

**Massachusetts Port Authority
Board Meeting**

February 16, 2023



MASSACHUSETTS PORT AUTHORITY

Public Session

MASSACHUSETTS PORT AUTHORITY



Chairman's Comments

Report of the CEO
Lisa Wieland

Massport Goals – FY 2023

- **Ensure safe, secure and healthy facilities**
- Generate economic impact for the Commonwealth
- **Enhance the customer experience**
- **Improve financial and operational performance**
- **Embed DE&I into our organizational DNA**
- Advance our environmental leadership
- Bring about digital transformation
- **Maintain strong relationships with business partners, customers, stakeholders, elected officials, surrounding communities and employees**

Massport executives and senior leaders received incident management training

FEMA ICS-402 National Incident Management System (NIMS) Overview

- Training and certification provided by the Massachusetts Emergency Management Agency
- Tailored to address the Authority's complex working environment including inter-agency coordination, all threats/hazard response, and the challenges of a cyber incident
- Familiarized senior officials with their roles in supporting incident management within NIMS
- Incorporated examples of past events, discussion, and how partners from within and outside of the Authority will address a crisis

Executive level training enhances emergency response capabilities and preparedness

- Highlighted the fundamentals of the ICS and interplay between leadership at the strategic level in support of tactical response
- Outlined the specific roles of the Senior Officials Policy Group and interface with other incident management roles
- Emphasized multi-agency coordination, integration, and collaboration



Participating Agencies



Financial Performance: December 2022

Activity Highlights

- Logan served 2.9M passengers
- Conley Terminal processed 10,300 containers
- Real Estate revenues exceeded plan by \$0.8M
- Expenses were \$1.5M below budget

Financial Results

Revenues	\$88M
Expenses	<u>(\$66M)</u>
Contribution	\$22M

December contribution will be used to fund HOV initiatives, the FY22-24 Capital Program, and matching funds for Logan Airport BIL grants

S&P Global Ratings raised its rating on Massport's Customer Facility Charge (CFC) revenue bonds that were issued to fund the Rental Car Center

S&P Global
Ratings

09-Feb-2023 | 14:39 EST

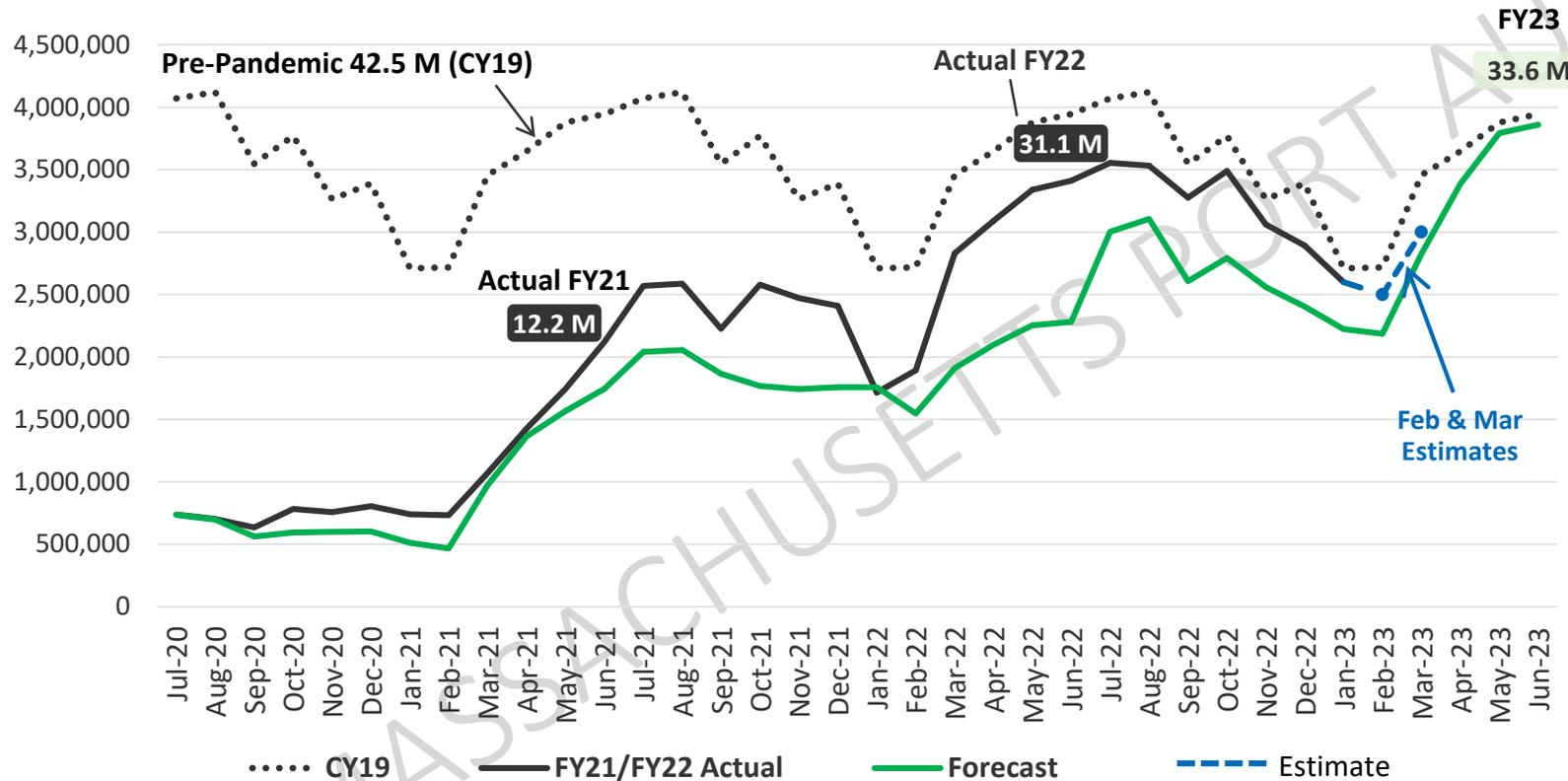
Massachusetts Port Authority CFC Bond Rating Raised To 'A' From 'BBB+' On Improving Rental Car Transactions

Credit Profile		
Massachusetts Port Auth non-recourse		
Long Term Rating	A/Stable	Upgraded

- Rating was upgraded from 'BBB+' to 'A' based on recovering rental car business activity and CFC revenues in 2022
- The outlook is 'Stable' based on S&P's expectation that rental car activity trends will continue to recover and normalize at levels comparable with pre-pandemic transaction days
- Rating could be lowered if rental car activity declines materially due to economic, health and safety, or competitive factors
- Rating could be raised if S&P believes the CONRAC's debt service coverage will be sustained at strong-to-very strong levels with minimal additional debt requirements

Logan's passenger volume is trending upward, but a full recovery is not expected until after FY23

Forecast of Logan Passengers FY22 to FY23

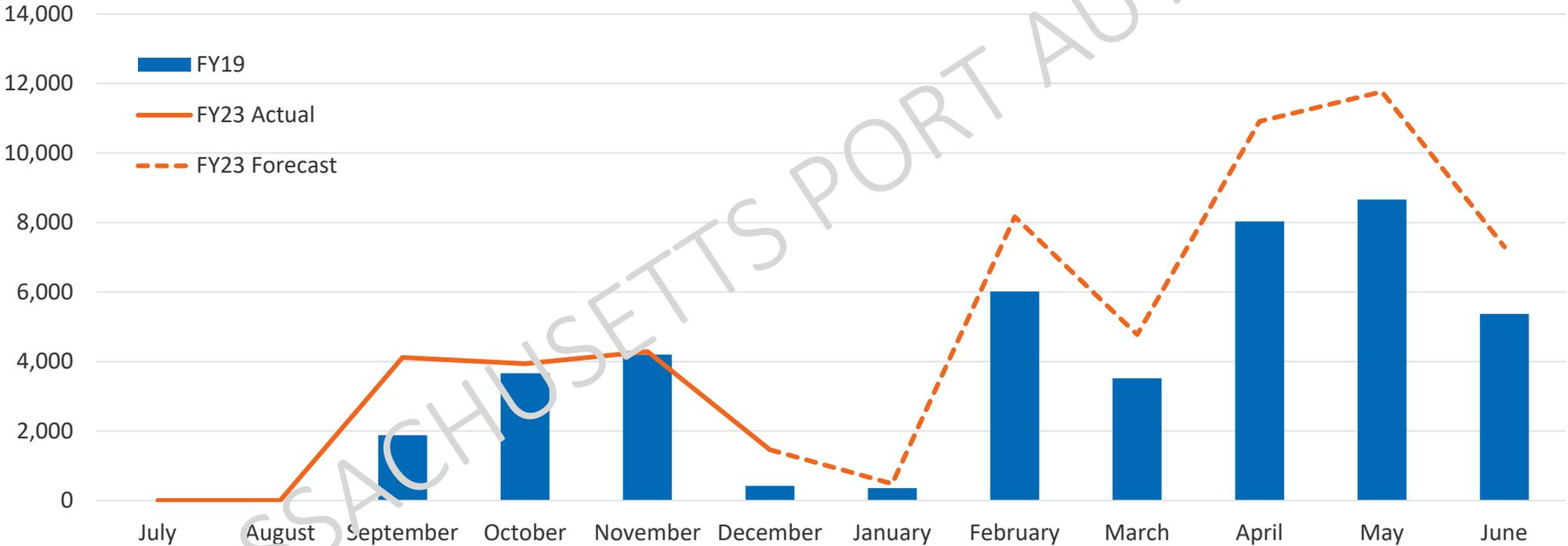


Positive Trends Continue but Headwinds Remain

- Domestic business travel appears to be ticking upward
- Airlines face supply challenges: pilot shortage, delayed aircraft deliveries, and FAA air traffic controller staffing issues
- COVID-19/flu impacts on staffing and travel over the winter
- Ongoing conflict in Ukraine
- Possible U.S. and global economic recession

As the passenger recovery continues, we anticipate parking challenges for the upcoming peak travel seasons, starting with the February school vacation period

Logan Airport Parking
Combined Diversions and Valet, FY2019 vs FY2023

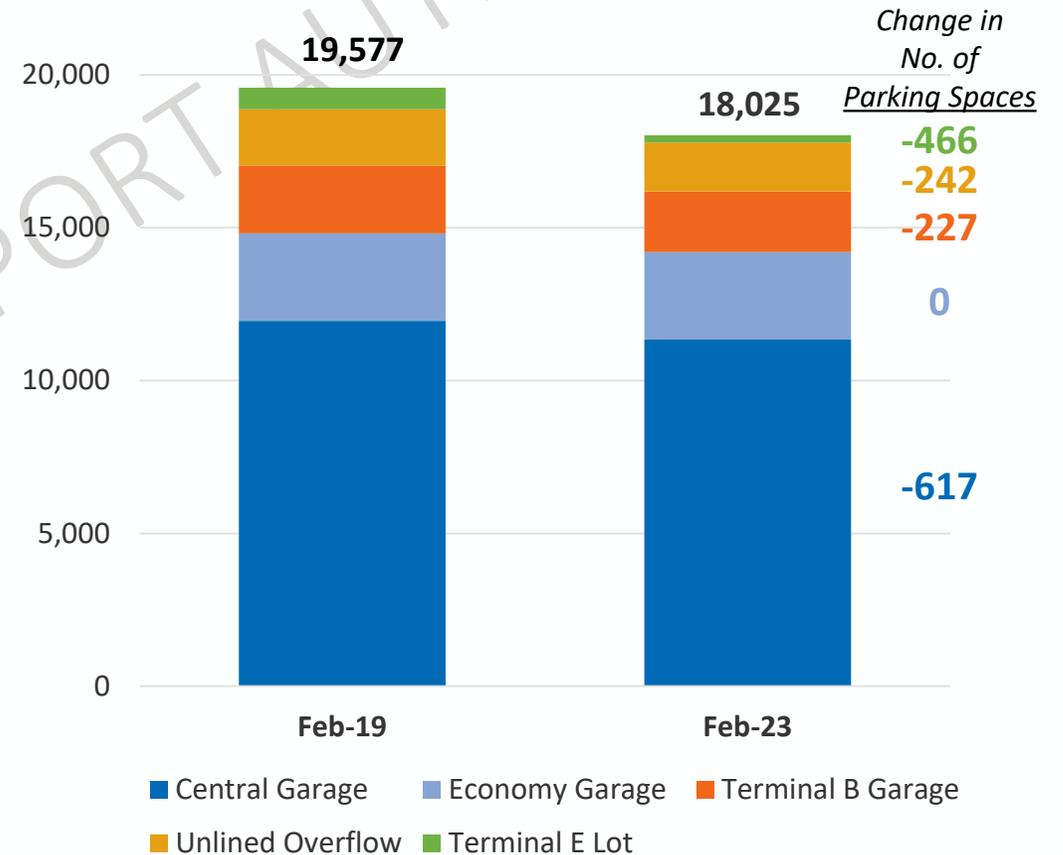


Ride App efficiency improvements and the Terminal E Modernization project have lowered Logan's commercial parking capacity by more than 1,500 spaces

Projects Impacting Parking Capacity

Project	Date	Parking Assets Impacted
Ride Apps / Central Parking	Oct/Nov 2019	<ul style="list-style-type: none"> Central Garage Overflow
Ride Apps / Terminal B Garage	November 2022	<ul style="list-style-type: none"> Central Garage Terminal B Garage
Terminal E Modernization	Ongoing	<ul style="list-style-type: none"> Terminal E Lot Unlined Overflow

Logan Airport Revenue Controlled Commercial Parking Spaces



The Braintree LEX/Quincy Satellite service for employees started this month, creating more capacity at Braintree for passengers traveling during school vacation week

February School Vacation Week/HOV Marketing Campaign

Boston Logan International Airport
February 18 at 3:00 PM

Traveling this winter break? There are many great ways to get to Boston Logan - like the Logan Express from Back Bay, Braintree, Framingham, Peabody and Woburn. Plus, Private Bus service from MA, NH, ME, VT and RI and the Blue/Silver Lines and water ferry. For all options: <https://loom.ly/VExT-E4>

A circular graphic with the BOS logo in the center. Surrounding the logo are icons for a train, a ferry, a plane, a bus, and a car with a location pin.

BOS Boston Logan International Airport
Sponsored

The Logan Express bus is here, and kids 17 and under ride free with a ticketed family member.

START YOUR VACATION

WITH THE LOGAN EXPRESS BUS

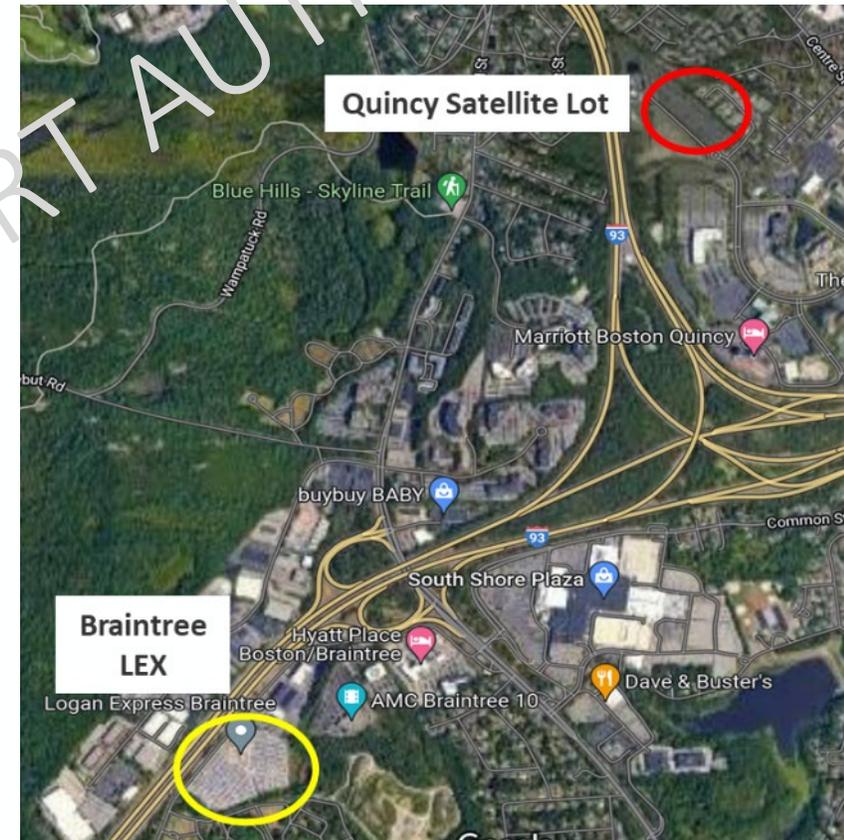
LoganExpress.com
Travel without the hassle
Book your ticket

Learn more

1,637 · 112 Comments · 32,234 Views

Like Comment Share

New Employee Braintree LEX/Quincy Satellite Service Started this Month



Blue Apple Bus increased daily trips between the Mansfield Commuter Rail Station and Logan Airport by 50%

THE SUN CHRONICLE

Bus company offering more trips to Logan airport from Mansfield commuter rail station

By David Linton dlinton@thesunchronicle.com Jan 23, 2023 Updated Jan 23, 2023



- Blue Apple Bus started serving Logan Airport from the Mansfield MBTA station in November 2022 with 10 daily roundtrips
- The service has been well received since its launch prompting the company to increase service to 15 daily round trips effective January 21, 2023
- Passenger amenities include:
 - E-ticketing and flexible tickets
 - Free Wi-Fi
 - Air and surface purification system
 - Electrical outlets

Massport has launched a public education campaign to reduce idling at Logan Airport

- Increased curbside GTU presence
- Recorded a Public Address system announcement
- Included information in social media posts to increase use of cell phone lots and reinforce no idling
- Installed additional signage



Massport is leveraging our mission to attract talent

 **Massachusetts Port Authority**
1d

Why Massport? Our team can tell you! Here's what makes a career with Massport so rewarding.

We're hiring! See our open roles: <https://loom.ly/i1n3s2c>



Audrey Nagle
Manager - Charitable Giving Programs
Massport

 Like  Comment  Share

Pratt Wiley, CEO of The Partnership Inc., joined Massport's Chief DeGrace for a fireside chat to celebrate Black History Month



Larry J's BBQ Café – recent press celebrating Black-owned restaurants in Boston

- Larry J's BBQ Café in South Boston Maritime Park highlighted by the Boston Globe and Yelp to celebrate Black History Month
- Boston Globe article celebrating Black-owned restaurants in Boston and beyond listed 100 places to visit
 - Larry J's is the only Seaport entry
- YelpBoston Instagram post included Larry J's as one of 26 Black-owned businesses to visit



Larry Jimerson, the owner of Larry J's BBQ Café in the Seaport. NATHAN KLIMA FOR THE BOSTON GLOBE/ THE BOSTON GLOBE

FOOD

Celebrate Black-owned restaurants in Boston and beyond

Here are more than 100 places to visit for steak frites and smoothies, sambusas and soul food, and so much more.

By Devra First Globe Staff, Updated February 1, 2022, 10:00 a.m.



The smoked chicken sandwich with a side of potato salad served at Larry J's BBQ Cafe in the Seaport. NATHAN KLIMA FOR THE BOSTON GLOBE/ THE BOSTON GLOBE



Report of the Director of Aviation
Ed Freni

Logan Airport Passenger Activity Levels – January 2023

Logan Activity Summary January 2023

	2023	Prior Year 2022	% Change Over 2022	Pre Pandemic 2019	% Change Over 2019
Passengers	2.6M	1.7M	52.2%	2.7M	-3.4%
Aircraft Operations	29.3K	24.0K	22.0%	30.3K	-3.3%

Extreme cold weather impacts at Logan and Worcester

Logan

Saturday, February 4, 2023 – Most impactful day

Temp: -10°F/ Winds NW 26 gusting to 41

- Frozen fuel carts and trucks operated by one specific ground handler; mostly impacted Delta and JetBlue
- Delta self-imposed a ground stop through FAA (**two cancellations and 54 delays**)
- JetBlue adjusted their schedule and cancelled numerous flights (**39 cancellations and 135 delays**)
- Over a dozen burst pipes in terminals, gas station, South Gate, and Earhart Building
- Fire Rescue also provided mutual aid response to water leaks in Winthrop and Chelsea

Sunday, February 5, 2023

- Temperatures gradually rose throughout the day
- Many fewer issues (burst pipe at concession and the RCC)

Monday February 6, 2023

- Burst concession waste water pipe in Terminal B; however, concessions remained open
- Water pipe break at Chelsea garage; water restored same day



Logan's Terminal B, American



Logan's Terminal C

Worcester

- Water line on 2nd floor burst and flooded Massport offices, as well as the Badge Office and airline offices on 1st floor



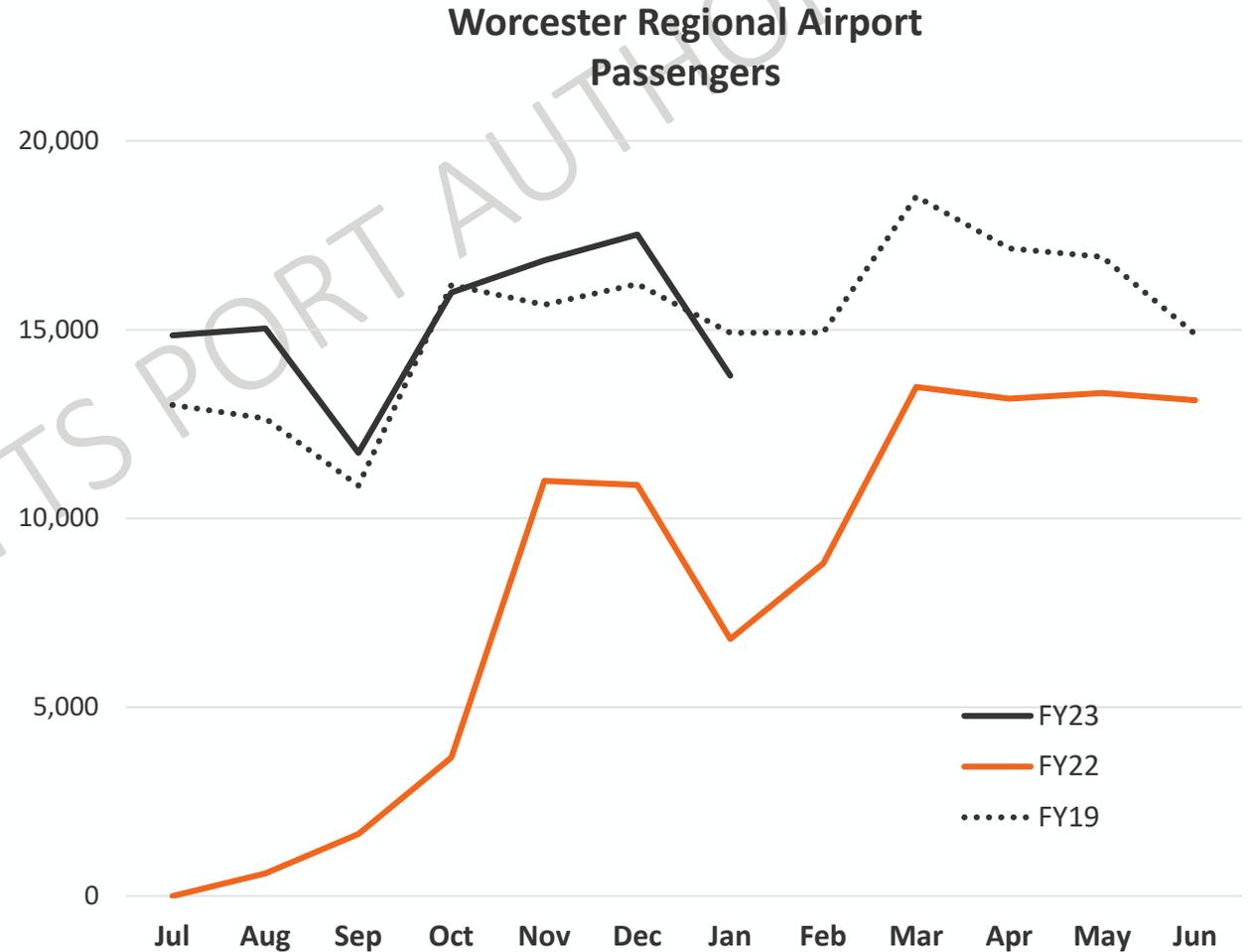
Worcester Airport passenger volume for FYTD 2023 is 6% higher than the pre-pandemic volume for the same period

January Activity:

- 13,200 passengers
 - Up 94% over January 2022
 - 12% below January 2019

FYTD January Activity

- 105,800 passengers
 - Up 204% compared to FYTD 2022
 - Up 6% compared to FYTD 2019



Massport has a robust Worcester Airport marketing campaign targeting February school vacation and college spring break travelers

Print

IT'S SNOW MUCH FUN!

Worcester Regional Airport has your ticket to epic winter fun. With daily nonstop service to New York and Fort Lauderdale and 100+ connections, the possibilities are endless.

DELTA | American Airlines | JetBlue

- 3 miles from downtown Worcester
- Congestion-free
- Convenient, affordable parking with EV charging stations
- Hassle-free check-in and security checkpoint
- Free WiFi

Learn more at FlyWorcester.com

WORCESTER REGIONAL AIRPORT
POWERING WHAT'S POSSIBLE™

Social Media

Worcester Regional Airport Sponsored

Let your winter break take off at Worcester Regional Airport.

WINTER BREAK TAKES OFF AT WORCESTER REGIONAL AIRPORT

WORCESTER REGIONAL AIRPORT
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Fly to NYC and FL
Connect to the world

Learn more

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Getting away this winter break? Fly direct to New York, Fort Lauderdale and beyond.

IT'S SNOW MUCH FUN!

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flyworcester.com
Hit the slopes
Fly Worcester today

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Fly direct to NYC with @delta, @AmericanAirlines and @jetblue. A winter break getaway is just a click away.

HELLO NYC

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New York, Fort Lauderdale and beyond. Where will our runway take you? @americanair, @delta, and @jetblue.

Spring Break Hits the Runway

flyworcester.com
Spring break getaway
Book today

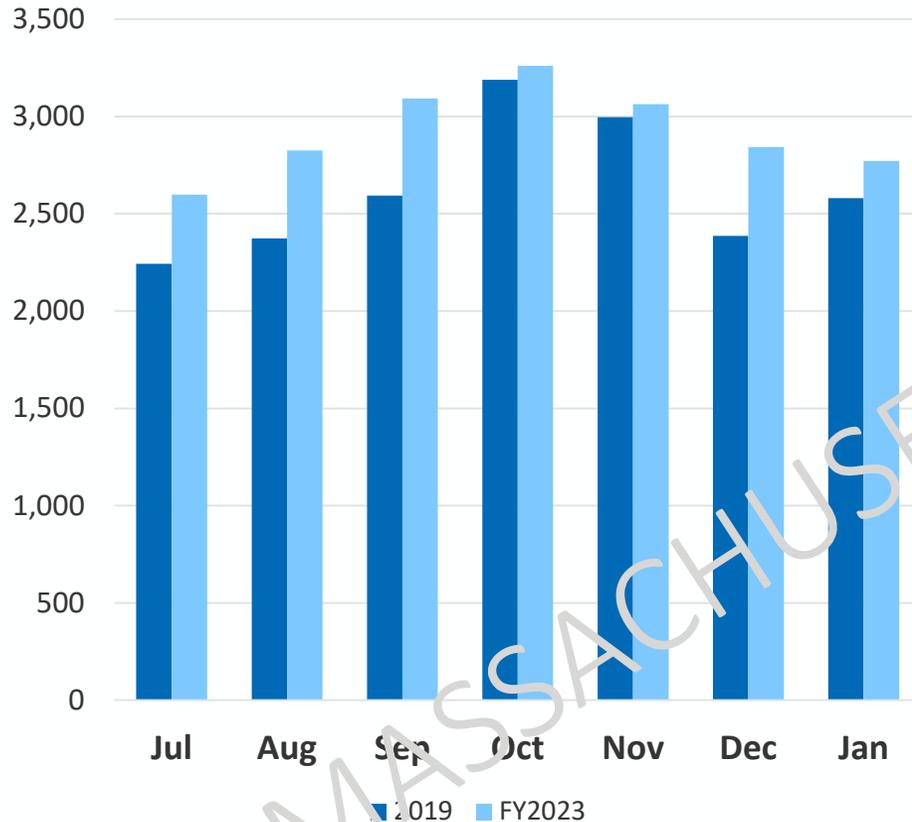
Learn more

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Hanscom continues to be a strong GA reliever airport for Logan Airport

**Hanscom Field
Jet Operations**



January Activity:

- 2,800 jet operations, up 7% compared to 2019 and 1% above 2022
- 8,400 total operations, 4% higher than 2019 and 11% higher than 2022

FYTD January Activity

- 20,500 jet operations, up 11% compared to FYTD19 and 3% below FYTD22
- 73,000 total operations, down 5% over 2019 and 2% lower than 2022



Report of the Director of Maritime
Joe Morris

Conley Terminal is benefitting from continued expansion of services, a diversified ocean carrier offering, and global connectivity for Massachusetts and New England shippers

Journal of Commerce

India-US trade adds new capacity with Cosco-OOCL service to East Coast



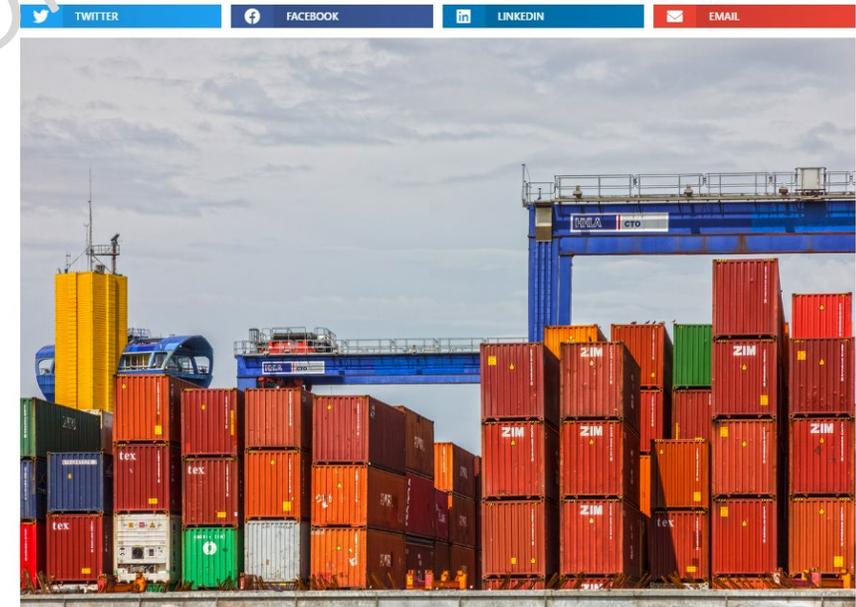
Maritime | Container shipping | Container lines | North American ports | International ports

Bency Mathew, Special Correspondent | Jan 20, 2023, 10:55 AM EST



ZIM enhances Asia-US East Coast connection

February 5, 2023
By Margherita Bruno

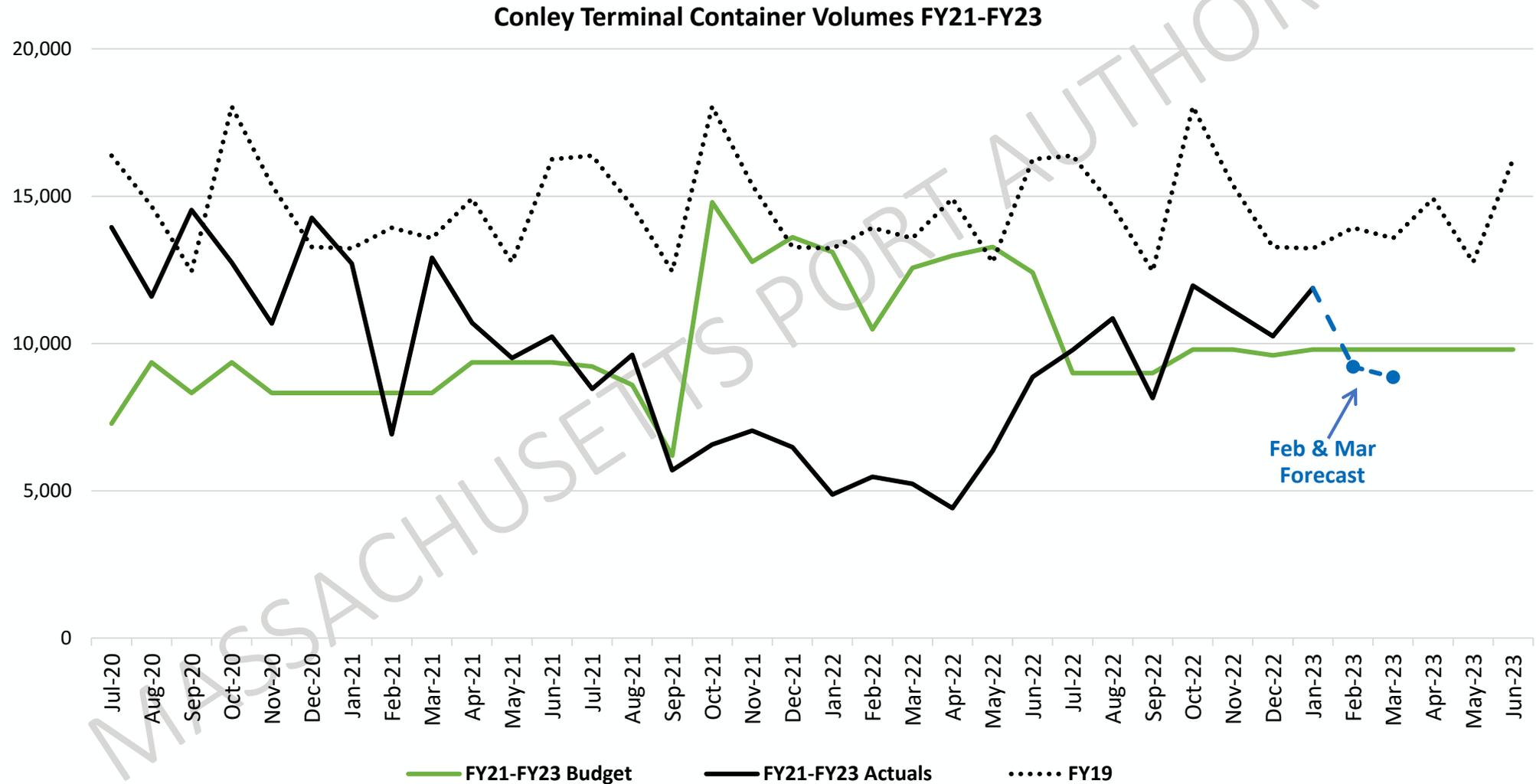


Conley Terminal offers global connectivity to 26 direct ports throughout China, Southeast Asia, Europe, and Latin America

Conley Terminal – Direct Connections (2023)



Conley Terminal handled nearly 12,000 containers in January and 20 vessels – the most in one month



The world's largest ocean carriers are signaling expectations of declining earnings in 2023 due to weaker global consumer demand

BUSINESS | EARNINGS

Biggest Shipping Companies Signal Global Trade Slowdown

Maersk expects weaker earnings in 2023 as cargo volumes and freight rates fall from pandemic highs



Maersk says it is seeing falling demand for freight shipping from both the U.S. and Europe.

PHOTO: JOHN THYS/AGENCE FRANCE-PRESSE/GETTY IMAGES

By [Costas Paris](#) [Follow](#) and [Dominic Cappiello](#) [Follow](#)

Updated Feb. 8, 2023 4:11 pm ET

- National retailers and other importers have cut orders heading into 2023 as they manage excess inventories while consumers curtail spending amid inflation
- Average freight rates are down 90% across main shipping routes from Asia to the U.S. and Europe
- Global freight forwarders are also reporting on weaker earning expectations in 2023 and outlining new cost-cutting measures
- Container import volumes into major U.S. ports are projected to be down about 26% this month according to the National Retail Federation (NRF)
 - They also predict that volumes will likely stay weak at least through May

MSC and Maersk to end partnership in “2M” Alliance in January 2025

Journal of Commerce

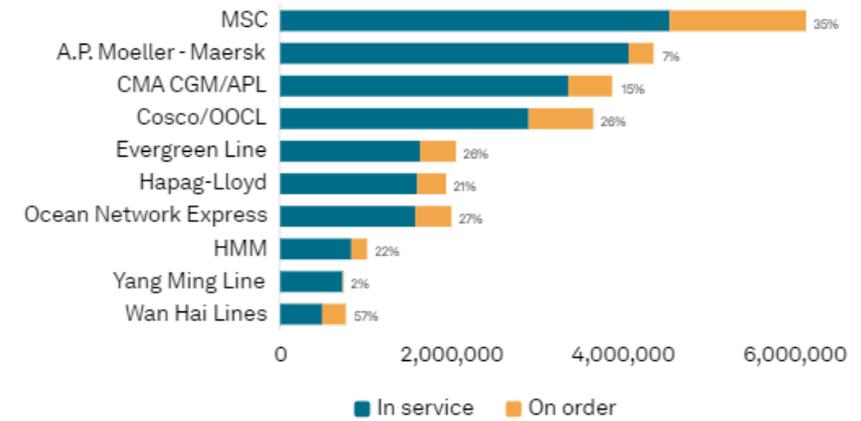
MSC, Maersk to end 2M Alliance amid divergent strategies on ocean capacity



- The 2M partnership has been in place since 2015
- MSC and Maersk are the two largest ocean carriers in the world
- **All current Boston services involving MSC are independent of the 2M alliance**

MSC set to dwarf other major container lines

Top global container fleet operators with percentages of on-order to in-service TEU, as of Jan. 25, 2023.



Source: Sea-Web, S&P Global

© 2023 S&P Global

Strategic Plan

MASSACHUSETTS PORT AUTHORITY

Flynn Cruiseport Boston Business Update

Lauren Gleason

February 16, 2023

Massport Strategic Priorities 2025

Aviation

- Reimagined Customer Journey
- Adaptive Terminal E Use
- Terminal Connectivity
- Diversified Logan Operators/Airfield Land-Use Planning
- Asset/Area Optimization and Repurposing
- ORH Rebound
- Hanscom Operating Break-Even

Maritime

- Full Global Connectivity & Diversified Service Mix
- Infrastructure Modernization
- **Cruise Rebound**
- Financially Self-Sustaining

Real Estate

- Asset Optimization and Diversification
- Expanding the *Massport Model*
- Growth and Support of Maritime Industries and the Seafood Cluster
- Public Realm and Placemaking

Authority-Wide

- Safety, Security & Health
- Financial Sustainability
- DE&I (Internally and Externally)
- Workforce Sustainability
- Climate Action Plan
- Technology Plan
- Operational Efficiency
- Transportation Access and Mobility
- Community Partnerships
- Telling our Story

Agenda

1. Cruise Industry Trends
2. Flynn Cruiseport Boston Outlook
3. Strategic Initiatives

MASSACHUSETTS PORT AUTHORITY

The global cruise industry is expected to double in value to \$15.1B by 2028

trip savvy

TRAVEL NEWS > CRUISES

The Cruise Industry Is Set to Double Its Value by 2028

It will hit \$15.1 billion in value by 2028

By [STEFANIE WALDEK](#) | Published on 10/24/22 | Fact checked by [JILLIAN DARA](#)



Daniel Piraino / EyeEm / Getty Images

- Cruise lines have been attracting new audiences with incentives like themed sailings and multi-generational family packages
- Cruise lines also continue to market to Generation “Z” and Millennials as top cruise travel consumers, seeking authentic and curated tourism experiences onboard and landside
- Pricing during 2023 “Wave Season” is tracking up mid-single-digits compared to 2019

Cruise lines and travel agents see global cruise demand surging and expect a strong 2023 cruise season in the U.S.



Last updated: 12:48 PM ET, Tue July 26 2022

Cruise Industry Rebounding as Study Finds Demand Surging

CRUISE LINE & CRUISE SHIP | DONALD WOOD | JULY 26, 2022



Bow of cruise ship in ocean. (photo via zenphoto / E+)

- 84% of travelers who have cruised before say they will cruise again – up from 74% a year ago (Cruise Line Industry Association)
- 69% of international travelers who have never cruised are considering one – up from 58% a year ago (Cruise Line Industry Association)
- 52% of U.S. adults are just as likely or more likely to take a cruise vacation than before the pandemic – up from 45% a year ago (AAA Travel's 2023 Survey)
- 91% of repeat cruise travelers plan to take a cruise in next 12 months and 46% report they have booked 2-4 cruises (Cruiseline.com and Shipmate)

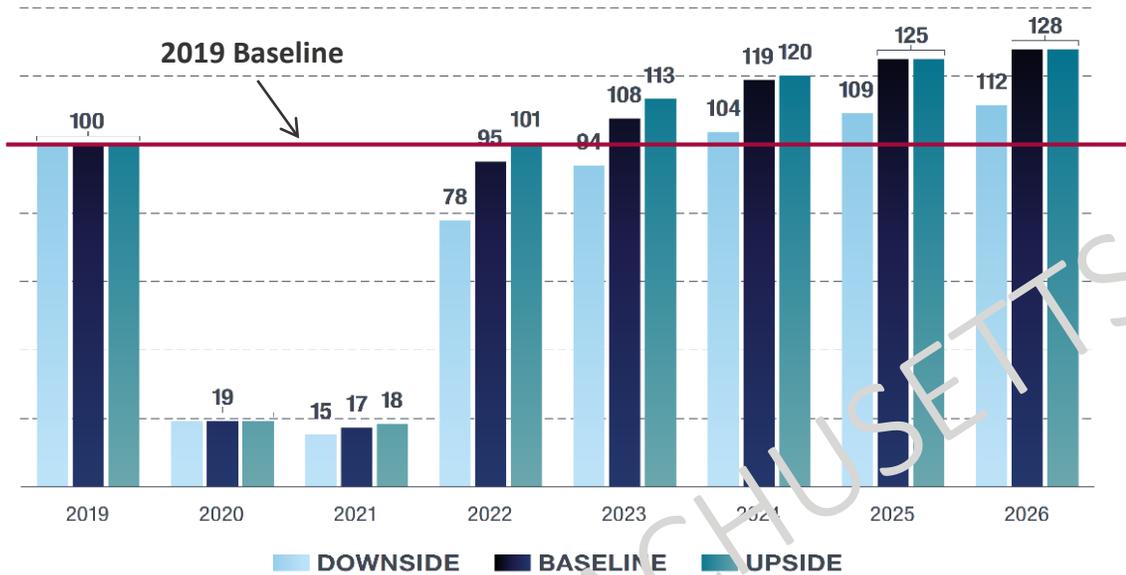
“Cruising is back in a big way.” Black Friday marked the “single largest booking day in history” for several cruise companies.

Paula Twidale, AAA Senior Vice President of Travel

With strong passenger demand and new ships launching in 2023, cruise lines expect to surpass pre-pandemic passenger levels in 2023-2024

Projected global cruise passenger volume

Index (2019=100)



Source: CLIA

- 77 new ships being delivered between 2022-2027
- 19 cruise vessels set for delivery in 2023
 - Average capacity is 2,000 passengers (Boston's average capacity = 2,470 passengers)
 - 4 ships to be powered by LNG
 - \$10.7B orderbook value

Cruise lines are focusing on luxury offerings and unique experiences that appeal to a younger demographic

Smaller, Luxury Brands



Exclusive Shore Excursions/Curated Experiences



Unexpected Destinations/Integration of Remote Work



Millennials and Generation "Z"

"We are now building ships with the understanding that Instagram is something to deal with" because millennials make up **25 percent** of bookings, **Norwegian Cruise Lines CEO Frank Del Rio** says

- Generation "Z" (people born after 1997) influences 65% of family vacations
 - Indirect spending power is estimated at over \$600B
- Tech savvy, spending more than 8 hours a day online
- Onboard entertainment must be compelling, curated, and refreshed regularly
- "One-stop-shopping" is essential onboard and landside for this demographic
- In August 2020, 60% of U.S.-based Generation Z respondents were comfortable booking a cruise without receiving the COVID vaccine

The cruise industry is investing \$23.5 billion in vessels with new technologies and cleaner fuels to reduce carbon emissions and reach Net Zero



Flynn Cruiseport Boston welcomed its first hybrid-powered cruise ship, the Hurtigruten MS Roald Amundsen, a 530-passenger expedition vessel in September 2022

- Targeting 40% carbon emissions reduction by 2030
- Commitment to have all cruise ships globally connected to shore-side power by 2035
- Net carbon neutral cruising by 2050
- 61% of new build capacity will rely on LNG fuel for primary propulsion
- 15% of new builds will be equipped to incorporate fuel cells or batteries
- 81% of non-LNG vessels will have Exhaust Gas Cleaning Systems (176 ships)
- 78% of the current fleet and 100% of ships on order will have advanced wastewater treatment systems
- 98% of global capacity on order through 2028 will be fitted with shore-side electricity or configured to add shore-side power in the future

The cruise industry continues to be essential for the tourism industry in Boston, the Commonwealth, and New England



Last updated: 02:29 PM ET, Sun October 16 2022

Study Finds Post-Pandemic Recovery Fueled by Tourism

IMPACTING TRAVEL | RICH THOMASELLI | OCTOBER 16, 2022



Spotlight on Boston (photo via Collette)

A new study found that tourist-centric cities that benefit from leisure travel are recovering from the pandemic at a much quicker rate than others.

Flynn Cruiseport Boston Economic Impact:



Annual Economic Output: **\$135.5 M**



Total Jobs: **2,200**

Flynn Cruiseport Boston's Impact to the Massachusetts Tourism Industry:

"The revitalized, expansive cruise ship season will have a viable economic impact on tourism destinations all across the Commonwealth, as intrepid travelers stepping off in Boston realize what cultural, culinary and scenic treasures await them here in the Bay State."

Executive Director Keiko Matsudo Orrall of the Massachusetts Office of Travel & Tourism, May 6, 2022

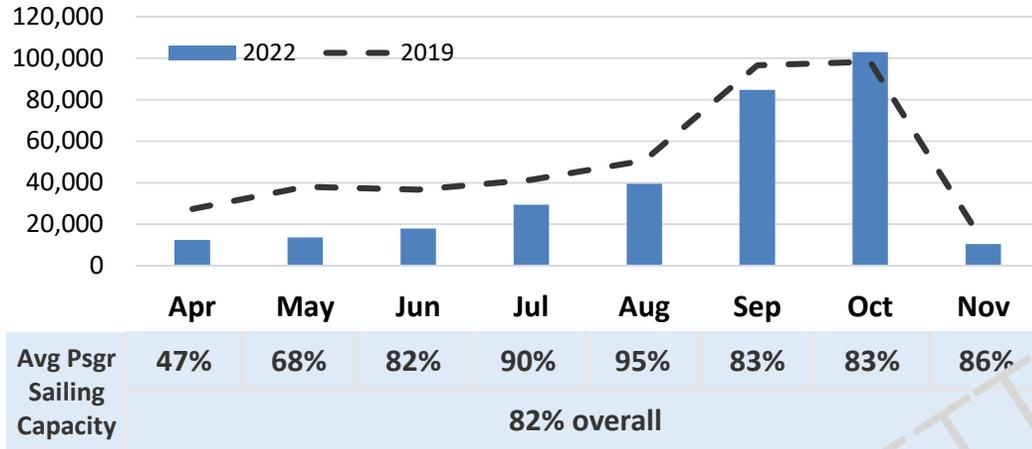
"The economic impact of cruising is critical to the overall vitality of the visitor economy. The influx of cruise passengers and the injection of their spending during the summer months – and also through our shoulder seasons – creates a consistent flow of visitors that our destination depends on."

Martha Sheridan, President and CEO of Meet Boston, May 6, 2022



After a nearly two-year pause, cruise activity rebounded at Flynn Cruiseport Boston, which welcomed over 310,000 passengers in 2022

Flynn Cruiseport Boston Passengers
Cruise Season 2022



- 128 ships
 - 56 homeports and 72 port-of-calls
 - 12 maiden calls
 - 10 3-ship days
 - 5 homeport vessels – a first for Flynn Cruiseport Boston
- Best performing October in Flynn Cruiseport Boston’s history – 4.7% more passengers than October 2019
- Cruise vessels rebounded higher than expected in 2022 at 82% capacity, compared to 98% in 2019
- Celebrity Cruises inaugurated started its inaugural Homeport season from Boston to Canada/New England



Massport expects a robust 2023 Cruise Season at Flynn Cruiseport Boston



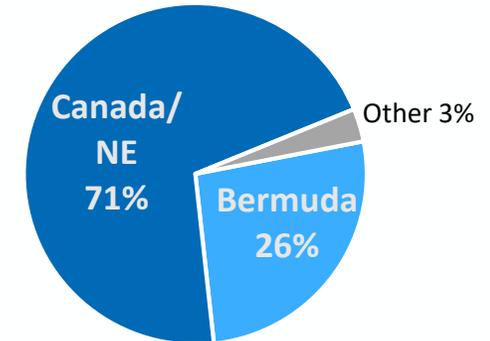
Cruise Season 2023 Highlights:

- 28 cruise lines, all major brands
- Over 150 ships
- 50+ homeport cruises to Bermuda and Canada/New England
- Nearly 100 port-of-calls bringing tourists to Boston and Massachusetts
- 6 maiden calls
- 13 3-Ship Days

2023 Cruise Lines Visiting Flynn Cruiseport Boston



2023 Cruise Passengers by Itinerary



This cruise season, Flynn Cruiseport Boston will have four cruise lines offering five homeports as well as repositioning cruises with unique destinations

Five Homeport Ships

**Norwegian Pearl –
Bermuda (2,400 pax)**



**Holland America
Zuiderdam –
Canada/NE (2,200 pax)**



**Celebrity Summit –
Canada/NE (2,150 pax)**



**Royal Caribbean Serenade
of the Seas – Canada/NE
(2,500 pax)**



**Holland America Zaanaam –
Canada, NE (1,400 pax)**



Five Unique Itineraries

**Boston-Panama
Hurtigruten MS Fram
Oct. 2023**



**Boston - Montego Bay Jamaica
Scenic Eclipse 2
Oct. 2023**



**Boston to Iceland
Holland Zaandam July
2023**



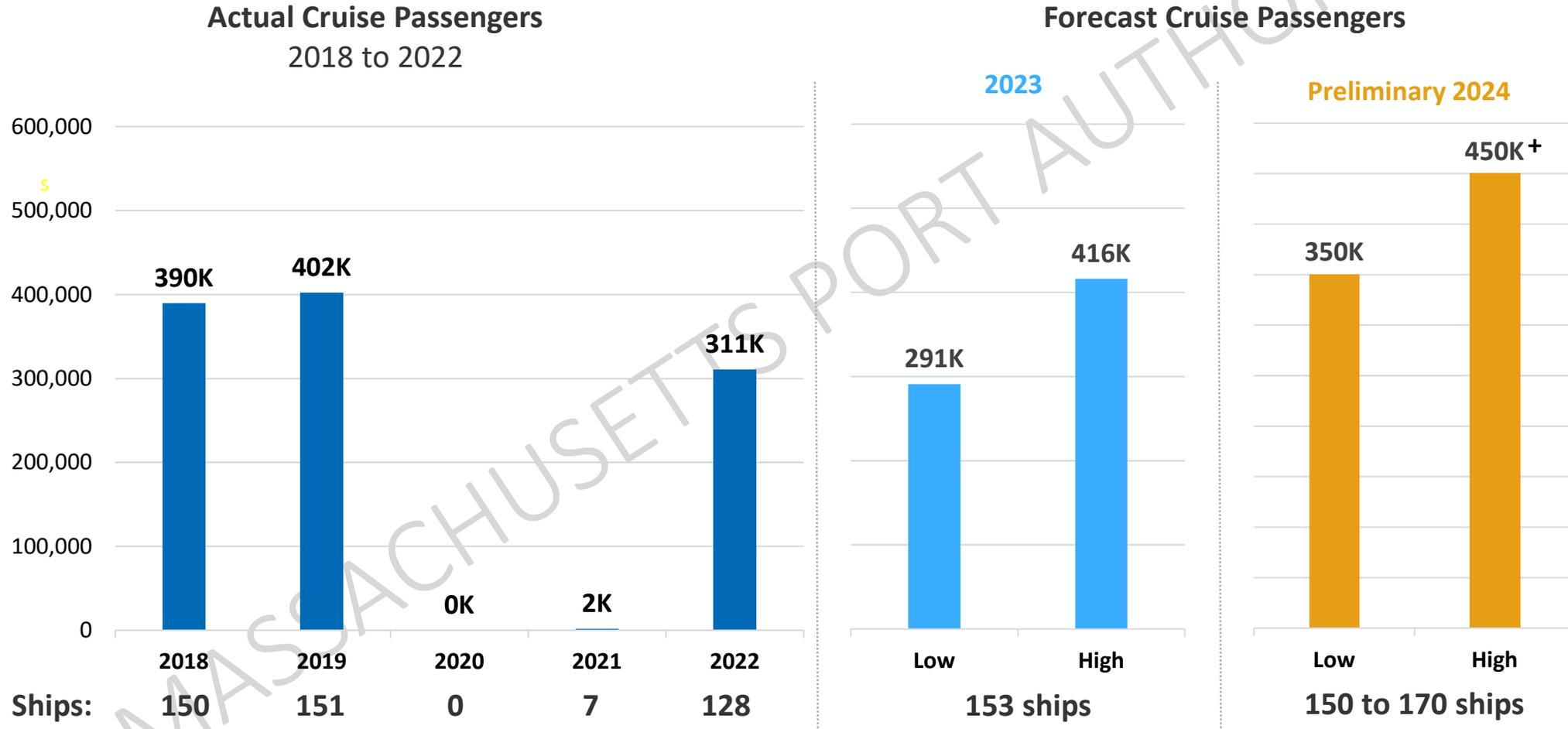
**Boston - Philipsburg St Maarten
Windstar – Star Pride
Oct 2023**



**Boston - Bridgetown Barbados
Oceania – Insignia
Nov 2023**



In 2023-2024, Flynn Cruiseport Boston may exceed the pre-pandemic passenger volume with more than 400K passengers



Massport's business strategy focuses on growing the local tourism industry and is aligned with our cruise partners' objectives

Flynn Cruiseport Strategic Initiatives Pre-COVID

- ✓ 1. Expand and upgrade the cruise terminal
- ✓ 2. Expand cruise season & offer new itineraries
- ✓ 3. Improve street side operations (Phase 2)
- ✓ 4. Secure parking
- ✓ 5. Achieve operating break even

Flynn Cruiseport Strategic Initiatives 2023 and Beyond

- 1. Expand and upgrade the cruise terminal
- 2. Continue growing both ships and passengers to support the travel and tourism economy
- 3. Diversify cruise offerings
- 4. Implement Sustainability / Net Zero initiatives
- 5. Improve financial performance

Ships continue to grow and Boston will be handling larger ships in 2024, pushing the limits of our operational capabilities

	Homeports			Port-of-Calls	
2023:	 <p><i>RCCL Serenade of the Seas</i> 2,500 pax</p>	 <p><i>Celebrity Summit</i> 2,150 pax</p>	 <p><i>Norwegian Pearl</i> 2,400 pax</p>	<p><i>Norwegian Breakaway</i> 4,000 pax</p> 	
2024:	<p>Ship "A" 3,800 pax</p>	<p>Ship "B" 2,850 pax</p>	<p>Ship "C" 3,100 pax</p>	<p><i>MSC Meraviglia</i> 4,500 pax</p> 	
2025 Request from Cruise Line Partner*:	<p>Homeport Ship 4,000 pax</p>			<p><i>RCCL Liberty of the Seas</i> 5,000 pax</p> 	

Cruise facilities need to be expanded and further developed to support additional economic impact

Main Terminal (West)

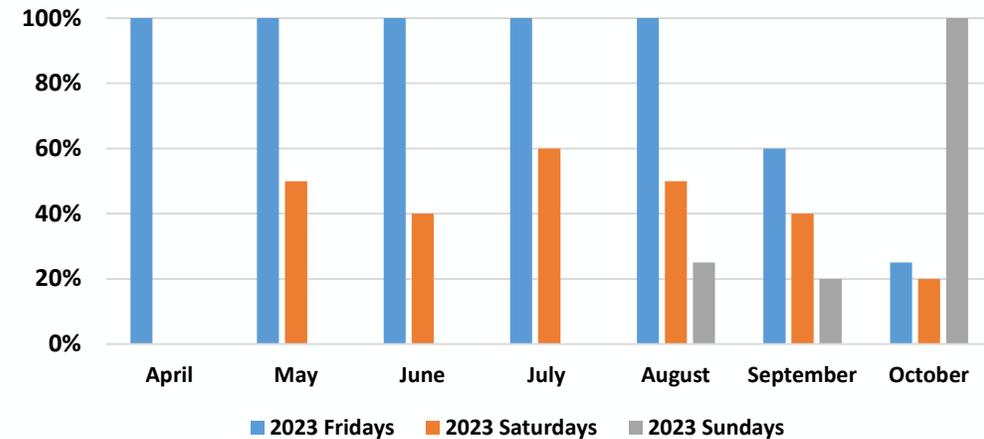


Warehouse Terminal (East)

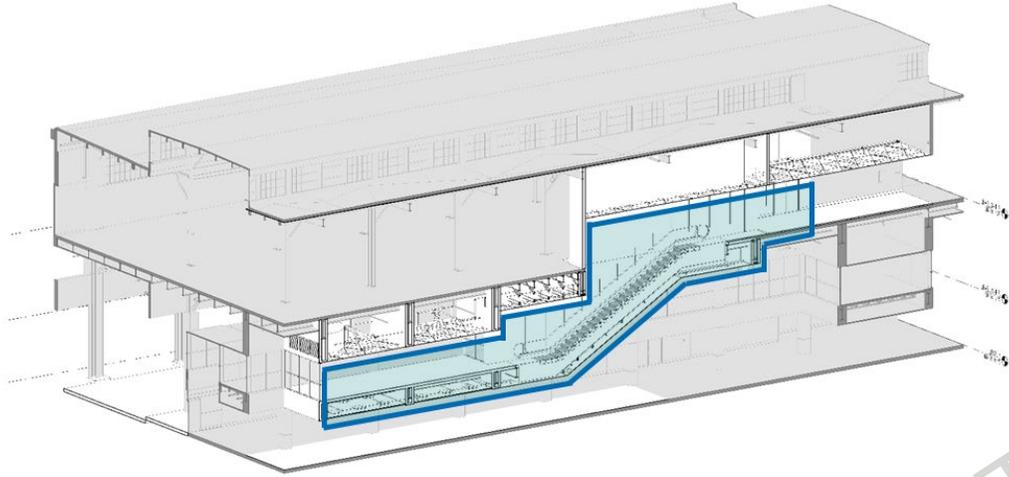


- Expand Main Terminal to handle larger homeport ships
- Upgrade the Warehouse Terminal, currently sufficient for port-of-call operations, so it can also handle homeport operations

Flynn Cruiseport 2023 Season:
Homeport Utilization by Month



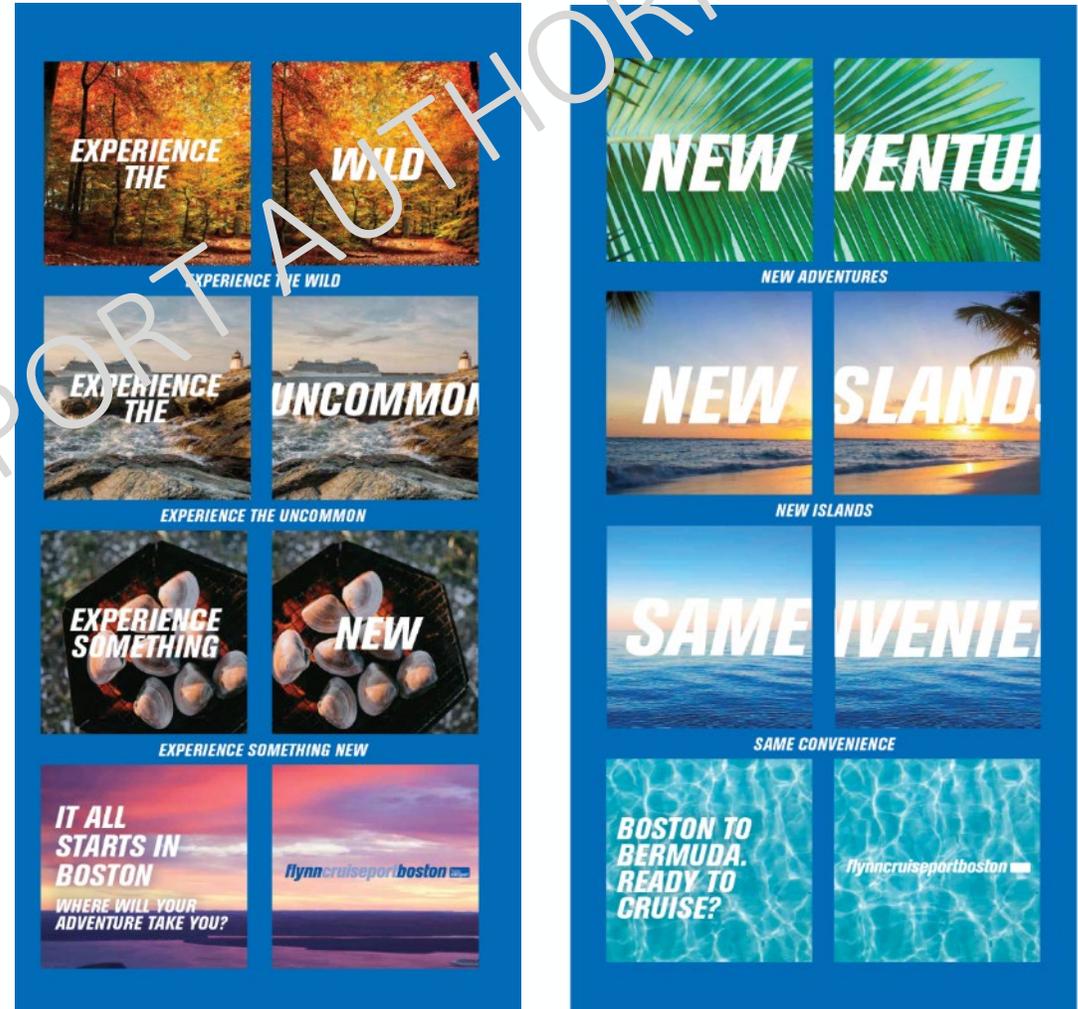
Interim improvements to the Main Terminal will enhance passenger circulation to create a better guest experience at Flynn Cruiseport Boston



- Project will add 1,000 SF of queuing space on the 3rd floor, which is currently unfinished
- A new escalator will connect the 2nd and 3rd floors
- Enhancements will benefit the overall passenger experience, deconflicting embarking and disembarking passenger circulation paths
- Allows for future Cruise Terminal enhancements and expansion

Next month we are launching an exciting, high-energy campaign to help drive visits to website/bookings with partners

- Campaign offers a mix of digital, social, and print media to amplify messaging
- Messaging captures learnings from 2022 campaign – stunning imagery and clear, concise copy
- Canada/New England campaign to partner with Holland America for sweepstakes, targeting fly-in markets that seek cruises departing Boston



Massport works closely with local tourism organizations to develop diverse and curated shore excursion experiences



DESTINATIONS
NORTH AMERICA



- Cruise lines have traditionally focused on main tourist attractions, giving Boston high passenger reviews annually
- Shore excursion teams are looking to expand footprint and offer options that are unique, niche, and can focus on smaller group offerings
- Massport is collaborating with Meet Boston to incorporate the “All-In Boston” campaign into the shore excursion offering for port-of-call passengers
- Flynn Cruiseport Boston’s primary tourism transportation agent, Destinations North America (DNA), is also promoting the concept to cruise line destination development executives to rethink the tourism offering for 2023
- Shore excursion partnership will focus on four neighborhoods:
 - Chinatown
 - Dorchester
 - Jamaica Plain
 - Roxbury

Massport continues to advocate with the Cruise Canada/NE Alliance, cruise lines, and shore excursion agents to focus on deployment to this region in April - August



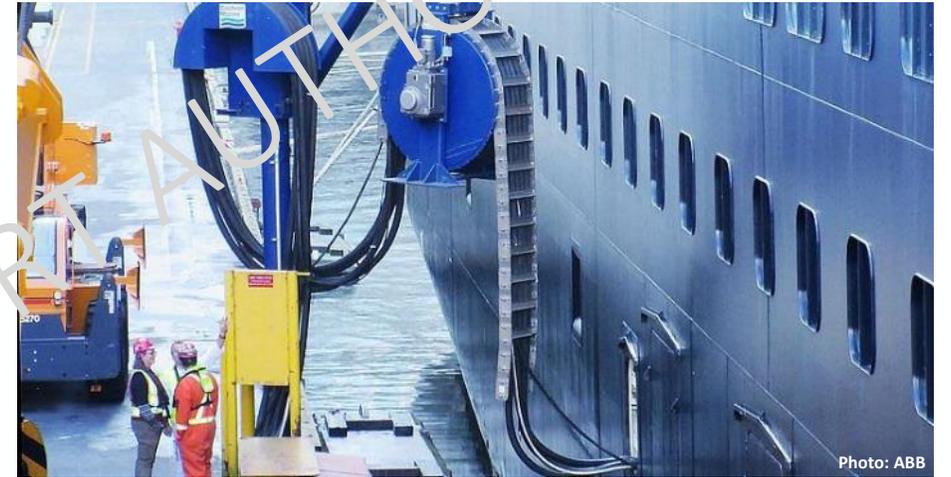
“Maine is a marquee New England destination offering spectacular scenery, recreational opportunities, and terrific cuisine, and also serves as the gateway to the United States and a port of call along the way to and from destinations in Canada, the Caribbean, and beyond for ocean-going cruise ships,” - **Kelly Craighead, President and CEO of Cruise Lines International Association**

- Bar Harbor welcomed 238,000 passengers in 2022, with September/October being peak tourism months
- The Port of Portland, ME is absorbing the impact of the November 2022 referendum. Portland is expecting a 30% increase in cruise passengers for 2023
- Cruise Maine/Bar Harbor has reiterated to cruise industry that all existing 2023/2024 bookings will be honored, with the intent to implement 1,000 passenger cap in 2025
- Maine remains an essential piece of the successful Canada/New England itinerary, both from a marketing and vessel deployment perspective
- Flynn Cruiseport Boston continues to pitch the benefits of visiting Canada & New England in the spring and summer, working with cruise line executives to understand deployment opportunities for shoulder season months

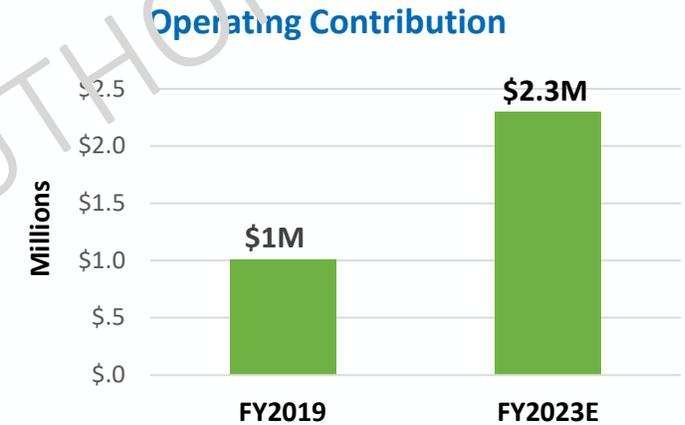
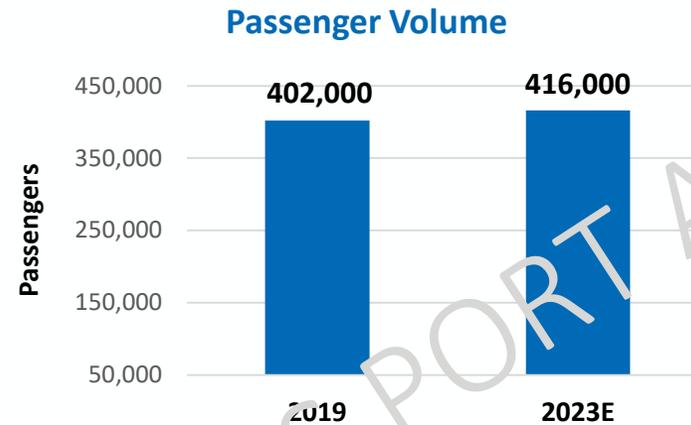
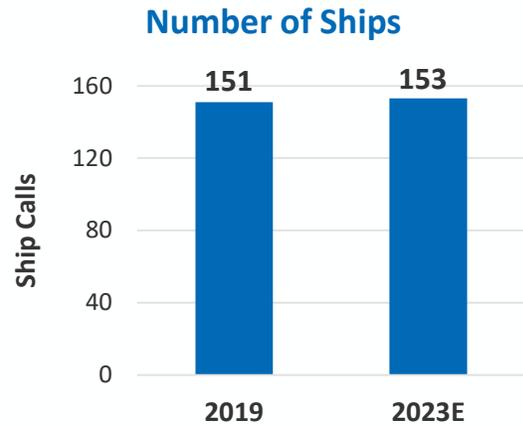
Massport is taking steps to reduce emissions at Flynn Cruiseport Boston as part of our Net Zero strategy

Sustainability Initiatives:

- Conduct Shore Power Feasibility Study
- Purchase hybrid/electrical support vehicles
- Upgrade the HVAC system
- Reduce overall facility energy consumption
- Install LED lighting
- Use cell phone lot for taxi dispatch to reduce idling
- Explore cruise line interest in the Port's capabilities to provide LNG fueling
- Recycle wood pallets after ship provisioning



Flynn Cruiseport Boston is driving volume growth and improved financial performance



- Ships increase by 1.3% from pre-pandemic
- Expanded season starting in March through mid-November
- New Homeport ships in Boston
 - *Celebrity Summit*
 - *Norwegian Pearl*
 - *Royal Caribbean Jewel of the Seas*

- 3.5% increase in passengers
- Record breaking passenger volume expected in 2023
- Cruise industry anticipates return to pre-pandemic levels as Boston expects ships to be at or near capacity, ahead of our 82% average for 2022

- Operating break-even achieved in FY2018
- \$1.3M improvement in operating contribution, resulting from increased passenger and security rates along with special events during the off-season

Summary

- The cruise industry is optimistic as demand surges for cruising globally ahead of the 2023 season and the sector is positioned for long-term growth
- Cruise lines are broadening brand appeal by redefining passenger and cruise experiences geared toward Millennial and Generation Z cruise guests as well as curating unique and smaller shore excursion experiences
- Massport is actively working to capitalize on cruise industry growth opportunities, including diversification of cruise lines and itineraries, shoulder season expansion, and a broader demographic
- Investments in the cruise terminal and sustainability initiatives will be needed to continue to support the visitor economy in the Commonwealth

Real Estate Market Update

Andrew Hargens and Massport RE Advisory Consultants

February 16, 2023

Boston Commercial Real Estate Market Outlook

CommonWealth
NONPROFIT JOURNAL OF POLITICS, IDEAS & CIVIC LIFE



Federal Street in downtown Boston was deserted as the city came to a virtual standstill during COVID. (Photo by Bruce Mohl)

ECONOMY

Could Boston face an 'urban doom loop'?

Office vacancies at record levels could portend threat to municipal finances

MICHAEL JONAS Jan 31, 2023

Boston Among Top Targets for Commercial Real Estate Investing in 2023

2023 U.S. Investors Intentions Survey, CBRE Research

Investors prefer Sun Belt and high-performing secondary markets

FIGURE 21: Top 10 most preferred markets

1	Dallas / Ft. Worth
2	Austin
3	Miami / South Florida
4	Los Angeles
5	Nashville
6	Atlanta
7	Charlotte
8	Phoenix
9	Boston
10	Raleigh - Durham

Source: U.S. Investor Intentions Survey, CBRE Research, December 2022.

CBRE RESEARCH

© 2023 CBRE, INC.



“Despite rising cost for debt capital and fears of a potential recession, the Boston market remains one of the top markets for investors given the stability of the local economy with the med’s and ed’s sectors leading the way,” said CBRE Vice Chairman Simon Butler

Real Estate Update

- Market Trends

Presented By:

Jim Canfield, Newmark/McCall & Almy

Pam McKinney, Byrne McKinney & Associates

- Massport Portfolio Update

- Massport Development Pipeline Update



Industry perspective ... the BIG Pause

- Interest rate growth and economic uncertainty is impacting
- Recessionary pressures
- Sectors reevaluating real estate strategy and footprints
- Investors focused on stabilized assets
- City and State political uncertainty

Capital Markets

ASSET AND LAND VALUES

- Values have **fallen**
- User and Investors **demand** for land has **decreased**

EQUITY INVESTMENT

- **Difficult to secure**
- **Cash buyers** have a big **advantage**
- Expect **more transactions in 2023** as lenders reemerge

EQUITY RETURN REQUIREMENTS

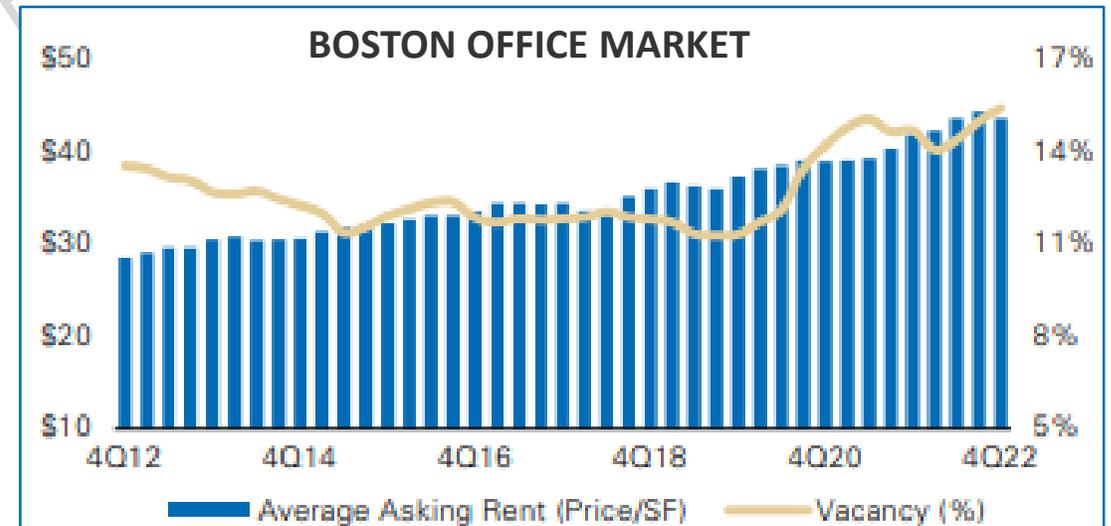
- **Stable** for leveraged investors
- **Increased** for **cash buyers**

DEBT FINANCING ABILITIES

- Available for **stabilized** assets and construction projects
- Interest rates up and expected to **increase until Q3 2023**
- **Loans maturing in 2023** will find higher refinance rates challenging

Office Market

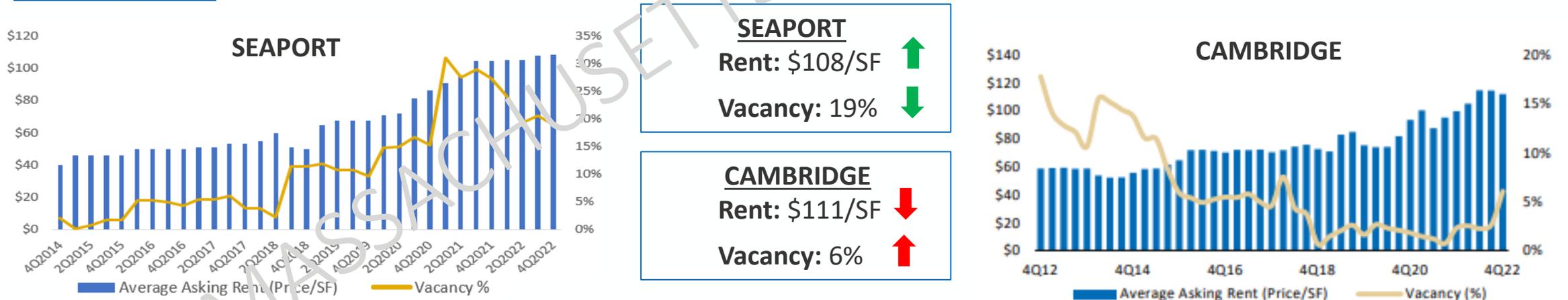
- **Lease expiration** and **rightsizing** driving leasing activity
- **Flight to quality** and **turn-key suites**
- **Properties with long-term leases** are somewhat shielded from short-term market disruption
- **Stabilization** not expected until 2025 or beyond
- **Live-Work-Play** neighborhoods remain **in demand**
 - Seaport is attracting **large tenants**
 - Tenants seeking **long-term commitment, stability**
- **Work From Home**
 - Office usage is **rebounding mid-week**
 - **High rate of remote work** likely to continue



Life Science Market

- Urban life science **inventory expected to grow 30%** over the next 2 years
 - Seaport **life science inventory** is approximately **3.4 million SF**
 - **2.8 million SF** of lab construction/renovations underway in Seaport, with **42% pre-leased**
- Investors are predicted to **consolidate activity in Boston, Cambridge and other life science hubs**
 - **Greater Boston** captured over **\$8.5B in life science VC funding in 2022** (2nd only to San Francisco)
 - **Companies** in the market are **established and funded**

STATS: Q4 2022



Hospitality Market

HOSPITALITY STATS BY SECTOR COMPARED TO 2019 LEVELS



	2021	2022	2023	2023 Projections Indexed to 2019
Occupancy	45%	68%	74%	90%
Average Daily Rate	\$212	\$268	\$282	108%
Revenue Per Available Room	\$95	\$183	\$209	97%

- **Recovery dependent** on the **full return of travelers** and absorption of **new supply**:
 - North End - 212 rooms (Canopy)
 - Back Bay - 546 rooms (Raffles and CitizenM)
- **Inflationary pressures** will continue to **drive** the boom in **room rates**
- **Uncertainty** with corporate, group and leisure travel as **spending is constrained**

Multi-Family Market

- Rising **interest rates** and **home prices** provide a **favorable outlook**
- **Consistent rent growth** in Boston pushing rents to **all-time highs**
 - **Seaport** maintains the **highest rate** in Boston – Q4 2022 average rents are above **\$4,100**
- **Concessions** are now a thing of the past
- **Seaport vacancy rate** stabilized at **4.4%**
- Seaport's multi-family **product** is largely **built out**
- Units **approved/permitted** are **up** for Boston, but **housing starts** are **down**
 - Boston Metro has **>17,000 units** of residential product underway
 - **<1,500 units** are under construction in the Urban Core



Retail/Restaurants Market

- Restaurants have **recovered**, with new offerings on the way in 2023/2024
- **Increase in demand** for brick-and-mortar
- Landlords are expected to provide **significant tenant improvement allowance** packages
- As the Seaport market matures, there will be demand for a **full-service grocery** store
- Seaport continues to attract **big names in retail**
- Services expanding on Massport property (e.g., health, veterinary), but limited traditional retail to date given parcels size/location



Construction Trends

- **Inflation** on materials and equipment
- Inflationary pressures **driving up cost of labor** in Boston
- Construction **bids are substantially inflated**
- With a backlog of work spanning to 2024 - **contractors are unlikely to produce competitive bids**
- Supply-chain **struggles have begun to ease**

MASSACHUSETTS PORT AUTHORITY

Massport RE Portfolio Performance

Massport RE Commercial / Maritime Industrial Portfolio

A diverse mix of commercial and industrial properties in South Boston, East Boston, and Charlestown

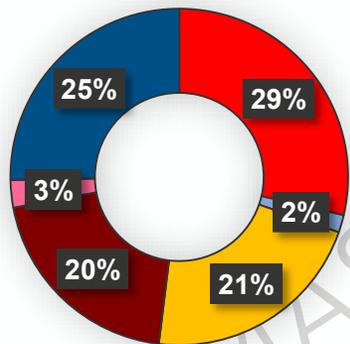
Existing:

- Office: 2.5M sf
- Lab: 150K sf
- Residential: 1,700 units
- Hotel: 2,200 rooms
- Restaurant/Retail: 235K sf
- Maritime Industrial: 2.3M sf

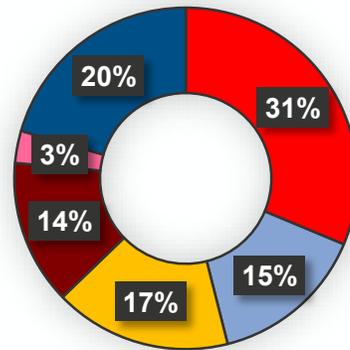
Planned at Full-Build:

- Office: 4.0M sf
- Lab: 1.9M sf (includes 601 Congress conversion)
- Residential: 1,700 units
- Hotel: 2,200 rooms
- Restaurant/Retail: 383K sf
- Maritime Industrial: 2.6M sf

Existing Portfolio by Sector
9M SF



Planned Portfolio by Sector
12.7M SF



- Office
- Lab
- Residential
- Hotel/Convention
- Retail/Restaurant
- Maritime & General Industrial



Massport RE Portfolio Performance - Office

Metrics

- Average rents per square footage remain strong
 - Seaport West - \$59, up 37% from 2019
 - Seaport East - \$58, up 12% from 2019
- Occupancy stable, but with some WFH impact
 - Seaport West - 95%
 - 80% leased through 2027
 - Seaport East - 80%
 - 60% leased through 2027
 - Several tenants downsized or terminated leases due to Covid/WFH
 - Pursuing new leases/renovating spaces

Outlook

- Uncertainty about the long-term impacts of WFH and delivery of competing office space in the district
- Return of Fidelity workforce to “campus”



West Office Building



East Office Building and Eastport Park

Massport RE Portfolio Performance - Hotel

Metrics

- All four South Boston hotels continue the rebound to pre-pandemic activity levels
- Resumption of district events/conferences
- Rebounding Rev PAR (revenue per available room)

	Seaport	Renaissance	Hyatt Place	Omni
2019	\$ 223	\$ 219	\$ -	\$ -
2020	\$ 35	\$ 29	\$ 21	\$ -
2021	\$ 90	\$ 73	\$ 84	\$ 77
2022 (thru Sept)	\$ 193	\$ 189	\$ 184	\$ 177

- Occupancy:

	Seaport	Renaissance	Hyatt Place	Omni
2019	82%	83%	-	-
2020	20%	15%	20%	-
2021	40%	33%	44%	27%
2022 (thru Sept)	68%	71%	70%	58%

Outlook

- Typical seasonal activity decreases expected (Dec-Feb)
- Strong 2023 event calendar



Renaissance



Seaport Hotel



OMNI Hotel at the Seaport



Hyatt Place Hotel

Massport RE Portfolio Performance - Residential

Metrics

- Occupancy rates extremely high, consistent with citywide apartment trends
 - 99% - Ora Seaport
 - 97% - Waterside Place
 - 96% - Portside at East Pier
 - 96% - Gables Seaport
 - 94% - Park Lane Seaport

Outlook

- Pandemic-related rental concessions have ended with no impact on occupancy rates
- Strong outlook with Boston's housing, with vacancy rates trending at 1%
- Increased focus on retail offerings, district activation, and other amenities



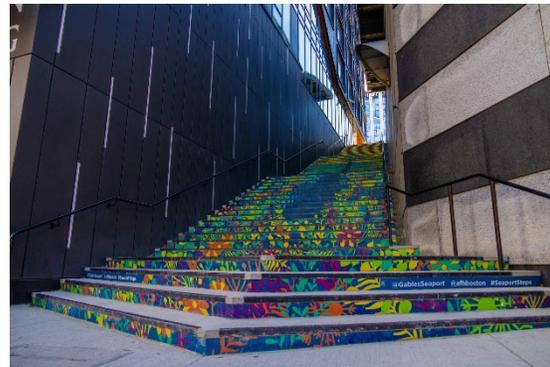
Waterside Place



Portside at East Pier



Ora Seaport

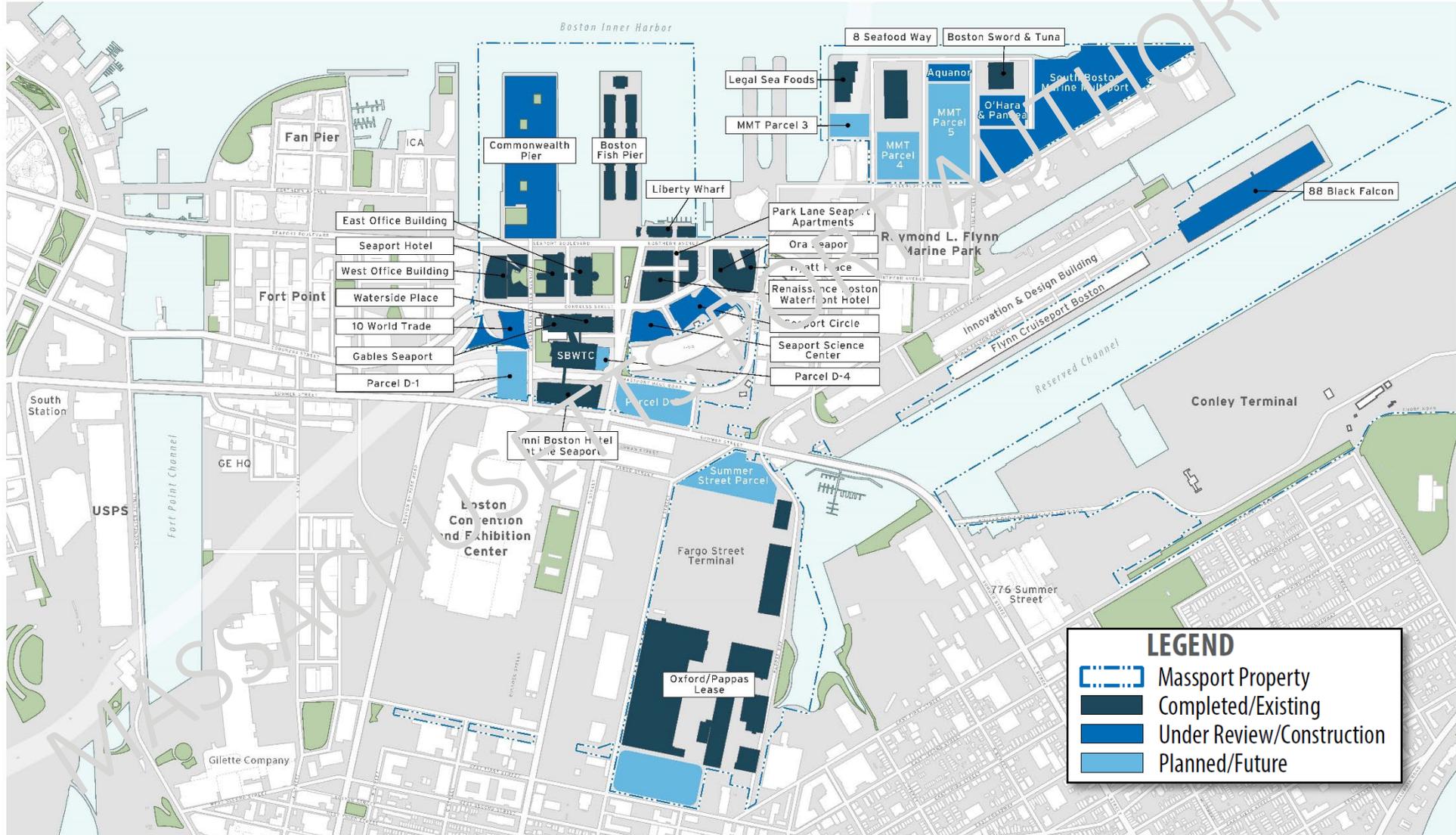


Gables Seaport

MASSACHUSETTS PORT AUTHORITY

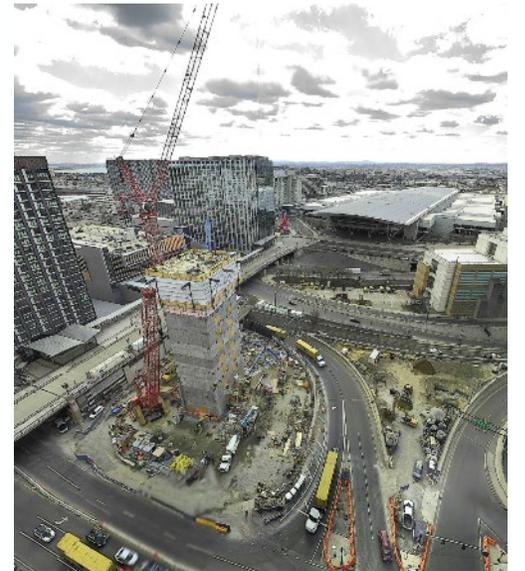
Massport RE Development Pipeline

Completed and In-progress Massport Projects in the South Boston Waterfront



Massport Development Pipeline - Under Construction

- 601 Congress Street - Seaport Science Center (Biomed Realty)
 - Core and Shell completion Q1 2023; occupancy by Q1 2025
- Commonwealth Pier (Pembroke/Fidelity)
 - Core and Shell completion Q4 2024; occupancy by Q4 2025
- 10 World Trade (Boston Global Investors Team)
 - Core and shell completion Q4 2024; occupancy by Q4 2025
- Boston Sword and Tuna Expansion
 - 10,000 sf addition under construction; completion in April 2023



Massport Development Pipeline Observations

- Massport's commercial development pipeline is resilient due to premier location, product quality, and timing of building delivery (Commonwealth Pier, 10 World Trade and Seaport Circle)
- Despite the current market reset, the South Boston Waterfront remains a top tier-location for life sciences in the increasingly dominant Boston-Cambridge super-cluster
- The level and quality of on-site and off-site amenities and programming are increasingly important for workforce recruitment, particularly in the highly-competitive life science sector
- Planned on-site amenities at Commonwealth Pier, 601 Congress, 10 WT, and Seaport Circle align with market expectations
- 88 Black Falcon permitting is nearly complete; tenant is assessing phasing options
- Recommended pause in release of Parcel D-3 RFP given market conditions
- Demand for limited maritime industrial sites supports issuing an RFP for MMT Parcel 4 in 2023

MASSACHUSETTS PORT AUTHORITY

Real Estate and Strategic Initiatives

Charlestown Commerce Center Lease Amendment

Andrew Hargens

February 16, 2023

Charlestown Commerce Center Location and Context



Amended and Extended CCC Parking Lease

- The Charlestown Commerce Center (“CCC”) is a two-building complex located at 50 Terminal Street in Charlestown and owned by Donato Pizzuti, Trustee of CCC Realty Trust
- The building provides office and manufacturing space for small businesses but has limited parking that does not meet the demands of its tenants
- Since 1996, CCC has leased a 1-acre parking area from Massport under an lease agreement with options extending to 12/31/27
- Initial lease term expired on December 31, 2022
- Rent will increase to a market rate of \$3.55 psf on July 1, 2023 with annual 3.5% escalations
- Market rate adjustment of not more than 5.5 % of the prior month rent in 2032
- Rent during the Amendment is valued at \$7.2 million to Massport
- CCC has requested a lease amendment extending the existing option term for an additional 23 years and 6 months to June 30, 2051 allowing it to be coterminous with Autoport’s lease
- Lease will terminate if the use is changed to residential

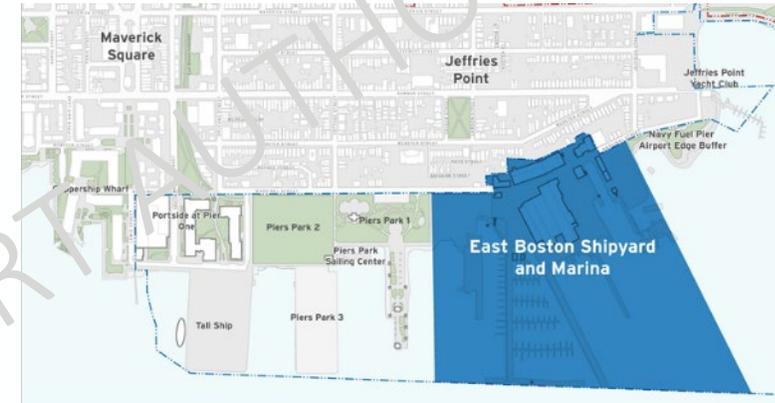
Boston Shipyard & Marina Lease Amendment

Andrew Hargens

February 16, 2023

Boston Harbor Shipyard & Marina

- Massport and Coastal Marine Management entered into a lease in 2012 for 23-acre Boston Harbor Shipyard & Marina in the Jeffries Point neighborhood of East Boston
- In 2018, CMM assigned the lease to Boston Harbor Shipyard & Marina, LLC (“BHSM”), Chuck and Ann Lagasse, Principals
- The Lagasses are highly experienced and successful marina and boatyard owners and operators, with facilities throughout Massachusetts
- BHSN is developing a plan to make significant and much-needed infrastructure investments in the Shipyard & Marina



Boston Harbor Shipyard & Marina supports a diverse tenant mix



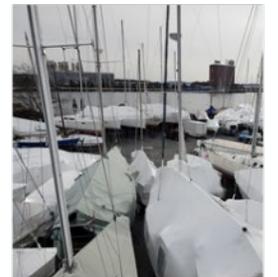
Existing Conditions and Uses

- The Shipyard & Marina falls mostly within the East Boston Designated Port Area and has been used for ship building and vessel repair for more than a century
- Massport purchased the vacant facility in 1985 to further its mission promoting and safeguarding the Port of Boston
- Site features include:
 - Three pile-supported concrete piers with over 2,500 linear feet of commercial berthing space
 - Harbor Fuels, one of the few vessel fueling facilities in Boston
 - 180 marina slips
- Maritime tenants include a steel fabrication facility, marine construction companies, the harbor pilots, and the Nantucket Lightship Museum
- The Shipyard & Marina includes a diverse mix of supporting uses, such as the Sea Biscuit restaurant, Downeast Cider house, the ICA Watershed, a millwork shop, and a film studio
- The Shipyard & Marina is also home to an eclectic mix of popular murals and sculptures



BHSM Plans for the Future

- BHSM has greatly strengthened the maritime industrial businesses at the Shipyard & Marina and made essential infrastructure repairs to seawalls, piers, and utilities
- Looking ahead, based on its extensive experience operating similar facilities, BHSM has developed an initial framework to make significant capital investments to ensure the future viability of the Shipyard & Marina
- Aside from stabilizing key infrastructure, these investments are needed to improve operational efficiency, attract and retain tenants, and enable the Shipyard & Marina to be competitive as a home for maritime industrial businesses in the Port of Boston
- As it refines its plans, and before implementation, BHSM is committed to sharing its vision for the Shipyard & Marina with East Boston neighbors, public officials, and other stakeholders



Key Lease Amendment Terms

- BHSM commits to make a minimum capital investment of \$12.2M over the next 15 years
- The lease term will be reset to 75 years (an additional 47 years) to enable this level of investment
- BHSM will make key investments to expand vessel repair and storage capacity to strengthen the competitive position of the Shipyard & Marina and generate new revenue to continue to meet future infrastructure needs
 - Filling the graving dock to expand the overall upland area
 - Purchasing a 75-ton travel lift capable of servicing large commercial vessels
 - Constructing vessel maintenance and storage building
- The existing complex rent structure will be simplified to a percentage of gross revenues
 - 3.0% (2023-2032); 3.5% (2033-2042); 4.0% (2043-Term)
- This rent structure is projected to result in a reduction of rent in the early years, but a higher rent revenue present value over the term of the lease (\$6.7M up from \$6.3M) as BHSM's planned investments lead to increased business and revenues
- Transaction rent will increase to 1% of net profits upon sale of the lease

BHSM works hard to be a good neighbor to the nearby Jeffries Point community

- BHSM and their subtenants host a variety of popular community events and services, including movie nights, subsidized art programs, and food distribution during the peak of COVID-19
- They have supported the nearby Piers Park Sailing Center program by doing free repair work on the sailboats
- BHSM and HarborArts have been catalysts for the incredible display of murals recently created in East Boston
- The lease amendment will require BHSM to provide updates on their Shipyard & Marina plans and operations at a minimum of four community meetings per year with the goal of maintaining direct and transparent lines of communication with their neighbors
- Under the lease amendment, BHSM will construct a missing section of sidewalk along Marginal Street sidewalk to provide a safe connection from Piers Park to the Shipyard & Marina



MASSACHUSETTS PORT AUTHORITY

Facilities and Construction

Hanscom Field

Rehab Runway 5-23 with Lighting and Geometry Improvements

Luciana Burdi

February 16, 2023

Runway 5-23 project will enhance safety and maintain critical infrastructure in a state-of-good-repair

Project Scope:

- Resurface existing asphalt pavement
- Replace electrical circuit infrastructure & lighting
- Improve geometry at Taxiway Echo, including new light cans, conduits and modifications to mandatory hold signage.
- Remove 9 acres of excess unused pavement
- Add pavement markings and runway grooving



Key Conditions of Satisfaction (COS):

- Runway closure will not overlap with planned Runway 15R-33L closure at Logan Airport
- Impacts to abutting towns will be minimized to the extent feasible without compromising airfield safety

Project will be phased based on expected federal funding schedule and to minimize impacts to stakeholders



Sustainability Components:

- Runway lighting will be upgraded to Energy-efficient LED
- Over 9 acres of excess pavement will be returned to grass, reducing runoff and environmental impacts
- Massport plans to seek Envision certification for the project



LED RUNWAY
EDGE LIGHT



Implementation:

Phase 1 (2023)

- Resurface Runway 5-23 south of Runway 11-29 and replace lighting (full length)
 - Spring / Summer 2023 start
 - Full closure for 37 days

Phase 2 (2024)

- Resurface Runway 5-23 north of Runway 11-29 and relocate perimeter fencing along the Runway 23 approach per FAA ongoing coordination

Board Recommendation:

Approve a partial project budget for the not-to-exceed amount of \$12M

Logan Airport Runway 15R-33L Safety and Rehabilitation Project

Sarah Dennechuk and Flavio Leo

February 16, 2023

Massport to undertake a major safety and pavement rehabilitation project for Runway 15R-33L this summer



- 15R-33L is Logan's longest runway
 - Primarily used by the FAA during northwest winds (typically prevalent in winter/spring months)
 - Is the preferred late-night, over-Boston Harbor runway for noise abatement purposes
- The runway was last rehabbed in 2012 and is now at the FAA threshold for replacement
- The project will be partially funded with FAA AIP funds and has been part of the FAA's 5-year Airports Capital Improvement Plan (ACIP) for Logan Airport with a target date of 2023
 - FAA sequences airfield pavement rehab projects based on pavement conditions
 - In summer 2020, FAA funded the rehab of Runway 9-27 and Massport accelerated the project by 3 months to take advantage of low flight volumes

The project requires Massport close Runway 15R-33L starting late August

Runway 15R-33L



Project Scope:

- Enhance safety by replacing pavement and improving runway and taxiway intersections
- Upgrade electrical infrastructure and convert runway lights to energy efficient LED lights

Project Schedule:

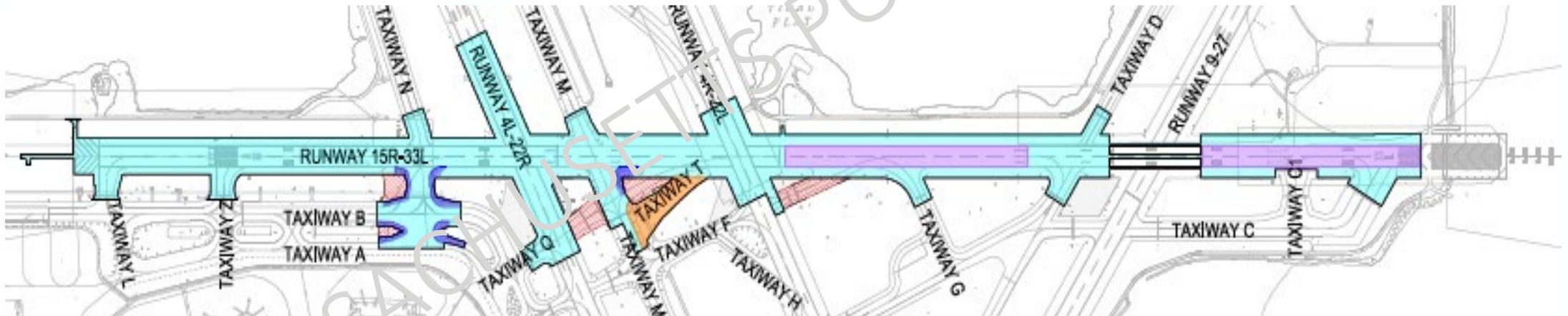
- Enabling construction will begin in May 2023
- Runway will be closed for approx. 100 days starting August 14, 2023

Coordination and Outreach:

- Massport is actively coordinating with stakeholders and has an extensive outreach plan for communities and passengers

FAA-recommended safety improvements will be made to several taxiway intersections

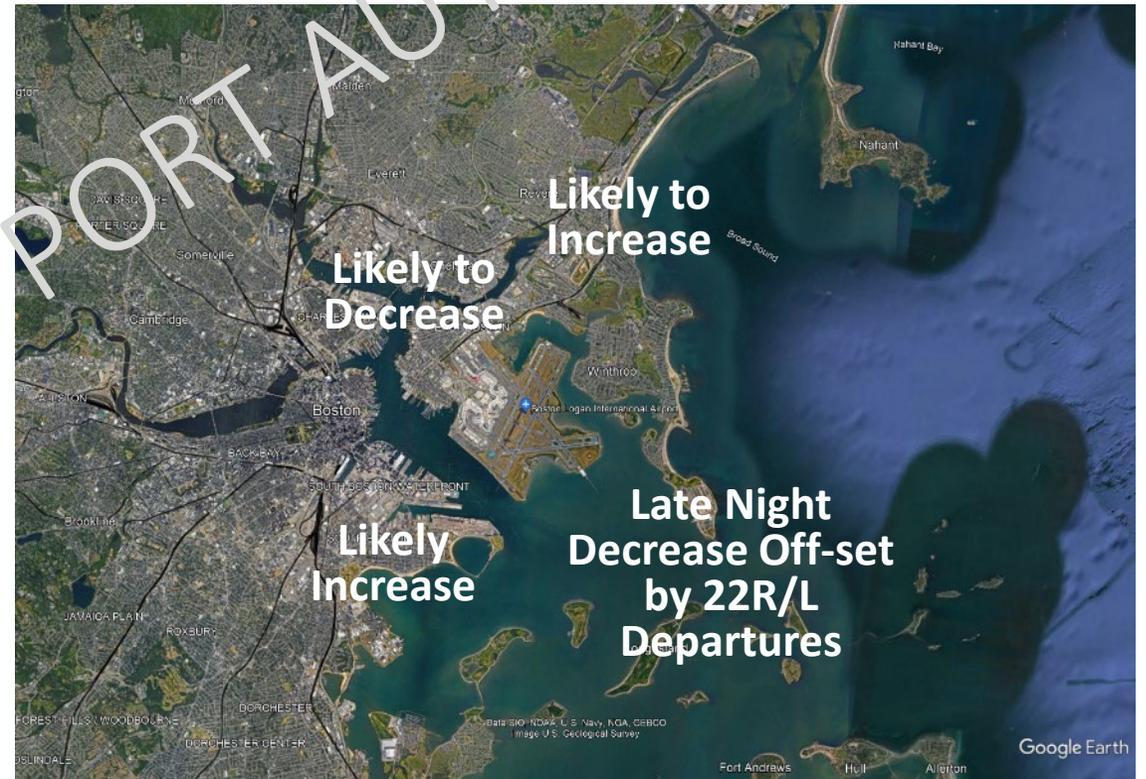
- The FAA Runway Incursion Mitigation (RIM)/Comprehensive Airfield Geometry Analysis recommended changes to some taxiway/runway intersections to reduce the risk of aircraft runway incursions
- Airfield geometry changes will be made to Taxiways N and M, and Taxiway T will be constructed to replace portions of Taxiways F and Q



During the runway closure, aircraft delays and temporary shifts in runway use and community overflights are expected

- The FAA will have two alternative 3-runway configurations available to help minimize flight delays and the overall change to runway use and community overflights
 - Runway use patterns may be temporarily affected depending on wind and weather patterns
- Runway 15R-33L will not be available for nighttime noise abatement during the closure (August 14 to mid-November)
 - The late night noise abatement procedure is typically used by the FAA between 12AM and 5AM and directs aircraft flights over Boston Harbor away from close-in communities
- Massport and FAA Air Traffic will coordinate extensively during this period to minimize delays and persistent use of available runway. (wind/weather permitting)

Potential Change in Overflights During the Runway Closure
(subject to wind and weather conditions)



Comprehensive mitigation measures will be in place to reduce construction noise and other impacts

Construction Mitigation Plan

- Muffle or otherwise lessen noise from truck back-up alarms within OSHA guidelines and other regulations
- Maximize daytime work, particularly noise producing activities
- Establish haul routes airside that will maximize distance from neighboring homes, particularly at night
- Haul waste and other materials during the day to the extent possible
- Prohibit trucks from using City of Boston streets to and from the airport
 - All construction traffic will access the airport via Routes 90/93/1A and Coughlin Bypass Rd.
- Aim all lighting used for night operations away from the communities (and the Air Traffic Control Tower)

Massport is actively coordinating with stakeholders and has an extensive outreach plan for communities and passengers

- External Stakeholder Engagement
 - On-going conversations with the FAA and airlines regarding scope, phasing, project schedule and potential impacts
- Planned Community and Passenger Outreach
 - Briefings to MCAC, East Boston community groups, Winthrop Town Council, and other communities
 - Press release regarding the construction and runway closure
 - Website/social media posts and text alerts
 - The Logan Noise Abatement telephone number and a dedicated project email address will be available

Audit and Finance

MASSACHUSETTS PORT AUTHORITY

FY23 Six Month Financial Performance

John Pranckevicius

February 16, 2023

FY23: First Six Months Highlights

- Massport's financial position is benefiting from improving business activity across its transportation assets
 - Logan Airport served 19.9 million passengers in the first six months of FY23, up 33% from the 14.8 million Logan served last year, pushing variable revenues higher
 - Hanscom's performance was driven by new ground lease revenues, while Worcester Airport passenger volume increased as JetBlue up-gauged its aircraft to meet passenger demand
 - Maritime financials improved by 38%, as container volume at Conley Terminal grew 42.5%, cruise passengers returned to Flynn Cruiseport Boston, and the South Boston Waterfront Transportation Center outperformed prior year results
- Increasing business activity resulted in Massport's total revenues improving 24.2%
- Total expenses grew 10% reflecting the restoration of services to keep pace with demand, the surge in energy prices, increased inflation across procured services and goods, and higher depreciation expense
- The Revenue/Expense spread drove Massport's net position 6.5% higher; these resources will be reinvested as the Authority prepares its new five year capital program for March Board approval

1H FY23 total revenue was \$501 million, up 24.2% over prior year period

- **Logan: \$418 million**, an increase of \$76 million, or 22.1%
 - Variable revenue increased \$45.7 million as passenger traffic grew
 - Parking up \$24 million, as exits increased 33% and Revenue per Exit increased 6% from \$84 to \$89
 - Concessions, Ride Apps and Logan Express provided \$21.7 million in additional funds
 - Fixed revenue from Terminal Rents, Ground Leases and Landing Fees was up \$18.5 million due to the recovery of capital and operating costs from Airline fee-based rates and charges
- **Hanscom: \$12.5 million**, an increase of \$2.7 million from new ground lease agreements and activity-based fees
- **Worcester: \$1.3 million**, an increase of \$0.1M as passenger volume increased 15%
- **Maritime: \$47.6M**, an \$18 million increase as a result of 18,000 additional containers at Conley Terminal and the return of 266,000 Cruise Passengers
- **Real Estate: \$21.2**, a \$1 million increase as parking activity at the South Boston Waterfront Transportation Center outperformed the prior year

1H FY23 total expenses were \$388M, an increase of 10% compared to prior year period

- **Employee Wages and Benefits: \$87.7 million**, an increase 1.2% or \$1 million.
 - Wages and overtime increased \$8.2 million with 47 new hires and additional overtime to manage increased activity
 - Wages currently being offset by \$7.1 million reduction in Pension and OPEB expenses resulting from prior year investment returns
 - Massport headcount increased 4% to 1,143 (as of 12/31/22) compared to the same period last year
- **Services, Maintenance, and Repairs: \$68.2 million**, an increase of \$13.5 million
 - Logan's in-terminal costs increased \$6.6 million for elevator, escalator and baggage carousel maintenance, increased terminal cleaning frequency, and waste recycling and removal
 - LEX Services increased \$4.7 million with the return of the Back Bay service and increased fuel expense
- **Utilities: \$20.7 million**, an increase of \$5.2 million, or 33% driven by higher electricity rates and natural gas prices
- **Stevedoring: \$16.3 million**, an increase of \$2.4 million, or 17% due to the 18,000 additional containers handled at Conley terminal
- **Other Expenses: \$33.8 million**, an increase of \$6.3 million which includes insurance premiums, higher credit card fees, event planning and marketing, and other miscellaneous expenses
- **Depreciation: \$161 million**, an increase of \$6 million, or 4% to account for new assets placed into service

1H FY23 operating income was \$113M, an increase of \$61M compared to last year, and surpassed Massport's performance for the same period in 2019

	<u>1H FY23</u>	<u>1H FY22</u>	<u>FY23 vs Prior Year</u>		<u>1H FY19 (Pre-pandemic)</u>
			<u>Amt.</u>	<u>%</u>	
Revenues	\$ 501 M	\$ 403 M	\$ 98 M	24.2%	\$ 466 M
Operating Expenses	(\$ 227 M)	(\$ 196 M)	\$ 31 M	15.5%	(\$ 247 M)
Depreciation Expense	(\$ 161 M)	(\$ 155 M)	\$ 6 M	4.0%	(\$ 128 M)
Total Expenses	(\$ 388 M)	(\$ 351 M)	\$ 37 M	10.4%	(\$ 375 M)
Operating Income	\$ 113 M	\$ 52 M	\$ 61 M	173%	\$ 91 M

Balance Sheet: Massport's net position grew by 7%, or \$195.2 M in 1H FY23

Total Assets and Deferred Outflows

+ \$ 217 M

- Assets grew from the conversion of \$114 million of operating earnings and \$84 million balance of cash proceeds from the July 2022 Green bond sale, in addition to the accrual of \$29 million in Federal Airport Assistance
- Deferred outflows decreased \$12 million as prior year pension and OPEB losses were amortized

(\$ 25 M)

Total Liabilities & Deferred Inflows

- Liabilities increased \$82 million due to an increase in bonds payable as a result of the July 2022 Green bond sale
- Deferred inflows declined by \$57 million as lease revenues were recognized during the period

Change in Net Position

\$ 192 M

Beginning Net Position

\$ 2.9 B

Ending Net Position

\$ 3.1 B + 6.5%

Summary

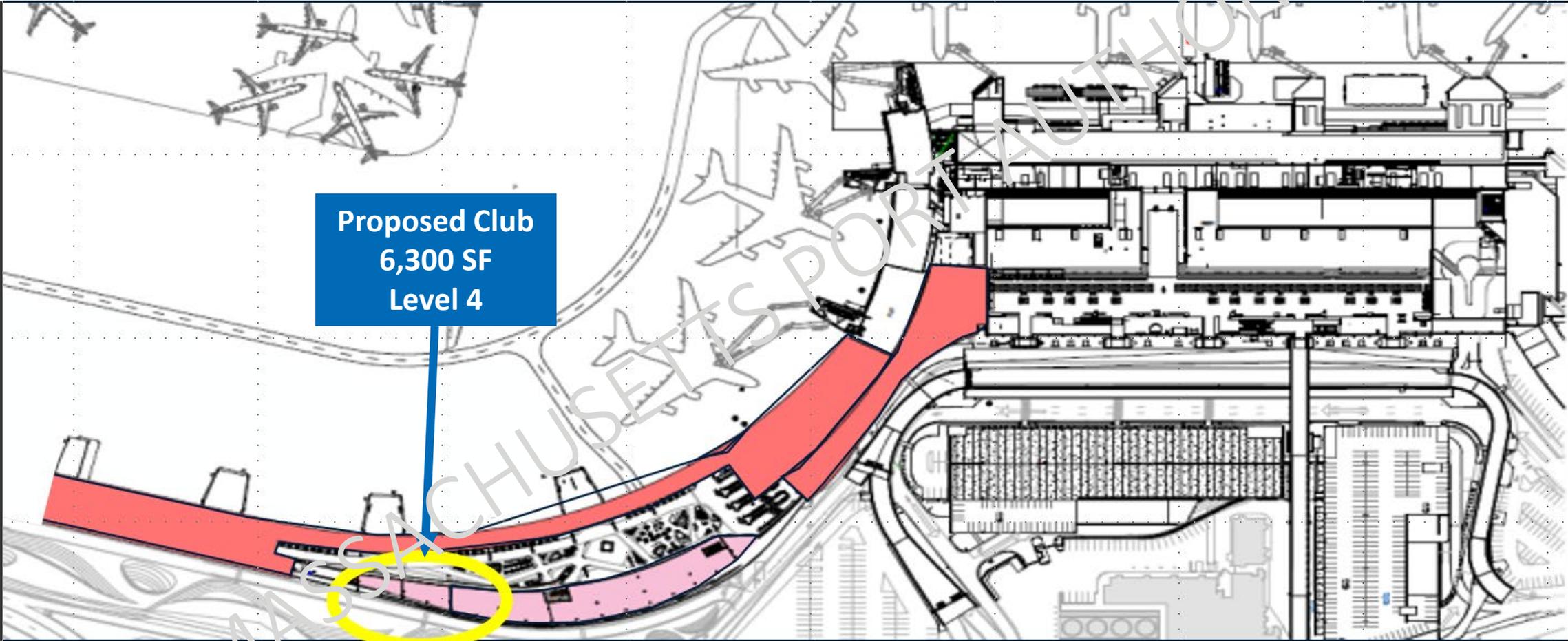
- Massport's financial position is benefiting from increased business activity and efforts to control costs, despite inflationary pressures in services, materials, and goods
- Earnings improvement will add capital capacity to advance investment in Massport's NetZero initiatives and re-introduce certain capital projects previously suspended or deferred during the pandemic
- Looking ahead, revenue acceleration is being recalibrated to align with passenger travel expectations and Massport's expenses are expected to rise as inflation, worker scarcity, low investment returns, and materials and goods prices continue to escalate
- The Federal Reserve's interest rate policies and its commitment to keep rates higher for a longer period raises the probability that a recession is forthcoming which may alter Massport's growth trajectory
- Geopolitical risks and tensions remain high, public health concerns linger, and cybersecurity threats are potential risks that could abruptly alter Massport's business activity and financial performance
- Massport will continue to assess these risks and will adjust as necessary, to serve customers and be an economic engine for the Commonwealth

Logan Airport Delta Terminal E Club Lease Amendment

Dan Gallagher

February 16, 2023

Terminal E Modernization – New Level 4 Space



Background

- Terminal E Modernization Project constructed approximately 28,000 sq. ft. of total lounge space
- During construction, Massport negotiated with carriers to lease a 21,000 sq. ft. lounge, leaving roughly 6,300 sq. ft. available for lease
- In November, 2021, the Authority issued a Request for Proposals for the development, lease and operation of a common-use lounge by a third party operator; no responses received
- In November, 2022, the Authority issued a Request for Proposals to Terminal E airlines for the development, lease and operation of an airline club
- Objectives:
 - Safe and efficient use of facilities
 - An airline that has a proven record in successfully operating and managing similar facilities
 - Revenue enhancement for the Authority
 - Commitment to diversity, equity, and inclusion through its policies, programs, and practices
- Proposal was received in January 2023 from Delta Air Lines
 - Further clarification requests were sent to Delta Air Lines

Delta Air Lines – Terminal E Lease Amendment

- Leased premises: Club Space – approximately 6,300 sf
 - MPA will turn over premises in shell condition (Delta to build out club)
- Rent commencement: earlier of (i) club occupancy date or (ii) 18 months from delivery of premises
- Club Space Facility Fee (in addition to Terminal E base rent)
 - Repayment of construction costs (estimated \$12M)
 - 30-year amortization term
 - 3.52% fixed rate
 - Estimated annual payment is \$39/sf or \$245,700/per year
- Additional Fee: Delta has proposed to pay Massport an additional one-time fee of \$50/sf (estimated at \$316,850) in year one
- Coterminal with Delta's current leases:
 - Initial term expiration August 31, 2024, with one 5-year option extending to August 31, 2029

Overview of Key Fiscal Elements of the Proposal

Rent	<ul style="list-style-type: none">• Terminal E Board-approved rate• Facility rate: \$39 psfpy• Additional Fees: Delta has proposed an additional one-time fee of \$50 per square foot (estimated at \$316,850) in year one
Proposed Investment	\$12.5M
Proposed Improvement	Lounge space and associated mechanical systems
DE&I	<ul style="list-style-type: none">• Construction Minority/Women Business Enterprise Goals:<ul style="list-style-type: none">○ 15% MBE○ 10% WBE

Staff Recommendation

Staff requests that the Board approve the attached Vote that will authorize staff to negotiate, execute and deliver an amendment to the Delta Air Lines, Inc. Terminal E lease to add the club space to the lease on the terms set forth herein, for use and occupancy of an approximately 6,300 square feet of rentable space in Terminal E

Peabody Logan Express Long Term Lease

Dan Gallagher

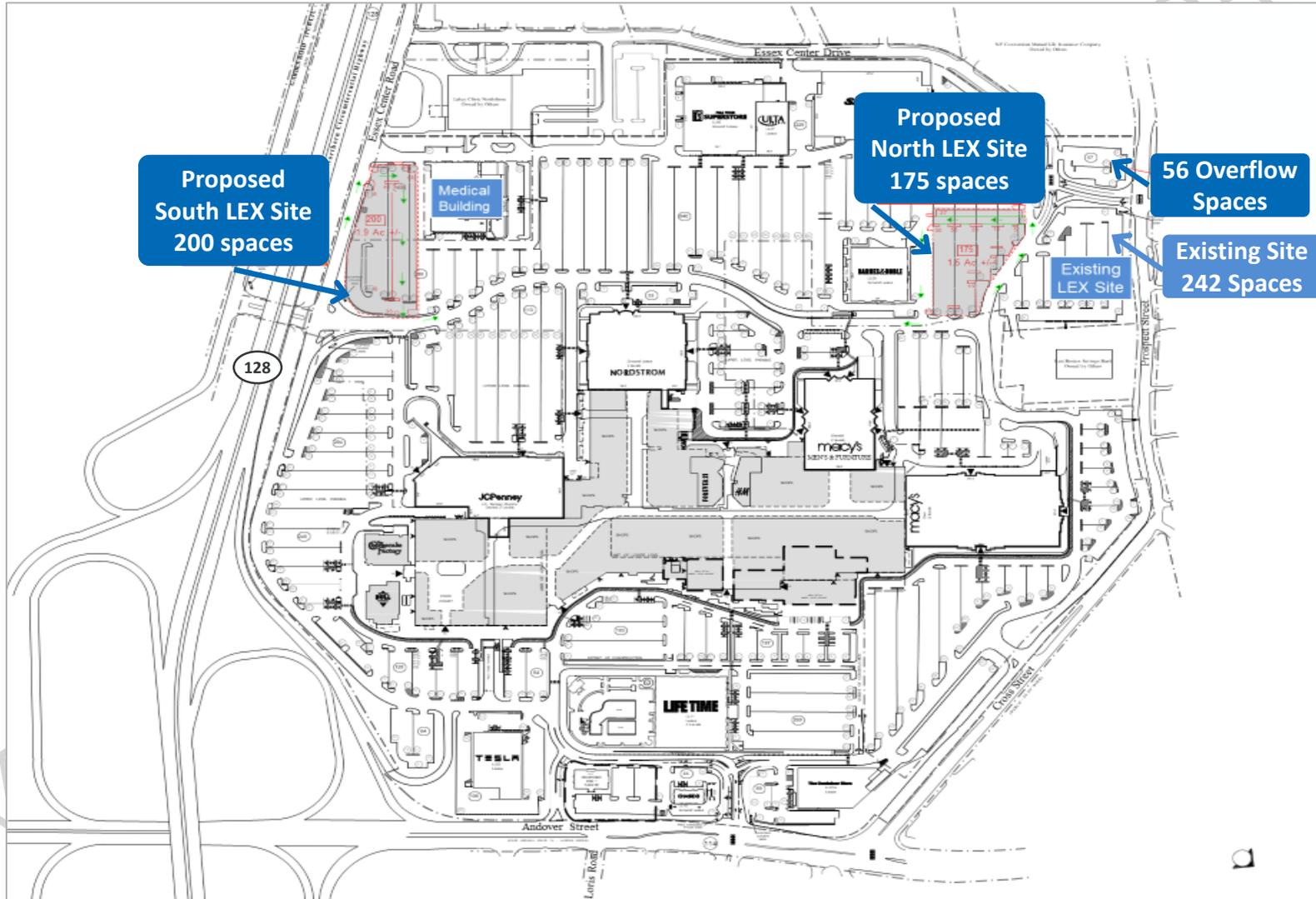
February 16, 2023

Staff is recommending a 10-year term for Peabody Logan Express at the Northshore Mall

- Massport resumed hourly Peabody Logan Express service in February 2022 from a new location at the Northshore Mall
- The Northshore Mall offers passengers easy access from Route 128, I-95, Route 1 and other local roadways
- The new location is contributing to Peabody ridership exceeding pre-pandemic levels
- The current temporary location is expected to be impacted in Fall 2023
- Simon has identified an alternative site with approximately 375 parking spaces



Peabody LEX – Northshore Mall Locations



Mayflower – Simon Mall Lease

Leased Premises

- Parking Capacity: 375 spaces
 - North Parking Area – 175
 - South Parking Area – 200
- Costs: \$469,500/ per year
 - \$2.82 per space per day
 - \$84,000 annual North Shore Mall marketing campaign
- Commencement Date: September 1, 2023
- Term: 10 years, with holdover permitted
- Overflow Parking: 56 parking spaces available for overflow under a separate agreement
- Staff continues to evaluate potential reuse strategies for the existing Peabody site pending the successful launch of the permanent Peabody LEX location

Assent Agenda