
Saskatoon Airport Authority Request for Exemption

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 the report of the CFO/General Manager, Asset and Financial Management Department, for five years (2019 to 2023 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 requested to prepare the appropriate agreement and that His Worship the Mayor and the City Clerk be authorized to execute the agreement under the Corporate Seal.

Topic and Purpose

The purpose of this report is to receive City Council approval for a five-year tax exemption of the Saskatoon Airport's runways, taxiways and aprons (runways).

Report Highlights

1. Under *The Cities Act*, City Council may exempt any property from taxation.
2. An exemption has been in place as long as both the Saskatoon Airport Authority (SAA) has been the assessable owner and the runways have been assessed.

Strategic Goal

This report supports the Strategic Goal of Asset and Financial Sustainability by ensuring that the City of Saskatoon (City) is open, accountable and transparent in regard to taxation decisions, and that it treats similar properties and property owners equitably as required by *The Cities Act*.

Background

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

Her Majesty the Queen and the 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, prior to 1999, would have received a grant-in-lieu of real property tax from Her Majesty the Queen.

When the airport was operated by Her Majesty the Queen, 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 Her Majesty the Queen 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, 2018.

Report

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 taxes 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 Her Majesty the Queen and are exempt from taxation.

As long as the SAA has been the assessable owner, the runways (Attachment 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 and seek and obtain the approval of the Minister of Education. 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 that 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 quadrennial reassessments and any future expansion needed to support the service for a growing population. The current assessment of the runways is approximately \$35.7 million.

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

Options to the Recommendation

City Council can choose not to exempt the improvements covered by this agreement. The Administration does not recommend this option as historically, these improvements have been exempt from taxation. It should also be noted that other Airport Authorities (Winnipeg, Calgary, and Regina) contacted also exempt similar areas.

Public and/or Stakeholder Involvement

Stakeholder involvement is limited to the SAA which is seeking a continuation of the exemption for the runways (Attachment 2).

Communication Plan

The SAA has been in contact with the Administration with respect to this proposed agreement and will be notified of City Council's decision regarding the exemption.

Financial Implications

The Municipal and Library tax dollar implications for the exempted areas is \$308,975 for 2018.

Other Considerations/Implications

There are no policy, financial, environmental, privacy or CPTED implications or considerations, and there is no due date for follow-up and/or completion.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Attachments

1. Saskatoon Airport Map
2. Letter from SAA dated April 20, 2018

Report Approval

Written by: Darcy Huisman, City Assessor
Reviewed by: Michael Voth, Acting General Manager, Asset and Financial
Management Department
Approved by: Jeff Jorgenson, City Manager

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