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Item No. 15.1.5
Halifax Regional Council
March 21, 2023

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed

Cathie O'Toole Chief Administrative Office

DATE: March 17, 2023

SUBJECT: HIAA Tax Agreement Direction to Terminate and Renegotiate

ORIGIN

At the March 3, 2023 Budget Committee, the Committee moved to send a report to Council to provide notice to the Halifax International Airport Authority (HIAA) that the existing tax agreement is being terminated and to begin negotiations on a revised tax agreement.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, S.N.S 2008, c.39:

Section 92A (1) and (2) - Taxation of property of Halifax International Airport Authority

- (1) Notwithstanding any enactment, where there is an agreement pursuant to this Section, the Halifax International Airport Authority shall pay taxes with respect to property assessed to it within the Municipality in accordance with the agreement instead of the taxes otherwise payable, pursuant to the provisions of this Act, set out in the agreement.
- (2) Notwithstanding any enactment, where the Council considers it necessary or advisable, the Municipality may enter into a taxation agreement with the Authority respecting the taxes payable to the Municipality by the Authority.

RECOMMENDATION

It is recommended that Halifax Regional Council direct staff to:

- 1. Provide 365 days notice of termination to HIAA as per section 2.3 of the existing taxation agreement and;
- 2. Enter into negotiations with HIAA with the intent to have a new taxation agreement in place effective March 31, 2024 for the fiscal 2024/25 year.

BACKGROUND

In 2019, the Halifax Regional Municipality (HRM) entered into a 20-year taxation agreement with HIAA scheduled to end March 31, 2039. The agreement was entered in acknowledgement of the airport's contribution to maintaining and expanding economic activity in HRM and the wish to support HIAA in that endeavor.

The authority to terminate is found at section 2.3 of the agreement. HRM must provide HIAA with no less than 365 days written notice of the termination before the end of each annual period (i.e., each March 31 of the term of the agreement.) By providing the written notice to HIAA prior to March 31, 2023, HRM will meet the termination requirements of the agreement and will be in a position to negotiate with HIAA for a new taxation agreement over the coming year.

DISCUSSION

Halifax Stanfield International Airport is owned by Transport Canada and is leased to HIAA through a ground lease. HIAA is a not-for-profit, non-share capital corporation operating pursuant to the [Airport Transfer \(Miscellaneous Matters\) Act](#).

The 2019 tax agreement is comprised of a base amount and a per passenger amount. The original base amount was ~\$529K, which represented the PILT due from the federal government (based on assessed value) at the time the airport authority entered the lease with Transport Canada. This base amount is increased annually by NS-CPI. The passenger amount is based on a per passenger rate of \$0.22.

It is difficult to compare the property tax treatment of other Canadian airports due to legislative differences across the country. Many airports appear to pay property tax based solely on their assessed value (Moncton, Regina, Calgary, Edmonton, Vancouver and Victoria).

Two examples of a per passenger rate (with no additional base rate) were found:

- Toronto Pearson's rate per passenger is \$0.94
- Ottawa International airport is \$1.08 per passenger.

In 2019, the municipality of St. John's, Newfoundland signed a tax agreement with the St. John's International Airport which set the property taxes at \$1M (increasing annually by CPI) and included a settlement for prior years that was based on a per passenger rate of ~\$0.72 per passenger for the prior years subject to the settlement.

The \$0.22 per passenger rate appears low when compared to other airports who have such an arrangement, although HRM is additionally compensated by the inclusion of the base rate component of the agreement. The base amount indexed to CPI means that certain capital improvements that increase the overall airport value (for example that permit additional cargo volumes to be processed) do not result in an increased tax payment to the Municipality.

Staff will conduct a cross jurisdictional scan on the taxation structures in place at other Canadian airports and will recommend revised terms that provide slow, predictable growth in municipal tax revenues that is equitable when compared to other airports and taxpayers. Staff will negotiate the terms with HIAA and will return to Council with a recommendation for the revised agreement terms.

FINANCIAL IMPLICATIONS

There are no financial implications in fiscal 2022/23, the existing tax agreement will remain in effect. Any financial impacts in 2024/25 will be dependent on the tax agreement terms negotiated.

RISK CONSIDERATION

No risks were identified.

COMMUNITY ENGAGEMENT

No community engagement required.

ENVIRONMENTAL IMPLICATIONS

No environmental implications identified.

ALTERNATIVES

1. Council could choose to not provide notification of termination and renegotiation.

ATTACHMENTS

No attachments.

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Renée Towns, Director of Revenue, Treasurer, Finance & Asset Management
