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

Item No. 11.1.1
Halifax Regional Council
July 23, 2013

TO:	Mayor Savage and Members of Halifax Regional Council
SUBMITTED BY:	Original signed by Richard Butts, Chief Administrative Officer
	Original Signed by Mike Labrecque, Deputy Chief Administrative Officer
DATE:	June 25, 2013
SUBJECT:	Renewal of HIAA Development Grant Agreement

ORIGIN

On July 7, 2009 HRM Regional Council approved a 5 year Development Grant Agreement with Halifax International Airport Authority (HIAA). This agreement will expire on March 31, 2014.

LEGISLATIVE AUTHORITY

Area improvement and promotion

HRM Charter Section 70 (1) (b) states:

"The Municipality may pay grants to a body corporate for the purpose of promoting or beautifying a business district and for airport, wharf or waterfront development."

RECOMMENDATION

It is recommended that Halifax Regional Council

1. Renew the Development Grant Agreement with the Halifax International Airport Authority (HIAA), as described in attachment 1.

2. Authorize staff to discuss with the Province the option of legislating the Development Grant Agreement as a Tax Agreement.

BACKGROUND

Halifax International Airport Authority (HIAA) is a locally controlled, non-share capital corporation that was incorporated in November of 1995. On February 1, 2000 Halifax International Airport Authority took over the management of Halifax Stanfield International Airport, as Transport Canada relinquished its role of operator in favor of a more appropriate role as landlord and regulator. This relationship is maintained through a ground lease between transport Canada and HIAA for a term of 60 years. The ground lease from a municipal assessment perspective qualifies the airport as primarily a commercial taxable property. HIAA is exempt from provincial income tax, provincial capital tax and federal large corporation's tax.

Since fiscal 1999/2000, HRM has provided tax relief to HIAA in the form of a development grant agreement. The development grant is the difference between full taxation and taxes as calculated by an agreed upon formula.

The first development agreement was approved by Council in February, 2000, for the fiscal years 1999/2000, 2000/01, 2001/02, 2002/03, and 2003/04. In this agreement HIAA was taxed at $529,000 annually. New property acquired after January 1, 1999 would be taxed at assessment times municipal rates, and commercial tenants would be taxed at full commercial rate times assessment.

The second development agreement was approved by Council in July 2004. This agreement covered the fiscal years of 2004/05, 2005/06, 2006/07, 2007/08, and 2008/09. In this agreement HIAA would be taxed by the base amount per the 2000 agreement of $529,000, increased annually by CPI for the previous calendar year, plus $0.22 per passenger count.

The agreement that exists today and is being recommended for renewal is essentially the same agreement approved by Regional Council in 2004, renewed in 2009, and is due to expire on March 31, 2014.

DISCUSSION

Review of Current 5-Year Development Grant Agreement

The development grant is intended to support economic development by providing HIAA with a predictable and stable system of municipal taxation, which supports HIAA's capital program. Over the four years of the current 5 year development agreement fiscal 2009/10 – 2013/14, HIAA has invested $132M in capital projects, with $45M budgeted for 2013. Notable projects completed include the parking garage in 2009 and runway improvements that now enable HIAA to accommodate bigger cargo and passenger planes, which improve the global competiveness of HIAA. The runway improvement project was a $28M capital project substantially completed in 2012, which was cost shared with the province ($5M) and the federal government ($9M). HIAA also made a $500K capital contribution to Metro Transit in 2012 for the bus service to Fall River and the Airport. HRM through the Development Grant will have provided approximately $10M in tax relief to support HIAA's capital plan, at the end of the current 5-year agreement due to expire March 31, 2014. HRM does get full commercial tax from HIAA tenants.

The below table illustrates financials with respect to the Development Grant Agreement:

	2009/10	2010/11	2011/12	2012/13	2013/14 Budget	Total
Development Grant	$1,547,000	$1,623,000	$2,076,000	$1,987,000	$2,737,000	**$9,970,000**
% chg yr over yr	**51.7%**	**4.9%**	**27.9%**	**-4.3%**	**37.7%**	
% chg over 5 yrs						**168.3%**
Commercial Tenant Taxes	$1,915,000	$2,055,000	$2,455,000	$2,600,000	$2,870,000	**$11,895,000**
% chg yr over yr	**0.4%**	**7.3%**	**19.5%**	**5.9%**	**10.4%**	
% chg over 5 yrs						**50.5%**
HIAA Taxes	$1,361,000	$1,375,000	$1,389,000	$1,408,000	$1,421,000	**$6,954,000**
% chg yr over yr	**-0.03%**	**1.0%**	**1.0%**	**1.4%**	**0.9%**	
% chg over 5 yrs						**4.4%**
HIAA Capital Spend net of govt funding	$63,659,000	$22,667,000	$21,782,000	$24,315,000	$44,900,000	**$177,323,000**
% chg yr over yr	**18.6%**	**-64.4%**	**-3.9%**	**11.6%**	**84.7%**	
% chg over 5 yrs						**-24.5%**
HIAA Passenger Volume	3,417,164	3,508,153	3,594,164	3,605,701	3,685,026	**17,810,208**
% chg yr over yr	**-4.5%**	**2.7%**	**2.5%**	**0.03%**	**2.2%**	
% chg over 5 yrs						**5.4%**

- The Development Grant on average has increased 23.6% annually over the current agreement. Comparing the grant for 2008-09 to 2013-14 it is projected to have increased 168.3%.

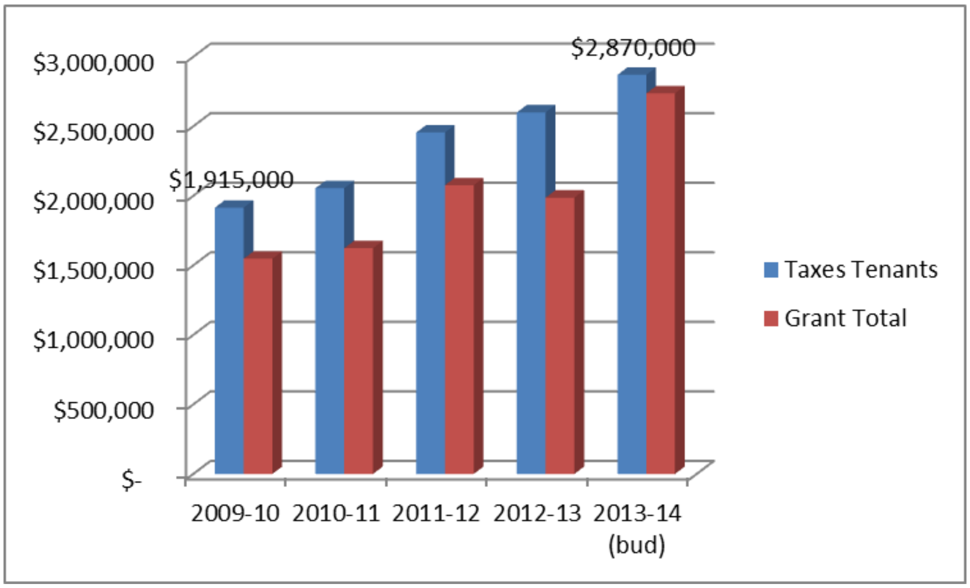
- There has been significant growth on the taxes paid by commercial tenants of approximately 50.5% annually since fiscal 2008-09. On average they are increasing approximately 8.7% annually.

- Taxes paid by HIAA have been increasing on average by approximately 1.3% annually and 4.4% over the term over the current agreement. This taxation model provides HIAA with a stable and predictable municipal tax contribution that is not impacted by the increases in property assessment resulting from their capital program.

- Total capital spend of the current agreement compared to the last agreement decreased 24.5%. On average, HIAA spends $35.5M annually on capital projects. It is also noteworthy to mention that HRM has realized $400,000 in permit revenue over the first four years of the current agreement from development at HIAA.

- 2012 had the highest passenger counts in HIAA's history with 2013 forecasted to increase by 2.2%.

The below graph compares annual tax revenue from commercial tenants to the annual development grant.



Taxes received from commercial tenants exceeded the development grant each year over the current 5-year agreement. This can be attributable to HIAA's capital program, and marketing strategy.

Economic Development Factors

The vision statement of A Greater Halifax, Economic Strategy 2011-2016 is:

"As the economic engine for the region, Halifax is a truly international city where people learn, work, easily start and grow a business, capitalize on ideas and live within a diverse, vibrant, sustainable community."

The economic strategy has 5 goals that will support HRM's role as an economic engine for the region:

Regional Centre
Build a vibrant and attractive Regional Centre that attracts $1.5 billion of private investment and 8,000 more residents by 2016

Business Climate
Promote a business climate that drives and sustains growth by improving competitiveness and by leveraging our strengths.

Talent
Creating a welcoming community where the world's talent can find great opportunities, engaged employers and resources for career advancement.

International Brand
Create a unique, international city brand for Halifax.

Maximize Growth Opportunities
Capitalize on our best opportunities for economic growth.

HIAA’s main competitors are Moncton, Boston and Bangor. Of these competitors, Moncton pay municipal property taxes, Boston pay a PILT and Bangor is exempt as it is municipal owned and operated. HIAA is considered a strategic and critical part of Nova Scotia’s and HRM’s transportation and logistics network.

With respect to the above-mentioned goals of our economic strategy, it is very important to have a vibrant, viable and competitive airport for the following reasons:

- Quality air access is vital to maintain Halifax’s position as a significant regional center. Head office and regional office activity is centered in HRM principally because of superior ease of access relative to other Atlantic Cities. Key sectors like financial services, engineering, consulting, and even shipbuilding depend on quality air access.

- The presence of an airport in a region can help attract investment, help retain or expand existing business, and attract new businesses. Of particular benefit to a region is the extent to which an airport promotes the ability of businesses to export. Trade and trade openness are among the fundamental drivers of economic growth and development.

- From a logistics perspective, HIAA provides access to foreign markets for Canadian exports. The $28M runway extension project is expected to enhance HIAA’s global competiveness.

- The 2008 MOU between HRM and HIAA states that:

  “HRM and HIAA are both committed to the economic development of the Halifax region, the generation of jobs, the efficient movement of goods and people, and the preservation and enhancement of the natural environment”

- The tourism and convention business is very connected to quality air access to the rest of Canada, the US and Europe. Continuing efforts by HIAA to retain and expand air access are vital to the success of this industry. Tourism is a $1.82 billion industry in Nova Scotia. There were 1.954 million visitors to Nova Scotia in 2011 with 34% arriving via air at HIAA. Tourists entering Nova Scotia at HIAA contributed an estimated $675 million to the Nova Scotia economy (37% of all tourism-related activity).

- Increasing passenger traffic has attracted new investment to HRM. For example, there are currently 3 hotels serving HIAA, all contributing to the tax base of HRM (approx. $1.1M annually, as well as $290K in marketing levy revenue). A fourth hotel, ALT Hotel opened June 3rd. It was constructed privately by Groupe Germain Hospitality at a cost of $27M. The facility will include 169 rooms, and 6,775 square feet for business meetings and gatherings.

- HIAA is a key member of the Halifax Gateway Council and an investor in the Greater Halifax Partnership. In this role they contribute volunteer time and financially to the broader economic development objectives of HRM.

Economic KPI's From HIAA's 2011 Economic Impact Report

Economic & Fiscal Indicators	Nova Scotia	Halifax Area
Direct Gross Output	$410.0M	$410.0M
Indirect Gross Output	$258.0M	$110.0M
Induced Gross Output	$592.0M	$226.0M
Total Gross Output	***$1.260B***	***$746.0M***
Direct Employment	5,260	5,260
Indirect Employment	2,890	1,260
Induced Employment	3,890	1,580
Total Employment (FTE's)	***12,040***	***8,100***
Total Wages & Salaries Direct, Indirect and Induced	$480.6M	$323.3M
Provincial Income & Consumption Taxes	$57.7M	$38.8M
Retail Sales Tax	$25.3M	$16.9M

- Gross output is defined as gross revenue generated from all airport related activity
- Some notable major employers at HIAA are IMP, Air Canada, Air Canada Jazz, NavCanada, Cougar Helicopters, and Canadian Air Transport Security Authority.

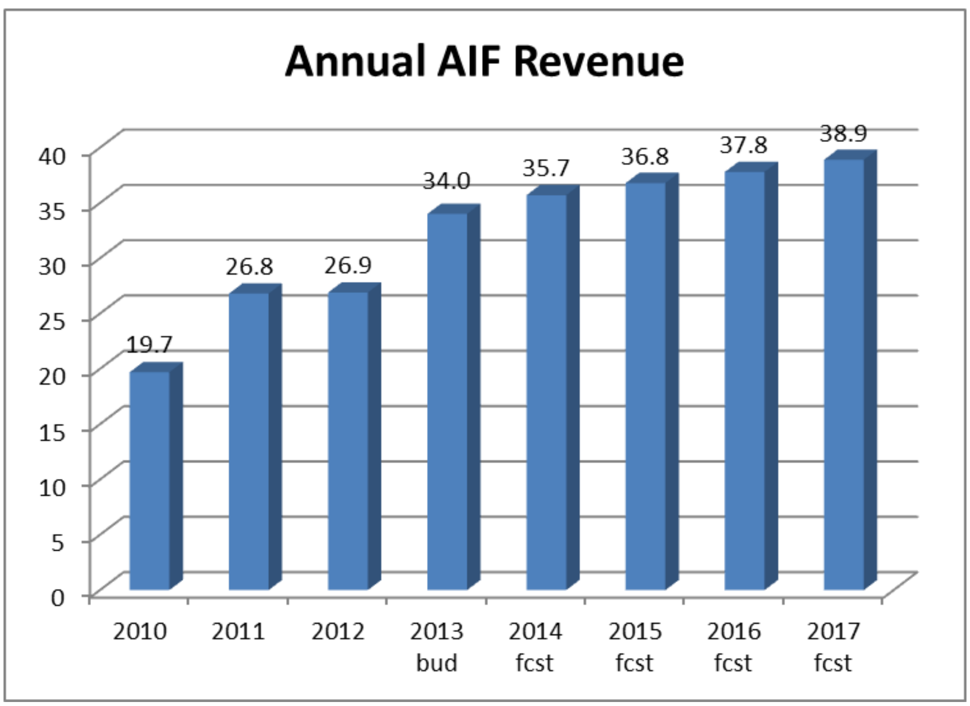
HIAA Capital Program - Forecast and Funding 2013 - 2017

Although HIAA received provincial and federal funding for their runway extension program in 2012, they advise that they receive minimal government funding. According to HIAA's 2012 annual report their capital forecast (net of gov't funding) by year is summarized in the below table.

2013	2014	2015	2016	2017	Total
$44,900,000	$34,200,000	$49,700,000	$40,900,000	$35,000,000	**$204,700,000**

With a forecasted capital spend in access of $200M over the next five years focusing on technology, and development to airside, groundside, and air terminal assets, HIAA is concentrated on improvements that will increase its competiveness and provide further economic benefits to HRM and Nova Scotia in future years. HIAA funds its capital program through the Airport Improvement Fee (AIF) revenues and debt financing. Any operational surpluses are re-invested into the airport. For 2012, HIAA had AIF revenues of $26.9M and an operational surplus of $1.6M. In January 2013, HIAA raised its AIF rate to $25.00 from $20.00 for each enplaned passenger.

The below graph illustrates AIF revenues (actuals, budget and forecasts) for 2010-2017 (in millions).



FINANCIAL IMPLICATIONS

Approval of the Development Agreement renewal has no financial impact on the fiscal 2013-14 operating budget. The budget for the HIAA Development Agreement has been approved for fiscal 2013-14 at $2,737,000, with HIAA paying taxes of $1,421,000 and commercial tenants paying taxes of $2,900,000.

The amount of tax that HIAA will pay annually over the next 5 years can be forecasted fairly accurately based on passenger counts and CPI trends that are not as volatile as property assessments. The financial impact of the Development Agreement over the next 5 years is difficult to forecast, in terms of how HIAA's capital program will affect future tax assessments. Staff will continue to budget for the HIAA development grant through the annual operating budget process.

The following table is a conservative forecast over the next five years for tax revenue from HIAA, HIAA commercial tenants and the development grant as recommended by staff.

	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**Total**
Passenger Count	3,685,026	3,791,892	3,904,511	4,020,085	4,133,451	**19,534,965**
Revenue per Passenger @$0.22	$810,706	$834,216	$858,992	$884,419	$909,359	**$4,297,692**
Base Amount Adj'd For CPI @2%	$640,560	$653,371	$666,439	$679,767	$693,363	$**3,333,500**
Subtotal HIAA Taxes	**$1,451,266**	**$1,487,587**	**$1,525,431**	**$1,564,186**	**$1,602,722**	**$7,631,192**
Taxes Commercial Tenants (adj'd 5%/yr)	$3,013,431	$3,164,102	$3,322,307	$3,488,423	$3,662,844	$**16,651,107**
Total Revenue HIAA & Comm Tenants	**$4,464,696**	**$4,651,690**	**$4,847,738**	**$5,052,609**	**$5,265,566**	**$24,282,299**
Development Grant (15%/yr increase)	**$3,147,550**	**$3,619,683**	**$4,162,635**	**$4,787,030**	**$5,505,085**	**$21,221,982**

COMMUNITY ENGAGEMENT

N/A

ENVIRONMENTAL IMPLICATIONS

Implications not identified.

ALTERNATIVES

- Council could choose to not approve staff's recommendation, and direct staff to dissolve the development grant agreement and go to a system of full taxation.

- Council could choose to not approve staff's recommendation, and direct staff to negotiate an agreement that increases tax revenue. One option would be to increase the passenger count rate of $0.22/passenger. Increasing the rate by $.05/passenger would provide HRM with incremental revenues of approximately $200,000 annually. The $0.05/passenger increase equates to a CPI adjustment of the passenger rate, since the rate was established in 2004.

- Council could choose to direct staff to decrease annual taxes to HIAA, by reducing the passenger count rate, or through a fixed annual amount.

Staff does not recommend the above alternatives. HIAA is a strategic economic asset for the region that generates significant economic benefits. Increasing the level of taxation higher than what is recommended could put pressure on HIAA to increase its user fees, which may have the effect of reducing its competiveness. From staff's analysis and discussions with HIAA on the agreement and tax methodology, the agreement as proposed is fair, while at the same time supporting HIAA's capital plan and regional economic development.

ATTACHMENTS

Attachment 1: Proposed Development Grant Agreement

A copy of this report can be obtained online at http://www.halifax.ca/council/agendasc/cagenda.html then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Jerry Blackwood, CGA Manager of Revenue, 490-6470

Report Approved by: ________________________________
Greg Keefe,CMA, Director of Finance & ICT/CFO, 490-6308

Report Approved by: ________________________________
Martin Ward, Acting Director Legal & Risk Management 490-4219

Original Signed

DEVELOPMENT GRANT AGREEMENT

THIS AGREEMENT made as of the 1st day of April, 2014.

B E T W E E N:

HALIFAX REGIONAL MUNICIPALITY
(hereinafter called "HRM")

- and -

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

WHEREAS the Authority was incorporated on November 23, 1995 under the provisions of Part II of the *Canada Corporations Act* as a not-for-profit, non share-capital corporation with a mandate to manage, operate and develop Halifax Stanfield International Airport (hereinafter called "HSIA");

AND WHEREAS pursuant to the ground lease made between Canada and the Authority as of February 1, 2000, (hereinafter called the "Ground Lease") Canada leased to the Authority all of the "Lands" (as defined in the Ground Lease) for a term of sixty (60) years;

AND WHEREAS 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;

AND WHEREAS 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;

AND WHEREAS the Authority continues to confer regularly with HRM and other community stakeholders on matters affecting the operation and development of HSIA;

AND WHEREAS the Authority and HRM had previously entered into an agreement dated April 28, 2000 (hereinafter called the "Development Grant Agreement") whereby the 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 said Development Grant Agreement;

AND WHEREAS the term of the said Development Grant Agreement expired on March 31, 2004;

AND WHEREAS the Authority and HRM entered into an agreement dated November 15, 2004 for another five (5) years, commencing on April 1, 2004, which term of the said Development Grant Agreement expired on March 31, 2009;

AND WHEREAS the Authority and HRM entered into a Development Grant Agreement dated September 18, 2009 for another five (5) years, commencing on April 1, 2009 and expiring March 31, 2014;

AND WHEREAS the parties desire to set out below the details of the new development grant agreement that has been reached between the parties;

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 "**Agreement**" means this grant agreement, together with any amendments, modifications or extensions hereto.

1.4 "**Annual Period**" means that twelve-month fiscal year commencing upon April 1^{st} of any applicable year and ending on March 31^{st} of the following year.

1.5 "**Authority**" means the Halifax International Airport Authority.

1.6 "**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.

1.7 "**Canada**" means Her Majesty the Queen in Right of Canada.

1.8 "**Commencement Date**" shall have the meaning ascribed to it in Subsection 2.1 of this Agreement.

1.9 “**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.

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

1.11 “**Grant**” means that amount, in Canadian currency, that the HRM agrees to credit to the Authority with respect to each Annual Period of this Agreement pursuant to section 70 of the *Halifax Regional Municipality Charter*, and which shall be calculated in accordance with the provisions of Section 3 of this Agreement.

1.12 “**HSIA**” means the Halifax Stanfield International Airport.

1.13 “**HRM**” means the Halifax Regional Municipality.

1.14 “**Passenger Amount**” means the product of Twenty-Two Cents (CAD $0.22) multiplied by the Passenger Volume applicable to the current Annual Period.

1.15 “**Passenger Volume**” means, subject to Section 3.4 hereof, the total number of Enplaned and Deplaned Passengers during the calendar year immediately preceding the commencement of the applicable Annual Period, which total number of Enplaned and Deplaned Passengers is based upon the estimates provided to the Authority by Transport Canada and set forth in Schedule A of this Agreement.

1.16 “**Tax**” or “**Taxes**” payable by the Authority means collectively any and all real property and business occupancy taxes in respect of the lands and premises occupied by the Authority and not by Tenants of the Authority.

1.17 “**Tenants**” means licensees, sublessees and tenants of the Authority.

2. Term and Termination.

2.1 **Term.** The term of this Agreement is five (5) years, commencing on April 1, 2014 (the “Commencement Date”), and terminating on March 31, 2019.

2.2 The parties agree to cooperate in pursuing provincial legislation to address the subject matter of this Agreement. If such legislation has not been enacted and declared in force by December 31, 2018, the parties agree to negotiate in good faith in an effort to enter into a new Development Grant Agreement.

3. **Annual Grant.** Except as otherwise provided for in this Agreement, the HRM hereby agrees to provide a Grant to the Authority with respect to each Annual Period for the duration of this Agreement as follows:

3.1 **Annual Period.** For each Annual Period, the Grant shall be equal to the difference between the amount of Taxes otherwise payable on a full-assessment basis, as provided by the Property Valuation Services Corporation, and the sum of (a) the Adjusted Base Amount, and (b) the Passenger Amount. For illustration purposes only, anticipated estimates of the Adjusted Base Amounts and the Passenger Amounts for the five (5) year term of the Agreement has been set out in Schedule "A" hereto.

3.2 **Passenger Volume Reporting.** The Authority shall provide the actual passenger volume amounts to HRM annually, on or before January 31st of the following calendar year. The actual passenger volumes figures shall be based upon information on the total number of Enplaned and Deplaned Passengers reported to the Authority by the various commercial air carriers operating at HSIA.

3.3 **Unanticipated Passenger Volume Variances.** Notwithstanding any other provision to the contrary in this Agreement, if at any time during the term of this Agreement, the actual passenger volumes vary by more than ten percent (10%) from the Passenger Volumes set out in Schedule A of this Agreement, the parties agree that either party may give notice to the other to terminate this Agreement upon not less than One Hundred and Eighty (180) days' written notice prior to end of the current Annual Period and that both the Authority and HRM would agree to attempt, on a best efforts basis, to renegotiate amendments to the Agreement in order to take into account the actual passenger volumes.

3.4 **Declines in Passenger Volumes.** Subject always to section 3.3 of this Agreement, commencing in the 2014-2015 Annual Period, and thereafter for the remainder of the term of the Agreement, the actual Passenger Volume used to calculate the amount of the Grant in relation to any such Annual Period shall not be less than the Passenger Volume used to calculate the amount of the Grant in relation to the previous Annual Period.

3.5 **Use of Grant.** The Authority shall expend all amounts received by the Authority by way of a Grant hereunder in the expansion, improvement and development of HSIA and the facilities and services situated and offered thereon. Not less frequently than once each Annual Period, the Authority shall report to HRM on the projects upon which any Grant monies received have been expended, and that such projects concerned the expansion, improvement and development of HSIA property and the facilities and services situated and offered thereon. In the event that the Authority has expended Grant monies on a project other than those concerning the expansion, improvement and development of HSIA property and the facilities and service situated and offered thereon, HRM may, for the next occurring Annual Period only, withhold its provision of the Grant to the Authority.

4. **Parking Garage.** In the event that the Authority leases the parking garage to an unrelated third-party then the parties hereby agree that, upon not less than One Hundred and Eighty (180) days' written notice by either party to the other, both the Authority and HRM agree to attempt, on a best-efforts basis, to negotiate amendments to this Agreement in order to take into account the management and operation of the parking garage facility by this unrelated third-party.

5. **General Provisions.**

5.1 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.

5.2 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.

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

Schedule "A" – Estimates of Anticipated Passenger Volumes, Passenger Amounts and Adjusted Base Amounts

5.4 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.

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

5.6 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.

5.7 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.

5.8 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.

5.9 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.

5.10 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.

5.11 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.

5.12 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: General Counsel

5.13 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.

SIGNED, SEALED AND DELIVERED in the presence of:	)	**HALIFAX REGIONAL MUNICIPALITY**
Witness: ______________________________	)	By: __________________________
	)	And: __________________________
	)	**HALIFAX INTERNATIONAL AIRPORT AUTHORITY**
Witness: ______________________________	)	By: __________________________
	)	And: __________________________

SCHEDULE A

Estimates of Anticipated Passenger Volumes, Passenger Amounts and Adjusted Base Amounts

Annual Period	Passenger Volume		Passenger Amount	Adjusted Base Amount
2013	3,685,026	2014-15	$810,706	$640,560
2014	3,791,892	2015-16	$834,216	$653,371
2015	3,904,511	2016-17	$858,992	$666,439
2016	4,020,085	2017-18	$884,419	$679,767
2017	4,133,451	2018-19	$909,359	$693,363