



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Growth Management Division
and
CITY MANAGER'S OFFICE
Strategic Partnerships and Revenue Generation Division

TO:	Chair and Members General Issues Committee
COMMITTEE DATE:	December 7, 2016
SUBJECT/REPORT NO:	John C. Munro Hamilton International Airport Revenue Enhancement Opportunities (PED16238 / CM16018) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Guy Paparella (905) 546-2424 Ext. 5807 John Hertel (905) 546-2424 Ext. 2739 Ryan McHugh (905) 546-2424 Ext. 2725
SUBMITTED BY:	Jason Thorne General Manager Planning and Economic Development Department Chris Murray City Manager
SIGNATURE:	

RECOMMENDATION

That Council authorize staff to continue discussions with TradePort International to explore and report back to Council regarding the following revenue enhancement opportunities:

- (a) A mutually beneficial agreement that would increase the revenues received by the City of Hamilton under the John C. Munro Hamilton International Airport operating lease agreement between the City of Hamilton and TradePort International;
- (b) Maximizing rental payments and generating net new property tax payments to the City of Hamilton by working collaboratively with TradePort International to attract new tenants at the John C. Munro Hamilton International Airport;

- (c) Exploring opportunities to leverage existing John C. Munro Hamilton International Airport and City-owned Airport reserve lands for revenue generating purposes that would not negatively impact existing or planned airport operations; and,
- (d) Exploring the feasibility of TradePort International allocating a larger percentage of their marketing and sponsorship budgets to City of Hamilton events and marketing channels.

EXECUTIVE SUMMARY

In 1996, TradePort International (Tradeport) entered into a 40 year lease agreement with then Regional Municipality of Hamilton-Wentworth (now the City of Hamilton) to be the sole operator and manager of the John C. Munro Hamilton International Airport (Airport). Prior to TradePort managing the Airport, the City was operating the facility at a loss of approximately \$1,000,000 annually. The rent TradePort pays to the City of Hamilton is based on a sliding scale of percentage rent that is applied to TradePort's annual revenues. In 2015, TradePort paid the City of Hamilton rent totalling \$363,766 (plus a \$150,000 tax assessment fee) up from \$344,858 (plus a \$100,000 assessment fee) in 2014.

Based on the direction of the motion attached as Appendix "A" to Report PED16238 / CM16018, City staff held preliminary discussions with TradePort, who have expressed a willingness to explore revenue enhancement opportunities. Due to recent turnover in TradePort's senior management team, TradePort staff have expressed that moving forward with further negotiations will not be feasible until early 2017.

Financial Overview:

The rent TradePort pays to the City of Hamilton is based on a sliding scale of percentage rent that is applied to TradePort's annual revenues.

Year of Operation	Annual Rental Payments	Tax Assessment Fee	Capital Investment
2015	\$363,766	\$150,000	\$3,757,000
2014	\$344,858	\$100,000	\$3,173,000
2013	\$374,616	\$50,000	\$4,130,000
2012	\$289,730	N/A	\$2,973,000
2011	\$168,535	N/A	\$3,688,000

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

In 2015, TradePort's Airport tenants paid the City of Hamilton \$1,244,824.49 in property tax. This is up significantly from approximately \$200,000 in 1996.

According to a 2015 Economic Impact Study commissioned by TradePort between 1996 and 2015, over \$208.7 Million has been invested in the Airport by TradePort, the Airport Tenants and senior levels of government. In turn, this investment has created \$245.8 Million in direct financial benefit to the City of Hamilton. Through Airport activity, TradePort and its partners have contributed \$284 Million in gross domestic product (GDP), produced an economic output of \$644 Million, and created over 2,700 person years of employment for Hamilton and the surrounding region - approximately 70% of which can be attributed to cargo operations.

All capital investments made to Airport lands, buildings and infrastructure become the property of the City of Hamilton at the end of the operating agreement's 40 year term.

In 2015, TradePort completed construction of a \$12 Million Cargo Centre, which positions the Airport for growth by facilitating the efficient movement and handling of goods, supporting both ad hoc and regularly scheduled cargo operations. In June, anchor-tenant Cargojet took occupancy of approximately half of the Airport's 80,000 square foot Cargo Centre, followed by the facility's official grand opening shortly thereafter.

In October 2015, TradePort named ACI Air Cargo Inc. as operator of the 30,000 square foot common-use portion of the Cargo Centre. ACI is an internationally recognized cargo service provider and will operate the Cargo Centre's bonded, e-commerce and temperature controlled air cargo handling services, cross docking, and end of runway cargo services which allow companies to move critical items in time-sensitive situations.

In 2015, the Airport saw the return of passenger flights from partners WestJet, Air Transat, Sunwing Airlines and Celebrity Cruises, which served over 312,000 passengers. In July 2016, NewLeaf Travel Company, which adopts an ultralow cost flying model, officially began flights to various locations across Canada. When taken collaboratively, TradePort has expressed that these positive developments will lead to a growth in passenger traffic moving forward.

Alternatives for Consideration –Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: N/A

Staffing: Approving the recommendations outlined would draw on existing Planning and Economic Development and City Manager's Office staff, who would work collaboratively with the City of Hamilton's Legal Services Division.

Legal: N/A

HISTORICAL BACKGROUND

In 1996, TradePort entered into a 40 year lease agreement with then Regional Municipality of Hamilton Wentworth (now the City of Hamilton) to be the sole operator and manager of the Airport. Prior to TradePort managing the Airport, it was operating at a loss of approximately \$1,000,000 annually. TradePort is a wholly owned subsidiary of Vantage Airport Group, which manages a network of eight airports on two continents.

On June 15, 2016 Council passed the motion attached as Appendix "A" to PED16238 / CM16018.

Based on the direction of the motion attached as Appendix "A" to PED16238 / CM16018, City staff have held preliminary discussions with TradePort, who have expressed a willingness to explore revenue enhancement opportunities.

Due to recent turnover in TradePort's senior management, TradePort staff have expressed that moving forward with further negotiations will not be feasible until Spring 2017.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION

Growth Management Division, Planning and Economic Development Department
Strategic Partnerships and Revenue Generation Division, City Manager's Office
Legal Services Division, City Manager's Office
Tradeport International

ANALYSIS AND RATIONALE FOR RECOMMENDATION

- (a) To seek a mutually beneficial agreement that would increase the revenues received by the City of Hamilton under the John C. Munro Hamilton International Airport (Airport) operating agreement between the City and TradePort.

The John C. Munro Hamilton International Airport Operating agreement does not allow the City of Hamilton to unilaterally alter the terms of the lease without the agreement of TradePort. As a result, any changes to the lease would have to be agreed upon by both parties and be viewed as mutually beneficial.

- (b) To work collaboratively with TradePort to attract new tenants at the Airport, with the aim of maximizing rental payments and generating net new property tax payments to the City.

By continuing to work closely with the City's Economic Development Division, TradePort and the City can look to attract new tenants; increasing TradePort's revenue, resulting in an increase in the City's percentage rent and generates net new property taxes from an increase in third party operations on the airport lands.

- (c) To explore opportunities to leverage existing airport lands for revenue generating purposes that would not negatively impacting existing or planned airport operations.

The City's Revenue Generation Section would work closely with TradePort staff to utilized airport lands that are currently not needed for the Airport's operation. This would allow the City to generate additional revenue or property taxes from airport lands while the City awaits their development.

- (d) To explore the feasibility of TradePort allocating a larger percentage of their marketing and sponsorship budgets to City of Hamilton events and marketing channels.

TradePort has a sizable budget allocated to marketing activities in the Hamilton area. The Revenue Generation Section has been working collaboratively with TradePort to ensure these marketing dollars are spent in City of Hamilton marketing channels when it is feasible to do so. To date, these discussions have resulted in a \$10,000 sponsorship of Host City events surrounding the 2016 Vanier Cup and the identification of other marketing and sponsorship activities that could be executed in 2017.

ALTERNATIVES FOR CONSIDERATION

N/A

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Clean and Green

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” – Review and Renegotiation of the John C. Munro International Airport

GP/RM/acs