port Commission in February, after outreach to a variety of organizations. Outreach here with the PDX CAC today, and with the ad hoc committee, is part of that broader outreach effort.

In addition, since we last met, we have had two job fairs and a health training session. These were well-attended, and many employees who lost jobs have been rehired by new employers.

ISO 14001 Environmental Management System Certification

During the week of June 2nd, the Port successfully completed the first part of a two-stage audit that will lead the Port to certification under the ISO 14001 International Standard for Environmental Management Systems (EMS). The primary purpose of Stage 1 was to familiarize the lead auditor with Port operations that are within the scope of the certification and

to ensure adequate planning and auditor resources for Stage 2. Overall, the Port received very positive feedback from the auditor with the “green light” to move forward into stage 2.

The Stage 2 audit was conducted October 6-10. At the Audit Close-out meeting on October 10, auditors reported that they are “...recommending the Port of Portland for registration to ISO 14001:2004 Environmental Management System standard, with no corrective actions noted.” A formal report and certification from Bureau Veritas will be forthcoming. This is a significant result that credibly affirms that the Port is meeting its commitments to advance its environmental performance and continual improvement. In the close-out meeting the auditors noted that the “Port’s EMS was the most comprehensive, advanced and effective to be audited by the audit team with a combined 38 years of experience auditing to the ISO 14001 standard.” The official notice of certification will be made available to the CAC when it is released.

OTHER

Ameriflight

The Port continues to work with Ameriflight and the developer on finalizing construction plans and the parties anticipate permits being issued in the near future.

Cuckoo Clock

The tallest freestanding cuckoo clock in America will be at Portland International Airport through March 2015.

The clock was created to kick off Travel Portland’s “Portland Is Happening Now” winter tourism campaign. It first appeared in Seattle in November and then visited Vancouver, B.C., before returning home to Portland.

Handcrafted by Nicolas (Nico) Gros, a sculptor and mechanical designer who honed his expertise in his native France, the nearly 7,000-pound clock was chainsaw-carved by Oregon wood sculptor J. Chester Armstrong. The clock is more than 24 feet tall and nine-and-a-half feet wide. It’s located in the airport’s south atrium, just past security between the B and C concourses.

The clock is fully functioning with wood gears, and depicts Portland icons including Mount Hood, salmon, beer, bikers, Portlandia, Sasquatch, roses, rivers and more. Every hour on the hour, a chicken plays the role of the cuckoo and pops out of the top of Mount Hood.

Oregon Air National Guard

Major General Daniel R. Hokanson, the Adjutant General, Oregon, will officiate a change of Command Ceremony at which Colonel Richard W. Wedan will relinquish command of the 142nd Fighter Wing to Colonel Paul T. Fitzgerald on Saturday, Feb. 7 at 2 p.m.

Tree Planting Opportunities

The Port’s urban tree canopy enhancement program, funded in part through our Airport Futures agreements, will include numerous tree planting projects this year including the following:

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

Anyone interested in volunteering for a tree planting project can register through the Friends of Trees web site at freindsoftrees.com.

PDX 75th Anniversary

PDX will be celebrating its 75th anniversary in 2015. Numerous events are being planned for the anniversary year. We will keep the CAC advised of our plans and hope you will be able to participate in some of our activities and celebrate with us.