

PDX Business Report

PORTLAND INTERNATIONAL AIRPORT UPDATE

TO: PDX Community Advisory Committee
FROM: Dan Pippenger, Chief Operating Officer
DATE: June 24, 2020

BUSINESS UPDATE

COVID-19 Impacts

Passenger Volumes and Revenues

As of mid-June, we estimate that passenger volumes at PDX are down approximately 84% from this time in 2019. This indicates a limited rebound from the low point of the COVID-19 crisis, where passenger volumes were down approximately 96%. The recovery here is similar to national trends, where TSA's overall volume is down approximately 81%.

When comparing calendar year 2019 and 2020, we have seen revenue declines of as much as 90-95% across many airport business measurables, including parking transactions, rental car operations, and concessions business. Some indicators, such as rideshare volumes, are recovering as passenger traffic begins to return, but we expect many of these measurables to remain down significantly for some time.

CARES Act & Port Financial Stability

The Port received \$72.3 million in CARES Act funding. This grant will cover approximately 50% of an estimated \$150 million in lost airport revenue and \$41 million in facility charges at PDX. The Port is allocating CARES Act funding to ensure continuity of airport services, including safety, security, police and fire response, cleaning and sanitation, terminal reconfiguration, debt service, and payroll.

In addition to CARES Act funding, the Port has launched an aggressive cost containment strategy including a furlough program for administrative employees, partial hiring freeze, and elimination of business travel, most overtime, and discretionary contracts. We are also examining maintenance and capital spending alternatives to identify projects that could be delayed.



Air Service Impacts

PDX has remained open and operational throughout the pandemic, although flight volumes and air services have been dramatically reduced. Our transpacific and transatlantic services have been temporarily suspended, and much of our transborder service to Canada and Mexico has been interrupted. Service to Calgary, Vancouver, and Guadalajara may resume this summer.

Domestic air services are significantly interrupted, and carriers continue to adjust their schedules to respond to lower demand. All Hawaiian service has been suspended due to State of Hawaii quarantine orders.

Air cargo has been a bright spot in the industry, particularly due to the need to move large amounts of goods and medical supplies between regions. Air cargo volumes have trended up approximately 10% compared to last year. Cathay Pacific service remains strong as they accommodate higher demand, particularly as the reduction in passenger flights removes belly freight capacity.

Terminal Impacts

The Port began requiring everyone to wear face coverings at PDX beginning May 18, including all areas of the terminals, pedestrian tunnels, and the rental car center. Children under the age of 2 and people with medical conditions that preclude wearing a face covering are exempt. In addition, the Port has restricted access to the terminal to ticketed passengers only, and has closed the meeter-greeter areas outside the concourse exits as a result.

United, Delta, and Alaska have all closed their respective airline lounges. Due to the severe reductions in passenger volumes, TSA security screening has been consolidated to the North Checkpoint only. Passengers can access Concourse C using the Concourse Connector post-security. The reduction in passenger volumes allowed us to close remaining gates on Concourse B to accelerate its remodel.

Airfield Impacts

PDX provided emergency parking for approximately 40 aircraft in locations around the airport, including on crosswind Runway 3-21, which was closed to accommodate this sudden demand. Some regional aircraft were accommodated for a short time at Hillsboro Airport.

COVID-19 Response & Recovery

Travel Safe at PDX

The Port launched Travel Safe at PDX the week of June 15: <https://www.flypdx.com/travelsafe>. The campaign provides clear, consistent, friendly, and accessible messaging to help build trust and confidence, and help reduce stress by making PDX guidelines easy to understand and follow. Please visit the website (link provided above) for more and up-to-date information.

Airline Passenger Processing Changes

Airlines are beginning to assess and implement changes passenger processing to respond to COVID-19. These changes differ from airlines, but include measures including having health screening questionnaires or temperature checks at check-in, touchless baggage check



processes, and changes to boarding sequences and processes to avoid queuing. As of May 11, all airlines serving PDX require face coverings to be worn throughout a passenger's journey, both inflight and at the airport.

Build Back Better – COVID-19 Recovery Planning at the Port

Build Back Better (B3) is the Port's COVID-19 recovery process. The purpose of B3 is to provide a structure and approach for coordinating the Port's recovery and regrowth after the onset of COVID-19. B3 sets a collective recovery vision for the Port to support the region's and Oregon's reopening with actions that put people first and protect health and safety at Port properties. The B3 Framework is consistent with the Port's mission and values, and with strategic focus areas aimed at building an airport for the future, and leveraging our strengths to support equitable regional prosperity.

B3 includes three recovery phases: Return, Restore, and Reimagine. The first phase, Return, is being implemented today. The Return phase includes instituting physical distancing measures, establishing policies such as requiring face coverings and limiting access to the PDX Terminal, and increasing cleaning and providing more places to access hand sanitizer. The Restore phase will focus on expanding support for passengers and businesses, while maintaining new health and safety measures. Reimagine focuses on long-term recovery and building resilience at the Port. The Return phase is the Port's current focus, but staff is also thinking ahead and considering what may be needed for Restore and Reimagine. Due to the nature of the event, B3 is and will continue to be an iterative process. The Port will employ a "plan, do, check, act" approach throughout recovery.

AIRPORT CONCESSIONS/PROPERTIES

COVID-19 Impacts

As the Coronavirus Pandemic swept across the nation in mid-March, PDX enplanements dropped suddenly and dramatically, forcing the majority of PDX's concessions locations into temporary closure. At its worst, approximately 40 restaurants and retail locations closed and overall concessions sales dropped by about 85%. During the peak of the pandemic, the PDX Concessions Operations team worked to ensure that basic passenger needs and services were met by maintaining limited operating hours at several essential locations including a handful of newsstands, coffee cafes, and counter service restaurants. Many of the concessionaires that closed their businesses faced the difficult decision to lay off or furlough the vast majority of their employees.

Throughout the past three months, Port Concessions Development Managers have been focused on connecting business partners with local and federal assistance programs such as the CARES Act and PPP Program. Many concessionaires did not qualify for these programs, and those who did found the assistance to be limited in scope and duration. Nearly all concessionaires have persistently requested financial relief from the Port including a portion of the Port's CARES Act funding. These negotiations have been difficult for all involved, as there is simply not enough financial assistance to cover the losses incurred by all parties.



Nearly immediately, the Port suspended most concessions tenants' obligations to pay their established rent minimums, and lowered percentage rent down to the lowest tier in each contract. This effectively allowed any business that had temporarily closed to suspend rent payments, and reduced percent of sales rent for those who remained open. This initial relief was applied retroactively, beginning in February and initially running through June 2020. Concessions Development is currently seeking Port executive approval to extend these and various other forms of financial relief beyond June 30 as recovery slowly grows over time.

Currently PDX has about 30 concessions in operation, which is a little less than half of all locations airport-wide. As enplanements grow and as Multnomah County proceeds into Phase 1 reopening, we expect to see more concessions reopening. The Concessions Operations team is working closely with individual business owners to ensure that State of Oregon health and safety guidelines are being met for each phase of the reopening process, and are providing various forms of support in achieving compliance. The Port continues to provide flexibility on operating hours to assist business partners in minimizing payroll expenses and other overhead costs.

Concourse E Extension Concessions

COVID-19 began to impact airport business just as ten new shops and restaurants were beginning construction in the Concourse E extension. Financial constraints caused the majority of these projects to pause construction, but four have persisted and plan to open on time with the concourse extension, July 15. The Port has offered complete flexibility in these construction timelines, and waived penalties for late completion. The four locations that anticipate on time openings are: Tillamook Creamery; Calliope gift shop; Jamba; and Your Northwest Travel Mart newsstand. Concessions Development will be working with the remaining seven to resume construction as soon as it makes business sense to do so, with a tentative goal of opening most locations by the end of 2020.

Hertz Bankruptcy

Hertz Rental Car filed for bankruptcy on May 22. The company also owns the Thrifty brand. Together, the two companies account for approximately 25% of the rental car business at PDX. At this time, we don't anticipate revenue impacts as local management has indicated they intend to continue operating and meeting obligations, and look forward to moving into their new space once PACR opens.

PLANNING AND CONSTRUCTION UPDATE

PDX Next Program

PDX Next is the Port of Portland's program to deliver a convenient, comfortable, uniquely PDX experience for travelers and employees now and into the future.

Project Status

The PDX Next program is moving forward with only minor alterations to the schedule. The decision to continue the program in light of COVID impacts stems from its importance to our long-term business needs, as well as the large economic role that PDX plays in the community.



The PDX Next program keeps over 1,200 people working and supporting their families, while also supporting dozens of local, small construction firms and businesses. The program will deliver vital improvements to seismic resiliency, upgrade outdated facilities, and prepare PDX to accommodate growth in our region over the long term.

Construction activities are allowed to continue per the Governor's direction provided that appropriate health precautions are followed. Construction crews are abiding by strict physical distancing rules and enhanced jobsite cleaning protocols. To date, we have not been informed of any positive COVID-19 cases on any PDX Next jobsite.

Concourse E Extension

The expanded Concourse E will open to the public on Wednesday, July 15. Southwest Airlines will be moving to the six new gates on Concourse E, a move that is made easier by lower than normal passenger volumes. Southwest's ticket counter has also recently relocated to the north side of the ticket lobby as part of this transition. In addition to the new concessions discussed earlier, we're looking forward to exciting new art installations on Concourse E, designed by Jacob Hashimoto.

Parking Additions and Rental Cars

The new parking additions are proceeding to meet the long-term goal of having more close-in parking capacity at PDX. This new capacity allows us to have more (and better-designed) facilities for rideshare users, helping cut curb congestion and improve the passenger experience. It also gives us more room to adapt our ground transportation system to new challenges – for example, additional close-in parking can accommodate airport employees when not used by passengers, reducing the need for busing to remote lots.

Construction on the new Rental Car Center is progressing – and quickly! The new structure topped out in June. In addition to our rental car tenants, this new building will also house our communications center, our Emergency Operations Center, the Port Police department, airport badging, and TSA offices. Moving these operations into a seismically resilient structure will help us stay prepared in the event of an emergency. Relocating these functions out of the terminal also enables work on the Terminal Core Redevelopment project.

Concourse A Demolition and Concourse B Remodel

The final remnants of Concourse A are being removed to make way for the Concourse B remodeling project. In addition, low passenger volumes allowed us to accelerate work on Concourse B. This project remains on track for completion in 2021.

Terminal Core Redevelopment

Detailed design on the new main terminal continues. We are looking at different scenarios to accelerate work to take advantage of low passenger counts, or slow down work to encourage physical distancing. More signs of the project can be seen in the terminal – the ticket lobby ceiling has been largely removed to verify locations of utilities and other infrastructure, and work is ongoing to slightly shift the south security checkpoint to allow for temporary entrances from the ticket lobby once work begins in earnest this fall.



MAX Light Rail Service Interruption

To safely facilitate work to demolish Concourse A and remodel Concourse B, TriMet's MAX platform at PDX has been temporarily closed. The final stop is at the Mt Hood platform near the Target store. PDX is bridging the MAX service gap by busing TriMet customers between the terminal and the Mt Hood platform. Buses are scheduled to meet inbound and outbound trains throughout the day. The service is expected to continue until August 1, with an additional shorter interruption later this year. The redeveloped Concourse B is expected to open in 2021.

North Ramp Aircraft Parking

The Port has recently completed a project to remove two obsolete facilities to the east of the Concourse E extension. Work will proceed in 2021 to prepare this area to accommodate additional Remain Overnight aircraft parking to accommodate projected demand through 2035.

SUSTAINABILITY UPDATE

In response to the Port's energy, carbon and air quality goals, the Port has formed an interdepartmental team, the Energy and Carbon Action Team (ECAT), with staff from Planning and Development, Engineering, Environmental, Commercial Properties, and Aviation Maintenance. The purpose of the team is to support and guide the successful development and implementation of a capital investment program that aligns with Port goals to increase energy efficiency, and to decrease energy use, carbon emissions, and air toxics.

ECAT's current focus is the PDX campus. When ECAT work planning for FY2020-21 started, the team anticipated enlisting support from outside consultants.

The team is focused on doing all that it can to position the Port to act when opportunities arise—whether that is finding grants that match identified Port goals and strategies or being ready to move to the next stage of project development and implementation when the financial outlook improves.

ECAT's current tasks include identifying a location and delivery method for an on-site solar field, preferably with a minimum of 1MW generation capacity; and developing recommendations for a comprehensive energy metering program to support energy management, carbon emissions reporting, and cost recovery. Additional topics the team would like to address include understanding infrastructure needs to support adoption of sustainable aviation fuels; electric vehicle and hydrogen fuel cell opportunities. Port staff are also working on preparing for compliance with Oregon's new Cleaner Air Oregon Air Toxics Program, implementing voluntary Clean Air Construction Standards and are working on strategies to support the conversion from diesel to electrified Ground Support Equipment.



OTHER

Technology, Enhancing Travel

REAL ID Implementation Delayed

Due to the pandemic, the Department of Homeland Security has announced that nationwide implementation of the REAL ID requirement will be postponed one year. REAL ID-compliant identification will now be required at all airports on October 1, 2021.

Trusted Traveler Enrollment Suspended

All US Customs and Border Protection (CBP) Trusted Traveler Program Enrollment Centers will suspend operations until at least July 6, 2020, including the Global Entry Enrollment Center at PDX. This temporary closure includes all public access to Global Entry, NEXUS, SENTRI, and FAST enrollment locations.

Port Employees Working Remotely

In response to the Governor's Stay Home order, most Port employees are working remotely and most meetings, including Port Commission meetings, are being held virtually. The Port follows the Multnomah County reopening timeline, and is identifying options to enable critical employees to return to work safely once that phase of reopening has been reached. That said, many Port staff will continue to work partially or fully remotely once reopening begins. The Port has not announced a date where return to work will begin.

