



Request to Amend Exemption Conditions - Regina Airport Authority

Date	June 16, 2021
To	Executive Committee
From	Financial Strategy & Sustainability
Service Area	Assessment & Property Revenue Services
Item No.	EX21-42

RECOMMENDATION

The Executive Committee recommends that City Council:

1. Amend the conditions of the five-year property tax exemption agreement for 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 to the following:
 - (a) the Regina Airport Authority obtain an airline to commit to daily year-round US hub service by the end December 31, 2022;
 - (b) the airline in (a) commences service by December 31, 2023.
2. Authorize the Executive Director, Financial Strategy & Sustainability or his delegate 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.
3. Instruct the City Solicitor to amend the necessary tax exemption agreement as outlined in this Report and bring forward the necessary authorizing bylaw for approval by Council.
4. Approve these recommendations at its meeting on June 23, 2021.

ISSUE

In 2019, the Regina Airport Authority (RAA) was granted a conditional property tax exemption in the amount of \$311,400 per year for the years 2019-2023. Travel restrictions implemented due to the COVID-19 pandemic have resulted in the RAA being unable to meet the exemption conditions to obtain an airline commitment to daily year-round US hub service by January 1, 2021 and retain the service until December 31, 2021. The RAA is requesting an extension on the date of these conditions (Appendix A). As all other conditions of the partial exemption have been met, and the RAA will play a crucial role in Regina's economic recovery, Administration recommends amending the date on these conditions so that RAA be required to obtain a commitment from an airline to provide daily year-round US hub service by December 31, 2022 and that the airline commences this service by December 31, 2023.

IMPACTS

Financial Impact

A partial property tax exemption in the amount of \$311,400 for the RAA is included in the budget for 2021. Table 1 below shows the impact of the exemption agreement for the years 2019-2021.

Table 1 – Net Levies for Property Tax Account 10065031

	2021*		2020		2019	
	Municipal	Total	Municipal	Total	Municipal	Total
Levy	952,148	1,576,907	881,317	1,505,576	853,576	1,476,060
Exemption	(311,400)	(517,428)	(311,400)	(531,969)	(311,400)	(538,495)
Net Levy	640,748	1,059,479	569,917	973,607	542,176	937,566

*2021 Levies are net of phase-in adjustments; 2021 exemption includes recommended option.

Policy/Strategic Impact

The RAA 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 RAA remains committed to securing a year-round daily flight to a US hub, however, the opening of the Canada/US border for non-essential travel is fundamental in the RAA being able to do so.

Amending the conditions of the partial exemption, will allow the RAA to maintain existing airline fees and give them the time required to secure services once travel restrictions are eased or lifted.

In the spring of 2021, a Memorandum of Understanding (MOU) was signed between the City and the RAA. The MOU, which is to serve as a guide for how the two organizations work together, outlines that the City will work with RAA to identify opportunities where it may be able to provide support to RAA to help facilitate investment in air service and thereby attract and retain air service by keeping fees and charges to airlines affordable.

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 Impacts

Public education property tax exemptions greater than or equal to \$25,000 are subject to the approval by the Government of Saskatchewan. The Government of Saskatchewan previously approved an exemption of the education portion of the property taxes in an amount equal to the percentage of the municipal portion exempted per year. If approved, administration will re-apply to the Government of Saskatchewan for the exemption of the public education property taxes on behalf of the RAA.

OTHER OPTIONS

If an amendment of the condition to obtain and retain an airline to commit to daily year-round service is not granted, the RAA will become fully taxable by all taxing authorities in 2021. The total exemption in 2021 from all taxing authorities is \$517,428, \$311,400 of which is municipal property taxes.

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.

DISCUSSION

In 2019, the RAA 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 relative portion of municipal property taxes was \$311,400.

Council approved a five-year partial tax exemption in the amount of \$311,400 for the RAA. The conditions of the exemption were:

- That, commencing January 1, 2021, the RAA report to Administration annually showing:
 - i. RAA has obtained a commitment from an airline to provide daily year-round non-stop flights between Regina and at least one United States of America hub airport; and
 - ii. the airline in clause 3(3)(a) commences service by December 31, 2021 and continues to provide service until the end of the term of the Agreement.
 - iii. that the annual increases to airline fees charged to do not exceed the consumer price index for Regina as released by Statistics Canada.
- That the RAA ensure that during the term of the tax exemption that there are no outstanding taxes owing by the RAA 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.

This five-year partial exemption was granted based on these conditions as air service plays an important role in Regina's economy and can be directly connected to corporate investment, tourism and the attraction and retention of employees.

Securing air services, 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.

Daily Year-Round US Hub Service

With the loss of year-round trans-border service in 2015/16, the Regina Airport is currently without a direct year-round flight to a US hub. 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 by keeping fees and charges low in an effort to obtain daily year-round service.

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. For 2019 through 2021, the RAA had a zero percent increase to fees and charges. 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 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 cumulative CPI increases for the term of the agreement.

COVID-19 Pandemic

In 2020, significant travel restrictions were put in place by the Government of Canada to combat the COVID-19 pandemic. The impact of the pandemic on the RAA has been extensive. Revenues in

2020 decreased 52.3 percent and the losses continued into 2021. Despite this decrease in revenues, the RAA has maintained a low-cost, zero-fee increase model which has allowed them to keep major Canadian airlines operating out of the Regina Airport.

The closure of the Canada/US border, along with the discouragement of non-essential travel has set back the RAA in securing a daily year-round service to a US hub. While the RAA remains committed to securing this service, the opening of the border for non-essential travel will dictate when they will be able to advance work on this initiative. The RAA has confirmed that throughout the pandemic, conversations with airlines are ongoing and they have had success in bringing new destinations for Regina. Flair Airlines is to begin service in Regina and both WestJet and Air Canada are offering new seasonal routes over the summer.

Current Canada/US border restrictions have been extended until the end of June 21, 2021. When this extension was announced, Prime Minister Justin Trudeau suggested that the border restrictions will not be lifted until 75 percent of Canadians are vaccinated. There have been no indications on when this target is expected to be achieved.


DECISION HISTORY

On Aug 26, 2019, Council approved CR19-77 granting a five-year partial tax exemption in the amount of \$311,400 per year for the years 2019-2023. If the conditions of the agreement are not met, the exemption agreement will be terminated and the RAA will become fully taxable.

On April 14, 2021, Council approved CR21-58, approving the MOU between the City of Regina and Regina Airport Authority.

Respectfully Submitted,

Respectfully Submitted,



Deborah Bryden, Director, Assessment & Property Revenue Services

5/31/2021



Barry Lacey, Exec. Director, Financial Strategy & Sustainability

6/9/2021

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ATTACHMENTS

Appendix A - Regina Airport Authority Letter