



SAUGEEN MUNICIPAL AIRPORT

MEETING OF THE SAUGEEN MUNICIPAL AIRPORT COMMISSION

Friday, June 29, 2020, 9:30 a.m.

Commissioners Present: Dan Gieruszak, Chair
Rebecca Hergert, Vice Chair
Dave Hocking, Secretary
Moe Hanif
Bill Roseborough
Jack Zeinstra

Commissioners Absent: Kelani Stam

Others Present: Catherine McKay, Recording Secretary

The meeting was conducted by videoconference in light of the COVID-19 pandemic.

1. Call to Order

The Chair called the meeting to order at 9:30 a.m.

2. Approval of the Agenda

Motion Moved by M. Hanif

Seconded by D. Hocking

That the agenda for June 29, 2020 be accepted as circulated.

Carried

3. Declaration of Pecuniary Interest

None declared.

4. Delegations

None.

5. Approval of Minutes

Motion Moved by J. Zeinstra

Seconded by R. Hergert

That the minutes of the June 17, June 19 and June 25, 2020 meetings of the Commission be approved as circulated.

Carried

6. Review of Comparative Market – Hangar Lease Rates

The Chair introduced this item by noting that there are three areas of importance: the leases come up every 20 years, what is offered must be competitive in the market and have some common sense applied, and if terms cannot be reached by the owner and the airport, the lease will go to arbitration. Discussion covered the following points:

- Jack Zeinstra noted that three or four years ago, there was a public meeting and one lease stands out due to the decision by the Commission to increase rates to a competitive level.
- The Chair said that it looks like two leases were signed in 2015 at substantially lower than market rates, but he has not read the details of the leases. A third lease was signed in 2012 based on a rate closer to

- \$.030. Jack Zeinstra said this does not appear to make sense, although the Chair noted that Commission of the day must have had good reason at the time.
- Dave Hocking noted that it is consistent through the 2018 *Feasibility Study for Goderich Municipal Airport (YGD) and Richard W. LeVan Municipal Airport (CPR7) FINAL REPORT* that rates are around \$0.32 and the SMA is the highest at \$0.35/sq. ft. He believes rates should be set on a basis that is fair to all.
 - Moe Hanif said that some rates are far too complicated and they should be simple enough for lay people to easily understand. There should just be a single rate for the building and a 5 ft. perimeter.
 - Jack Zeinstra said that the 20 ft. in front of the hangar doors is required for the taxiway and has to be paved. Hangar owners should not be expected to pave airport property.
 - Rebecca Hergert said that when she reads the lease it says what the Commission is to do, such as clearing snow and cutting grass, and since the tenant is paying for that, the Commission should know what the cost is. This is how things would be looked at from a municipal point of view in establishing a cost for a service, and the price should be set knowing the cost. The cost should include the perimeter (including frontage) and the building.
 - Jack Zeinstra said that 5 ft. in front should be included, and that if 20 ft. is included, there should be an additional fee for that.
 - Bill Roseborough suggested averaging the figures for the three airports. He added that he does not pay a different property tax rate for his driveway than for the rest of his property, and the 20 ft. is basically a driveway.
 - Moe Hanif agreed with Jack Zeinstra's point, saying that the rate has to stand on its own and be transparent. It was generally agreed that the Commission needs to set a fair rate.
 - The Chair noted that Commissioners seemed to be suggesting staying with two rates, and the question is what is a fair amount. Moe Hanif calculated the average of the rates and suggested a figure that would be within the "ball park". He also emphasized the importance of having a standardized bill with the rates shown on it.
 - The Chair asked if the rate should include the perimeter. Moe Hanif stated that the Commission should try to get rid of tiers in rates and go to one rate for everything, including the perimeter.
 - Dave Hocking asked how the report came up with \$0.35 for the SMA and the Chair noted that there was one contract that year with future annual increases. Bill Roseborough suggested a 20% discount for new contracts and then the rate would go back to where all others are.
 - The Chair explained that if anyone wants to lease land and build a hangar, they would negotiate with the Commission and decisions made in the negotiations will be cast in concrete for the term of the lease.
 - Jack Zeinstra suggested setting the rate and having it increased by the certain amount each year, including new hangars, as it is good to have more hangars which generate fuel and restaurant revenue. He also said that if there were two rates, one for inside and one for outside, the cost would be greater for a larger hangar, disproportionately affecting the owner of a larger hangar. Moe Hanif pointed out that 5 ft. is 5 ft., and so there is no disproportionate effect. He also added that perhaps the first year of a lease should be free for anyone who builds a hangar, but if there are two rates, the situation will not improve from what it is currently, and everyone should be treated the same.
 - Dave Hocking noted that as a representative of the Town of Hanover's citizens, he must ensure that the fee is fair and feels that a flat fee is fair. He added that there should be no special deals, since it is taxpayers' money that is going towards the airport.

- Rebecca Hergert raised the possibility of giving an incentive as SMA does not have a lot of hangar space but does have land which is what makes money for SMA. She believes the fee should be set to offset maintenance around the hangars and that the cost of maintenance such as snow clearing and lawn cutting should be used as the basis for the fee.
- The Chair asked for Commissioner's opinions as to the rate. Various suggestions were made as to what the rate should be, how many rates there should be and how they should be applied.
- Calculations were done to illustrate the cost of having a different rate for the hangar and the perimeter. Rebecca Hergert noted that if land is the SMA's main asset and there is a fixed amount of it, the 20 ft. perimeter should be included, rather than given up. Jack Zeinstra noted that the 20 ft. cannot be rented to someone other than the hangar owner, but Rebecca Hergert noted that it is in fact a benefit to the lease holder. Jack Zeinstra said that it is important to come up with a fair price, however it is calculated.
- Dave Hocking asked Moe Hanif about his lease and he said he signed it eight years ago and built a hangar. It was suggested that those who can afford to build a hangar should be able to afford lease fees without much trouble.
- The Chair pointed out that the SMA is attempting to get a competitive rate within the southwestern Ontario market, and the issue is whether there should be two rates or one rate. He referred to Moe Hanif's proposal, and Rebecca Hergert noted that the 20 ft. between the taxiway and the building needs to be included as it is a benefit to the lease holder.
- Bill Roseborough asked who would repair the ramp, and the response was that the hangar owner would be responsible for ramp repairs.
- Various positions were put forward as to the rate and what it should apply to. Rebecca Hergert noted that the pilots need the 20 ft. and it should therefore be included in the rate. Dave Hocking said that the 20 ft. should not be included and the rate should be applied to the footprint plus the perimeter. Moe Hanif said that there may need to be a compromise as a big change in rates may cause problems.
- The Chair stated that a two-rate system has to be defensible and the issue is the total number in the end, whatever it is.
- Rebecca Hergert asked what numbers are being used in terms of maintenance (e.g. landscaping, snow removal, grass cutting, etc.). Moe Hanif suggested a rate that would include snow removal to within 3 ft. of the door. However, Jack Zeinstra noted that planes are not used in the winter, so snow removal does not need to be done to within 3 ft. of the door. The Chair suggested that the 20 ft. to the hangar door should not be included. Moe Hanif suggested that the rate should be the same for everyone, in the same way that people who do not have children still pay school taxes.
- The Chair suggested that the discussion had come down to either one rate for the building plus the perimeter, or one rate per sq. ft. for the building plus a different rate for the 5 ft. perimeter. Calculations were done to illustrate the impact on a particular situation, with the result being that the proposed rate would increase the price by almost 33%.
- Bill Roseborough asked if the rate would stay the same for the 20-year period of the lease. The Chair explained that whether there is one rate or two, annual increases would be built into the lease which would not be renegotiated until its term is up. He noted that some airport leases are for 40 years.
- Moe Hanif said if a lease from years ago had increased at 2% per year, for example, it would probably come close to the range for the rate being discussed, and so the price would not come

as a big shock. Jack Zeinstra suggested a rate for 2021 and a different rate for 2022, but an annual increase would not cover the cost of a new truck or a new snow plow.

- The Chair pointed out that it is not possible to get out of a lease without the matter going to arbitration. If the zoning at the airport changed, the SMA would have to buy out the leases at fair market value.
- Commissioners proposed various amounts as new rates and discussed the inclusion of the 5 ft. perimeter and the 20 ft. ramp as well as the percentage amount of an annual increase. Dave Hocking said that he can see the value of a rate that applies to the hangar, the perimeter and the 20 ft.
- Discussion took place as to who should do the negotiating of leases, with Moe Hanif stating that it should be the Commission itself rather than the Airport Manager.
- The Chair noted that he had received calls from some pilots who said they were not informed about changes to the airport access agreement and this raises issues of responsiveness to customer/client. Dave Hocking said that he is opposed to a “take it or leave it” approach which may upset some people. The report should be referred to and it should be explained how the rate was calculated. Rebecca Hergert asked if there should not be some outreach to pilots to say that more research has been done and here is how the cost was calculated.
- With respect to renegotiating a lease, the Chair explained that notice is to be given to the Commission by anyone wanting to renew. There is a period of six months within which the negotiating/discussions take place on the rate and the time for renegotiation expires 30 days before the end of the 6 months, so that timeline is critical. If no agreement is reached, the matter goes to an arbitrator.
- Discussion took place about the possibility of yearly changes to the lease, but it was pointed out that this would substantially alter the value of the lease which is an asset.
- It was suggested that when bills are sent out, a note should be added about the need to contact the Commission six months in advance for anyone thinking about selling their lease. The Chair noted that according to article 17 of the lease, Commission approval is required to sell a lease. The Commission could give approval to sell a lease at the current lease rate. It was clarified that the new rates will not affect existing leases even if they are sold.

Motion Moved by D. Hocking

Seconded by R. Hergert

That the Commission set the lease rate for 2020 and 2021 at \$0.39 per sq. ft for the footprint of the building, the width of the hangar plus 10 ft. and the depth plus 25 ft., subject to further market data.

Carried

7. In Camera

Motion Moved by B. Roseborough

Seconded by J. Zeinstra

That the Commission convene in closed session at 10:40 a.m. to discuss matters of a personal and legal nature.

Carried

Motion Moved by R. Hergert

Seconded by D. Hocking

That the Commission reconvene in open session at 11:20 a.m.

Carried

8. Direction Coming Out of In Camera

- The Airport Manager is to:

- establish a 12-month rental agreement with Marohl Kuhl at \$100.00 per month, with the agreement to include a requirement for a minimum monthly fuel purchase.
- Set up a database to record lease details including the amount of the lease, and the dimensions of the building footprint.
- Jack Zeinstra, Rebecca Hergert and Dave Hocking are to discuss a new lease with Kenntek which is due in to the Airport Manager according to article 17 of the Porter lease. There was discussion as to the reassignment of the Porter lease to Kenntek.
- Dave Hocking is to contact the WSIB regarding the requirement for a letter with respect to WSIB coverage for an Airport Manager.
- The Chair is to set up a meeting with the three Mayors and CAOs to brief them regarding Access Agreements.

The Commission discussed various other matters including:

- It was noted that there are 30 hangars according to the Goderich document, which is a good number of hangars compared to other airports.
- Dave Hocking informed the Commission that access agreements were sent out on June 15 and are to be returned within 30 days, i.e. by July 15. Given this timing, agreements should be returned promptly and the commission should follow-up on their return.

9. Adjournment

Motion Moved by D. Hocking

That the Commission adjourn at 11:37 a.m..

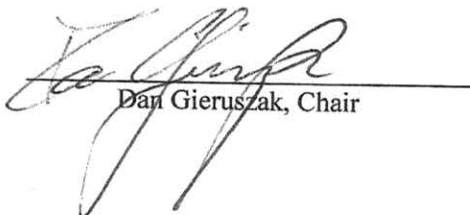
Carried

Seconded by M. Hanif

Next Meeting: Wednesday, July 15, 2020 at 1:30 p.m. Moe Hanif said he is not available to attend on July 15.

Meetings Attended by C. McKay for payment:

- May 20, 2020 - \$100
- June 17, 2020 - \$100
- June 19, 2020 - \$50
- June 29, 2020 - \$125



Dan Gieruszek, Chair



Catherine McKay, Recording Secretary

These minutes are considered to be in draft form until signed by the Chair and the Recording Secretary.