



DEN REAL ESTATE COMMERCIAL OVERVIEW REAL ESTATE OPPORTUNITIES FOR A GLOBAL MARKET

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DEN REAL ESTATE
DENVER INTERNATIONAL AIRPORT
October 19, 2015

TOP ECONOMIC ENGINE IN THE STATE



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DENVER INTERNATIONAL AIRPORT

- DEN is the #1 Economic Engine of the State of Colorado and the Rocky Mountain region
- Generating over \$26 Billion annually in economic benefit
- DEN directly employs 35,000 workers
- Another 155,000 indirect jobs work to support the airport's operation

PASSENGER TRAFFIC UPDATE

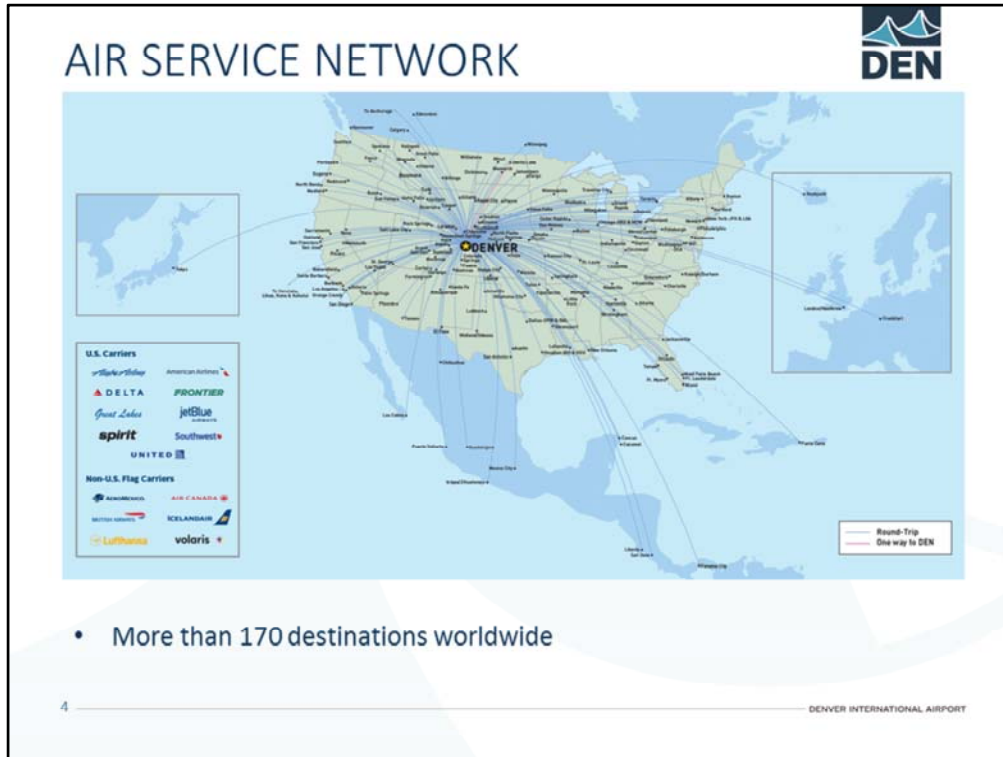


- Fifth busiest airport in the U.S.
- 2014 was busiest year in DIA history – 53.4 million passengers

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DENVER INTERNATIONAL AIRPORT

- Denver International Airport (DEN) had its busiest year in Denver aviation history in 2014
- 53.4 million passengers
- This year we are flat
 - Pretty amazing since Frontier has cut 39% of their capacity as they have dropped from a 19 to 11 % market share in the last 12 months
 - But UA, WN, Spirit, Delta, American, British Airways are all growing
 - Out O&D traffic is up 6.4% year over year through July, which is the sign of a very healthy market
- DEN's international service is substantial with 1.3 million passengers moving through the airport so far this year
 - A record 2.2 million international passengers passed through DEN in 2014, a 12.% growth over 2013
 - DEN's international route structure includes London, Frankfurt, Iceland, Mexico, Canada
 - New routes include: Tokyo, Jamaica, Guadalajara and Chihuahua, Mexico
 - The most recent route addition is United's seasonal service to Panama City, Panama which effectively opens all of Central and South America for us



- Third-largest domestic network in the country
- Only Atlanta and Chicago ahead of Denver in terms of air service network size
- However, our international traffic is only about 4%, and growing this segment is a focus of our leadership team.
- We are served by 15 carriers
 - And are a Star Alliance hub, with United providing 41% of our market share
 - Southwest is second at 30%
- We also have one of the most robust Essential Air Service networks operating out of Denver with 16 cities currently served and 18 by the end of the year.

REVENUE MANAGEMENT DIVISION



Concessions



Airline Affairs &
Commercial Properties



Parking &
Transportation



DEN Real Estate



The Great Hall

OUR RESPONSIBILITIES



- Over 41,000 Parking Spaces
- 211,000 square feet of concessions
- 3.25 million passengers on public parking shuttles
- 78 Oil and Gas Wells
- 9,400 gross acres available for development
- Westin Hotel Opens in November
- Planning for the Great Hall Redevelopment ongoing
- We manage approximately 350 contracts

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Source: 2014 Statistics

OPPORTUNITIES: LAND, LOTS OF LAND

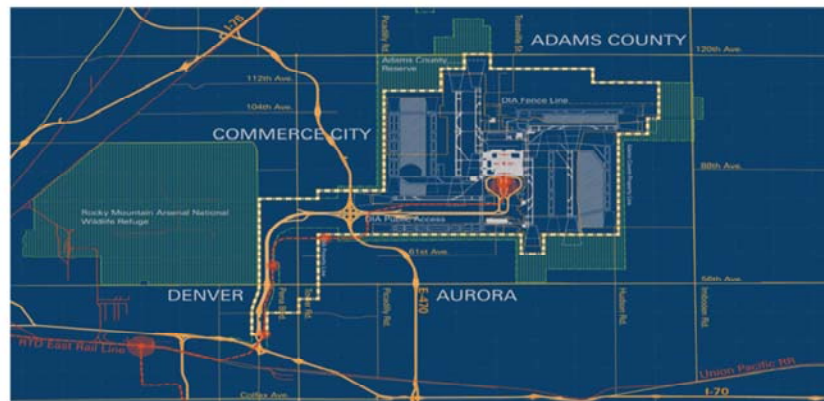


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- We have something no other airport in North American can claim – 53 square miles of property.
 - 9,000 of those 34,000 acres will never be needed for future airport expansion
 - Available for development, and a tremendous potential to generate more non-aeronautical revenue.
 - IGA Amendment vote in November may add an additional 8,000 acres for potential development. More detail on this later.

DEN REAL ESTATE OVERVIEW



- 9,000 acres available *after* full build-out to 12 runways / 100 million passengers
- Financial objective is to leverage this asset to generate non-airline revenues to offset airport operating expenses

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- To become more competitive globally, we initiated a real estate development program several years ago with a concentrated planning effort.
- Our goal is to leverage the 9,000+ gross acres available after the full build-out of the Airport to 12 runways. This acreage may grow significantly due to the IGA amendment.
- The financial objective is to generate **non-airline revenues** to offset airport operating and capital expenses. This will allow us to keep airline rates and charges as low as possible to attract more airlines, more routes and more passengers.
- As an integrated transportation and real estate hub, we can become **a bigger, better international hub airport**.
- Three broad phases of development.



- Phase 1 of DEN Real Estate is in the final stages of construction now.
- It includes the 519-room Westin Airport Hotel, which will open in November of this year.
- It also includes the Public Transit Center which will anchor the new East Commuter Line.
- This is the new commuter line connecting DIA to Downtown and the entire Denver Region via the RTD FasTracks system. It opens in spring 2016.

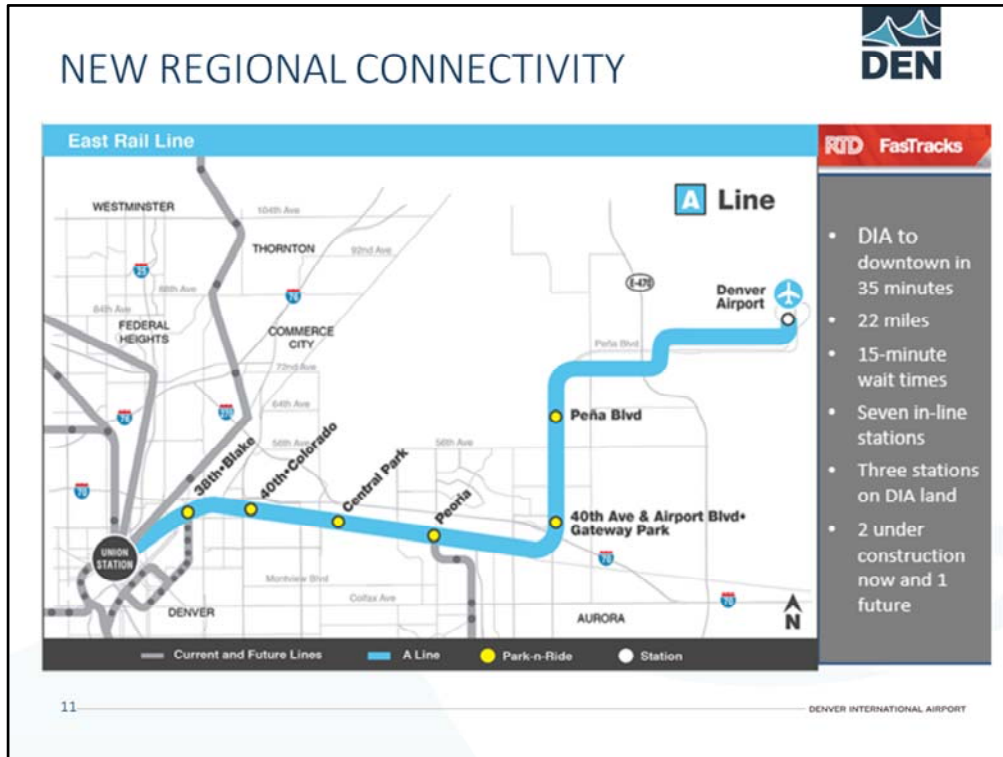
PHASE ONE: HOTEL AND TRANSIT CENTER



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- We will be leveraging these new amenities and connectivity to attract commercial development to the airport.



- The Commuter East Line is part of a brand new 122-mile regional light and commuter rail network known as FasTracks.
- It's being built by the Regional Transportation District. Several lines are open and operating and others are under construction.
- The FasTracks System gives DIA, which is at the end of the airport-owned cul-de-sac, Pena Boulevard, **a direct connection to the entire metro region.**
- 3 of 7 in-line stations on DIA land – 2 under construction now.
- For DIA, the FasTracks connectivity is a **game changer** for our

passengers and employees ...**and also for the global appeal of our airport real estate.**

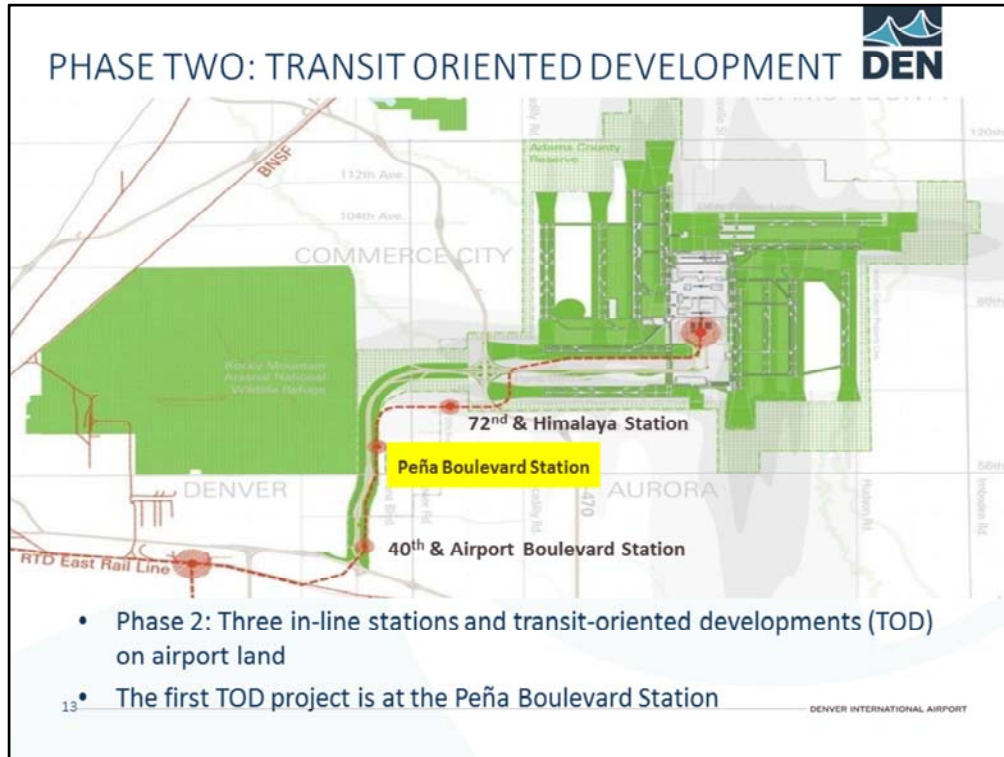
DENVER UNION STATION



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- The East Line is bookended by the revamped Denver Union Station at the other end of a 22-mile, 35-minute ride, with trains running every 15 minutes.
- Union Station is now a mixed-use, multi-modal center for downtown and really our entire region.
- It is surrounded by new development projects of all types. The East Line lets the Airport tap into this development wave (we can leverage all the benefits of downtown even at the Airport).



- To leverage the FasTracks system, the airport is blessed with three East Line Stations and transit oriented developments or TOD opportunities located on more than 200 acres of DIA land.
- The first two of these stations are under construction now: the Pena Boulevard Station and 40th and Airport Boulevard Station.
- The first TOD project is called **Pena Station**. I'll touch further on this in a minute

PHASE TWO: THREE EAST LINE STATIONS AND TOD PROJECTS ON DEN LAND



RAILROADS EAST RAIL LINE IS TRANSFORMING DEVELOPMENT (TOD) IS AN APPROACH TO INCREASED MIXED-USE DEVELOPMENT (COMMERCIAL, RESIDENTIAL, AND RECREATION) NEAR STATION LOCATIONS.



40TH AVENUE & AIRPORT BOULEVARD STATION / TOD

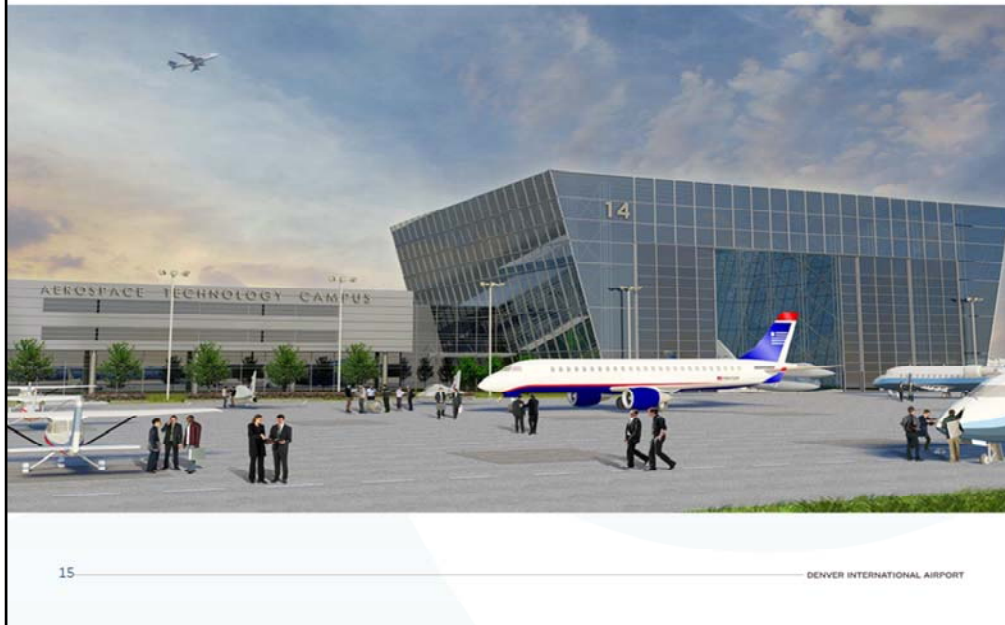


PEÑA BOULEVARD STATION / TOD

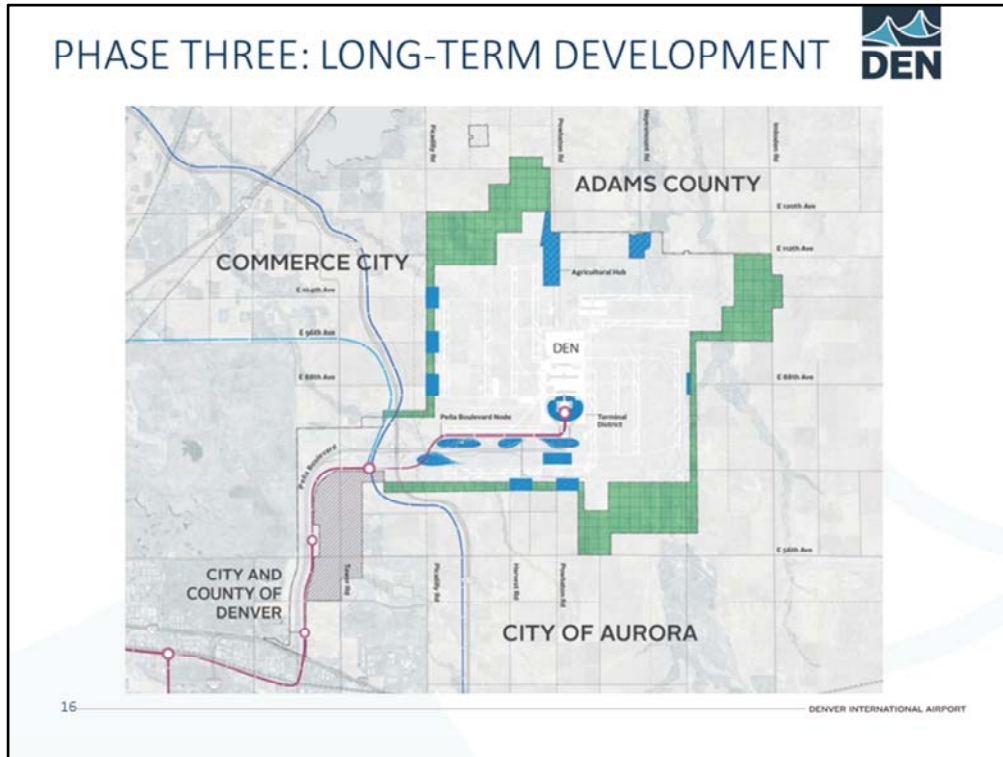


FUTURE 72ND AVENUE AND HIMALAYA STATION / TOD

PHASE THREE: LONG-TERM MIXED-USE DEVELOPMENT ON-AIRPORT



Long-term, we believe we can support 25+ million square feet of on-airport development over the next 60+ years



Here is a site plan reflecting the Nodal Development Strategy for both the on-airport 9,000 acres and the 8,500 acres of clear zone land

Initially, we've targeted a dozen nodes on Denver-owned land and a half-dozen nodes on airport land in Adams County, this is the clear zone.

I'll show you in a minute how all of this relates to the IGA resolution agreement.

- Earlier this year, Adams County, the City and County of Denver and DEN reached an historic agreement that allows for further commercial development on airport land.
- If approved by voters in November, ballot item 1A will allow Adams County and Denver to establish a regional entity to promote business opportunities on and around DEN.
- This November, voters in Adams County and Denver will vote on issue 1A
 - Allows 1,500 acres of commercial development on DEN property
 - 12,000 additional jobs
 - No new or increased taxes imposed
 - Revenues are split between Adams County and Denver



- Here's an aerial view of the full build-out of the airport that reflects our long term TOD and Nodal development strategy.
- Initial focus is on three TOD projects along the north/south leg of Pena Blvd and 5 nodes along the east/west leg. Related to CONRAC analysis.
- This focused approach seeks to leverage current and future utilities and access and to limit infrastructure costs.
- Explorations with Colorado State University regarding a wider variety of CSU/DIA collaborations.
- Future developer solicitations.

FUTURE PLANNING - CONRAC POSSIBILITIES



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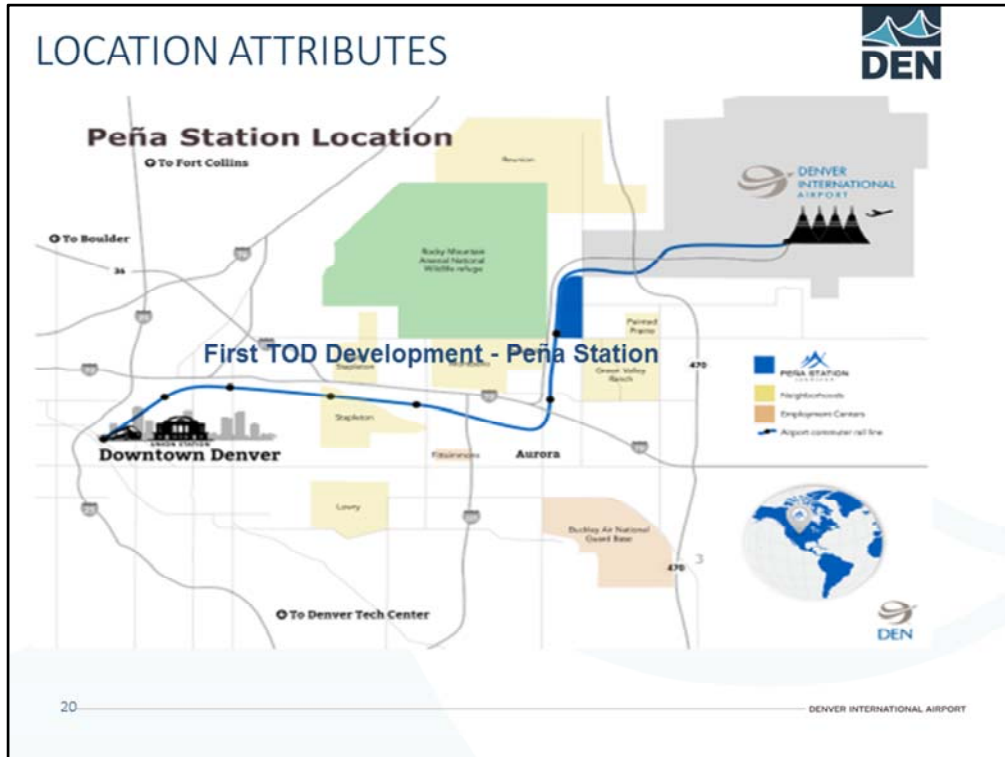
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- Six potential solutions were identified for a potential Consolidated Rental Car Facility (CONRAC)
- Infrastructure
 - Utilities
 - Roadways
- Highest and best use of our prime real estate



- The first TOD project is called **Pena Station**. It is anchored by the East Line Pena Boulevard Station.
- It will be a 400-acre mixed-use TOD community that involves 60 acres of DIA land at the station and 3 other private sector owners. The lead developer is the Fulenwider Company.
- City Council just approved a package of five development and financing agreements earlier this summer and on-site infrastructure is well under way.
- DIA is funding \$38 million for the station and the connecting Phase 1 roads and utilities.
- In addition, this investment opens up the potential for large long

term non-airline revenues from ground rents & parking.



- Largest regional employers: DIA and Fitzsimons Medical Center
- In the middle of various master-planned communities in the region, including Green Valley Ranch, Reunion, Montbello, High Point (puts lots of jobs closer to local residents)
- Helps anchor Mayor Hancock’s Corridor of Opportunity Vision



- Here's a site plan showing the 4 ownership parcels and the initial phase infrastructure.
- To orient you the station is at the left, Tower Blvd on the right, 56th Avenue on the bottom and 64th Avenue at the top
- The DIA land is dark blue or purple (60 acres), Fulenwider land is orange, Smith Estate land in yellow and the SMT land is in light blue



- On December 18, 2014, Denver Mayor Michael Hancock, Colorado Governor John Hickenlooper and DEN CEO Kim Day announced that Panasonic is landing at Peña Station.
- Panasonic Enterprise Solutions Company will be building a 112,000 SF headquarters and light assembly building. This was **big news in the real estate community** which kind of dismissed the airport real estate market for a long time.
- Panasonic's site search included more than 20 cities. It was the proximity to **air and commuter rail that were key** for them plus many other attributes of our region.
- With Panasonic's involvement, we will develop Peña Station as a global showcase for sustainable community development and public/private collaboration.

- Model is Fujisawa Smart Sustainable Town outside Tokyo.

PEÑA STATION – PHASE 1 INFRASTRUCTURE



- Station Platform
- Station Plaza
- Station Parking
- Roads
- Park
- Water & Sewer
- Smart City Infrastructure
- Dry Utilities
- Storm Drainage

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PEÑA STATION – SITE WORK (transit station in the distant background)



PEÑA STATION – SITE WORK (transit station in background)



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PEÑA STATION – KEY MILESTONES

- City Council Approval of Development and Finance Agreements, May 18, 2015 - Authorized up to \$38.1M investment from DIA
- DIA will be completely repaid from metro district mill levies on neighbors' properties
- Investment will generate substantial long-term, non-airline revenues
- Closed the project financing transaction in early June, 2015 - Station construction being finalized
- Infrastructure work commenced in June - Hensel Phelps is the general contractor for the metro district
- Overall TOD rezoning is being processed now



PEÑA STATION – KEY MILESTONES CONT.

- PESCO selected their building developer (Westfield) and executed a site purchase agreement with Fulenwider
- Panasonic will be breaking ground this month (Mortenson Construction is the general contractor)
- Community governance structure and documents are in process too, includes: Community Development Agreement, Design Guidelines, Maintenance and Operations Agreements



PEÑA STATION – COMMUNITY BENEFITS

- Adds work force housing in proximity to the Northeast Metro Area's two highest employment centers, DIA and Fitzsimons
- Job generation in proximity to the local communities and those along the Corridor of Opportunity
- Improved public transit and regional access for the surrounding communities (public parking provided)
- Expanded public access to park, bike and trail infrastructure, including improved access to the Rocky Mountain Wildlife Refuge and Open Space west of Pena Boulevard



PEÑA STATION – DIA INVESTMENT BUSINESS CASE

- Provides numerous community benefits both locally and regionally
- Provides needed infrastructure for Panasonic Enterprise Solutions Company (anchor tenant that reduces the financial risks)
- Positions DIA to generate substantial, long-term non-airline revenues
- Provides new tax revenues and facilitates Denver's recovery of \$50 million invested in East Line Rail related improvements
- Catalyzes investment and job creation in the Corridor of Opportunity



Possibility of different community name being evaluated now.

PANASONIC BUILDING



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- Creates approximately 230 highly skilled jobs and growing
- Incubation plans....
- Solar covered parking lot is under evaluation as part of micro-grid element of “Smart and Sustainable Community Global Showcase”
- Other smart and sustainable community elements are also being evaluated
- Panasonic has committed to help DIA and Fulewider market the Peña Station project globally to its partners and related companies

LONG-TERM IMPLEMENTATION: TODs & NODES



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- With the Hotel and Transit Center nearly complete and our first TOD under construction, DEN is primed for future economic growth
- Our next step is to complete a land use master plan that will continue to drive economic growth and develop non-airline revenue
- This master plan will provide additional opportunities to generate non-airport revenue and ultimately increase DEN's bottom line
- Two generations of planning completed to date. Third phase is contemplated to go into deeper levels of detail.




- Now I'd like to switch gears and talk about the expected amendment of the Intergovernmental Agreement between Denver and Adams County.
- As you know, there has been some serious disagreement about on-airport commercial development.
- After more than two years of serious talks agreement was recently reached on an IGA resolution which will go to the voters in Denver and Adams County this November.
- First Denver City Council Reading last evening.

IGA HISTORY & BACKGROUND

- 1988 Intergovernmental Agreement on a New Airport and Annexation Agreement
- Approved by voters in Denver and Adams County
- Allowed aviation related development only (“Accessory Uses”)
- 53 square miles annexed to Denver prevent conflicts between development airport noise
- 1995: Stapleton closes and DIA opens 22 miles northeast of downtown



- 1988 Intergovernmental Agreement on a New Airport and Annexation Agreement
- Approved by voters in Denver and Adams County
- Allowed aviation related development only (“Accessory Uses”)
- The challenge is that (a) what constituted an Accessory Use changed dramatically for airports over 25 years and (b) growing non-airline revenues became critical for their success.
- 53 square miles annexed to Denver to prevent conflicts between development and airport noise
- 1995: Stapleton closes and DIA opens 22 miles northeast of downtown



PURPOSE OF THE IGA

- Ensure Adams County and its cities would join Denver in reaping benefits of the new airport
- Set noise requirements
- Prevent land use conflicts that existed at Stapleton through land use restrictions
- Allow annexation of land to Denver to build a world-class airport with expansion possibilities

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- Purposes of the IGA: Ensure Adams County and its cities would join Denver in reaping benefits of the new airport
- Set noise requirements
- Prevent land use conflicts that existed at Stapleton through land use restrictions
- Allow annexation of land to Denver to build a world-class airport with expansion possibilities




MEDIATION

- April 2012: Mayor Hancock and DIA CEO Kim Day announced the “Airport City Denver” concept
- 1988 agreement limits development to “accessory uses” – uses that are directly related to the airport
- Discussions with the neighbors’ Airport Coordinating Committee began soon after, with formal mediation starting in fall 2013
- Airport Coordinating Committee composed of: Adams County, Aurora, Brighton, Commerce City, Federal Heights and Thornton

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- April 2012: Mayor Hancock and Kim Day announced “Airport City Denver” concept.
- 1988 agreement limits development to “accessory uses” – uses that are directly related to the airport. The 2012 announcement focused the parties on their different interpretations of accessory uses.
- Neighbors fears about development.
- Discussions with the neighbors’ Airport Coordinating Committee began soon after, with formal mediation starting in fall 2013
- Airport Coordinating Committee composed of: Adams County, Aurora, Brighton, Commerce City, Federal Heights and Thornton




DEAL POINTS: AMENDMENT TO THE IGA

- Under the IGA Amendment, Denver and Adams County will create a 1,500-acre “pilot program” with expanded development possibilities
- Adams County and Denver will share (50-50) tax revenues generated from new commercial uses
- Denver provides Adams County with an upfront payment of \$10 million
- DIA will retain all ground lease revenues from new commercial development

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- Denver and Adams County communities will create a 1,500-acre “pilot program” with expanded development possibilities.
- Adams County and Denver will share (50-50) tax revenues generated from new commercial uses.




DEAL POINTS: AMENDMENT TO THE IGA

- Denver and Adams County communities will create a regional entity to jointly market opportunities.
- DIA will not seek new commercial businesses that would compete with the nearby Anschutz Medical Campus and Fitzsimons Innovation Campus in Aurora

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- Denver and Adams County communities will create a regional entity to jointly market opportunities. This could eventually evolve the Study Group that is doing work right now under a FHWA Aerotropolis Grant that CDOT is administering.
- DIA will not seek new commercial businesses that would compete with the nearby Anschutz Medical Campus and Fitzsimons Innovation Campus in Aurora.




DEAL POINTS: AMENDMENT TO THE IGA

- Development still restricted to accessory uses outside the pilot program “bank” of 1,500 acres
- Hotel development restrictions
- Residential development restricted
- Denver may still develop accessory uses and natural resources
- Noise restrictions will remain in place

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- Development still restricted to accessory uses outside the pilot program “bank” of 1,500 acres (a floating bank).
- Hotel development restrictions stay in place (500 room bank right now which will increase as off-airport rooms are added).
- Residential development stays restricted
- Denver may still develop accessory uses and natural resources outside the 1,500 acres.
- Noise restrictions will remain in place. This has

become a relatively minor issue in recent years.

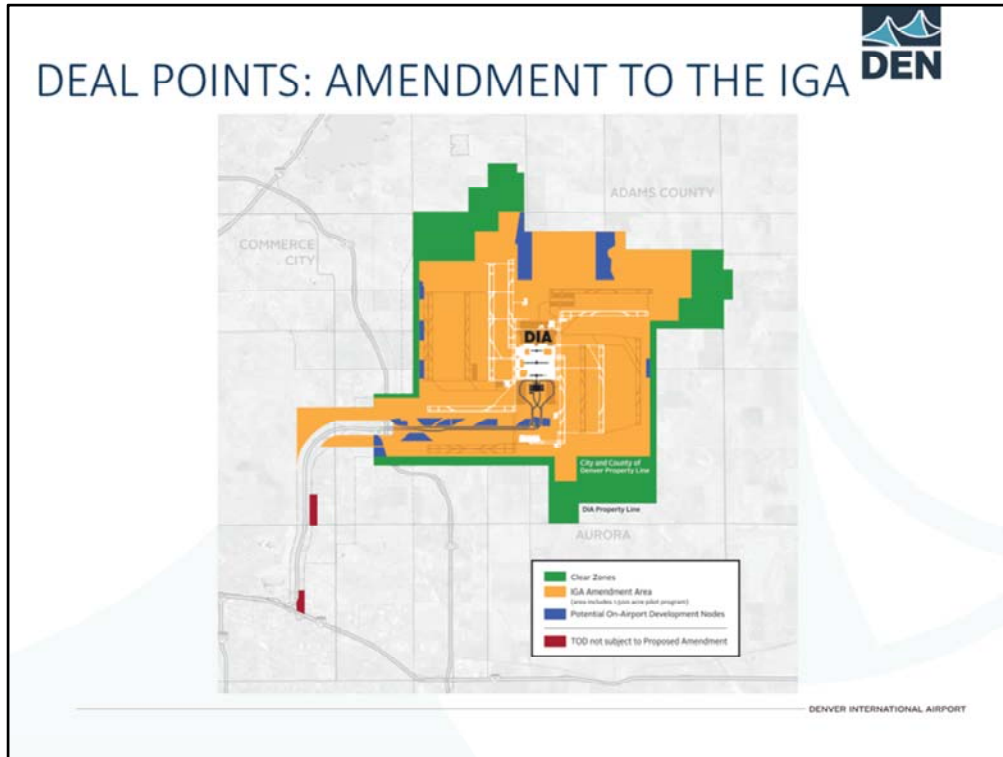


DEAL POINTS: AMENDMENT TO THE IGA

- The amendment will only take effect if approved by voters in both Denver and Adams County
- If not approved, it will go back to the voters in 2016
- Range of estimated tax revenue generated by potential development is \$150 - \$270 million in the first 30 years
- This is the amount that would be shared equally by ACC members and Denver

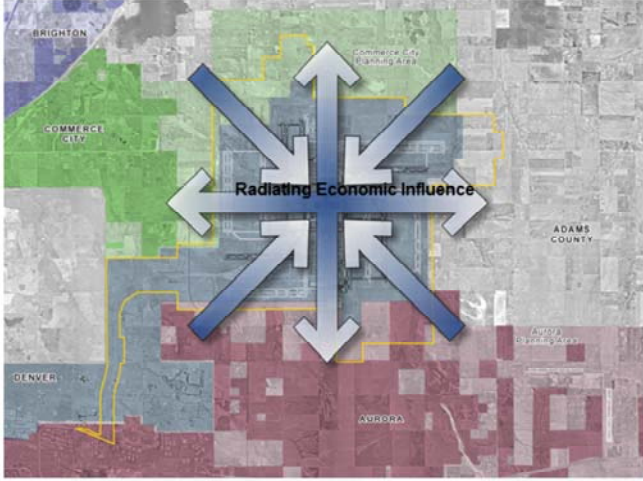
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- The amendment will only take effect if approved by voters in both Denver and Adams County.
- Voters will be able to inspect the agreement and learn more about it in the months leading up to election day on Nov. 3.
- If not approved, it will go back to the voters the following year.



- This site plan reflects the nodes of development which is where the 1,500 acres will likely be focused. Blue
- In green are the clear zone lands which will become developable, subject to land use changes in the surrounding jurisdictions.
- The clear zone nodal sites including land adjacent to Porteos and High Point in Aurora as well as Nob Hill in Commerce City.

AEROTROPOLIS GOALS



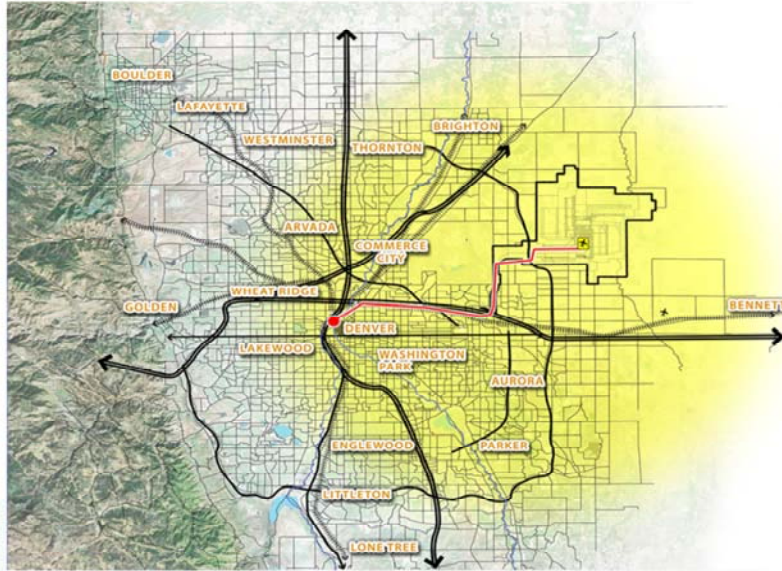
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- Create new jobs
- Attract new and expand existing businesses
- Leverage the global reach of DIA to help the entire region better compete on global stage
- Stimulate regional economic development

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- The goals are clear: To leverage the existing economic engine of the airport and stoke the economic fires across the entire region.
- The development will create jobs and economic activity for everyone.
- To do this, we need to work regionally on coordinated land-use and zoning plans, integrated surface transportation and infrastructure build-out, and we need to ensure sufficient natural resources to serve the entire region.

THE COLORADO AEROTROPOLIS



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I'm happy to try and answer any questions – thank you.

