

August 7, 2019

To: Members
Executive Committee

Re: Request for Exemption - Regina Airport Authority

RECOMMENDATION

**RECOMMENDATION OF THE EXECUTIVE COMMITTEE
- JULY 10, 2019**

1. That Council provide a conditional grant in the form of a property tax exemption for five years to the Regina Airport Authority Inc. for the airport terminal located at 5201 Regina Avenue, tax account number 10065031, as described on the assessment roll as Plan: 67R33490 Block: B/ Plan: 68R15859 Block: A in the following amounts:
 - (a) an exemption of the municipal portion of the property taxes in the amount of \$311,400 per year;
 - (b) an exemption of the education portion of the property taxes in an amount equal to the percentage of the municipal portion exempted per year; and
 - (c) an exemption of the library portion of the property taxes in an amount equal to the percentage of the municipal portion exempted per year.
2. That the tax exemption provided for in (1) be subject to the following conditions:
 - (a) the Regina Airport Authority obtaining and retaining an airline to commit to daily year-round US hub service by the end of 2020;
 - (b) that the annual increases to airline fees charged to service providers by the Regina Airport Authority not exceed the consumer price index for Regina as released by Statistics Canada; and
 - (c) That the Regina Airport Authority ensure that during the term of the tax exemption terminal property there are no outstanding taxes owing by the Regina Airport Authority for the airport terminal located at 5201 Regina Avenue, tax account number 10065031, as described on the assessment roll as Plan: 67R33490 Block: B/ Plan: 68R15859 Block: A.
3. That the Executive Director, Financial Strategy & Sustainability or his delegate be authorized to apply to the Government of Saskatchewan on behalf of property owners for any exemption of the education portion of the taxes payable to the Government of Saskatchewan that is \$25,000 or greater.
4. That the City Solicitor be instructed to prepare the necessary tax exemption agreement and bylaw for approval by Council.

EXECUTIVE COMMITTEE – JULY 10, 2019

James Bogusz and John Ashton, representing Regina Airport Authority, addressed the Committee.

The Committee adopted a resolution to concur in the recommendation contained in the report.

Recommendation #5 does not require City Council approval

Councillors: Sharron Bryce (Chairperson), Lori Bresciani, John Findura, Jerry Flegel, Bob Hawkins, Jason Mancinelli, Joel Murray, Mike O'Donnell. Andrew Stevens and Barbara Young were present during consideration of this report by the Executive Committee.

The Executive Committee, at the **PRIVATE** session of its meeting held on July 10, 2019, considered the following report from the Administration:

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3. That the Executive Director, Financial Strategy & Sustainability or his delegate be authorized to apply to the Government of Saskatchewan on behalf of property owners for any exemption of the education portion of the taxes payable to the Government of Saskatchewan that is \$25,000 or greater.

4. That the City Solicitor be instructed to prepare the necessary tax exemption agreement and bylaw for approval by Council.
5. That this report be forwarded to the August 26, 2019 meeting of City Council for approval.

CONCLUSION

The Regina International Airport is a significant economic driver for the City of Regina and region. An economic development goal identified in *Design Regina: the Official Community Plan* is to optimize the economic development potential of Regina, the region and the Province of Saskatchewan by leveraging economic assets such as the Regina International Airport. The Regina Airport Authority (RAA) is seeking financial support to allow the RAA to invest money into air service development and retention.

Administration recommends providing the RAA a municipal tax exemption in the amount of \$311,400 per year for five years. Providing a grant in the form of a partial tax exemption will allow for the City of Regina to set conditions for the support and for the RAA to leverage this support by receiving a partial exemption for the respective portions of the education (\$199,000) and library (\$28,000) levies.

BACKGROUND

The Regina International Airport is operated by the RAA, a self-funded not-for-profit organization. Generating non-aviation revenue and controlling expenses is critical for RAA as it allows fees and charges to be kept as low as possible for the airlines and travelling public. This strategy encourages airlines to consider maintaining and/or enhancing air service for Regina and provides funds for marketing to airlines and incentives for new routes.

The RAA is seeking financial support to allow the RAA to invest money into air service development and retention. Examples of how this would be done is marketing funds for air service routes, offsetting incentive costs (terminal and landing fee waivers), general expense reduction to offset the need to raise airline fees to generate operating revenue and utilizing outside services to support air service development (consulting support/partnerships).

The RAA's request is attached as Appendix A. The RAA has received a commitment from the Government of Saskatchewan to consider an exemption of approximately \$199K on the education component of its property tax if the City of Regina would provide their own exemption in kind.

The RAA commits to utilize the support received from the City and the Province by way of a property tax exemption towards fee and charge management and airline incentives. The RAA proposes the following measures to be realized to maintain the proposed agreement.

- An airline to commit to daily year-round US hub service by end of 2020.
- Fee increases to airlines to not exceed consumer price index (CPI) on an annualized basis for the life of the agreement.

Daily Year-Round US Hub Service

With the loss of year-round trans-border service to Chicago, Denver and Minneapolis in 2015/16, the Regina Airport is currently without a direct year-round flight to a US hub. In 2018, to help quantify the value of US air service to Regina, RAA undertook a financial impact assessment of daily regional jet service to a US hub such as Denver or Chicago. The RAA summarizes the economic impact to be between \$12 and \$16 million per year for the local economy depending on the size of jet.

Growing air service to Regina facilitates economic growth in Regina and surrounding area and promotes competition by offering residents choice on how they book a flight which ultimately promotes more aggressive fares from airlines. The RAA commits to utilizing the annual expense reduction to provide airline incentives to obtain daily year-round service to a US hub by the end of 2020.

Air Service Retention

Retaining existing service is also a priority for the RAA. For an airline to succeed it needs to make profit. If it doesn't, it will move its aircraft to other cities. In 2019, the RAA had a zero percent increase to fees and charges with plans to hold the line in 2020 if possible. The intent is to maintain current fees to provide incentive for an airline to maintain existing service and to add seats into the market. The addition of seats will stimulate additional GDP for the City of Regina. The RAA commits to utilizing the annual expense reduction to maintain a zero percent increase where possible. When it is not possible, the annual fee increase to airlines will not exceed CPI.

The RAA has the full support of Economic Development Regina (EDR) in their efforts to restore trans-border air service to the Regina International Airport and retain existing services. A letter showing this support is attached as Appendix B. In this letter, EDR encourages the City of Regina to join EDR and the Government of Saskatchewan in providing support to the RAA as research indicates that air service plays an important role in growing an economy and can be directly connected to corporate investment, tourism and the attraction and retention of employees.

DISCUSSION

From 1999 to 2017, the Regina Airport Authority received a partial tax exemption for the terminal at the Regina International Airport. In 2017, the provincial budget created a significant funding shortfall for the City of Regina and required scrutiny of revenue, expenses and services to find opportunities to address the shortfall. During budget discussions, Council approved removing the exemption for the municipal portion of taxes. The exemption of education and library portions of property taxes continued for 2017 and the terminal became fully taxable in 2018.

Across Canada, airports receive financial support in many different forms. The most common form of support is a partial property tax exemption. The cities of Toronto, Ottawa, London, Thunder Bay and Halifax all provide their airports a partial tax exemption. In 2018, the City of Saskatoon entered into a five-year agreement for a partial property tax abatement. Other airports in cities such as Vancouver and Montreal are fully exempt from taxation, however, the provincial governments provide a partial payment-in-lieu-of-tax.

The total 2019 property taxed billed to the RAA for the airport terminal is \$1,476,060. The municipal portion is \$853,576. Administration recommends providing support to the RAA by providing a grant in the amount of \$311,400 per year for five years. This grant will be provided in the form of a partial tax exemption to allow for the RAA to leverage this support by receiving a partial exemption for the respective portions of the education (\$199,000) and library (\$28,000) levies. After five years, Administration will review the agreement and submit a report to Council for consideration of support for an additional five years.

Administration recommends that the exemption be conditional upon the RAA entering into a five-year tax agreement. If the conditions of the agreement are not met, the exemption agreement will be terminated and the RAA will become fully taxable. The agreement will contain the below conditions:

- (a) That the RAA report to Administration annually showing:
 - i. they have obtained and retained an airline to commit to daily year-round US hub service by the end of 2020,
 - ii. that the annual increases to airline fees charged to do not exceed the consumer price index for Regina as released by Statistics Canada.
- (b) That the Regina Airport Authority ensure that during the term of the tax exemption that there are no outstanding taxes owing by the Regina Airport Authority for the property located at 5201 Regina Avenue, tax account number 10065031, as described on the assessment roll as Plan: 67R33490 Block: B/ Plan: 68R15859 Block: A

RECOMMENDATION IMPLICATIONS

Financial Implications

The recommended partial exemption will be approximately \$538,000 annually in total property taxes. The municipal portion of this is approximately \$311,400 and will be absorbed by a positive variance in assessment appeal risk. Annually Administration sets aside funding to cover potential loss in taxation revenue from assessment appeals. Due to a significant reduction in assessment appeals in 2019, the funding set aside will not be required. This variance will cover the cost of the recommended partial tax exemption for 2019. The partial tax exemption will be accounted for in future years budgets.

Environmental Implications

None in respect to this report.

Policy and/or Strategic Implications

The Regina Airport is a significant economic driver for the City of Regina and region. An economic development goal identified in *Design Regina: the Official Community Plan* is to optimize the economic development potential of Regina, the region and the Province of Saskatchewan by leveraging economic assets such as the Regina International Airport.

Providing support in the form of a partial property tax exemption allows for the RAA to leverage the support provided by the City of Regina by obtaining an exemption for the respective shares of education and library taxes as well.

Other Implications

Public education property tax exemptions greater than or equal to \$25,000 are subject to the approval by the Government of Saskatchewan. If approved by Council, administration will apply to the Government of Saskatchewan for the exemption of the public education property taxes on behalf of the RAA.

Accessibility Implications

None in respect to this report.

COMMUNICATIONS

Copies of this report will be provided to the Government of Saskatchewan (public education property taxes), the Regina Roman Catholic School Division, and the Regina Public Library Board.

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval.

Respectfully submitted,


Jim Nicol, City Clerk 7/24/2019