

Staff Report

Report To: City Council
Report From: Tim Simmonds
Meeting Date: July 19, 2021
Report Code: CM-21-015
Subject: Owen Sound Billy Bishop Airport (CYOS) Future Ownership and Operations

Recommendations:

THAT in consideration of Staff Report CM-21-015 respecting Owen Sound Billy Bishop Airport (CYOS) Future Ownership and Operations, and in recognition of the City's Disposition of Land By-law, City Council directs staff to:

1. Provide notice and invite public comment on the City's intention to declare surplus and dispose of the Owen Sound Billy Bishop Airport (the "Airport") located at 203807 Highway 26 (ARN: 421051000308400) within the geographic Municipality of Meaford (the "subject lands");
2. Provide notice of the City's intention to declare surplus and dispose of the Airport using the following methods:
 - a. Posting notice on the City's website;
 - b. Placing a notice in the Sun Times; and
 - c. Providing written notice to all Airport Hangar Owners;
3. Dispose of the subject lands through direct sale or real estate listing, noting the preference of City Council that the purchaser continue to operate the facility as an Airport;
4. Obtain a valuation to determine market value by letter of opinion;
5. Complete the sale of the subject lands on or before December 31, 2022; and

6. Cease operations of the Airport on December 31, 2022 should the sale of the subject lands not be successful as per recommendation number five (5).

Highlights:

- The \$35 landing fee has not been successful in generating revenue to offset the increasing costs of operations.
- The airport must be considered in relation to the operations of the entire city and selling the airport to a private entity is the most practical approach to its long-term viability
- The Hangar Owners have presented revenue opportunities that could reduce annual tax subsidies to approximately \$200,000 per year. However, the long-term viability of the airport is not solved through the proposed revenue options.
- Capital repair and replacement will exceed \$1.5 million in the next two to five years.

Strategic Plan Alignment:

[Strategic Plan](#) Priority: Clear Direction - KR2 - Align total municipal levy to Council's directed threshold each year while maintaining capital increase of 1 per cent annually

Background:

The Airport Master Plan prepared in 1988 provides for the development of the airport and rationalization for the necessary expenditures. It proposed economic benefits occurring over time in addition to it providing an important service to the community while establishing a perception of a progressive community. The airport has not been able to achieve fully its original objectives and long-term funding from other levels of government that were part of the original business plan was discontinued shortly after operations began.

In the rush to build and improve airports throughout Ontario as a provincial government policy in the late 1980s, it appears additional planning by the province was not given to the true viability of these airports as stand-alone development and business activities. Their value has predominately been seen as the provision of a sophisticated special-purpose infrastructure.

The role of the airport as described in the original Master Plan is to provide an alternative to highway travel for inter-city transportation, without duplicating the facilities and services at Wiarton Airport.

Analysis:

Owen Sound aviation community is well-served by multiple airports

Although more than half of the current airplane hangar owners at the Owen Sound Billy Bishop Airport (CYOS) do not reside in Owen Sound, the general aviation community is well-served by local airports within 60 km that are either public or privately owned and offer equivalent or enhanced services that are priced more competitively than CYOS. The closest airport that has the most impact on CYOS is the Wiarton Keppel International.

The Wiarton Airport has a broader scope of operations, including; multiple runways, availability to host more diverse aircraft, more development opportunities as a large portion of the lands are not constrained by the Niagara Escarpment Commission, customs services, and international flights. Therefore, all operations available at the Billy Bishop airport are also available at the Wiarton Airport and offered at more competitive pricing.

For context, and as a central location to identify the distance to both airports – Owen Sound City Hall was used as the ‘starting’ location via Google maps - The Wiarton Airport is located approximately 34 km from Owen Sound City Hall. The Billy Bishop Airport is located 10 km from Owen Sound City Hall. A delta of 24 km.

The Owen Sound Billy Bishop Airport began operating as a municipal asset in 1993.

During the past 28 years, the airport has not experienced any significant economic growth or increased revenue to offset municipal expenses. Competitive pricing with other airports only magnifies the financial unsustainability of the airport.

The average operating cost on an annual basis to the Owen Sound ratepayer to keep the airport as a City asset has increased from \$100,000 per year in 2010 to approximately \$235,000 in 2020.

Revenue Overview

Revenue to offset operational costs derives from three main sources:

- Ground Leases for private hangars
- Leased space within the Terminal Building, including a private flight school and restaurant facility
- Fuel sales

Total revenue from all three sources generates approximately \$50,000 annually.

Of note, representatives of the hangar owners have presented additional revenue-generating opportunities since the introduction of the landing fees in March 2021. Although these options all generally follow current revenue streams – ie., lower the ground lease rate for hangar construction to spur hangar development, create pay-at-the-pump fuel sales with dynamic fuel pricing, entice an exceptional restaurant to move into the terminal, etc. all of these suggestions were analyzed for the financial impact of each. Staff determined that optimistically, and with time, additional revenue of approximately \$30,000 per year could be generated.

Expenses Overview

Expenses to operate the airport include:

- Property tax – Municipal (Meaford), County and Education
- Wholesale Fuel – aviation and jet
- Contracted operation and maintenance
- Capital repair and replacement

Direct expenses to operate the airport total approximately \$280,000 annually. This does not include capital replacement costs nor any indirect expenses such as any additional staff time.

Staff note that all property tax collected (municipal portion) with regard to the hangars and all other aspects of the 'site' are paid to the Municipality of Meaford. Owen Sound collects the property tax and remits all proceeds to Meaford. Therefore, the concept of property tax paying for infrastructure maintenance and upkeep as with city streets, parks, bridges, etc. through the use of residential and businesses property tax does not apply. Property tax is not a revenue option for the airport. Why not annex the airport? The Municipal Act clearly defines how a municipality may annex land. The legislation regarding annexation will not allow the City to undertake this option.

Future Capital Costs and Runway Repaving

In 2008, a Facility Condition Report (FCR) was prepared by KMB Aviation Consulting Group, Inc. The FCR noted that the facilities inspection conducted by KMB Aviation was completed by an experienced professional engineer. The engineer found the condition of the airfield infrastructure to be largely satisfactory with a rating of Good to Fair.

The inspection reviewed the Air Terminal Building airside surfaces including runway, taxiway, and apron; and all other structures. The FCR further noted that with crack sealing of the Apron and Runway both pieces of infrastructure would need to be reconstructed within 8-14 years of the 2008 assessment date or 2016-2022.

The KMB report supports staff's previous communication with Council that the runway will require a full pavement capital project. However, the hangar owners have indicated to Staff that the runway should simply be crack-sealed and painted. Although this maintenance could delay a repaving project, it simply delays the capital project and does not eliminate the capital need. Staff have noted that this project should not be delayed past a five-year horizon or no later than 2025-2026.

Based on the City's 2021 asphalt repair and replacement tender the estimated costs for this capital project is approximately \$1,420,000. (Rehabilitation - 100 mm mill, selected base improvements, tack coat, 50 mm lift HL8, 50 mm lift HL4, pavement markings) this does not include taxiway, apron and main ramp as additional areas.

This capital cost is not included in the above noted annual operating costs.

Council directed the City Manager to look at opportunities to close or eliminate 'the operating gap' that the Owen Sound ratepayer subsidizes for the ongoing operations of the airport.

In January this year, Staff presented an option to Council to introduce a new revenue opportunity at the airport, landing fees to help offset costs of this special purpose infrastructure.

At that time, Staff also noted that airports each have different avenues for revenue generation – many with no landing fees. However, these airports assess many different types of fees in place of landing fees – these can include tie-down fees, parking fees, passenger fees, luggage fees, ground crew fees, etc. the list of revenue is beyond this report. The premise was,

instead of initiating a multitude of user-based fees, Staff introduced a single fee based on the specific operating revenue needs of the Owen Sound Airport.

To simplify the administrative aspect of collecting landing fees, two weight classes were used to collect a landing fee – aircraft below 4,999kg, which includes the general aviation community, and aircraft weighing more than 5,000kg, which is generally commercial and military flights. The first weight class being assessed a \$35 fee and the second, \$70.

Staff also noted that a follow-up report with regard to landing fees would be submitted to Council in late 2021 that assessed the impact of the landing fee.

At the writing of this report and per the monthly airport data presented to the Operations Committee it appears that the general aviation community has unofficially boycotted the airport since the landing fees were introduced and thus have made the notion of generating additional revenue near impossible. Staff at this time can confirm that any notion that landing fees as a revenue option to offset operations will fall short of any revenue expectations.

Meeting with “Friends of the Owen Sound Airport”

On March 10, 2021, the City Manager received an email from an airport user which stated, they were heading up the committee for the Airport Owners/Users and would like to schedule a time to talk with the City Manager and the Director of Public Works about the \$35 landing fee at the airport, and about ways that the City can raise revenue instead of the landing fee.

The City Manager and Director of Public Works met with the representatives Friday, March 12, 2021. This discussion was centered on “why a landing fee” and the representatives came to the meeting with a list of suggested revenue opportunities, that in the opinion of the hangar owners, would make the airport more cost-effective without imposing a \$35 landing fee on the general aviation community. These included:

- Improve the quality and experience of the restaurant through leasing the space to a successful well-established restaurant group – charging a higher lease rate.

- Collecting an annual airport user fee of \$25,000-\$35,000 from the Hangar owners – this would be in addition to the fixed hangar lease payments.
- Restating fuel costs from a fixed profit margin to a dynamic fuel pricing model and introduce pay-at-the-pump.
- Produce a marketing campaign that targets the aviation community.
- Create annual event(s).
- Restructure the airport administration contract and potentially decrease the service level – e.g. close the airport annually from December 1 through March 1 to eliminate winter maintenance costs.
- Only assess landing fees to commercial flights and increase the commercial fee from \$70 to \$235.

The City Manager and Director of Public Works committed to share the information from the meeting with Council for the purpose of seeking direction with regard to rescinding the \$35 landing fee. Subsequently, a presentation was made to the Operations Committee by the [representatives of the Hangar Owners](#) on May 11 which also outlined the above revenue opportunities. A [restaurant group](#) also presented at the May 11 Operations Committee but has subsequently withdrawn their intent to lease the restaurant space. When Staff discussed a higher monthly rent for the restaurant space, the group proposing to move into the space identified that a higher monthly rent was not feasible and requested that the current rent structure which applied to the previous operators remain in place. The group indicated that they would be willing to look at an increased rent in the future but with no contractual obligation. All discussions were predicated on the removal of the \$35 landing fee.

The various revenue and saving opportunities outlined in the report discussed with representatives of the Hangar Owner's Group, and requested to be vetted by Staff for Council's consideration could reduce the Owen Sound operating tax subsidy by approximately \$30,000 on an annual basis. Therefore, reducing the tax levy subsidy from approximately \$235,000 to \$200,000. The savings do not include any immediate or future capital costs - as noted with the runway repaving or the requirement for pay-at-the-pump technology to implement a dynamic fuel pricing model. To purchase a new pay-at-the-pump system would require an additional \$80,000 in one-time

costs. From time-to-time used equipment is available and costs for a used system generally are \$50,000. The savings do not include any indirect expenses associated with the airport.

Although the suggestions could potentially reduce the operating gap by approximately \$30,000 per year and would be positive, and the City thanks those hangar owners that met with Staff for looking at alternative revenue streams, the City faces considerable longer-term city-wide financial challenges concerning capital maintenance and replacement of roads and facilities, and future multi-million dollar operational contracts with transit and waste management services that have city-wide implications.

The location of the airport and site development criteria create challenges for future manufacturing or commercial development.

The Owen Sound Billy Bishop Airport lands are owned by the City of Owen Sound and are located at 203807 Highway 26 (ARN: 421051000308400) within the geographic Municipality of Meaford. Municipal property tax is collected and paid to the Municipality of Meaford. Use of the lands is regulated by the Niagara Escarpment Plan under the authority of The Niagara Escarpment Planning and Development Act. The lands are designated 'Escarpment Rural Area' and 'Escarpment Protection Area' in the Niagara Escarpment Plan and are not subject to the policies of the Meaford Official Plan or Zoning By-law. The lands are within the Area of Development Control. Any development on the lands, including demolition, would require a Development Permit from the Niagara Escarpment Commission (NEC). The NEC has sole approval authority for Development Permitting within the Area of Development Control.

The primary objective of the Niagara Escarpment Plan is to balance development with protection and enjoyment of the Niagara Escarpment landform feature and the resources it supports. Subject to development criteria, the 'Escarpment Protection Area' and 'Escarpment Rural Area' permits a very limited selection of uses, including conservation uses, single dwellings, agricultural uses, local recycling depots, among others. Lot creation opportunities within these designations are limited. As mentioned, development within the plan area is subject to Development Control. All proposals must meet a series of criteria, including protection of scenic resources and landform conservation. Development within the Plan Area that is anticipated to have impacts on scenic views, natural heritage, or the

landform itself would not generally be permitted. It is entirely likely that the existing airport is the most intensive use and development form that would be permitted by the NEC.

Based on the information in this report, the competitive airport landscape, and the 25-year historical performance of the airport, it is Staff's opinion that a long-term financially sustainable operating model, is not attainable.

It is Staff's opinion, that the airport must be considered in relation to the operational and capital needs of the entire city. The City currently has a city-wide capital infrastructure gap of more than \$30 million.

Financial Implications:

As noted, the airport requires a significant contribution annually from the Owen Sound taxpayer to subsidy its operations, this equates to approximately \$235,000 after revenue is generated at the airport. As the notion of landing fees is not generating any significant revenue, it is Staff's opinion that the airport should be declared surplus and sold as per the City's Disposition of Land By-law and as requested in the recommendations of this report.

Future revenue generation that has a significant impact on the operations of the airport is limited. The most recent reports from the Airport Contractor to the Operations Committee clearly state that most air traffic is now using Wiarton Keppel as its primary location of choice for landing and fuel since the inception of a landing fee at CYOS. Wiarton does not impose a landing fee on the general aviation community, fuel sales are based on a dynamic pricing model and lease rates for new hangar construction are less than Owen Sound. This further supports the notion that the Wiarton airport is considered an excellent alternative to servicing the needs of Owen Sound and the broader general aviation community.

The current contract for aviation services at the airport ended on June 30, 2021. It had been awarded through an RFP process with an annual fee for service was \$120,000. The previous contract included all aspects of airport operations, including snow removal and grass cutting.

In April 2021 a new RFP was issued for Airport Operations with a more refined scope of service. The RFP process and a refined scope of service were supported by the Hangar Owners that met with Staff. The refined service

level in the new RFP included less snow plowing operations and grass cutting. These services would be accommodated through Public Works. Three bids were received. The incumbent was one of the three bids. However, [the lowest bid was Loomex](#) at a cost of \$159,000 per year. Although the service level was decreased in the RFP, the costs have increased by 32 per cent. This in Staff's opinion is also a telling sign that the operational costs associated with owning and operating this special purpose infrastructure will not be financially sustainable.

It has been suggested that the City should reissue an RFP. However, based on public procurement, the City soliciting and awarding bids is bound by a duty of fairness to the bidders. The RFP process is to generate fairness and competition and pricing is one element of the award. When issuing a binding request for proposals, there are five major implied duties including the following:

- Duty to award the contract to the bidder that submits a compliant bid (compliant to the requirements within the bid document); and
- Duty to award the contract as it was detailed or intended in the bid solicitation document.

If the City were to cancel and to re-bid, the City could be seen as "bid shopping". Bids being over-budget is a common element related to bid shopping. The RFP, although requiring special expertise for the airport operations, generated three compliant submissions, this would indicate that there was competition.

Due to the limited revenue generating opportunities that would make a substantial impact on the future taxpayer subsidy for operations and capital needs, Staff recommends declaring the asset as surplus, and to sell the airport to a private entity. If the sale of the asset is not successful, then the airport will cease operations no later than December 31, 2022.

Additional costs will be associated with the sale of the asset. These include:

- Ongoing operational and maintenance of the asset
- Land Appraisal and inspection
- Real Estate fees

Communication Strategy:

Notice will be given as per the City's disposition by-law. A separate letter will be sent to the sole tenant of the Terminal building, Owen Sound Flight Services, and all owners of hangars located at the airport.

Consultation:

Director of Public Works

Attachments:

None.

Recommended by:

Tim Simmonds, City Manager

Submission approved by:

Tim Simmonds, City Manager

For more information on this report, please contact Tim Simmonds, City Manager at tsimmonds@owensound.ca or 519-376-4440 ext. 1210.