

**SUBJECT: Ottawa International Airport Community Improvement Plan**

**File Number ACS2022-PIE-EDP-0002**

**Report to Finance and Economic Development Committee on 28 June 2022**

**and Council 6 July 2022**

**Submitted on June 16, 2022 by Don Herweyer, Director, Economic Development and Long-Range Planning, Planning, Real Estate and Economic Development Department**

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**Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE**

**OBJET : Plan d'améliorations communautaires pour l'Aéroport international d'Ottawa**

**Dossier : ACS2022-PIE-EDP-0002**

**Rapport au Comité des finances et du développement économique**

**le 28 juin 2022**

**et au Conseil le 6 juillet 2022**

**Soumis le 16 juin 2022 par Don Herweyer, Directeur développement économique et planification à long terme, planification, de l'immobiliers et du développement économique**

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## **REPORT RECOMMENDATIONS**

**That the Finance and Economic Development Committee recommend Council:**

- 1. Approve the adoption of a By-law to designate the area shown in Document 1 as the Ottawa International Airport Community Improvement Project Area; and**
- 2. Approve the adoption of a By-law to create the Ottawa International Airport Community Improvement Plan Program as set out in Document 2.**

## **RECOMMANDATIONS DU RAPPORT**

**Que le Comité des finances et du développement économique recommande au Conseil :**

- 1. d'approuver l'adoption d'un règlement municipal visant à désigner le secteur indiqué dans le document 1 en tant que zone d'améliorations communautaires pour l'Aéroport international d'Ottawa; et**
- 2. d'approuver l'adoption d'un règlement municipal visant à créer le programme du Plan d'améliorations communautaires pour l'Aéroport international d'Ottawa, comme l'explique le document 2.**

## **BACKGROUND AND LEGISLATIVE CONTEXT**

In December 2021, the Mayor's Economic Partners Task Force, comprised of key economic development stakeholders and organizations, raised concerns regarding the Ottawa International Airport's (Airport) post-pandemic recovery and noted the importance of the Airport to the broader economic rebound and future growth and prosperity of the local economy. The Task Force and Mayor Watson asked City staff to explore opportunities to support the Airport through financial incentives and ongoing advocacy efforts to stimulate investment and development at the Airport, increase employment, and re-establish direct airline routes, which would combine to bring broad economic benefits to Ottawa's economy.

The Community Improvement policies in Section 5.2.5 of the City's Official Plan (OP) and in Section 11 of the new Official Plan (new OP), adopted by Council in October 2021, establish a rationale for preparing a Community Improvement Plan and set out the criteria to be considered when designating a Community Improvement Project Area.

To date, the City has been utilizing Community Improvement Plans to stimulate private investment in revitalizing commercial areas through urban renewal and property upgrades. Current Community Improvement Plans include the Montréal Road CIP, Integrated Orléans CIP, and the Heritage CIP.

The new OP establishes priority areas for community improvement and sets out a range of actions that Council may undertake to implement Community Improvement Plans. As a major economic engine for the city, the Ottawa International Airport is specifically identified in Section 6.6.3.1 of the new OP as a “Special Economic District.”

The 2020 Provincial Policy Statement (PPS) provides policy direction on matters related to land use planning and development. The PPS indicates that planning for land uses in the vicinity of airports shall be undertaken so that the long-term operation and economic role of the Airport is protected. It also notes that economic prosperity should be supported by promoting opportunities for economic development and community investment-readiness.

Section 28 of the [Planning Act](#) allows municipalities with provisions in their Official Plans relating to community improvement, to designate, through a by-law, a Community Improvement Project Area and prepare a Community Improvement Plan.

Subsection 28(7) notes that the City may make grants or loans, in conformity with the Community Improvement Plan, to registered owners, assessed owners and tenants of lands and buildings within the Community Improvement Project Area, and to any person to whom such an owner or tenant has assigned the right to receive a grant or loan, to pay for the whole or any part of eligible project costs.

In October 2006, Bill 51, the [Planning and Conservation Land Statute Law Amendment Act](#), expanded the definition of “community improvement” under Section 28 of the *Planning Act* to include “construction” and “development” which effectively expands the eligible costs of grants and incentive programs established through a Community Improvement Plan to include new construction.

This report provides a rationale for establishing and implementing a Community Improvement Plan for the Ottawa International Airport (YOW CIP), supporting “community economic development” as permitted under the *Planning Act* and seeks to establish the requisite By-laws and policies.

## **DISCUSSION**

The Ottawa International Airport (Airport) provides essential infrastructure to connect Ottawa and other communities in the region to cities across Canada and around the world. Pre-pandemic, the Airport was a significant economic contributor to the local economy generating \$2.2 billion in total economic output annually and supporting 10,000 jobs (direct, indirect, induced), with approximately 11.1 direct full-time equivalent jobs per 10,000 passengers. Further, the Airport is a vital economic catalyst, facilitating activity in the commercial, industrial, technology, and tourism sectors. The considerable economic influence, contribution and potential of the Airport led to its designation as a Special Economic District in the City's new Official Plan.

Over the past two years, the COVID-19 pandemic has had a severe and prolonged impact on the Airport, including a devastating decline in airline routes and passenger volumes. In 2019, the Airport offered 27 non-stop destinations; in 2020, this figure dropped to just six (6) non-stop destinations. The Airport moved 5.1 million passengers in 2019. However, in 2021, passenger volumes declined by 77 per cent to 1.22 million passengers. These impacts affected the Airport's financial performance, with a combined loss before depreciation of \$24.9 million in 2020 and 2021.

Passenger volume reductions also resulted in a significant decrease in City revenue. The Airport, located on federal lands, makes payments in lieu of municipal taxes (PILT) according to a formula based on passenger volumes. In 2020, PILT payments were \$5.5 million based on robust passenger volumes in 2019. PILT payments decreased substantially to just \$1.5 million in 2021, a reduction of more than four million dollars or 73 per cent.

The pandemic also resulted in the delay or cancellation of development projects at the Airport campus that would have increased employment and brought new aviation-related businesses to Ottawa. Despite numerous obstacles and the slow pace of recovery, the Airport continues to explore every possible revenue opportunity and prioritize new passenger, airline, and cargo businesses. If successful in attracting new development and redevelopment, these projects would help the Airport compete with larger Tier 1 airports to secure new direct air service routes and new business opportunities resulting in a significant economic boost for Ottawa and the National Capital Region.

Worldwide, airports compete for the attention of airlines, ancillary uses, and land developers. The Airport is engaged in commercial discussions with multiple parties

interested in establishing a presence at a Canadian international airport. These companies represent light maintenance hangars, heavy maintenance / repair / overhaul prospects, hotel developers, land developers focused on aerospace, security and logistics sectors, and other commercial activities.

In a competitive aviation environment, and in the absence of direct financial inducements, an Airport Community Improvement Plan utilizing Tax Increment Equivalent Grants (TIEGs) will make Ottawa considerably more attractive for private sector investment. With approximately 100 hectares of land available for development / redevelopment within the proposed Airport Community Improvement Plan Project Area, the Airport could realize more than \$10 million in incremental annual land revenue (rent) should all available sites be developed or improved over time. This revenue would be reinvested in airport operations to grow passenger volumes and air service routes.

These private businesses would also generate new tax revenue for the City of Ottawa.

### **Airport Community Improvement Plan (YOW CIP) Program Overview**

In response to the extreme downturn in airport activities and associated impacts through the COVID-19 pandemic, staff propose the implementation of a financial incentive program to support economic recovery and capitalize on current and future development opportunities to grow passenger volumes, increase employment, and expand the critical mass and influence of the Airport as a Special Economic District.

Implementing a YOW CIP would provide a legislative foundation for a grant program to support economic development by allowing the City to provide grants to successful applicants who develop / redevelop or make other improvements to existing developments in the Ottawa International Airport Community Improvement Plan Project Area (YOW CIP Project Area).

Grants would be based on the incremental increase in the municipal portion of property taxes that result from increased assessment directly related to the development / redevelopment. Grants would be equivalent to 75% of the increase in municipal property taxes each year up to 25 years until the cumulative grant reaches the lesser of 100% of eligible project costs or \$25 million.

Grants would be paid only after the project is completed, MPAC has reassessed the property, and the first year of taxes at the new increased assessment have been paid in full.

If a tenant receiving a YOW CIP incentive is terminated, the incentive would cease. If another taxable tenant assumes the lease, the incentive could be assigned to the new tenant at the City's discretion.

TIEG programs are self-financing and funded through the property tax increase associated with a development / redevelopment project. The increase in taxes, or tax increment, is calculated by subtracting the municipal portion of property taxes before reassessment from the municipal portion of property taxes after reassessment. Providing an incentive in the form of a TIEG is an ideal way to stimulate private investment and support economic development without eroding the existing tax base.

The YOW CIP program would be in effect for 10 years with a 5-year option to extend.

The Ottawa International Airport Authority, as the Owner, would undertake YOW CIP applications as permitted under the *Planning Act*, but only tenants paying municipal property taxes would be eligible to receive CIP incentives. All YOW CIP applications would be subject to review and approval by Committee and Council.

### **YOW CIP Program Eligibility**

- YOW CIP incentives would be available to airport tenants who develop / redevelop sites with projects that result in a minimum increase of two-hundred and fifty thousand dollars (\$250,000) in property tax assessment value.
- Eligible projects could be development or redevelopment of leased area for both terminal and airside sites and include direct aviation-related activities such as expanding and developing new hangars for passenger aircraft and cargo facilities as well as non-aviation uses.
- Eligible development costs would include the costs of:
  - a) Environmental site assessment;
  - b) Environmental remediation; and
  - c) Development and redevelopment of buildings based on the value of construction undertaken pursuant to the issuance of a Building Permit and constructed in accordance with the Ontario Building Code and applicable zoning requirements and conforming to any applicable design guidelines or Site Plan Control requirements applying to the property.

- The property must be located within the boundaries of the YOW CIP Project Area (see Document 1).
- To qualify, property owners or tenants must satisfy the following conditions:
  - a) Prior to making an application for financial incentives, a pre-consultation with Planning Services and Economic Development Services staff is required;
  - b) Applicants are required to submit a complete application to Economic Development Services describing (in detail) the development, redevelopment or adaptive reuse that is planned; and
  - c) Applicants are required to include, as part of a YOW CIP application, an independent tax study by a qualified consultant, having an AACI designation (Accredited Appraiser Canadian Institute) or an AIMA (Associate) or MIMA (Accredited) designation from the Institute of Municipal Assessors, which provides an estimate of the property assessment increment.

The details of the YOW CIP are more fully described in Document 2.

## **FINANCIAL IMPLICATIONS**

Operating pressures associated with approved grants will be brought forward through the budget process in the anticipated years of payout and funded through the incremental property taxes resulting from the developments / redevelopments.

## **LEGAL IMPLICATIONS**

There are no legal impediments associated with the implementation of the recommendations in this Report.

## **COMMENTS BY THE WARD COUNCILLORS**

This is a city-wide report – not applicable.

## **CONSULTATION**

Economic Development and Long-Range Planning (EDLRP) conducted a public consultation meeting by video conference on Monday, June 13, 2022. Notice of the meeting was provided on May 28, 2022, in both English and French newspapers. In addition, the meeting was published on the City's website. The purpose of the meeting was to invite resident feedback on the proposed YOW CIP and the use of incentives to

support economic development at the Airport. Nineteen residents, plus River Ward Councillor Riley Brockington, attended the virtual consultation.

Session participants were largely unopposed to the proposed YOW CIP and the use of incentives to support economic development. Some participants expressed concerns about possible environmental impacts of additional development at the Airport and specifically voiced the need to preserve trees and animal species. Some participants remarked that there were many trees in the proposed YOW CIP area, including a forested area in the northeast corner, adjacent to the new Uplands Station, part of the LRT Trillium Line, and the EY Centre, which will be a focus area for future transit-oriented development. In response to concerns about impacts to the red pine forest located along Hunt Club Road, staff explained that the proposed YOW CIP boundary is well south of Hunt Club Road and excludes the red pine forest.

One participant suggested that since the Airport and/or the federal government as property owner was benefiting from the proposed YOW CIP, they should contribute to the program and suggested that a possible commitment could be to guarantee the preservation of the red pine forest. Staff explained that the Airport Authority and their landlord, the federal government, are not eligible to receive YOW CIP program grants. Any grants approved under the proposed YOW CIP program would be paid only to municipal tax paying businesses who develop or redevelop their leased properties as an incentive to locate at the Ottawa Airport or redevelop their existing property. Staff noted again that the red pine forests is not within the proposed boundary of the YOW CIP.

There were questions about how the proposed YOW CIP Project Area boundary was established. Staff explained that the boundary was determined in collaboration with the Airport Authority based on the identification of the most likely development/redevelopment locations.

Other more general participant comments pertained to timing and awareness of the public consultation and ease of locating meeting details and meeting participation by federal and Airport representatives.

Councillor Brockington noted it would be informative to see a map of the entire Ottawa International Airport lands, rather than just the proposed YOW CIP area. He also noted the ongoing dynamic between the community and the Airport Authority with respect to the red pine forest, acknowledging that the Airport's need for diversified sources of revenue can be at odds with the interests of the local community. While not material to the consideration of the proposed YOW CIP by Committee and Council, Councillor



Brockington suggested that the Airport and/or the federal government needs to engage with the community moving forward.

A presentation on the proposed YOW CIP was provided to the Mayor's Economic Partners Task Force on Tuesday, May 31, 2022. In December 2021, the Task Force, comprised of key economic development stakeholders and organizations, raised concerns regarding the Airport's recovery following the pandemic and noted the importance of the Airport to broader economic rebound and future growth and prosperity in Ottawa. The Task Force asked the City to explore opportunities to support the Airport through financial incentives and ongoing advocacy efforts to stimulate investment, development and increase employment at the airport, as well as re-establish and attract direct airline routes. The presentation was well received with all stakeholders endorsing the proposed YOW CIP program.

### **ACCESSIBILITY IMPACTS**

There are no accessibility impacts associated with the proposed YOW CIP. Accessibility impacts would be addressed by YOW CIP applicants as part of the Site Plan Control and Building Permit processes.

### **ENVIRONMENTAL IMPLICATIONS**

The proposed YOW CIP Project Area is primarily located within developed areas of the Airport. Environmental implications on any vacant lands would be addressed by YOW CIP applicants as part of the Site Plan Control and Zoning processes.

### **RISK MANAGEMENT IMPLICATIONS**

There are no risk implications associated with this report.

### **RURAL IMPLICATIONS**

Increased commercial activity and employment at the Ottawa International Airport will benefit both rural and urban residents.

### **TERM OF COUNCIL PRIORITIES**

The recommendations contained in this report support the Economic Growth and Diversification priority contained in the 2019-2022 City of Ottawa Strategic Plan.

## **SUPPORTING DOCUMENTATION**

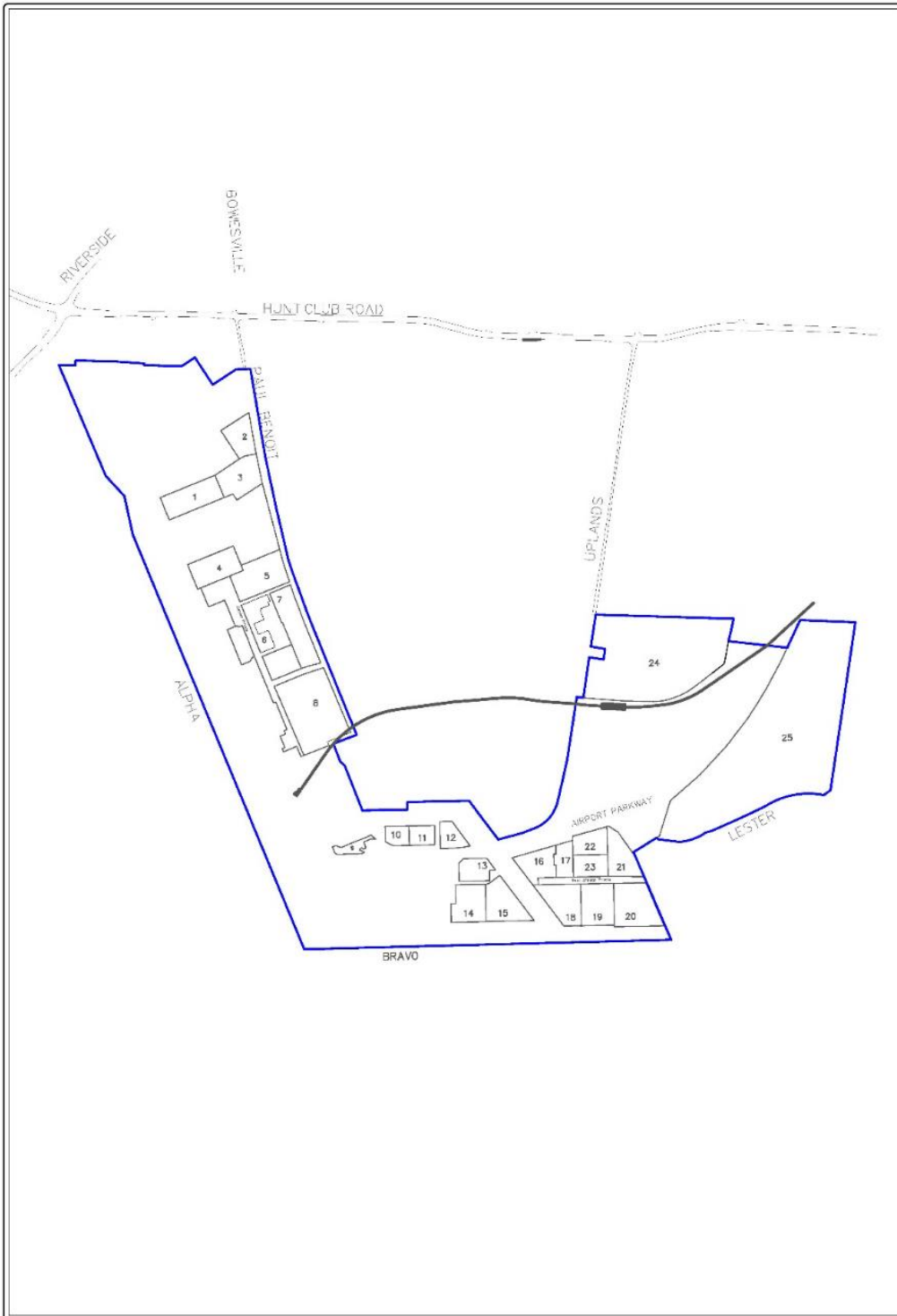
Document 1 Ottawa International Airport Community Improvement Project Area

Document 2 Ottawa International Airport Community Improvement Plan Program

## **DISPOSITION**

- Legal Services Branch to prepare the requisite by-laws to designate the Ottawa International Airport Community Improvement Project Area, and for adoption of the Ottawa International Airport Community Improvement Plan Program in accordance with Section 28(4) of the *Planning Act* and place the aforementioned by-laws on the Orders of the Day.
- Planning, Real Estate and Economic Development Department and Finance to implement the Ottawa International Airport Community Improvement Plan Program.

# Document 1 – Ottawa International Airport Community Improvement Project Area

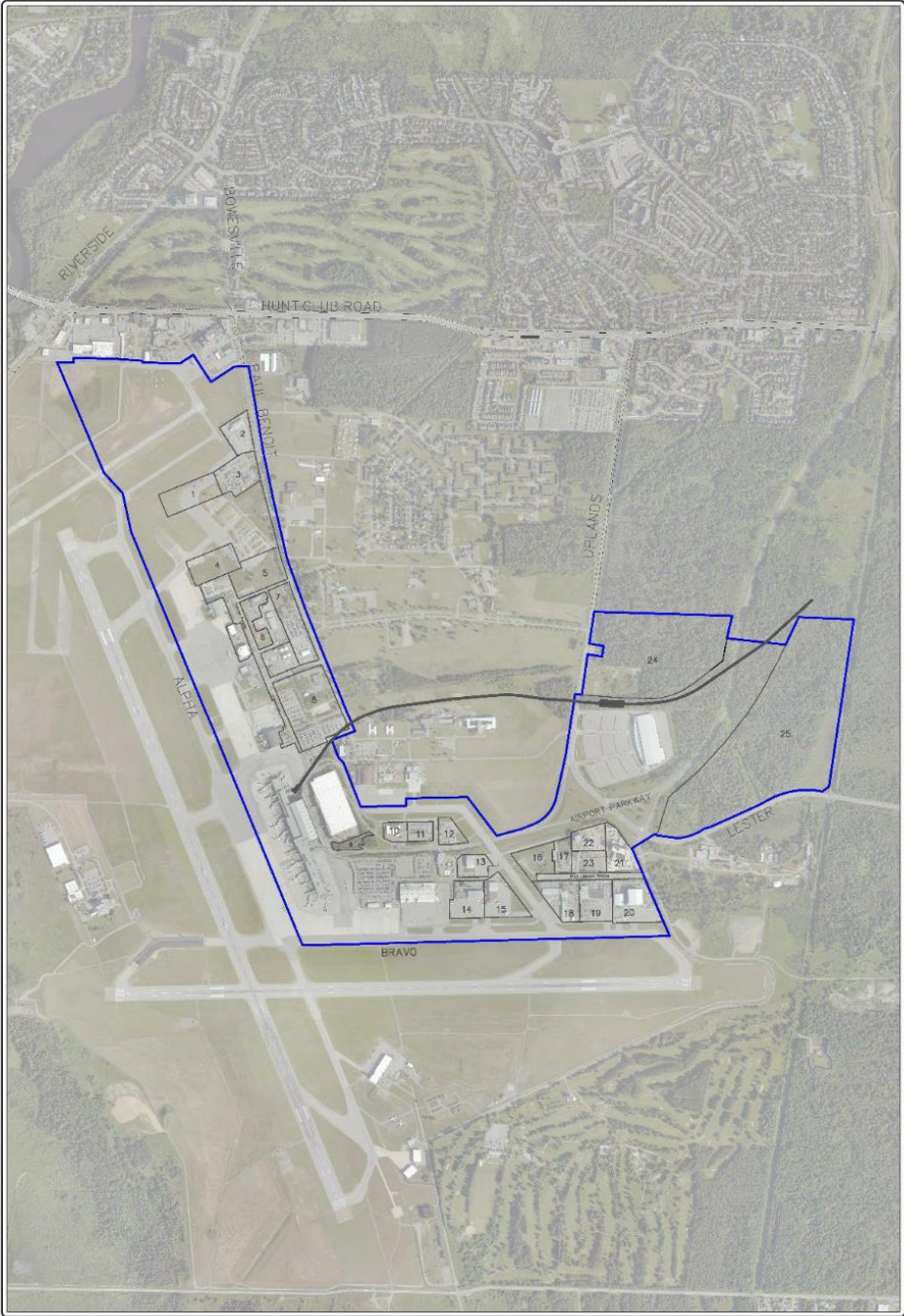


1	1-11-22	REV 1 TOP OF WORKINGS	28
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Location	OTTAWA, ONTARIO
Project	OTTAWA INTERNATIONAL AIRPORT COMMUNITY IMPROVEMENT PROJECT (CIPM)
Drawn by	JANE YOUNG OF HOLLAND
Sheet No.	



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REVISION / ISSUE				
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Location	OTTAWA, ONTARIO
Work	OTTAWA MACDONALD-CARTIER INTERNATIONAL AIRPORT (CIOM)
Title	DRAFT YOM OP BOUNDARIES
Project No.	