



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 15.1.4
Halifax Regional Council
July 9, 2024

TO: Mayor Savage and Members of Halifax Regional Council

FROM: Cathie O'Toole, Chief Administrative Officer

DATE: June 24, 2024

SUBJECT: Halifax International Airport Authority Tax Agreement

ORIGIN

March 21, 2023

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.

MOVED by Councillor Mancini, seconded by Councillor Deagle Gammon

THAT Halifax Regional Council defer Item 15.1.5 – Halifax International Airport Authority (HIAA) Tax Agreement Direction to Terminate to March 2024.

MOTION TO DEFER PUT AND PASSED.

March 19, 2024

In-Camera recommendation report

EXECUTIVE SUMMARY

This report is in regard to HRM's taxation agreement with the Halifax International Airport Authority (HIAA). It recommends that Halifax Regional Municipality terminate the current taxation agreement with the HIAA and execute a new agreement effective April 1, 2025. The proposed agreement aims to increase HRM's

Recommendation on page 2

tax revenue, with an estimated boost of \$448K in the first year and \$2.1M by year 10, primarily through an increased per-passenger rate and a revised base amount. However, this new agreement introduces risks due to its dependency on passenger volumes, which can fluctuate due to various factors, potentially impacting HRM's revenue stability.

RECOMMENDATION

1. It is recommended that Halifax Regional Council request that the Mayor and Clerk execute the taxation agreement with the Halifax International Airport Authority, as per Attachment 2.

BACKGROUND

Halifax International Airport Authority (HIAA) is a non-share capital corporation incorporated in 1995. On February 1 2000, HIAA took over the management of Halifax Stanfield International Airport, with Transport Canada relinquishing its role of operator to an appropriate role with regulatory oversight. Transport Canada and HIAA have a ground lease agreement for 80 years, qualifying the airport as a commercial property for municipal tax purposes. HIAA is exempt from provincial income and capital taxes as well as federal corporate taxes.

Prior to the Province passing bill 55 (An Act to Amend Chapter 39 of the Acts of 2008, the Halifax Regional Municipality Charter which allowed HRM to enter into a tax agreement with HIAA), HRM provided tax support to HIAA in the form of a development grant agreement. The development grant was the difference between full taxation and taxes as calculated by a mutually agreed upon formula. The development grant agreement was first approved by Council in February 2000, renewing every five fiscal years and ended on March 31, 2019, in favor of a taxation agreement. The development agreement was designed to ensure predictable municipal revenue, while giving predictable tax treatment to HIAA to pursue their capital plan without unduly raising user fees.

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. Although the HRM Charter permits Regional Council to enter into a tax agreement with HIAA as per section 92A, it is at Council's discretion whether they wish to have a tax agreement in place and the terms of the agreement.

This agreement is comprised of a base amount and a per passenger amount. The original base amount was ~\$529K, which represented the Payments in Lieu of Taxes (PILT) due from the federal government (based on taxable assessed value) at the time the airport authority entered the lease with Transport Canada. This base amount was established in 2000 and since this time has increased by 52% to the present fiscal year. This base amount is increased annually by the Nova Scotia Consumer Price Index (NS-CPI). The taxable assessment of Airport properties has increased by 346% over the same period, from \$89M to \$399M. Since the current agreement does not have an assessment-based component, this growth is not monetized, but reflects capital improvements by the airport to significantly expand and diversify their revenue.

The per-passenger portion of the agreement is based on a per passenger rate of \$0.22. This rate has not

increased since 2000 when it was first established. The HIAA agreement has a clause that stipulates the passenger count will never decline over the duration of the agreement, in the per-passenger rate calculation. The impact of that clause is that HIAA is still paying on the passenger count from before COVID as the passenger counts have not returned to pre-COVID levels yet. If a new agreement is negotiated, the passenger count is expected to be lower than the passenger count currently used to calculate the tax payment.

Halifax Regional Council adopted HalifACT in June 2020 in order to achieve a net-zero economy by 2050. The Climate Action Tax (CAT) was approved in the 2022/23 budget to support the strategic initiatives of HalifACT; however, the current tax agreement with HIAA did not include the CAT as it was not in force at the initiation of the agreement. Commencing in the 2024/25 fiscal year, the 2019 agreement was amended to include the HIAA's share of the Climate Action Tax which amounts to just over \$200K.

DISCUSSION

On March 19, 2024, Council directed staff to negotiate a new taxation agreement with HIAA on revised terms as set out in that report and to return to Regional Council before September 2024.

As part of the negotiations, a set of guiding principles were established to aid in structuring the new agreement and provide a framework for both parties. Those principles are provided below.

- *HRM and HIAA have a strong, trusting partnership.*
- *Halifax Stanfield delivers significant economic contributions to HRM through tourism, trade, B2B, and immigration activities.*
- *Halifax Stanfield provides an essential service to HRM, its residents and businesses.*
- *Both HRM and HIAA benefit from the other's financial well-being.*
- *HIAA is a community-based not-for-profit, non-share capital corporation - any surplus must be reinvested in the airport and losses can be funded by debt.*
- *HRM is obliged to collect taxes from HIAA in an arrangement that is fair to other taxpayers and is unable to budget a deficit.*
- *An agreement should establish a fair arrangement when compared to similar sized airports across Canada (e.g., Ottawa, Winnipeg, Edmonton), and similar sized essential service providers in HRM (e.g., Halifax Port Authority).*
- *HIAA benefits from the municipal services provided by HRM, and the taxes paid will be based on the level of these services.*
- *An agreement should speak to the importance of HIAA's role in supporting and contributing to HRM's climate action plan, HalifACT.*
- *Provides certainty and predictability of tax revenue / expense to HRM and HIAA, without the risk of unplanned termination.*
- *Expressly incorporates federally occupied space in the overall approach to the taxation calculations, recognizing HIAA's inability in its ground lease with Transport Canada to charge rent for federally occupied space, or recover any operating costs including taxes on the federally occupied space.*
- *Determines how the level of tax relief being provided by HRM to HIAA will be consistently calculated.*

The framework of the agreement reached between HRM and HIAA includes a larger per passenger rate

component and a smaller base amount when compared to the current agreement. Under the current agreement, the base amount would be \$804K in the 2024/25 fiscal year and the per passenger rate of \$0.22 amounts to \$950K. Under the new agreement, the base amount resets to \$200K in the first year, and the per passenger rate increases to \$0.50 which amounts to \$2.0M. Over the 10-year span of the contract, the base amount escalates \$25,000 per year to \$425,000 while the passenger rate increases over the same period to \$0.70. The steady increases in both components create additional taxation revenue over the term of the agreement when compared to the current agreement. The climate action tax would remain consistent in the new agreement.

Key components of the new tax agreement:

1. The agreement is for 10 years with 5-year automatic renewals unless either party serves notice of non-renewal.
2. The per passenger rate will start at \$0.50 and escalate to \$0.70 by year 10. It will remain at this rate thereafter.
3. The base amount will reset to \$200K and escalate to \$425K by year 10. The base amount will escalate by NS-CPI annually.
4. A commitment to pay the Climate Action Tax based on taxable assessed value.
5. Passenger numbers will be permitted to decline and reset at a lower amount if the volume falls 5 per cent or more year-over-year.
6. A minimum growth mechanism of 2.5% in passenger count year-over-year, while allowing for the prior item.
7. The agreement would apply to all Halifax Stanfield property that is not leased to commercial tenants.
8. No termination will be permitted until after year 5 of the agreement.

The key differences between the new agreement and the current agreement include:

- A material increase to the per passenger amount as noted above.
- A material decrease to the base amount as noted above.
- Removal of the option to serve notice of termination until year 5. Under the current agreement HRM can serve 1-year notice of termination.
- Passenger amounts being permitted to decline. In the current agreement the passenger count is not permitted to decline and held at the prior year's calculated passenger amount if it declines until such time as the count exceeds that amount.
- The addition of a minimum growth mechanism in passenger count. The growth mechanism in the current agreement only comes into effect if the passenger count for the current year is lower than the passenger count from 2 years prior plus 2.5 per cent, and this amount is greater than the passenger amount used in the prior year calculation. This clause has never factored into the current property tax calculation.

Financial Results:

In 2023, HIAA revenue increased by 25 per cent, passenger count increased by 15 per cent, and cargo increased by 7 per cent when compared to the previous year.

Funding Announcement:

On June 26, 2024, the federal government announced an investment of \$8.3M in the Halifax Stanfield International Airport which will fund the construction of a new international connections facility. This will improve the connections process for arriving international and some domestic flights, increase cargo processing capacity, and increase the number of international and domestic flights.¹

Jurisdictional Scan

It is difficult to compare the property tax treatment of other Canadian airports due to legislative differences across the country. Airports have an assortment of agreements with the municipality or province where they are based, and each one has unique complexities and components to the taxation arrangement. Most airports pay taxes based on assessment and receive a level of tax grant in return. A common concern across many jurisdictions is that taxation subsidies provided to airports shift the burden onto regular taxpayers.

The only airports across Canada which have per passenger taxation agreements are as follows:

Airport	Per Passenger Rate	2023 Passenger Volume
Saskatoon	\$0.73	1,277,863
London	\$1.67	322,447
Toronto (Pearson and Billy Bishop)	\$0.94	46,000,000
Thunder Bay	\$0.55	714,070
Ottawa	\$1.08	4,095,914

NOTE: Ontario airports have a provincially mandated per passenger property tax agreement

The HRM and HIAA Partnership Guiding Principles states “*An agreement should establish a fair arrangement when compared to similar sized airports across Canada (e.g., Ottawa, Winnipeg, Edmonton), and similar sized essential service providers in HRM (e.g., Halifax Port Authority).*”

A summary of the taxation treatment of the above-noted comparison entities is provided below.

Ottawa airport: \$1.08 per passenger (4.1M passengers)
Winnipeg airport: assessment of taxable property (7.5M passengers)
Edmonton: assessment of taxable property (4.1M passengers)
Halifax Port Authority: tax agreement for assessment of taxable property per PILT regulations

Under a scenario where the HIAA was taxed at the same rate as the Ottawa airport at \$1.08 per passenger, the total tax bill would be \$3.9M. If it were taxed based on taxable assessed value or PILT amount the total tax bill would be \$8.6M.

FINANCIAL IMPLICATIONS

The financial implications of the new HIAA tax agreement will be largely dependent on future airport passenger counts, as approximately 82 to 85 per cent of the revenue from this agreement comes from the

¹ [Government of Canada announces funding to improve international connections at Halifax Stanfield International Airport - Canada.ca](https://www.government.ca/news/2024/06/26/government-announces-funding-to-improve-international-connections-at-halifax-stanfield-international-airport)

per passenger rate. If passenger counts come in as forecasted by HIAA, then the new agreement would boost taxation revenue by \$448K in year 1 and \$2.1M in year 10 when compared to the current agreement as forecasted. If passenger count comes in 10% below forecast, the boost to taxation revenue would be \$246K in year 1, and \$1.7M in year 10 when compared to the current agreement as forecasted.

Financial analysis is provided in Attachment 1.

RISK CONSIDERATION

Moving to a tax agreement heavily supported by passenger volume introduces challenges associated with budgeting/forecasting for future annual HIAA tax revenue as these passenger volume numbers can be unpredictable, impacted by many different factors, and staff do not have line of sight on underlying data. Staff have validated the passenger count forecast provided by HIAA against the 20-year outlook published by the *International Air Transport Association (IATA)* and find the projections provided by HIAA are in-line with the industry report.²

Inclusion of the following contract clause may present a material risk of revenue volatility for HRM: *Passenger numbers used in the calculation of tax will be permitted to decline if volume falls in excess of 5% year-over-year.* In the event of unforeseen disruptions, such as economic downturns, employment strikes or work stoppages, pandemics, or other crises that significantly reduce air travel, HRM's tax revenue from the airport could sharply decrease due to a permitted decline in passenger volume for the purpose of the taxation calculation. In the current tax agreement, passenger numbers are not permitted to decline year-over-year which provides substantial revenue assurance. HRM acknowledges a downside risk to the above-noted clause but the overall risk is similar to other tax agreements in place that can be negatively impacted by economic downturns or labour stoppages.

Furthermore, this tax agreement's dependency on passenger volumes may not align with the airport's long-term growth strategies, which could involve diversifying revenue streams beyond passenger traffic to include things like expanded cargo capabilities, potentially creating misalignment between HIAA's operational goals and HRM's fiscal stability. This agreement, while providing flexibility to HIAA, could ultimately transfer a disproportionate amount of financial risk onto HRM, undermining the predictability and reliability of the tax revenue derived from the airport. It is a tenet of this agreement that it be mutually beneficial to both parties. HRM believes that higher passenger volume is a key objective for HIAA providing financial benefits to both parties. The recent addition of BermudAir and the return of IcelandAir to HIAA would indicate HIAA's strategy is to increase passenger volumes.

Finally, by inclusion of a clause which does not allow for termination of the agreement until after year 5 it limits Council's ability to react or modify the agreement should the need arise or should the value of the agreement materially change due to unforeseen circumstances. However, a five-year term is not uncommon for agreements of this type and provides stability for each party over that period.

COMMUNITY ENGAGEMENT

Community engagement was not required.

² [Air Passenger Market Analysis \(iata.org\)](https://www.iata.org/en/pressroom/2022/02/02-air-passenger-market-analysis)

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

1. Reject the new tax agreement and maintain the current agreement. Staff does not recommend this alternative as the new tax agreement will provide higher revenues for the Municipality over the existing agreement.
2. Council could direct staff to provide a one-year termination notice to HIAA and re-negotiate a new tax agreement based on a higher level of revenue than what is being proposed or assessment based. While HRM would incur an opportunity cost in terms of incremental revenue in 2025-26, it remains to be seen if this alternative would produce a substantially different agreement until another negotiation occurs with HIAA.

LEGISLATIVE AUTHORITY

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

Section 92A

(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.

(3) A taxation agreement entered into pursuant to this section does not apply with respect to property leased or occupied by a tenant of the Authority.

Section 58

(1) The Council shall make decisions in the exercise of its powers and duties by resolution, by policy or by by-law.

(2) The Council may exercise any of its powers and duties by resolution unless a policy or a by-law is required by an enactment.

Section 10(3) of the Halifax Regional Municipality (HRM) Charter states:

(3) The Mayor and Clerk or the persons designated by Council by policy may sign a deed or other document to which the Municipality is a party on behalf of the Municipality.

ATTACHMENTS

Attachment 1 – Financial Analysis of New Tax Agreement

Attachment 2 – HRM-HIAA Taxation Agreement - 26 June 2024 Execution Version

Attachment 3 – 2018-12-17 Executed Taxation Agreement

Report Prepared by: Vicki Robertson, Acting Director of Revenue, Finance & Asset Management
Dan Freeman, Senior Financial Consultant, Finance & Asset Management

Attachment 1 - Financial Analysis of New Tax Agreement

	2020	2021	2022	2023	2024	2025	2026	2027
Current HIAA Agreement						Forecast	Forecast	Forecast
Total Taxation	\$ 1,641,957	\$ 1,648,050	\$ 1,668,356	\$ 1,722,455	\$ 1,968,829	\$ 2,004,515	\$ 2,039,803	\$ 2,117,023
New HIAA Agreement						Forecast	Forecast	Forecast
Total Taxation						\$ 2,452,885	\$ 2,762,337	\$ 3,056,299
Variance to Current Tax Agreement						\$ 448,370	\$ 722,534	\$ 939,276
New HIAA Agreement Passenger Count Sensitivity Analysis (90% of Forecast)						Forecast	Forecast	Forecast
Total Taxation						\$ 2,250,285	\$ 2,532,476	\$ 2,800,715
Variance to Current Tax Agreement						\$ 245,770	\$ 492,673	\$ 683,692

Attachment 1 - Financial Analysis of New Tax Agreement

Current HIAA Agreement	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast	2032 Forecast	2033 Forecast	2034 Forecast
Total Taxation	\$ 2,187,409	\$ 2,238,794	\$ 2,293,904	\$ 2,349,338	\$ 2,406,222	\$ 2,468,097	\$ 2,529,270
New HIAA Agreement	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Total Taxation	\$ 3,297,133	\$ 3,503,722	\$ 3,718,454	\$ 3,937,816	\$ 4,165,016	\$ 4,411,142	\$ 4,659,167
Variance to Current Tax Agreement	\$ 1,109,724	\$ 1,264,928	\$ 1,424,551	\$ 1,588,478	\$ 1,758,794	\$ 1,943,045	\$ 2,129,896
New HIAA Agreement Passed	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Total Taxation	\$ 3,021,227	\$ 3,210,862	\$ 3,408,268	\$ 3,609,944	\$ 3,818,780	\$ 4,044,758	\$ 4,272,557
Variance to Current Tax Agreement	\$ 833,818	\$ 972,068	\$ 1,114,365	\$ 1,260,606	\$ 1,412,558	\$ 1,576,661	\$ 1,743,286

TAXATION AGREEMENT

THIS TAXATION AGREEMENT (the “**Agreement**”) made as of _____, 2024

BETWEEN:

HALIFAX REGIONAL MUNICIPALITY
 (“**HRM**”)

- and -

HALIFAX INTERNATIONAL AIRPORT AUTHORITY
 (“**HIAA**”)

(each a “**Party**”, and collectively, the “**Parties**”)

BACKGROUND:

- A. HIAA was incorporated on November 23, 1995 under the *Canada Corporations Act*, and continued on April 7, 2014 under the *Canada Not-for-profit Corporations Act*, as a not-for-profit, non-share-capital corporation with a mandate to manage, operate and develop Halifax Stanfield International Airport (“**Halifax Stanfield**”).
- B. Pursuant to the ground lease made between His Majesty the King in Right of Canada, represented by the Minister of Transport (the “**Crown**”) and HIAA as of February 1, 2000, as amended (the “**Ground Lease**”), the Crown leased to HIAA all of the “**Lands**” (as defined in the Ground Lease) for a term of 80 years.
- C. HIAA endeavors to manage, operate and develop Halifax Stanfield in such a manner as to improve transportation facilities and to generate economic activity in and around the various communities comprising the HRM.
- D. HRM views Halifax Stanfield as a significant contributor to the maintenance and expansion of economic activity in and around HRM and wishes to support HIAA in its efforts and plans to expand, improve and develop Halifax Stanfield.
- E. HIAA continues to confer regularly with HRM and other community stakeholders on matters affecting the operation and development of Halifax Stanfield.
- F. The Parties previously entered into development grant agreements, the last dated April 1, 2014 (the “**Development Grant Agreement**”), whereby HRM had agreed, *inter alia*, to make an annual grant, pursuant to section 70 of the *Halifax Regional Municipal Charter* (the “**Charter**”), to HIAA in an amount calculated in accordance with the terms and conditions of the Development Grant Agreement.
- G. The Province of Nova Scotia amended the Charter by adding Section 92A which authorized HRM to enter into a taxation agreement with HIAA, which may include setting a tax rate and setting out a means to calculate the amount of taxes payable by HIAA.

- H. The Parties agreed to terminate the Development Grant Agreement and entered into a taxation agreement dated December 17, 2018, as amended (the “**2018 Tax Agreement**”), pursuant to which HRM and HIAA agreed to a tax rate and the mechanism to calculate the amount of taxes payable by HIAA to HRM.
- I. To permit the Parties the opportunity to negotiate this Agreement, the Parties executed a waiver document, dated March 31, 2024, in which HIAA agreed to waive the requirements of Section 2.3 of the 2018 Tax Agreement, which required HRM to provide 365 days’ notice to HIAA to terminate the 2018 Tax Agreement.
- J. The 2018 Tax Agreement was amended pursuant to an amending agreement effective as of April 4, 2024 (the “**Amending Agreement**”) pursuant to which HRM and HIAA address HIAA’s payment of the Climate Action Tax (as defined therein).
- K. HRM and HIAA have reached agreement on the taxes to be paid by HIAA to HRM and now wish to:
 - (i) set forth the terms and conditions pursuant to which such taxes shall be calculated and paid by HIAA to HRM; and,
 - (ii) terminate the 2018 Tax Agreement and the Amending Agreement (collectively, the “**Prior Agreements**”).

IN CONSIDERATION of the mutual promises and obligations contained in this Agreement, the Parties covenant and agree as follows:

1. DEFINITIONS

- 1.1 In this Agreement,
 - (a) “**Adjusted Final Passenger Volume**” has the meaning set out in Section 5.3(b).
 - (b) “**Annual Period**” means that twelve-month fiscal year commencing upon April 1st and ending on March 31st.
 - (c) “**Base Amount**” has the meaning set out in Section 5.2(b).
 - (d) “**CAT-Subject Property**” has the meaning set out in Section 4.2(b).
 - (e) “**Climate Action Tax**” means a tax instituted by HRM in 2018 the proceeds of which are to assist HRM in reaching a net-zero economy by 2050 through the funding of various “green” initiatives such as electrifying vehicles, retrofitting infrastructure and mitigating the effects of climate change.
 - (f) “**Commencement Date**” means April 1, 2025.
 - (g) “**Council**” means the Council of the Halifax Regional Municipality.

- (h) "**Decreased Passenger Volume**" has the meaning set out in Section 7 of this Agreement.
- (i) "**Deplaned Passenger**" means any person, other than airline crewmembers, who disembarks from an aircraft at the Halifax Stanfield air terminal building during the applicable calendar year.
- (j) "**Enplaned Passenger**" means any person, other than airline crewmembers, who boards an aircraft at the Halifax Stanfield air terminal building during the applicable calendar year.
- (k) "**Estimated Passenger Volume**" means the estimated total number of Enplaned and Deplaned Passengers, and which are communicated to HRM by HIAA in accordance with Section 6.1(a) of this Agreement.
- (l) "**Exempt Property**" means HIAA Property that is used as a place of worship and which is exempt from taxation pursuant to Nova Scotia's *Assessment Act*.
- (m) "**Federal Tenants**" means licencees, sublessees, tenants, and other occupiers of HIAA Property who are departments or agencies of the federal government.
- (n) "**Federal Tenant Property**" means HIAA Property that is occupied by Federal Tenants.
- (o) "**Final Passenger Volume**" means, subject to Section 6 of this Agreement, the total number of Enplaned and Deplaned Passengers for a calendar year, and which are communicated to HRM by HIAA in accordance with 6.1(b) of this Agreement.
- (p) "**HIAA Property**" means the parcels of land managed or administered by HIAA as identified in Schedule A to this Agreement.
- (q) "**Passenger Amount**" has the meaning set out in Section 5.3 of this Agreement.
- (r) "**Resource Property**" means HIAA Property that is designated as "Resource" by the applicable provincial assessment authority.
- (s) "**Tenants**" means commercial licensees, sublessees and tenants of HIAA, and does not include Federal Tenants.
- (t) "**Term**" has the meaning set out in Section 3.2 of this Agreement.

2. TERMINATION OF THE PRIOR AGREEMENTS

- 2.1 **Termination of Prior Agreements.** The Parties agree that, effective at 11:59 p.m. on March 31, 2025, the Prior Agreements shall terminate and this Agreement shall immediately, as of 12:00 a.m. on the Commencement Date, replace and supersede the Prior Agreements.

3. TERM AND TERMINATION

3.1 **Term.** The term of this Agreement shall commence on the Commencement Date and shall continue for a period of 10 years (the “**Initial Term**”), unless sooner terminated pursuant to Section 3.3.

3.2 Renewal

- (a) Upon the expiration of the Initial Term, this Agreement shall automatically renew for successive 5 year terms (each a “**Renewal Term**” and together with the Initial Term, the “**Term**”), unless either Party provides written notice to the other Party of its desire for such automatic renewal not to occur in which case this Agreement shall terminate on the last day of the Initial Term or the then-current Renewal Term, as applicable. Such written notice must be provided at least 180 days prior to the end of the Initial Term or the then-current Renewal Term.
- (b) The terms and conditions in force during each Renewal Term shall be the same as the terms and conditions of the Agreement in effect immediately prior to such renewal.

3.3 Termination

- (a) **Termination for Convenience.** HRM may terminate this Agreement at any time after March 31, 2030, without cause, by providing at least 180 days prior written notice to HIAA. Where notice to terminate is delivered by HRM in accordance with this Section 3.3(a), this Agreement shall terminate effective March 31st of the then current Annual Period.
- (b) **Termination for Cause.** HRM may terminate this Agreement effective upon written notice to HIAA at any time, if HIAA (i) becomes insolvent or admits its inability to pay its debts generally as they become due; (ii) files a petition for voluntary or involuntary bankruptcy or pursuant to any other insolvency law; (iii) makes or seeks to make a general assignment for the benefit of its creditors; (iv) applies for, or consents to, the appointment of a trustee or receiver for a substantial part of its property or business; or, (v) HIAA has not materially complied with one or more of its obligations as required by this Agreement.

4. CLIMATE ACTION TAX

4.1 Climate Action Tax Payable

In addition to all other taxes and payments set forth in this Agreement, HIAA shall pay to HRM the Climate Action Tax, calculated in accordance with Section 4.2 of this Agreement, and paid in accordance with Section 4.3.

4.2 Calculation of Climate Action Tax

- (a) The rate associated with the Climate Action Tax shall be set by Council annually.
- (b) To determine the amount of Climate Action Tax to be paid by HIAA to HRM in each Annual Period

during the Term:

- (i) HIAA Property (including Resource Property, but excluding Federal Tenant Property, HIAA Property that is licenced to or subleased by Tenants, and Exempt Property) (and such HIAA Property for the purposes of this Section 4 shall be the “**CAT-Subject Property**”) shall be assessed annually, at the beginning of each calendar year, by the applicable provincial assessment authority which shall provide a total assessed value of such CAT-Subject Property for that Annual Period; and,
 - (ii) the total assessed value of the CAT-Subject Property shall then be multiplied by the rate confirmed to HIAA pursuant to Section 4.1 to determine the total Climate Action Tax to be paid for that Annual Period in respect of CAT-Subject Property.
- (c) By way of example only, and only for purposes of clarification and illustration, a sample Climate Action Tax calculation is set forth in Schedule C.

4.3 **Payment of Climate Action Tax**

- (a) The payment of the Climate Action Tax by HIAA shall occur in two instalments in each Annual Period, with the first payment (the “**Interim CAT Payment**”) occurring not later than the final business day in April of each Annual Period and the second payment (the “**Final CAT Payment**”) occurring not later than the final business day in October of each Annual Period.
- (b) The Interim CAT Payment shall be calculated by estimating one half of the Annual Period’s Climate Action Tax to be paid, calculated using the then current assessment value for the CAT-Subject Property multiplied by the Climate Action Tax rate for the previous Annual Period.
- (c) The Final CAT Payment shall be calculated by multiplying the actual assessment value for HIAA Property by the actual Climate Action Tax rate for the Annual Period, less the amount of the Interim CAT Payment.

4.4 **Invoicing of Climate Action Tax**

HRM shall invoice HIAA for each of the Interim CAT Payment and the Final CAT Payment, calculated in accordance with Section 4.3, approximately 6 weeks prior to the due date for such Climate Action Tax payment.

4.5 **Future Climate-Related Tax Initiatives**

If, during the Term, HRM establishes a tax similar to the Climate Action Tax, intended to address climate change, sustainability initiatives or otherwise assist HRM with achieving a net-zero economy by 2050, the parties will enter into good faith negotiations to amend this Agreement in order to take into account any such initiative and any required amendment to the Climate Action Tax payable hereunder.

5. PROPERTY TAX

5.1 **Property Tax Payable**

- (a) HIAA shall pay property tax to HRM in accordance with this Agreement in full satisfaction of and in substitution for any other property tax or rate imposed or levied by HRM under the Charter or otherwise.
- (b) HIAA agrees that any property tax payable by HIAA to HRM pursuant to this Agreement shall be paid in accordance with the invoicing methodology as set by Council.

5.2 **Calculation of Property Tax**

- (a) For each Annual Period, commencing with the Annual Period beginning on the Commencement Date, the property tax to be paid by HIAA for the HIAA Property (which, for the purposes of this Section 5, includes Federal Tenant Property and Resource Property, and, for greater certainty, excludes: (i) HIAA Property that is licenced to or subleased by Tenants, which is addressed in section 8, and (ii) Exempt Property) shall be calculated as the sum of:
 - 1. the product of
 - (i) \$0.50 (and this amount shall increase in each successive Annual Period in accordance with the table set forth in Schedule B to this Agreement); multiplied by
 - (ii) the Passenger Amount;
 - and
 - 2. the Base Amount.
- (b) In the first Annual Period commencing on the Commencement Date, the “**Base Amount**” shall be \$200,000, which shall be adjusted in each subsequent Annual Period thereafter in accordance with Section 5.2(c).
- (c) In each successive Annual Period that occurs after the first Annual Period, for the Term, the Base Amount for that particular Annual Period shall be calculated by adding \$25,000 to the product obtained after multiplying:
 - (i) the Base Amount that was calculated for the immediately preceding Annual Period by
 - (ii) the percentage equal to the increase in the Consumer Price Index for Nova Scotia for the prior calendar year, as published by Statistics Canada.

5.3 **Passenger Amount**

For the purposes of Section 5.2(a) and subject to Section 7, "**Passenger Amount**" means the greater of:

- (a) the Final Passenger Volume for the calendar year immediately prior to the start of the applicable Annual Period; or
- (b) the Final Passenger Volume for the calendar year immediately prior to the calendar year referred to in clause 5.2(a) above, plus an amount equal to 2.5% of that number (the "**Adjusted Final Passenger Volume**"); or
- (c) for Annual Periods beginning April 1, 2026, the Passenger Amount for the Annual Period immediately preceding the Annual Period in respect of which the property tax is being calculated.

By way of example only, and only for purposes of clarification and illustration, sample property tax calculations are set forth in Schedule C to this Agreement.

5.4 **Payment of Property Tax**

- (a) No later than March 15th of each Annual Period, HRM shall provide HIAA with an interim invoice equal to 50% of the property taxes paid by HIAA in respect of the most recently completed Annual Period, calculated in accordance with Section 5.2 of this Agreement. HIAA shall pay the amount set forth in the invoice not later than April 30th of each Annual Period.
- (b) No later than September 30th of each Annual Period, HRM shall provide HIAA with a final invoice, equal to the outstanding amount of property tax payable by HIAA, as calculated in accordance with Section 5.2 of this Agreement. HIAA shall pay the amounts set forth in the final invoice no later than October 31st of each Annual Period.

6. **PASSENGER VOLUME REPORTING**

6.1 HIAA shall provide HRM with both an Estimated Passenger Volume and a Final Passenger Volume calculated as follows:

- (a) **Estimated Passenger Volume:** HIAA shall provide HRM with Estimated Passenger Volumes, set out on an annual basis, for each five-year period commencing on the Commencement Date. The Estimated Passenger Volume will be provided to HRM in the December preceding the commencement of the relevant five-year period.
- (b) **Final Passenger Volume:** HIAA shall provide a Final Passenger Volume for each calendar year to HRM annually, on or before January 20th of the calendar year following the year that is the subject of the report. The Final Passenger Volume figures shall be the total number of Enplaned and Deplaned Passengers reported to HIAA by all of the various commercial air carriers operating at Halifax Stanfield.

7. PASSENGER VOLUME DECREASE

Notwithstanding any other provision to the contrary in this Agreement, if for any calendar year during the Term the Final Passenger Volume reported for that calendar year reflects a reduction in Enplaned Passengers and Deplaned Passengers that is equal to or greater than 5% as compared to the Final Passenger Volume reported for the previous calendar year (the “**Decreased Passenger Volume**”) the Parties agree that the Decreased Passenger Volume shall be used as the Passenger Amount for the purposes of calculating the property taxes payable by HIAA to HRM in accordance with Section 5.2(a).

8. PROPERTY TAX PAYABLE BY TENANTS

8.1 HIAA Property Subleased by Tenants

Notwithstanding Section 5, property taxes payable by Tenants in respect of HIAA Property licensed to Tenants by HIAA or subleased by Tenants from HIAA, other than Exempt Property and Federal Tenant Property, shall be calculated based on the current year assessment roll value at the tax rate(s) set by Council and paid by HIAA to HRM accordingly. HIAA shall ensure that Tenants in respect of HIAA Property licensed to Tenants by HIAA or subleased by Tenants from HIAA receive all interim and final invoices that set forth the applicable amounts of property tax payable by such Tenant.

8.2 Payment by Tenants

Notwithstanding section 8.1, subject to:

- (a) the governmental authority responsible for the assessment of property creating assessment accounts for HIAA Property licensed to Tenants by HIAA or subleased by Tenants from HIAA, (other than Exempt Property and Federal Tenant Property); and,
- (b) HIAA being responsible and liable for the payment to the applicable governmental authority of any amounts of HIAA Property licensed to Tenants by HIAA or subleased by Tenants from HIAA, (other than Exempt Property and Federal Tenant Property) that are in arrears greater than or equal to 90 days or which are in arrears due to the Tenant’s cessation of its operations,

then HRM shall provide interim and final invoices directly to Tenants, setting out the applicable amounts of property tax payable by such Tenant to HRM for payment by such Tenant directly to HRM, not later than March 1st and September 30th, respectively.

8.3 Access to Information

HRM shall continue to work cooperatively with the applicable governmental assessment authority, or its successor organization, to ensure HIAA continues to have access to the detail included in the annual assessment roll that is used to allocate values for each portion of land and/or building on HIAA Property that is licensed to, or subleased by, a Tenant.

9. **FORCE MAJEURE**

No party shall be liable or responsible to the other party, nor be deemed to have defaulted under or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement (except for any obligations of HIAA to make payments to HRM for the applicable property taxes in accordance with this Agreement), when and to the extent such failure or delay is caused by or results from acts or circumstances beyond the impacted party's ("**Impacted Party**") reasonable control including, without limitation, the following force majeure events ("**Force Majeure Event(s)**"):

- (a) acts of God;
- (b) flood, tsunami, fire, earthquake, epidemics, pandemics, or explosion;
- (c) war, invasion, hostilities (whether war is declared or not), terrorist threats or acts, riot, or other civil unrest;
- (d) government order, law or actions;
- (e) embargoes or blockades in effect on or after the date of this Agreement;
- (f) national or regional emergency;
- (g) strikes, lockouts, labour stoppages or slowdowns, labour disputes, or other industrial disturbances; and
- (h) other similar events beyond the reasonable control of the Impacted Party.

The Impacted Party shall give notice within five days of the Force Majeure Event to the other party, stating the period of time the occurrence is expected to continue. The Impacted Party shall resume performance under this Agreement as soon as reasonably practicable after the Force Majeure Event has been resolved or terminated.

10. **GENERAL**

- 10.1 **Entire Agreement.** This Agreement, together with all schedules and any other documents incorporated by reference into this Agreement, shall constitute the entire agreement between the Parties with respect to the subject matter of the Agreement, and shall supersede all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the parties.
- 10.2 **Further Assurances.** Each of the Parties shall from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.
- 10.3 **Time of the Essence.** Time shall be of the essence of this Agreement.
- 10.4 **Fees, Costs, Expenses.** Each of the Parties shall pay their respective legal and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed in accordance with this Agreement.
- 10.5 **Successors and Assigns.** This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective successors and permitted assigns.

10.6 **Amendments and Modifications.** This Agreement may be amended, modified, or supplemented only by an agreement in writing signed by each party hereto.

10.7 **Waiver.** No waiver by any party of any of the provisions hereof will be effective unless explicitly set forth in writing and signed by the Party so waiving. Except as otherwise set forth in this Agreement, no failure to exercise, or delay in exercising, any right, remedy, power, or privilege arising from this Agreement will operate or be construed as a waiver thereof; nor will any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof, or the exercise of any other right, remedy, power, or privilege.

10.8 **Notices.** Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient as follows:

To: **Halifax Regional Municipality**
Municipal Solicitor
Halifax Regional Municipality
1841 Argyle Street, Halifax
PO Box 1749, Halifax, NS B3J 3A5
clerks@halifax.ca

Cc: Chief Financial Officer
Halifax Regional Municipality
Halifax Regional Municipality
1841 Argyle Street, Halifax
PO Box 1749, Halifax, NS B3J 3A5
clerks@halifax.ca

To: **Halifax International Airport Authority**
747 Bell Boulevard, Box 1610, 3rd Floor
Goffs, NS B2T 1K2
Attention: Paul Brigley, Chief Financial Officer
Email: paul.brigley@hiala.ca

Cc: Director, Legal Services
Email: legal@hiala.ca

10.9 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Nova Scotia and the applicable laws of Canada. For the purposes of Part XX of the *Municipal Government Act of Nova Scotia*, this entire Agreement shall be deemed to be public information.

10.10 **Counterparts.** This Agreement may be signed electronically and in counterparts. The parties agree that signatures transmitted and received via electronic transmission shall be treated for all purposes of this Agreement as original signatures and shall be deemed valid, binding and enforceable by and against all parties.

HRM and HIAA have properly executed this Agreement through their authorized representatives as of the date first above written.

HALIFAX INTERNATIONAL AIRPORT AUTHORITY

Signature: _____

Print Name:

Print Title:

Signature: _____

Print Name:

Print Title:

HALIFAX REGIONAL MUNICIPALITY

Signature: _____

Print Name:

Print Title:

SCHEDULE A

HIAA Property

Assessment Account Number

01189417

Parcel Identification Numbers

00526574

41220393

SCHEDULE B

Per Passenger Amount

Annual Period	2025/ 2026	2026/ 2027	2027/ 2028	2028/ 2029	2029/ 2030	2030/ 2031	2031/ 2032	2032/ 2033	2033/ 2034	2034/ 2035
Rate	\$0.50	\$0.53	\$0.56	\$0.58	\$0.60	\$0.62	\$0.64	\$0.66	\$0.68	\$0.70

SCHEDULE C
Sample Calculations

Climate Action Tax

For illustrative purposes, the following is a sample calculation of the property tax payable pursuant to Section 4.1 of this Agreement:

Total assessed taxable value of the CAT-Subject Property for 2023/2024 Annual Period:
\$261,933,900 + \$8,690,400.

Climate Action Tax rate in effect for 2023/2024: \$0.079 (per \$100 of assessed taxable value);
Resource Property - \$0.020 (per \$100 of assessed taxable value);

$$= (\$261,933,900 * \$0.079) / 100 + (\$8,690,400 * \$0.020) / 100 = \mathbf{\$206,927.78 + \$1,738.08}$$

$$= \mathbf{\underline{\$208,665.86}}$$

Property Tax

Sample Passenger Amount Determination

Annual Period	Final Passenger Volume of Previous Calendar Year (Section 5.3(a))	Adjusted Final Passenger Volume (adjusted per Section 5.3(b))	Passenger Amount (per Section 5.3(c))	Passenger Amount used for the purpose of Section 5
2024/25	3,579,000			
2025/26	4,052,000	3,668,475	---	4,052,000
2026/27	4,337,000	4,153,300	4,052,000	4,337,000
2027/28	4,564,000	4,445,425	4,337,000	4,564,000
2028/29	4,290,160 <i>(-6% from prior year)</i>	4,678,100	4,564,000	4,290,160 <i>(per Section 7)</i>
2029/30	4,881,000	4,397,414	4,290,160	4,881,000
2030/31	5,003,000	5,003,025	4,881,000	5,003,000
2031/32	4,802,880 <i>(-4% from 2029)</i>	5,128,075	5,003,000	5,103,060

Sample Property Tax Calculations

Annual Period April 1, 2025 – March 31, 2026

Per passenger amount calculated per Section 5.2(a)(1)	\$0.50 x 4,052,000 =	\$2,026,000 +
Base Amount for purpose of Section 5.2(a)(2)	\$200,000	\$ 200,000
		= \$2,226,000

Annual Period April 1, 2026 – March 31, 2027

Per passenger amount calculated per Section 5.2(a)(1)	$\$0.53 \times 4,337,000$	$\$2,298,610 +$
Base Amount for purpose of Section 5.2(a)(2)		
Section 5.3(b)(1) – assuming 3% CPI	$\$200,000 + \$6,000 = \$206,000$	$\$ 231,000$
Section 5.3(b)(2)	$\$206,000 + \$25,000 = \$231,000$	
		$= \$2,529,610$

Annual Period April 1, 2027 – March 31, 2028

Per passenger amount calculated per Section 5.2(a)(1)	$\$0.56 \times 4,564,000$	$\$2,555,840 +$
Base Amount for purpose of Section 5.2(a)(2)		
Section 5.3(b)(1) – assuming 3% CPI	$\$231,000 + \$6,930 = \$237,930$	$\$ 262,930$
Section 5.3(b)(2)	$\$237,930 + \$25,000 = \$262,930$	
		$= \$2,818,770$

Annual Period April 1, 2028 – March 31, 2029

Per passenger amount calculated per Section 5.2(a)(1)	$\$0.58 \times 4,290,160$	$\$2,488,292.80 +$
Base Amount for purpose of Section 5.2(a)(2)		
Section 5.3(b)(1) – assuming 3% CPI	$\$262,930 + \$7,887.90 = \$270,817.90$	$\$ 295,817.90$
Section 5.3(b)(2)	$\$270,817.90 + \$25,000 = \$295,817.90$	
		$= \$2,784,110.70$

Approved as to Form
and Authority
GCG
Solicitor

TAXATION AGREEMENT

THIS AGREEMENT made as of the 17 day of December, 2018.

B E T W E E N:

HALIFAX REGIONAL MUNICIPALITY
(hereinafter called "HRM")

- and -

HALIFAX INTERNATIONAL AIRPORT AUTHORITY
(hereinafter called the "Authority")

RECITALS:

- A. The Authority was incorporated on November 23, 1995 under Part II of the *Canada Corporations Act*, and continued on April 7, 2014 under the *Canada Not-for-profit Corporations Act*, as a not-for-profit, non share-capital corporation with a mandate to manage, operate and develop Halifax Stanfield International Airport ("HSIA").
- B. Pursuant to the ground lease made between Canada and the Authority as of February 1, 2000, as amended (the "Ground Lease"), Canada leased to the Authority all of the "Lands" (as defined in the Ground Lease) for a term of eighty (80) years.
- C. The Authority endeavors to manage, operate and develop HSIA in such a manner as to improve transportation facilities and to generate economic activity in and around the various communities comprising the HRM.
- D. HRM views the HSIA as a significant contributor to the maintenance and expansion of economic activity in and around HRM and wishes to support the Authority in its efforts and plans to expand, improve and develop HSIA.
- E. The Authority continues to confer regularly with HRM and other community stakeholders on matters affecting the operation and development of HSIA.
- F. The Authority and HRM previously entered into development grant agreements, the last dated April 1, 2014 (the "Development Grant Agreement"), whereby HRM had agreed, *inter alia*, to make an annual grant, pursuant to section 70 of the *Halifax Regional*

Municipality Charter, to the Authority in an amount calculated in accordance with the terms and conditions of the Development Grant Agreement.

- G. The Province of Nova Scotia has passed amendments to, the *Halifax Regional Municipality Charter* by adding Section 92A which authorizes HRM to enter into a taxation agreement with the Authority which may include setting a tax rate and setting out a means to calculate the amount of taxes payable by the Authority.
- H. HRM and the Authority wish to terminate the Development Grant Agreement and enter into this Agreement.

NOW THEREFORE in consideration of the mutual covenants herein contained and other good and valuable consideration, it is agreed as follows:

1. **Definitions.** In this Agreement,

1.1 “**Act**” means the *Halifax Regional Municipality Charter*.

1.2 “**Adjusted Base Amount**” means the Base Amount increased annually, commencing in 2005, by the Consumer Price Index for HRM, currently identified as reference catalogue number 62-010-X1B for Halifax.

1.3 “**Adjusted Final Passenger Volume**” has the meaning set forth in Section 4(b).

1.4 “**Agreement**” means this agreement, together with any amendments, modifications or extensions hereto.

1.5 “**Annual Period**” means that twelve-month fiscal year commencing upon April 1st of any applicable year and ending on March 31st of the following year.

1.6 “**Authority Property**” means the parcels of land managed or administered by the Authority as identified in Schedule A to this Agreement.

1.7 “**Base Amount**” means the amount of Five Hundred and Twenty-Eight Thousand Eight Hundred and Ninety-Eight Dollars (CAD \$528,898), which represents that amount that was payable in lieu of taxes by Canada to HRM for the 1998-99 taxation year, based on the provincial assessed value for that taxation year.

1.8 “**Canada**” means Her Majesty the Queen in Right of Canada.

1.9 “**Commencement Date**” has the meaning set forth in subsection 2.2 of this Agreement.

1.10 “**Council**” means the Council of HRM.

1.11 “Deplaned Passenger” means any person, other than airline crewmembers, who disembarks from an aircraft at the HSIA air terminal building during the applicable calendar year.

1.12 “Enplaned Passenger” means any person, other than airline crewmembers, who boards an aircraft at the HSIA air terminal building during the applicable calendar year.

1.13 “Estimated Passenger Volume” means the estimated total number of Enplaned and Deplaned Passengers as communicated to HRM by the Authority in accordance with Section 6 of this Agreement.

1.14 “Exempt Federal Tenants” means licencees, sublessees, tenants and other occupiers of Authority Property who are departments or agencies of the federal government and who occupy Authority Property free of charge.

1.15 “Exempt Property” means property occupied by Her Majesty or as a place of worship that is exempt from taxation pursuant to Nova Scotia’s *Assessment Act*.

1.16 “Final Passenger Volume” means, subject to Section 7 hereof, the total number of Enplaned and Deplaned Passengers for a calendar year as communicated to HRM by the Authority in accordance with Section 6 of this Agreement.

1.17 “Passenger Amount” has the meaning set forth in Section 4 of this Agreement.

1.18 “Tenants” means licensees, sublessees and tenants of the Authority, other than Exempt Federal Tenants.

2. Term and Termination.

2.1 Termination of Development Grant Agreement. The Development Grant Agreement is terminated and replaced with this Agreement.

2.2 Term. The term of this Agreement is twenty (20) years, commencing on April 1, 2019 (the “Commencement Date”), and terminating on March 31, 2039.

2.3 Termination. HRM may terminate this Agreement for any reason by delivering written notice to the Authority no later than three hundred and sixty five (365) days prior to the end of the applicable Annual Period. Where notice to terminate is delivered by HRM in accordance with this clause, this Agreement shall terminate effective March 31st of the applicable Annual Period.

3. Property Tax Payable. The Authority shall pay property tax in accordance with this Agreement instead of any property tax or rate imposed by HRM.

The Authority agrees that any property tax payable by the Authority to HRM pursuant to this Agreement shall be paid in accordance with the invoicing methodology as set by the Council.

No later than March 1st of each year, HRM shall provide the Authority with an interim invoice equal to fifty per cent (50%) of the property taxes paid by the Authority in respect of the most recently completed Annual Period. The Authority shall pay the amounts set forth in the invoice no later than April 30th of each year.

No later than September 30th of each year, HRM shall provide the Authority with a final invoice, equal to the outstanding amount of property tax payable by the Authority, as calculated in Sections 4 and 5 of this Agreement. The Authority shall pay the amounts set forth in the final invoice no later than October 31st of each year.

4. Calculation of Property Tax.

For each Annual Period, commencing with the Annual Period beginning April 1, 2019, the property tax to be paid by the Authority for each year that is subject to this Agreement shall be calculated as the sum of:

- (i) the product of Twenty-Two Cents (CAD \$0.22) multiplied by the Passenger Amount

and

- (ii) the Adjusted Base Amount.

For the purposes of this Section 4, “Passenger Amount” means the greater of:

- (a) the Final Passenger Volume for the calendar year immediately prior to the start of the applicable Annual Period; or
- (b) the Final Passenger Volume for the calendar year immediately prior to the calendar year referred to in clause 4(a) above, plus an amount equal to two and a half per cent (2.5%) of that number (the “Adjusted Final Passenger Volume”); or
- (c) for Passenger Amounts calculated for calendar years 2019 and later, the Passenger Amount for the Annual Period immediately preceding the Annual Period in respect of which the property tax is being calculated.

By way of example only, and only for purposes of clarification and illustration, sample property tax calculations are set forth in Schedule C.

The parties acknowledge that the property tax applicable to Authority Property, other than Exempt Property and property licensed or subleased by Tenants and Exempt Federal Tenants, for the Annual Period beginning April 1, 2018 is one million, five hundred and sixty-five thousand, eight hundred and forty-eight dollars and fifty-seven cents (\$1,565,848.57) and that HRM has received full payment of such amount.

5. **Calculation of Property Tax for Tenants.** Notwithstanding Section 4, property taxes applicable to Authority Property licensed or subleased by Tenants, other than Exempt Property and property occupied by Exempt Federal Tenants, shall be calculated based on the current year assessment roll value at the tax rate(s) set by Council. HRM shall continue to work cooperatively with Property Valuation Services Corporation, or its successor organization, to ensure the Authority continues to have access to the detail included in the annual assessment roll that is used to allocate values for each portion of land and/or building on Authority Property that is licensed or subleased by a Tenant, other than Exempt Property and property that is occupied by Exempt Federal Tenants.

6. **Passenger Volume Reporting.** The Authority shall provide HRM with both an Estimated Passenger Volume and a Final Passenger Volume as follows:

Estimated Passenger Volume: The Authority shall provide HRM with Estimated Passenger Volumes, set out on an annual basis, for each five-year period commencing January 1, 2019. The Estimated Passenger Volume will be provided to HRM in the December preceding the commencement of the relevant five year period, except that the Estimated Passenger Volume for the five year period commencing January 1, 2019 is attached as Schedule B.

Final Passenger Volume: The Authority shall provide a Final Passenger Volume for each calendar year to HRM annually, on or before January 31st of the calendar year following the year that is the subject of the report. The Final Passenger Volume figures shall be based upon information on the total number of Enplaned and Deplaned Passengers reported to the Authority by all of the various commercial air carriers operating at HSIA.

7. **Unanticipated Passenger Volume Variances.**

Notwithstanding any other provision to the contrary in this Agreement, if for any calendar year during the term of this Agreement the Final Passenger Volume for that calendar year varies by more than ten percent (10%) from the Estimated Passenger Volume for that calendar year as set out in Schedule B of this Agreement, as updated pursuant to Section 6, the parties agree that either party may give notice to the other to enter into good faith discussions regarding amendments to this Agreement in order to take into account the changes to the Final Passenger Volume. Such discussions shall commence no later than thirty (30) days after the notice is received.

8. **General Provisions.**

8.1 Headings. The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Paragraph or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Paragraphs are to Articles and Paragraphs of this Agreement.

8.2 Extended Meanings. In this Agreement words importing the singular number only shall include the plural and *vice versa*, words importing the masculine gender shall include the feminine and neuter genders and *vice versa* and words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations.

8.3 Schedules. The following is the Schedule annexed hereto and incorporated by reference and deemed to be part hereof:

Schedule A – Authority Property

Schedule B – Estimates of Anticipated Passenger Volumes

Schedule C – Sample Calculations

8.4 Further Assurances. Each of the Parties shall from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

8.5 Time of the Essence. Time shall be of the essence of this Agreement.

8.6 Force Majeure. Either party shall be excused of its obligations hereunder (other than any obligation to pay money) by reason of any cause beyond its reasonable control; provided that such party immediately notifies the other of the occurrence of such cause.

8.7 Fees, Costs, Expenses. Each of the parties hereto shall pay their respective legal and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant hereto.

8.8 Benefit of the Agreement. This Agreement shall enure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of the parties hereto.

8.9 Reasonableness. Each of the parties shall at all times act reasonably in the performance of its obligations and the exercise of its rights under this Agreement.

8.10 Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

8.11 Amendments and Waiver. No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by both of the parties hereto and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived.

8.12 Notices. Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient as follows:

(a) In the case of the HRM, (b) In the case of the Authority,

Halifax Regional Municipality
City Hall
Box 1749
Halifax NS B3J 3A5
Facsimile: 902-490-4208

Halifax International Airport Authority
1 Bell Boulevard
Enfield, Nova Scotia
B2T 1K2
Facsimile: 902-873-2800

Attention: Municipal Clerk

Attention: Chief Financial Officer

8.13 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Nova Scotia and the laws of Canada applicable therein. For the purposes of Part XX of the *Municipal Government Act* of Nova Scotia, this entire Agreement shall be deemed to be public information.

IN WITNESS WHEREOF the parties hereto have executed this Agreement by their duly authorized representatives on the day first above written.

HALIFAX REGIONAL MUNICIPALITY

By: 

Name: **Mike Savage**


Title: 

By: 

Name: **Kevin Arjoon**

Title: **Municipal Clerk**

HALIFAX INTERNATIONAL AIRPORT AUTHORITY

By: 

Name: **Joyce F. Carter**
Title: **President & CEO**

By: 

Name: **Paul Brigley**
Title: **VP Finance & CFO**

**** Pursuant to calculations set forth in Section 4(a) and 4(b), the Final Passenger Volume is greater than the Adjusted Final Passenger Volume and is therefore used as the Passenger Amount**

***** Pursuant to Section 4(c), the previous Annual Period's Passenger Amount is greater than either Final Passenger Volume or the Adjusted Annual Volume for the current Annual Period and is therefore used as the Passenger Volume.**

SCHEDULE C

Sample Calculations

Note that Final Passenger Volumes used in the below calculations are used for illustrative purposes only.

Property taxes associated with Authority Tenants, per Section 5, to be paid separately from the below calculations.

Year	Final Passenger Volume (actual passenger volume per Section 4(a))	Adjusted Final Passenger Volume (adjuster per Section 4(b))	Passenger Amount to be used for purpose of Section 4
2018	4,400,000		
2019	2.3% growth on 4,400,000 ↓ 4,500,000	2.5% growth on 4,400,000 4,510,000	4,510,000*
2020	4.4% growth on 4,500,000 ↓ 4,700,000	2.5% growth on 4,500,000 4,612,500	4,700,000**
2021	4.3% reduction on 4,700,000 ↓ 4,500,000	2.5% growth on 4,700,000 4,817,500	4,817,500
2022	6.7% growth on 4,500,000 ↓ 4,800,000	2.5% growth on 4,500,000 4,612,500	4,817,500***
2023	2.1% growth on 4,800,000 ↓ 4,900,000	2.5% growth on 4,800,000 4,920,000	4,920,000

* Pursuant to calculations set forth in Section 4(a) and 4(b), the Adjusted Final Passenger Volume is greater than Final Passenger Volume and therefore used as the Passenger Amount

SCHEDULE B

Estimates of Anticipated Final Passenger Volumes

<u>Calendar Year</u>	<u>Final Passenger Volume*</u>
2019	4,380,000
2020	4,468,000
2021	4,557,000
2022	4,648,000
2023	4,741,000

* Long term assumption is that the Final Passenger Volume will grow by approximately 2% annually from 2024 – 2039.

SCHEDULE A

Authority Property

Assessment Account Number
01189417

Parcel Identification Numbers
00526574
41220393