

MUNICIPAL AUTHORITY AGREEMENT

THIS AGREEMENT made at the City of St. John's, in the Province of Newfoundland and Labrador, as of the _____ day of _____, 2019.

BETWEEN:

THE ST. JOHN'S INTERNATIONAL AIRPORT AUTHORITY, a body corporate duly incorporated under the laws of Canada,

(hereinafter referred to as the "Authority")

OF THE ONE PART,

AND:

CITY OF ST. JOHN'S, a body corporate pursuant to the *City of St. John's Act*, RSNL 1990 c.C-17, as amended

(hereinafter referred to as the "City")

OF THE OTHER PART.

WHEREAS the Authority disputed the City's Assessments of Real Property regarding the Airport for the period January 1, 2013 to December 31, 2018;

AND WHEREAS the City has agreed pursuant to Section 16 of the City of St. John's Municipal Taxation Act SNL 2006 c. C-17.1 (the "Act"), to enter into an arrangement for the settlement of Real Property Tax arrears for the period of January 1, 2013 to December 31, 2018 and for settlement of future Real Property Tax account (the "Real Property Tax Arrangement");

AND WHEREAS the parties wish to enter into an agreement that sets out the particulars of the Real Property Tax Arrangement and wish for such agreement to also address development on lands within the jurisdiction of the Authority and other matters of mutual benefit (the "Municipal Authority Agreement");

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the mutual covenants and agreements contained herein, the parties hereto covenant and agree with each other as follows:

1 TERM OF AGREEMENT AND OPTION TO EXTEND

- 1.1 The Municipal Authority Agreement shall come into force January 1, 2019 and shall be in effect for eleven (11) years terminating on December 31, 2029 (the "Term").
- 1.2 The parties agree that not later than eighteen (18) months before the end of the Term, the Authority and the City shall commence discussions regarding a renewal of the Agreement for a further term of ten (10) years to December 31, 2039, upon terms and conditions mutually agreed upon by the parties.
- 1.3 Each party represents that it has the legal authority to enter into the within Municipal Authority Agreement.

2. REAL PROPERTY TAX

- 2.1 The Authority leases land from the Federal Government pursuant to a ground lease dated December 1, 1998 (the "Ground Lease"). For the purposes of this Municipal Authority Agreement the City and the Authority agree that the Real Property Tax Arrangement set forth herein applies to the lands which are the subject of the Ground Lease (the "Airport").

REAL PROPERTY TAX PAID BY TENANTS OF THE AUTHORITY

- 2.2 The City and the Authority agree that the assessment of certain real property and the responsibility for the payment of Real Property Tax accounts by tenants of the Authority shall be upon the following terms and conditions:
 - a) If a building is owned by a tenant of the Authority and is situate on land subleased from the Authority for a period of twenty years or greater the City shall assess the tenant in respect of both the building and the land referred to in such lease, and the tenant shall be responsible for the payment of the Real Property Tax account for such building and land.
 - b) If a building is owned by a tenant of the Authority and is situate on land subleased from the Authority for a period of less than twenty years the City shall assess the tenant in respect of the building only, and the tenant shall be responsible for the payment of the Real Property Tax account for the building only.
 - c) If a building is owned by the Authority and is leased to a single tenant for a period of twenty years or more the City shall assess the tenant in respect of the building and the land on which it is situate, and the tenant shall be responsible for the payment of the Real Property Tax account for such building and land.

- d) For buildings existing at the signing of this MAA that are owned by the Authority and have multiple tenants the City will not charge Real Property Tax to the tenants.
- e) For buildings constructed after the signing of the MAA, if the building is owned by the Authority and has multiple tenants and is used for aeronautical services regardless of the length of the lease the City will not charge Real Property Tax to the tenants.

3 REAL PROPERTY TAX PAID BY AUTHORITY

- 3.1 This section deals with Real Property Tax imposed pursuant to the Act and payable by the Authority, and does not deal with Water Tax, Civic Assessments or any other tax, cost or fee imposed by the City pursuant to the Act, the City of St. John's Act RSNL1990 c. C-17, or any other Act.
- 3.2 Pursuant to Section 16 of the Act the City has agreed to enter into a settlement of arrears with the Authority for the following assessment cycles 2013- 2015, and 2016-2018 as calculated pursuant to Schedule A.
- 3.3 The Authority shall pay forthwith to the City \$1,856,535.82 in settlement of Real Property Tax arrears for the period 2013-2018.
- 3.4 For the current tax year, January 1, 2019 to December 31, 2019, the Authority shall, in settlement of the Real Property Tax account, pay \$1,000,000.00.
- 3.5 For the remainder of the Term, the City and the Authority agree that the Authority shall pay to the City in settlement of the annual Real Property Tax account the prior year's Real Property Tax adjusted annually by the Consumer Price Index for Newfoundland and Labrador for all items, "CPI-NL".
- 3.6 The annual adjustment using CPI-NL will be applied on the first day on the month following publication for the CPI-NL.
- 3.7 For greater certainty, the amount of Real Property Tax paid by the Authority will be multiplied by the percentage increase in the CPI-NL during each previous 12-month period.
- 3.8 Notwithstanding clauses 3.4 through 3.7 inclusive above, the Real Property Tax amount paid by the Authority shall not increase by more than 2.5% of the previous year's Real Property Tax Amount and shall not decrease below the previous years' Real Property Tax amount.

- 3.9 Notwithstanding clauses 3.4 through 3.8 inclusive above, the annual adjustments to the Real Property Tax payable are cumulative and the Authority shall never pay less Real Property Tax than in the year previous.
- 3.10 If publication of CPI-NL ceases, or if CPI-NL statistics otherwise become unavailable, or are altered in any way as to be unacceptable to both parties, the parties will use a mutually agreed upon substitute.
- 3.11 Payments in settlement of the Real Property Tax account shall be made by the Authority to the City upon issuance of quarterly invoices by the City each year during the Term.
- 3.12 Payments shall be made by the Authority within forty (45) days of the issuance of the City's invoice.
- 3.13 The City shall issue an annual receipt to the Authority confirming settlement of the Real Property Tax account for that year.
- 3.14 The parties acknowledge that the City will continue to assess the Airport and issue annual Notices of Assessment to the Authority as required by the Assessment Act, 2006 SNL 2006 c. C-A-18.1. Except for the last two years of the Term, the Authority agrees not to appeal such Notices of Assessment during the Term, provided however, should the parties renew this Municipal Authority Agreement for a further term, such appeals will be abandoned.

4 DEVELOPMENT AT AIRPORT

- 4.1 The City and the Authority agree to consult with each other concerning all developments on or adjacent to the Airport and to consider the impact of these developments on current and future infrastructure and development planning, to ensure that any development of the Airport will be in harmony with the overall planning of the City.
- 4.2 The City and the Authority agree pursuant to s. 14.02 of the Ground Lease that the Authority will not be required to seek approvals and/or permits from the City for the Authority's own construction projects, but shall ensure that all tenants of the Authority not occupying Airport owned buildings, but including Authority Buildings under long term (20 years or longer) lease to tenants, shall abide by all City legislation, regulations and by-laws, and shall pay all fees applicable to municipal processes.
- 4.3 The Authority agrees that the City shall not be liable for any loss or liability attributable to work carried out at the Airport without municipal approval and/or permits as it pertains to the Authority per section 4.2.

- 4.4 The City shall not be liable for any default or breach, in whole or in part, of the Ground Lease by the Authority in respect of any of the obligations set out in this Municipal Authority Agreement.

5 AIR SERVICE DEVELOPMENT

- 5.1 The City agrees to commit a minimum of \$100,000 per year for Tax Years 2019-2023 into a fund for air service development provided that the Authority agrees to commit a matching amount of funds.
- 5.2 The City and the Authority agree that neither party is obligated to pay funds referenced in section 5.1 above unless there is a financial contribution, acceptable to both parties, to the fund for air service development by either the NL Provincial Government or the Federal Government.

6 HEBRON WAY EXTENSION

- 6.1 Upon execution of the within Municipal Authority Agreement, the Authority shall enter into a long term sublease, not to be less than forty (40) years, with the City for lands more particularly described in Schedule B attached hereto (the "Extension Lands") for the purpose of the City's extension to Hebron Way (the "Lease").
- 6.2 Consideration for the Lease referenced in clause 6.1 above shall be \$1.00 (the receipt of which is hereby acknowledged).
- 6.3 The Authority shall, in writing, request the Federal Government to convey to the City the Extension Lands for the purpose of the extension of Hebron Way.
- 6.4 The City agrees that it has reviewed the technical specifications provided by the Authority and construction of the extension of Hebron Way will be in accordance with those reviewed specifications. The Authority shall approve design and construction plans as they relate to impacts on the Airport before the work commences.
- 6.5 The construction of Hebron Way Extension requires the relocation of fencing owned by the Authority. The City shall relocate the fencing to a location approved by the Authority and the City shall bear all costs for such relocation required to facilitate the Authority's realignment of the airside service road adjacent to the Hebron Way Extension. The fence shall be installed to meet technical standards supplied by the Authority that meet Transport Canada security requirements.

7 WATER

- 7.1 The City shall permit the Authority to connect the Airport to the City's water system from the Autumn Drive Reservoir at Viscount Street upon the following conditions:

- (i) The Authority is responsible for all construction work required to make the connection;
- (ii) The Authority shall permit the City to install a water meter at the Airport, at the Authority's cost, that will remain in place to allow for the sharing of usage data;
- (iii) The Authority shall perform an annual leak detection program, at its own cost, with results to be shared forthwith with the City and with all leaks to be repaired by the Authority, at its own cost, within 2 months of discovery or such time as the parties agree; and
- (iv) The Authority shall install premises isolation at the Airport to the satisfaction of the City and in accordance with all applicable by-laws. The costs of the premises isolation shall be paid by the Authority and all work related to the premises isolation must be commenced and completed within 1 year of connection to the Autumn Drive Reservoir.

7.2 Pursuant to the Act, the Authority shall be subject to and liable for Water Tax.

8 LEFT TURN LANES

8.1 The City agrees to approve, upon application by the Authority, double left turn lanes for the intersection from World Parkway onto Portugal Cove Road; provided that the application, design, construction and/or installation is acceptable to the City's Transportation Engineer and is in accordance with all applicable policies and legislation. The Authority is responsible for all costs in relation to the application, design, construction and/or installation required to change the intersection to allow for double left turn lanes.

9 FIRE INSPECTIONS

9.1 The City shall perform regular fire inspections for buildings at the Airport that are tenant owned or under long term (20 years or longer) lease by tenants from the Authority (Schedule "C"), including any such future buildings constructed. The City shall not perform fire inspections on Authority owned and/or occupied buildings that are not under long term lease by tenants. Should these tenant-owned buildings revert or otherwise become the possession of the Authority, the City will no longer be responsible for the inspection of these buildings.

10 CONFIDENTIALITY

10.1 The parties acknowledge that the City is bound by the provisions of the Access to Information and Protection of Privacy Act, 2015 SNL 2015 c. C-A-1.2.

10.2 The parties shall work together to establish a communications protocol for the communication of matters related to the Municipal Authority Agreement or its provisions.

11 NOTICE

11.1 All notices or other communications necessary for the purposes of this Municipal Authority Agreement shall be in writing and shall be delivered personally or by courier, or by email, or shall be sent by registered mail or by prepaid post or sent by facsimile, addressed:

In the case of the City, to:

City of St. John's
P.O. Box 908
St. John's, NL A1C 5M2

Attention: Derek Coffey, Deputy City Manager, Financial Services

Telephone: 709-576-8332
Facsimile: 709-256-5809
Email: dcoffey@stjohns.ca

In the case of the Authority, to:

St. John's International Airport Authority
Box 1, Airport Terminal Building
100 World Parkway
St. John's, NL A1A 5T2

Attention: Laura Gough, CFO

Telephone: 709-758-8505
Facsimile: 709-758-8521
Email: lgough@stjohnsairport.com

11.2 A notice or communication will be considered to have been received.

- a. In the case of facsimile an actual receipt;
- b. In the case of email, upon receipt by the sender of a written confirmation of actual receipt by the recipient;
- c. In all other cases, on the date of delivery.

11.3 If the postal service is interrupted, or threatened to be interrupted, or is substantially delayed, any notice shall be delivered personally or by facsimile or by email.

12 AMENDMENT

12.1 Any modification of this Municipal Authority Agreement must be in writing and signed by both parties or it shall have no effect and shall be void.

13 GOVERNING LAW

13.1 This Municipal Authority Agreement shall be governed by and construed in accordance with the Laws of the Province of Newfoundland and Labrador.

13.2 This Municipal Authority Agreement shall be binding upon the parties hereto, their successors, assigns and any substitute Airport operator and municipality during the Term or any extension thereof.

CITY OF ST JOHN'S

**ST. JOHN'S INTERNATIONAL
AIRPORT AUTHORITY INC.**

Mayor

Board Chair

City Clerk

President / CEO

Date

Date

Appendix A
Recalculated Taxes and Settlement

Year	Billed	# Passengers	Rate per Year	Calculated Taxes	Difference
2013	1,438,380	1,489,128	0.76	1,131,737	306,643
2014	1,438,380	1,576,130	0.76	1,197,859	240,521
2015	1,438,380	1,504,605	0.76	1,143,500	294,880
2016	1,591,002	1,568,950	0.72	1,129,644	461,358
2017	1,559,435	1,533,355	0.72	1,104,016	455,419
2018	1,559,434	1,507,641	0.72	1,085,502	473,932
	9,025,011			6,792,257	2,232,754
				Difference:	2,232,754
			60%	City	1,339,652
			40%	Authority	893,102

Schedule "B" Extension Lands

Schedule "C" List of Buildings for Fire Inspection

- Provincial Airlines (Hangers 1, 2 (under long term Lease from the Authority), Hanger 4, Hanger 6)
- Hanger 3 (Government Services Hanger, under long term lease from the Authority) (subleased to PAL)
- Tim Hortons/Orange Store/Subway and Gas bar on Jetstream
- General Aviation Hanger off RCAF Road
- Holiday Inn Express Hotel
- Best Western Hotel
- Fuel Tank Farm on Aviation Court
- Cougar Helicopters Air Terminal/Hanger on Jetstream Avenue
- Cougar Helicopters Search and Rescue Facility on Aviation Court
- Avis/Budget Car Rental Facility on Navigator Avenue
- EW Harvey on Airport Services Road
- Nav Canada Air Traffic Control Tower on Airport Services Road
- Inland Technologies Processing Facility Adjacent Central Deicing Facility
- Cougar Helicopters Hangar on Craig Dobbin's Way
- Cargo Jet Warehouse Facility on Aviation Court
- SPCA – off RCAF Road
- Any other tenant owned building or building under long term lease from the Authority