

Staff Report

Report To: City Council
Report From: Tim Simmonds, City Manager
Meeting Date: November 1, 2021
Report Code: CM-21-028
Subject: Disposition of the Owen Sound Billy Bishop Regional Airport Property

Recommendations:

THAT in consideration of Staff Report CM-21-028 respecting the disposition of the Owen Sound Billy Bishop Regional Airport property, City Council directs staff to bring forward a by-law to authorize the Mayor and Clerk to execute the documents necessary to complete the land sale transaction.

Highlights:

- The Billy Bishop Regional Airport is being sold to a qualified individual with experience in airport ownership and operations.
- The real estate transaction is scheduled to close on December 10, 2021
- The City accepted a sales price of \$1.5 million.
- The airport will continue to operate as an airport including the continued use of the facility by patient transfer services such as ORNGE.
- All covenants and agreements with respect to the Airport and its operations, including hangar leases will be transferred and assumed by the new owner at closing.

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 Owen Sound Billy Bishop Regional Airport (CYOS) began operating as a municipal asset in 1993. The average annual operating cost to the Owen Sound ratepayer to maintain the airport as a City asset has increased from \$100,000 per year in 2010 to approximately \$235,000 in 2020. It is projected that if ownership and operations continued in 2022 and beyond, the tax-subsidized operating costs would increase to more than \$250,000 per year. These costs do not include capital budget for repair and replacement.

Council directed the City Manager to find opportunities to significantly reduce or eliminate the tax-funded annual operating costs or look to divest the asset. However, in doing so, Council was clear that it was not their desire to close or cease operations at Billy Bishop Regional Airport unless no other alternative could be found.

On July 19, 2021, the City Manager presented a [report](#) to Council that recommended Council declare the airport lands surplus to allow for its sale. The City Manager also noted that the sale of the airport should be guided by the principle of preserving ongoing operations, and if sold, find a buyer that was experienced and had a 'track record' of airport ownership and operations.

Council approved the recommendations in the July 19 Staff Report without amendment, Staff began following the steps outlined in the City's [Disposition of Land By-Law 2012-195](#).

The City undertook a public consultation period from July 19 to September 17, 2021, and included those comments in [Staff Report CM-21-023](#) on September 27, 2021. In addition, Staff retained a professional land appraisal firm to provide the City with an updated appraisal of the property. The appraisal was completed and the value of the asset was \$2.2 million.

Based on the information presented to Council and the presentation of the public comments regarding the sale, Staff recommended on September 27,

2021, to officially declare the airport lands surplus and pass the accompanying by-law.

Analysis:

Offer Received To Purchase the Airport

Staff received an Agreement of Purchase of Sale (APS) from Lennard Commercial Realty on behalf of their client, Mr. Clayton Smith, to purchase the Billy Bishop Regional Airport with an offer of \$1.5 million.

The City also received an appraisal for the property as per the City's Disposition of Land By-Law that gave an appraised value of \$2.2 million as of September 29, 2021.

Staff is satisfied with accepting the Agreement of Purchase and Sale offer of \$1.5 million with an appraised value of \$2.2 million due to the intangible value of having an owner with a proven track record of airport ownership, has a desire to expand and improve CYOS and provide for the uninterrupted and ongoing operations, including; hangar ground leases and medical patient transport by ORNGE for residents of Owen Sound and the surrounding area.

In addition, Staff note that with a closing date scheduled for December 10, 2021, the City will immediately avoid 2022 operating costs of more than \$250,000, additional capital and maintenance costs, and any costs, including legal fees or claims that could have been associated with potentially ceasing operations in December 2022.

Due diligence was completed with regard to requirements in the Agreement of Purchase and Sale, and both the seller and buyer have waived conditions.

The transaction closing date is December 10, 2021. As of that date, the City will no longer own or operate the Owen Sound Billy Bishop Regional Airport (CYOS). All assets including current agreements with hangar leases and Owen Sound Flight Services transfer to the new ownership. The current operations contract with Loomex has a 90-day termination clause and will not transfer to the new owner at his request.

About the Buyer

Mr. Smith has an extensive background in aviation as a pilot, airport owner, and operator. His knowledge of the aviation industry and marine ownership

have also given him a unique strength in building a successful business and tourism brand.

In 2016, Mr. Smith acquired Lake St. John Airport and Float Plane Base (CNJ4). Since developing that airport:

- Substantial capital improvements were immediately made to existing infrastructure, followed by a capital building program.
- Improvements to buildings, runways, ramps, taxiways, and aprons improved the flow of the airport while substantially improving safety and the separation of the local community from airport operations.
- These improvements included expanded rental hangars, maintenance facilities, floatplane docking, refuelling, and an award-winning restaurant (COPA 2018 Member's Choice Canada's Best Airport Restaurant).
- These investments have brought substantial increases in operations at CNJ4, expansion of the flight schools (land and water), maintenance operations, charter services, and aircraft storage.
- Mr. Smith has also involved the local community by offering Cooperative Education Opportunities that have enhanced the relationship with the local community and First Nation Council.

As a general aviation enthusiast and pilot, Mr. Smith has received various awards and recognition from the Canadian Owners and Pilot's Association (COPA), including the COPA Director's Award in 2020. The Director's Award is presented for appreciation for personal efforts to advance, promote and preserve the Canadian Freedom to Fly.

In 2019, Mr. Smith purchased the Spirit Bay Marina on the Muskoka Lakes (formerly Indian Head). Since acquiring this facility, Mr. Smith has transformed Spirit Bay into the top marine facility on the Big Three Lakes in Muskoka.

Additionally, in 2019 Mr. Smith purchased Georgian Bay Airlines. He has expanded the aircraft fleet from three to more than a dozen planes, completed an extensive rework of the newly built building, and expanded the patio and dock areas to transform Georgian Bay Airways into a premier tourist destination and a key floatplane base in Central Ontario. Georgian Bay Airways and Tailwinds Restaurant now anchor the Parry Sound Waterfront.

Financial Implications:

Staff recommend that all expenses with regard to the disposition of the airport and any future expenses related to the real estate transaction be deducted from the transaction's gross proceeds of \$1.5 million. Staff do not anticipate any costs associated with the airport beyond the 2021 budget year.

As the closing date of the transaction is December 10, 2021, Staff recommend that the net proceeds from the transaction not be obligated at this time and rather be held in reserve until the year-end financial report is delivered to Council in Q1/2022. At that time, a recommendation(s) will be made for the use of the proceeds or investment of the proceeds.

Communication Strategy:

A media advisory has been prepared for distribution. Official correspondence will be sent to the Hangar Owners advising them of the sale of the airport with contact information for the new owner. In addition, Mr. Smith will be arranging his own communications with the Hangar Owners and the Owen Sound Flight School.

Consultation:

None.

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 416-659-3636.