

# Saskatoon Airport Authority Request for Exemption

## ISSUE

City Council approval is required for a five-year tax exemption of the Saskatoon Airport's runways, taxiways and aprons.

## RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council:

1. That the Saskatoon Airport Authority be granted a property tax exemption for runways, taxiways, and aprons, based on the terms outlined in this report, for five years (2024 to 2028 inclusive);
2. That the Administration contact the Minister of Education with respect to this request for a property tax exemption; and
3. That the City Solicitor be instructed to prepare the appropriate agreement and that His Worship the Mayor and the City Clerk be authorized to execute the agreement on behalf of the City of Saskatoon.

## BACKGROUND

His Majesty the King in Right of Canada (His Majesty the King) is the owner of the land upon which the airport is located.

His Majesty the King and the Saskatoon Airport Authority (SAA) entered into a ground lease on January 1, 1999, under which the SAA became responsible for the management, development and operation of the airport.

Under the terms of the ground lease, the SAA is responsible for the payment of all municipal property taxes for which the City of Saskatoon (City), prior to 1999, would have received a grant-in-lieu of real property tax from His Majesty the King.

When the airport was operated by His Majesty the King, the Minister of Public Works paid the City a grant-in-lieu of property tax in respect of the Airport. However, aircraft runways were not included as federal property for which grants were paid. In the ground lease negotiations between His Majesty the King and the SAA, the parties did not contemplate that the aircraft runways would be taxable after the management and operation of the Airport was transferred to the SAA. The most recent five-year exemption will expire on December 31, 2023.

## DISCUSSION/ANALYSIS

The City is governed by *The Cities Act*, which has provisions that exempt property from tax and allow City Council to exempt a property, in whole or part, from property tax for a term of no longer than five years. The governing section is 262 of *The Cities Act*.

The lands in question are, and remain, land owned by the His Majesty the King and are exempt from taxation.

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As long as the SAA has been the assessable owner, the runways (Appendix 1), have been granted the same exemption from property tax by the City. The rationale is because the former operator did not pay property taxes, in the form of a grant, for the runways as a federally operated facility, the same exemption should apply in the case of the SAA.

Although the City could simply treat this property as exempt, out of an abundance of caution, the Administration is recommending that this be treated as an agreement for an exemption, seek and obtain the approval of the Minister of Education for the Education portion of the property tax. With respect to the agreement, the parties have defined the scope of the exemption and it applies to only the assessed value related to earthwork, concrete, paving, etc. The agreement also contemplated future development and ensured the exemption would apply to new, similar improvements or upgrades.

There is no fixed assessment amount that is exempted from taxation, as the assessment amount can vary due to the four-year reassessment cycle and any future expansion needed to support the service for a growing population. The current assessment of the runways is approximately \$63.7 million.

The term of the proposed agreement would remain as a five-year agreement.

### **FINANCIAL IMPLICATIONS**

If approved, the implications for the municipal and library portion of the exempted areas are \$686,753 using 2023 property tax rates.

### **NEXT STEPS**

If the exemption is approved, the Administration will contact the Ministry of Education regarding the Education portion of the property tax.

### **APPENDICES**

1. Saskatoon Airport Map

### **REPORT APPROVAL**

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