

DECLASSIFIED

FOIPOP Review

*as per
Council Director*

HALIFAX

Approved to Release

[Signature]

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

Date

May 12/2015

Item No. 11.1.2

Halifax Regional Council
May 12, 2015
In Camera

May 26, 2015
June 16, 2015

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY:

Original signed by

[Signature]

Richard Butts, Chief Administrative Officer

Original Signed by

[Signature]

Mike Labrecque, Deputy Chief Administrative Officer

DATE: May 5, 2015

SUBJECT: Approval of Agreement between HRM and Irving Shipbuilding Inc. and
Adoption of By-law T-1100

PRIVATE & CONFIDENTIAL

ORIGIN

Proclamation of, Chapter 50 of the Acts of 2014, An Act to Amend Chapter 39 of the Acts of 2008, the *Halifax Regional Municipality Charter*, per Attachment A of this report.

Approval of April 29, 2014 motion of Halifax Regional Council ratifying the below recommendations from April 16, 2014 In Camera Staff Report:

1. Request that the Province enact legislation permitting HRM to enter into a tax agreement with Irving Shipbuilding Inc.;
2. Request staff to finalize an agreement with Irving Shipbuilding Inc., consistent with the one proposed in Attachment "A", containing a fixed base amount and a variable amount based on employment, an escalator for inflation, and reopen and termination clauses for both parties, to be implemented after the Province proclaims the required legislation, should they agree to do so; and
3. Not release this report to the public, but release the resulting agreement.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, ("HRM Charter") section 92B, see Attachment A of this report, An Act to Amend Chapter 39 of the Acts of 2008, the Halifax Regional Municipality Charter.

RECOMMENDATIONS

It is recommended that Halifax Regional Council:

1. approve the taxation agreement between the Halifax Regional Municipality ("Municipality") and Irving Shipbuilding Inc. ("ISI"), as set out in Schedule 1 of Attachment B of this report, and, in open Council, commence the by-law adoption process to approve the taxation agreement; and,
2. release Attachment B of this report to the public.

It is further recommended that Halifax Regional Council, in open Council:

1. adopt the proposed By-Law T-1100, the *Taxation Agreement By-law*, as set out in Attachment B of this report; and,
2. subject to the adoption of By-law T-1100, authorize and direct the Mayor and Municipal Clerk to execute the taxation agreement, on behalf of the Municipality, in the form passed by Regional Council at Second Reading.

BACKGROUND

On November 6, 2014, the Province of Nova Scotia ("Province") enacted legislation amending the *HRM Charter* to allow the Municipality to enter into a taxation agreement with the owner of an "eligible industrial property". The legislation was proclaimed law on January 13, 2015 but is retroactive to April 1, 2014. On January 20, 2015 the Province issued the *Definition of Eligible Industrial Property Regulations* defining "eligible industry property" for the purposes of the newly added section 92B of the *HRM Charter*.

Under the new legislation, if a taxation agreement is in place, an owner of an "eligible industrial property" is required to pay the amounts specified in the taxation agreement in lieu of the taxes that are otherwise payable. However, any taxation agreement is not effective until it is approved by Regional Council by by-law.

The reasons for entering into a taxation agreement with ISI include the following:

- ISI was the successful bidder in 2011 under the National Shipbuilding Procurement Strategy, to build the new Canadian Surface Combat (CSC) vessels and Offshore Arctic Patrol Ships (AOPS) for the Canadian Government.
- To modernize the current shipbuilding facilities, ISI has initiated a \$300M capital program over the last 3 years.
- ISI requested, in writing, to the CAO on March 14, 2014 a long-term taxation agreement be presented to Council citing the following rationale:
 - Market value is in issue as the shipyard is a specialized industrial manufacturing facility with a single purpose, the result being that there must be allowance for "external obsolescence" when assessing the taxes due in any given taxation year (at Attachment C is a report prepared by Turner Drake & Partners Ltd. that was provided

- by ISI to the CAO, which report details the factors in support of a property valuation incorporating an allowance for "external obsolescence")
- A taxation agreement would eliminate future assessment appeals and associated proceedings between ISI and HRM
 - A taxation agreement would provide ISI with cost certainty relative to its overhead during the anticipated period of shipbuilding activity on the properties, and
 - HRM has taxation agreements with other unique properties such as Halifax International Airport Authority (HIAA), Nova Scotia Power and Heritage Gas.
- HRM Council on April 29, 2014 approved a recommendation for staff to proceed to engage with the Province with the purpose of receiving new legislation to the *HRM Charter* to enable a taxation agreement with ISI, and negotiate a draft taxation agreement between HRM and ISI for Council's consideration based on the following:
 - A proposed term of 25 years with two 5 year renewals, at ISI's option, for a potential term of 35 years
 - A fixed component of \$569,000, plus an annual escalation of 1%
 - An additional tax equivalent to \$1,000 per FTE over a base employment level of 1,000 FTE, capped at an employment level of 3,000 FTE
 - reopen and termination clauses for both parties

The draft taxation agreement is attached to this report as Schedule 1 of Attachment B.

DISCUSSION

BY-LAW

Attachment B is the proposed By-law T-1100, the *Taxation Agreement By-law*, which would approve and give effect to the taxation agreement between the Municipality and ISI for eligible industrial properties located at Barrington Street and Windmill Road. If Regional Council decides to approve the taxation agreement, Notice of Motion to start the by-law adoption process could be given today at open Council once the In Camera meeting has concluded. If this occurs, First Reading would be May 26, 2015 and Second Reading could be as early as June 16, 2015. In accordance with Administrative Order 32, the *By-law Development Administrative Order*, a public hearing is not required unless specifically directed by Council.

AGREEMENT

Schedule 1 of Attachment B is the draft taxation agreement in respect of ISI's Halifax properties (Barrington St.) and Dartmouth properties (Windmill Rd.). The taxation agreement was negotiated by staff with the support of HRM Legal Services. Both parties have worked together and within the direction as provided by Council on April 29, 2014 in formulating a taxation agreement that is agreeable to both sides and is being recommended for Regional Council approval and execution by the Mayor and Municipal Clerk.

The taxation agreement has a fixed revenue portion and a variable portion as referenced in section 2 of Schedule 1 of Attachment B.

Fixed Revenue Portion

The 2013-14 taxation year is the year preceding ISI being re-assessed for the major capital improvements through the \$300M capital program. Annual municipal property taxes for ISI were \$560,000. This figure is the benchmark for establishing the annual fixed portion of the taxation agreement. Schedule B of Attachment B, details the taxation agreement revenue by year based on a fixed amount of \$569,000 for the 2016-17 taxation year and is increased each year after by 1% up-to the 2038-39 taxation year, with the possibility of renewals of the taxation agreement to the 2048-49 taxation year. Per Schedule B of the taxation agreement found at Attachment B of this report, total fixed revenue over the initial term of the taxation agreement is estimated at \$14,632,576.

Variable Revenue Portion – Based on FTE's

Production on the vessels is scheduled to start in 2016, which is when the variable revenue portion of the taxation agreement starts. The variable portion is equated based on \$1,000 per additional FTE over 1,000 FTE's. The variable FTE portion is capped at maximum of \$2,000,000. Total variable revenue from FTE's over the term of the taxation agreement is estimated at \$20,546,000.

Overall projected revenue from the taxation agreement for 2016 – 2038 is \$35,178,000.

As mentioned above, the taxation agreement is retroactive to April 1, 2014, and thus creates a financial implication for the current 2014-15 fiscal year. Section 2.1 of the taxation agreement sets the amount of tax that ISI will pay for taxation year April 1, 2014 to March 31, 2015 at \$563,000. Section 2.2 of the taxation agreement, states that:

“In the event that ISI has paid any Property Taxes on the Property for any Taxation Year (or a part of a Taxation Year) and such Property Taxes are greater than the Amounts Payable for such Taxation Year pursuant to this Agreement, HRM will, promptly following the coming into force of the bylaw passed by Halifax Regional Council approving this Agreement, provide ISI with a refund equal to such amounts, together with interest computed and paid on the same basis as interest on overpayments of income taxes by residents of the Province of Nova Scotia.”

Total general rated taxes budgeted and paid by ISI for 2014-15 fiscal year is \$1,561,178. Under the terms of section 2 of the taxation agreement, HRM is obligated to repay ISI \$997,340 (\$1,561,178 – \$563,838).

Term and termination

The initial term of the taxation agreement is twenty-five (25) years, with options, exercised at ISI's sole discretion, to renew the agreement for up to two consecutive five (5) year terms in the event the Government of Canada continues the National Shipbuilding Procurement Strategy beyond the expected timeframe.

Each party may terminate the taxation agreement 'for cause'. The Municipality may terminate the taxation agreement if the Government of Canada cancels the National Shipbuilding Procurement Strategy or in the event ISI defaults on any of its material obligations under the agreement.

Other provisions in the taxation agreement

While the parties did not negotiate a specific clause permitting either party to reopen the taxation agreement, there is language to deal with a force majeure event and a CPI escalator allowing for short term increases in excess of the stated 1% per annum increase in order to account for a period of unusual inflationary pressure.

There is provision for the treatment of confidential information and a detailed dispute resolution procedure.

FINANCIAL IMPLICATIONS

ISI has filed appeals in respect of the valuation of the shipbuilding properties for 2014-2015, which could see the assessments reduced to account for "external obsolescence", and if successful would produce a significant adjustment. ISI paid property tax for 2014-2015 based on the present property valuations, but the quantum of this payment is under appeal. The taxation agreement addresses this item and will result in a re-payment of \$997,340 to ISI, which will be funded through the valuation allowance, G/L 2521 – Allowance Taxes. The balance in this account as of March 31, 2015, is -\$2,781,888.

The implications of the repayment to ISI will have a projected nil effect on the current overall projected year end revenue position or the projected year end position of the valuation allowance.

Starting with the 2015-16 taxation year, staff will budget tax revenues for ISI per Schedule 1 of Attachment B.

COMMUNITY ENGAGEMENT

This report deals with an administrative matter and, as such, public consultation was not undertaken.

ENVIRONMENTAL IMPLICATIONS

Implications not identified.

ALTERNATIVES

Council could decline to approve the enclosed taxation agreement and either direct staff to (i) discontinue negotiations or (ii) seek to negotiate further with ISI in respect of a particular provision, in which case staff recommends that Council, in Camera, provide staff with updated instructions and direction respecting the taxation agreement

ATTACHMENTS

Attachment A: Legislation - An Act to Amend Chapter 39 of the Acts of 2008, the *Halifax Regional Municipality Charter*, and *Definition of Eligible Industrial Property Regulations*

Attachment B: Proposed By-Law T-1100, the Taxation Agreement By-law

Attachment C: Report from Turner & Drake Partners Ltd. to Irving Shipbuilding Inc.

If the report is released to the public, a copy can be obtained by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

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Report Approved by: _____
John Traves, Q.C., Director of Legal, Insurance and Risk Management Services,
902.490.4210

Original Signed

**An Act to Amend Chapter 39
of the Acts of 2008,
the Halifax Regional Municipality Charter**

Be it enacted by the Governor and Assembly as follows:

1 Chapter 39 of the Acts of 2008, the Halifax Regional Municipality Charter, is amended by adding immediately after Section 92A the following Section:

92B (1) In this Section, "eligible industrial property" has the meaning prescribed by the regulations.

(2) Notwithstanding any enactment, where the Council considers it necessary or advisable, the Municipality may enter into a taxation agreement with the owner of an eligible industrial property respecting the taxes payable to the Municipality by the owner.

(3) Notwithstanding any enactment, where there is a taxation agreement pursuant to this Section, the owner shall pay taxes with respect to the eligible industrial property in accordance with the agreement instead of the taxes otherwise payable pursuant to the provisions of this Act.

(4) A taxation agreement does not take effect unless it is approved by by-law.

(5) Taxes payable under a taxation agreement entered into pursuant to this Section are a first lien upon the eligible industrial property.

(6) The Minister may make regulations prescribing the meaning of "eligible industrial property".

(7) A regulation made pursuant to subsection (6) may be made retroactive to April 1, 2014, or such later date as is specified by the regulation.

(8) The exercise by the Minister of the authority contained in subsection (7) is regulations within the meaning of the Regulations Act.

2 This Act has effect on and after April 1, 2014, upon the Governor in Council so ordering and declaring by proclamation.

**Definition of Eligible Industrial Property Regulations
made under Section 92B of the
Halifax Regional Municipality Charter
S.N.S. 2008, c. 39
January 20, 2015 (effective April 1, 2014), N.S. Reg. 11/2015**

Citation

1 These regulations may be cited as the *Definition of Eligible Industrial Property Regulations*.

Definition of eligible industrial property

2 (1) For the purposes of Section 92B of the *Halifax Regional Municipality Charter*, "eligible industrial property", except as provided in subsection (2), means a parcel or a portion of a parcel of land or a combination of parcels or portions of parcels of land that is identifiable by an assessment account number or numbers on the assessment roll provided to the clerk of the Municipality pursuant to the *Assessment Act* and that meets all of the following criteria:

- (a) it is occupied by the same single occupant;
- (b) it has a minimum assessed value of \$5 million;
- (c) it contains a building or buildings or parts of a building or buildings that are occupied by the occupant referred to in clause (a);
- (d) in the opinion of the Council, it is used for a specific, unique or complex industrial purpose;
- (e) in the opinion of the Council, it has limited resale potential because of its specific, unique or complex usage.

(2) For the purposes of subsection (1), "eligible industrial property" does not include any of the following:

- (a) property owned by the Provincial or federal government;
- (b) property that is subject to a special tax agreement under other legislation.

Attachment B
(Proposed By-law T-1100)

**HALIFAX REGIONAL MUNICIPALITY
BY-LAW NUMBER T - 1100
RESPECTING TAXATION AGREEMENTS**

BE IT ENACTED by the Council of the Municipality, under the authority of section 92B of the *Halifax Regional Municipality Charter*, 2008 S.N.S. c. 39, as amended, as follows:

WHEREAS, where the Council considers it necessary or advisable, the Municipality may enter into a taxation agreement with the owner of an "eligible industrial property" respecting the taxes payable to the Municipality by the owner;

AND WHEREAS the *Definition of Eligible Industrial Property Regulation, N.S. Reg. 11/2015*, defines "eligible industrial property" for the purposes of section 92B of the *Halifax Regional Municipality Charter*;

AND WHEREAS the Council considers it necessary or advisable to enter into a taxation agreement with the owner of certain eligible industrial properties;

AND WHEREAS, Council is of the opinion that the properties identified in Schedule A of Schedule 1 to this By-law are both used for a specific, unique or complex industrial purpose and have limited resale potential because of this specific, unique or complex usage;

AND WHEREAS a taxation agreement does not take effect until it is approved by By-law;

Short Title

1. This By-law may be cited as the *Taxation Agreement By-law*.

Approved Taxation Agreement

2. The taxation agreement attached hereto as Schedule 1 is approved effective April 1, 2014.

Schedule

3. Schedule 1 attached to this By-law shall form part of this By-law.

Done and passed in Council this day of , 2015.

Mayor

Municipal Clerk

SCHEDULE 1

TAXATION AGREEMENT

THIS AGREEMENT is made as of the date on which the last signatory executed this Agreement.

BETWEEN

Halifax Regional Municipality, a Nova Scotia body corporate subsisting under the Halifax Regional Municipality Charter ("HRM")

- and -

Irving Shipbuilding Inc., a corporation incorporated under the laws of the Province of New Brunswick ("ISI")

WHEREAS it is in the mutual interest of both HRM and ISI to enter into a long-term agreement in respect of real property taxes and other taxes payable by ISI to HRM in respect of the Property;

AND WHEREAS the parties have entered into the Agreement intending that after April 1, 2014 the amount shown payable at Schedule B for the corresponding Taxation Year (such amount representing a fixed base amount of the Property Taxes that would be payable by ISI but for improvements to the Property after 2012) combined with the FTE for the corresponding Taxation Year (such amount representing a variable amount intended to reflect employment activity on the Property as a proxy for an increase to the value of the Property as a result of such improvements) will determine the Amounts Payable for that Taxation Year;

AND WHEREAS the parties intend that the FTE will, to the extent possible, capture the employment activity on the part of ISI and its affiliates engaged in the Business at the Property;

AND WHEREAS the parties expect that ISI will perform its traditional shipbuilding work for the NSPS as well as ship repair at the Property;

NOW THEREFORE, in consideration of the premises and the agreements herein contained, the parties agree as follows:

1. Definitions.

1.1 In this Agreement, the following terms have the meanings:

"**Agreement**" means this agreement, including its recitals and Schedules.

"**Amounts Payable**" means the aggregate amounts payable by ISI to HRM on or in respect of the Property pursuant to Sections 2.1-2.5 (inclusive) and are in lieu of any Property Taxes that would otherwise be payable by ISI to HRM on or in respect of the Property.

"**AOPS Program**" means the Arctic Offshore Patrol Ships shipbuilding program of the Government of Canada.

"**Background Information**" means:

- (a) a document indicating, for the relevant calendar year, the aggregate number of hours worked by Employees whose compensation is based on the number of hours worked;

(b) a document indicating, for the relevant calendar year, (i) the aggregate number of payroll payments made to full time salaried Employees, and (ii) the aggregate number of payroll payment cycles at the Property;

(c) copies of the letters issued by the Halifax Shipyard to Local No.1 Industrial Union of Marine and Shipbuilding Workers of Canada, or its successor, for each period in the relevant calendar year evidencing those hours contracted out in accordance with Article 21.01 of the Collective Agreement; and

(d) a report issued by a national accounting firm specifying the procedures carried out by them to validate the information and methods used by ISI in determining the figures included in any document provided under (a) and (b).

"Barrington Property" means the property described as such in Schedule A.

"Business" means the shipbuilding and ship repair business of ISI and any work under NSPS, all as of the relevant date of determination.

"Collective Agreement" means the Local 1, Collective Agreement between Local No.1 Industrial Union of Marine and Shipbuilding Workers of Canada, chartered by the CAW/MWF, or its successor and Halifax Shipyard, as amended.

"CPI" means the core consumer price index for Canada as published by The Bank of Canada or any successor thereof.

"CSC Program" means the Canadian Surface Combatant shipbuilding program of the Government of Canada.

"Dispute" has the meaning set out in Section 14.1.

"Effective Date" means April 1, 2014.

"Employees" means:

- (a) employees of ISI located at the Property, and
- (b) employees of JDI or any of its affiliates (excluding ISI) located at the Property who work exclusively in connection with the Business for no less than six months in a calendar year.

"Event of Default" has the meaning set out in Section 7.6.

"Force Majeure Event" means an unforeseeable event or occurrence beyond the reasonable control of ISI and which ISI is unable to prevent or provide against by the exercise of reasonable diligence which shall include, but is not limited to, war, civil war, rebellion, revolution, insurrection and/or other like circumstances whether declared or not; terrorism; third party blockade (or quarantine) which means the politically motivated use of armed force or conflict, or the direct threat thereof; epidemics; natural disasters including extreme weather conditions such as hurricane, storm, hail, tempest, tomado, tsunami, flood or ice; electricity failure; fire, lightning or explosion; aircraft impact or meteor impact; confiscation, seizure, appropriation, expropriation, nationalization, requisition for title or use or willful destruction of the Property or any improvements, structures, equipment, machinery or facilities thereon, by or under the order of a government and/or public authority; or malicious damage (including fire damage and loss of looting following malicious damage) resulting directly from a malicious act caused by anyone, whether or not the aforesaid act is committed during a disturbance of the public peace, including loss caused by

sabotage and acts committed by any or all persons who are member(s) of an organization whose aim is or includes the overthrow of any legal or de facto Government by terrorism or violence.

"FTE" means, for a particular Taxation Year, the number of full-time equivalent Employees determined as the sum of: (a) for Employees whose compensation is based on the number of hours worked, such number being calculated by dividing the total labour hours of all such Employees in the immediately preceding calendar year by 1810; (b) for full time salaried Employees, such number being calculated by dividing the aggregate number of payroll payments to all such Employees in the immediately preceding calendar year by the total payroll payment cycles at the Property in such calendar year; and (c) for work performed by contractors at the Property, such number being calculated by dividing the total labour hours contracted out at the Property in accordance with Article 21.01 of the Collective Agreement or a successor provision, in the immediately preceding calendar year by 1810.

"JDI" means J.D. Irving, Limited, its successors or assigns.

"Notification" has the meaning set out in Section 3.1.

"NSPS" means the Government of Canada's National Shipbuilding Procurement Strategy, including any extension thereof.

"Percentage Change" has the meaning set out in Section 2.2.

"Property" means, collectively, the Windmill Road Property and the Barrington Property.

"Property Taxes" means any and all municipal real property taxes, including municipal rates, area rates, change in use tax, forest property tax, recreational property tax, capital charges, one-time charges, local improvement charges and any special purpose tax payable by ISI to HRM on or in respect of the Property pursuant to the *Halifax Regional Municipality Charter*, *Municipal Government Act* (Nova Scotia), the *Assessment Act* (Nova Scotia) or any other law in respect of municipal taxation or the equivalent thereof, but excludes rates or fees in respect of water, storm water, wastewater, or fire protection.

"Province" means the Province of Nova Scotia.

"Taxation Year" means a fiscal period of April 1 to March 31 of each year.

"Term" means the initial term beginning the Effective Date and ending March 31, 2039, and any extensions to such initial term pursuant to Section 7.2 or Section 7.3, unless earlier terminated in accordance with Section 7.4 or Section 7.5.

"Windmill Road Property" means the property described as such in Schedule A.

1.2 For the purposes of this Agreement:

(a) one body corporate is affiliated with another body corporate if one of them is the subsidiary of the other or both are subsidiaries of the same body corporate or each of them is controlled by the same person; and

(b) if two bodies corporate are affiliated with the same body corporate at the same time, they are deemed to be affiliated with each other.

2. **Calculation of Amounts Payable.**
- 2.1 The Amounts Payable for the Taxation Year beginning April 1, 2014 and ending March 31, 2015, and every subsequent Taxation Year thereafter for the duration of the Term, will be calculated as the sum of:
 - (a) the amount indicated in Schedule B for the particular Taxation Year, as may be adjusted and replaced in accordance with Section 2.2; and
 - (b) the product obtained when the amount of \$1,000 is multiplied by the excess of FTE for the particular Taxation Year over 1,000, provided, however, that the product obtained under clause (b) for any particular Taxation Year is capped at \$2,000,000, such that the Amounts Payable attributable to clause (b) for such Taxation Year cannot exceed \$2,000,000.
- 2.2 In the event the percentage change in CPI calculated from the last month of the immediately preceding Taxation Year to the last month of the applicable Taxation Year is greater than 10 per cent (such percentage change hereinafter referred to as the "Percentage Change"), the amount indicated in Schedule B for each Taxation Year following the applicable Taxation Year, will be adjusted and replaced by an amount determined by the formula: $A \times (100\% + (B/2))$ where:

A = the amount indicated in Schedule B, as such amount may have been previously adjusted and replaced by this Section 2.2; and

B = the Percentage Change minus one percent
- 2.3 ISI will pay the Amounts Payable in accordance with this Agreement. The payment of the Amounts Payable by ISI to HRM for any particular Taxation Year will comprise a full and final satisfaction of ISI's liability for Property Taxes to HRM on or in respect of the Property for such Taxation Year.
- 2.4 The parties acknowledge and agree that that Amounts Payable under this Agreement are a first lien on the Property in accordance with the *Halifax Regional Municipality Charter* and that nothing in this Agreement will apply to or derogate from HRM's statutory power to undertake enforcement action against ISI should it fail to pay Amounts Payable in accordance with this Agreement.
- 2.5 In the event that ISI has paid any Property Taxes on the Property for any Taxation Year (or a part of a Taxation Year) and such Property Taxes are greater than the Amounts Payable for such Taxation Year pursuant to this Agreement, HRM will, promptly following a by-law passed by the Halifax Regional Council approving this Agreement coming into force and the provision of the Notification for the related Taxation Year, provide ISI with a refund equal to such amounts, together with interest computed and paid on the same basis as interest on overpayments of property taxes by residents of the Halifax Regional Municipality.
3. **Payment of Amounts Payable.**
- 3.1 No later than sixty (60) calendar days prior to the beginning of the Taxation Year beginning April 1, 2016 and ending March 31, 2017, and for every subsequent Taxation Year thereafter for the duration of the Term, ISI will notify HRM of the FTE and the Amounts Payable for such Taxation Year and provide related Background Information (the "Notification"). ISI represents to HRM that the Notification will be comprised of complete and accurate Background Information and

- acknowledges that HRM will rely on the Notification in determining the Amounts Payable for such Taxation Year.
- 3.2 No later than sixty (60) calendar days following a by-law passed by the Halifax Regional Council approving this Agreement coming into force ISI will provide HRM with the Notification for the Taxation Year beginning April 1, 2014 and ending March 31, 2015 and the Notification for the Taxation Year beginning April 1, 2015 and ending March 31, 2016, following which HRM will promptly deliver invoices to ISI for Amounts Payable in respect of such Taxation Years.
- 3.3 Starting with the Taxation Year beginning April 1, 2016 and ending March 31, 2017, and for every subsequent Taxation Year thereafter during the Term, HRM will deliver invoices to ISI for Amounts Payable in respect of such Taxation Year based on the Notification, such invoices to be issued in the same manner and on the same schedule as applies under HRM's system for collection of commercial property taxes. In addition to any other remedy available to HRM under this Agreement, if ISI fails to provide a Notification for a Taxation Year as required by Section 3.1 and as a result (a) HRM is delayed in issuing an invoice for Amounts Payable, and (b) ISI fails to pay such Amounts Payable on the date such amounts would normally be due and payable, interest will accrue on such Amounts Payable from the date such amounts would normally be due and payable until the date such Amounts Payable are paid in full. Interest will be calculated at the rate applied by HRM in respect of outstanding property taxes of residents of the Halifax Regional Municipality.
- 3.4 ISI will pay the invoiced Amounts Payable for each Taxation Year in the same manner and on the same schedule as applies under HRM's system for collection of commercial property taxes.
- 4. Access.**
- 4.1 ISI will, upon the reasonable request from HRM and at no cost to HRM, make the ISI employees and its advisors involved in the preparation of the Notification available to meet with representatives of HRM and its advisors to explain the content of a Notification.
- 5. Assessments and Improvements.**
- 5.1 Under no circumstances will any improvements or changes to the Property affect the Amounts Payable.
- 5.2 This Agreement does not affect the liability of ISI for taxes:
- (a) other than Property Taxes in respect of the Property; and
 - (b) in respect of other properties of ISI.
- 6. Specific Tax Legislation.**
- 6.1 The (a) enactment and proclamation of enabling legislation by the Province and (b) a subsequent by-law passed by Halifax Regional Council approving this Agreement coming into force, are conditions precedent to this Agreement coming into effect and becoming a binding contract enforceable in accordance with its terms.

7. Term and Termination.

- 7.1 This Agreement is effective on the Effective Date and will continue in full force and effect throughout the Term unless (a) terminated earlier in accordance with Section 7.4 or Section 7.5, or (b) the Province repeals the enabling legislation.
- 7.2 In the event NSPS continues beyond March 31, 2039 and ISI has provided HRM with evidence to that effect in form and substance satisfactory to HRM, acting reasonably, ISI may, in its sole discretion, extend the initial Term of this Agreement for five years (termination: March 31, 2044) by providing notice of such extension to HRM at least fourteen (14) calendar days prior to the end of the initial Term.
- 7.3 In the event (a) the NSPS continues beyond March 31, 2044 and ISI has provided HRM with evidence to that effect in form and substance satisfactory to HRM, acting reasonably, and (b) ISI has extended the initial term of this Agreement in accordance with Section 7.2, ISI may, in its sole discretion, further extend the Term of this Agreement for an additional five years (termination: March 31, 2049) by providing notice of such extension to HRM at least fourteen (14) calendar days prior to the end of the Term as extended by Section 7.2.
- 7.4 This Agreement may be terminated by ISI immediately at any time upon providing notice of such termination to HRM, if:
- (a) the Province or HRM implements any change in the system of municipal taxation that results in a shift of the municipal real property taxes from property tax to some other form of tax, duty, import, levy, tariff or charge to which ISI becomes subject in respect of the Property;
 - (b) the Province or HRM enacts legislation that amends or otherwise imposes levies, tariffs, imposts or other charges that may be payable to HRM which has the effect of subjecting ISI to Property Taxes of any kind relative to the Property other than Amounts Payable;
 - (c) the Government of Canada cancels or, in the sole opinion of ISI reasonably held, substantially alters, either the AOPS Program or the CSC Program;
 - (d) the amounts indicated in Schedule B are adjusted and replaced pursuant to Section 2.2 in two or more Taxation Years; or
 - (e) the Property or any improvements, structures, equipment, machinery or facilities thereon are damaged by a Force Majeure Event such that ISI is prevented from operating its Business in the ordinary course for more than six (6) consecutive calendar months.
- 7.5 This Agreement may be terminated by HRM immediately at any time upon providing notice of such termination to ISI, if:
- (a) the Government of Canada cancels NSPS; or
 - (b) there is an uncured Event of Default as is provided for in Section 7.6.
- 7.6 In addition to any other rights and remedies available to HRM under this Agreement, HRM may terminate this Agreement with immediate effect on notice to ISI in the event ISI defaults on any of its material obligations hereunder ("Event of Default") and such default is not cured in full within

thirty (30) calendar days after HRM gives notice of such default to ISI, provided that if ISI is unable to cure the Event of Default within this period but submits a written plan to HRM that HRM determines, acting reasonably, will cure the Event of Default at the earliest possible date, the period to cure the Event of Default shall be extended to that date.

7.7 Any obligation of the parties pursuant to the terms hereof which accrued prior to the termination of the Agreement and was intended to continue after the termination of the Agreement will survive the termination of the Agreement.

7.8 In the event that during a Taxation Year (a) this Agreement is terminated in accordance with Section 7.4 or Section 7.5, or (b) the Province repeals the legislation enabling this Agreement, the Amounts Payable for such Taxation Year will continue to be payable in accordance with the terms of this Agreement until the end of such Taxation Year.

8. Confidentiality.

8.1 Subject to applicable law, including the *Municipal Government Act, Part XX* (Nova Scotia), during the Term each party agrees to treat as confidential that information given by one party to the other party in confidence including, a Notification. HRM shall, pursuant to s. 481(1) of the *Municipal Government Act* (Nova Scotia), unless ISI otherwise consents, refuse to disclose information (a) that would reveal trade secrets or commercial, financial, labour relations, scientific or technical information of ISI, (b) that is supplied, implicitly or explicitly, in confidence; and (c) the disclosure of which could reasonably be expected to (i) harm significantly the competitive position, or interfere significantly with the negotiating position, of ISI, (ii) result in similar information no longer being supplied to the municipality when it is in the public interest that similar information continue to be supplied, (iii) result in undue financial loss or gain to any person or organization, or (iv) reveal information supplied to, or the report of, an arbitrator, mediator, labour relations officer or other person or body appointed to resolve or inquire into a labour relations dispute.

8.2 HRM shall promptly notify ISI in the event it receives a request for disclosure of (a) a Notification, or (b) information that ISI has advised is commercial and financial in nature and that disclosure of such could reasonably be expected to harm significantly the competitive position of ISI, or interfere significantly with the negotiating position of ISI or result in undue financial loss or gain to ISI.

9. Costs.

9.1 Except as otherwise provided in Section 4.1 and Article 14, each party is responsible for its own costs and expenses incurred in connection with this Agreement and any other costs and expenses whatsoever and howsoever incurred.

10. Currency

10.1 All references to currency herein are to the lawful money of Canada.

11. Assignment.

11.1 This Agreement will enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. ISI may, upon providing HRM with prior notice of not less than thirty (30) calendar days, assign this Agreement to any subsequent owner of the Property that

engages in the Business as a going concern and is an assignee of any contracts and other obligations under the NSPS. Any other attempt on the part of ISI to assign this Agreement to a third party will not be permitted without the written consent of HRM, which consent may be withheld in its sole discretion.

12. Amendments.

- 12.1 The parties may amend this Agreement. No amendment of this Agreement will be valid or binding unless set forth in writing and duly executed by the parties.

13. Governing Law.

- 13.1 This Agreement is governed by and will be construed in accordance with the laws of the Province of Nova Scotia and the federal laws of Canada applicable therein.

14. Dispute Resolution.

- 14.1 All disputes, issues or problems arising under this Agreement (a "Dispute") will be resolved in accordance with this Article 14. The dispute resolution regime detailed in this Article will not apply to or derogate from HRM's exercise of its statutory authorities, including its enforcement and set-off powers.

- 14.2 Disputes will be resolved primarily at the appropriate management or governmental level, as applicable, by executives who have the authority to settle such Dispute and engage in open, transparent discussions and sharing of information as part of negotiation in good faith, consistent with the intent of (including that set out in the recitals) and accepted principles and practice within the Agreement.

- 14.3 Failure of the appropriate management team or governmental team, or any appropriate individual, to resolve a Dispute will result in the following escalation:

Level 1: The President for ISI and the Chief Administrative Officer for HRM will address the issue within thirty (30) calendar days of receiving notification of (a) a Dispute, and (b) failure to resolve such Dispute in accordance with Section 14.2, from the other party.

Level 2: If the Dispute remains unresolved or the parties do not otherwise address the issue within the Level 1 timeframe, the parties will submit to an arbitration process in accordance with Section 14.4 as quickly as reasonably practicable.

- 14.4 Arbitration will be in accordance with the *Commercial Arbitration Act* (Nova Scotia), before a single, commercially-experienced arbitrator sitting at Halifax, Nova Scotia as follows:

(a) one party may provide notice to the other party that it wishes to appoint an arbitrator. If the receiving party fails to consent to the appointment of an arbitrator in writing within 15 calendar days of receipt of such notice, then either party may apply to the Supreme Court of Nova Scotia for an appointment of an arbitrator in accordance with the *Commercial Arbitration Act* (Nova Scotia);

(b) except and to the extent that disclosure is required by applicable law, the arbitration will be confidential, and thus neither party nor their employees or representatives acting on their behalf will issue a press release, hold a press conference, make affirmative statements to the media or otherwise disclose to a third party information made known and documents produced in the arbitration not otherwise in the public domain, and all

evidence and materials created for the purpose of the arbitration, will be kept confidential unless the disclosure of same is required to protect or pursue a legal right or is required to enforce or challenge an award in legal proceedings before a court or other competent judicial authority;

- (c) a hearing will be commenced no later than sixty (60) calendar days of appointment of the arbitrator or at such time as the arbitrator may determine is necessary to provide for the disclosure of the documents and the scheduling of discovery examinations as is contemplated under section 14.4(e);
- (d) the arbitration will be completed within ninety (90) calendar days of appointment of the arbitrator;
- (e) the arbitrator will have the authority to compel each party to disclose to the other information and documents related to the Dispute and may order discovery examinations where, and to the extent, discovery is necessary to effectuate resolution of the Dispute;
- (f) within fifteen (15) calendar days of the appointment of the arbitrator, each party will provide the arbitrator with a written submission that states, for each unresolved Dispute, a narrative description of such dispute and an explanation of the rationale for such party's position. Upon the request of the arbitrator, the parties will provide or make available all working papers, documents and information as are reasonably required by the arbitrator to make his or her determination. Neither party will disclose to the arbitrator nor will the arbitrator consider for any purpose, any settlement discussions or settlement offer made by the parties with respect to the Dispute subject to the arbitration, unless otherwise agreed in writing by the parties. In resolving the Dispute subject to the arbitration, the arbitrator will be limited to selecting the position of one party or the other;
- (g) the arbitrator's award will be accompanied by a written reasoned opinion;
- (h) the arbitrator may award remedies available at law, in equity or under this Agreement and will have the authority to deal with the apportionment of costs, which may be assessed against either or both Parties, up to and including ordering the losing Party to pay to the winning Party's solicitor and client costs and/or the costs of the arbitration hearing;
- (i) the timelines set out in this Section 14.4 are subject to the arbitrator's availability; and
- (j) the decision of the arbitrator will be final and binding upon the parties, may be entered and enforced in any court of competent jurisdiction and will not be appealable to any court of law, other than where a party alleges fraud, bias or other inappropriate actions on the part of the arbitrator.

15. Notice.

- 15.1 Any request, notice, consent or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery or by electronic means of communication addressed to the recipient as follows:

To HRM:

City Hall
1841 Argyle Street, Main Floor
PO Box 1749
Halifax, NS B3J 3A5
Attention: Municipal Clerk
Fax: 902-490-4208

With a copy to:
Chief Financial Officer
Finance and Information Technology
5251 Duke St., 3rd Floor
PO Box 1749
Halifax, NS B3J 3A5
Attention: Chief Financial Officer
Fax: 902-490-8778

With a further copy to:
Legal Services Department, Halifax Regional Municipality
5251 Duke St., 3rd Floor
PO Box 1749
Halifax, NS B3J 3A5
Attention: Director, HRM Legal Services
Fax: 902-490-4232

To ISI:
300 Union Street
P.O. Box 5777
Saint John, NB E2L 4M3
Attention: Co-Chief Executive Officer
Facsimile: 506-632-6451

With a copy to:
3099 Barrington Street
P.O. Box 9110
Halifax, NS B3K 5M7
Attention: President
Facsimile: 902-422-5253

With a further copy to:
300 Union Street
P.O. Box 5888
Saint John, NB E2L 4L4
Attention: Secretary
Facsimile: 506-658-0517

or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any request, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the day during which such normal business hours next occur if not given during such hours on any day.

16. Interpretation.

- 16.1 In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute, agreement, document or section thereof is a reference to such statute, agreement, document or section as amended, modified or supplemented (including any successor section and, with regard to statutes, any regulations made thereunder) and in effect from time to time.

- 16.2 In this Agreement words importing the singular number include the plural and vice versa.
- 16.3 The term "including" means "including without limiting the generality of the foregoing".
- 16.4 The division of this Agreement into Articles and Sections is for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder", "herein", "hereby" and similar expressions refer to this Agreement as a whole and not to any particular Article, Section or other portion hereof unless otherwise indicated. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles, Sections of and Schedules to this Agreement.
- 16.5 Delivery of an executed Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

[the remainder of this page left intentionally blank]

IN WITNESS WHEREOF the parties have executed this Agreement.

HALIFAX REGIONAL MUNICIPALITY

Per: _____
Name:
Title:
Date:

Per: _____
Name:
Title:
Date:

IRVING SHIPBUILDING INC.

Per: _____
Name:
Title:
Date:

Per: _____
Name:
Title:
Date:

SCHEDULE A

Barrington Property

PID: 00061960 / ANN: 01850911

PID: 40060378 / ANN: 10569524

PID: 41392051 / ANN: 10535824

Windmill Road Property

PID: 00098889 / ANN: 03031179

PID: 00098897 / ANN: 09125981

PID: 40172439 / ANN: 04261976

SCHEDULE B

Initial Term

Taxation Year	Amount
April 1, 2014 to March 31, 2015	\$563,000.00
April 1, 2015 to March 31, 2016	\$563,000.00
April 1, 2016 to March 31, 2017	\$569,000.00
April 1, 2017 to March 31, 2018	\$574,690.00
April 1, 2018 to March 31, 2019	\$580,436.90
April 1, 2019 to March 31, 2020	\$586,241.27
April 1, 2020 to March 31, 2021	\$592,103.68
April 1, 2021 to March 31, 2022	\$598,024.72
April 1, 2022 to March 31, 2023	\$604,004.97
April 1, 2023 to March 31, 2024	\$610,045.02
April 1, 2024 to March 31, 2025	\$616,145.47
April 1, 2025 to March 31, 2026	\$622,306.92
April 1, 2026 to March 31, 2027	\$628,529.99
April 1, 2027 to March 31, 2028	\$634,815.29
April 1, 2028 to March 31, 2029	\$641,163.44
April 1, 2029 to March 31, 2030	\$647,575.08
April 1, 2030 to March 31, 2031	\$654,050.83
April 1, 2031 to March 31, 2032	\$660,591.34
April 1, 2032 to March 31, 2033	\$667,197.25
April 1, 2033 to March 31, 2034	\$673,869.22
April 1, 2034 to March 31, 2035	\$680,607.91
April 1, 2035 to March 31, 2036	\$687,413.99
April 1, 2036 to March 31, 2037	\$694,288.13
April 1, 2037 to March 31, 2038	\$701,231.01
April 1, 2038 to March 31, 2039	\$708,243.32

First Extension (if applicable)

Taxation Year	Amount
April 1, 2039 to March 31, 2040	\$715,325.76
April 1, 2040 to March 31, 2041	\$722,479.02
April 1, 2041 to March 31, 2042	\$729,703.81
April 1, 2042 to March 31, 2043	\$737,000.84
April 1, 2043 to March 31, 2044	\$744,370.85

Second Extension (if applicable)

Taxation Year	Amount
April 1, 2044 to March 31, 2045	\$751,814.56
April 1, 2045 to March 31, 2046	\$759,332.71
April 1, 2046 to March 31, 2047	\$766,926.03
April 1, 2047 to March 31, 2048	\$774,595.29
April 1, 2048 to March 31, 2049	\$782,341.25

Attachment "C"

Our Ref: 1303912:PF:NMAP

DRAFT AS OF 10 MARCH 2014

Mr. Ross Langley
Vice-Chairman
Irving Shipbuilding Inc.
3099 Barrington Street
Halifax NS

Dear Mr. Langley:

**Re: Proposed Tax Agreement, 3099 Barrington Street and Windmill Road,
Halifax Regional Municipality, Nova Scotia**

Further to your instructions we have collaborated with Halifax Regional Municipality (HRM) and their valuation expert in an effort to develop a model to project property assessments over a 30 year period intended to be utilised by the parties in their negotiations of a tax agreement.

The model was developed based on a cost approach to value. The parties obtained input from Property Valuation Services Corporation regarding base land and improvement costs and the parties have largely agreed on annual modifiers for inflation and physical depreciation based on tables published by Marshall & Swift.

During the course of our discussions we have advised you that a significant allowance for external obsolescence is warranted which we have estimated at 75%. You requested that we provide you with some commentary on this issue.

Introduction

External depreciation, also referred to as external obsolescence, is a loss in value due to factors external to the property. Negative economic factors are commonly associated with external depreciation in manufacturing and processing facilities. Assessment authorities from across the region have recognized the need to incorporate allowances for external obsolescence into assessments on a wide variety of industrial properties suffering from economic deficiencies. Examples include:

Industry	Economic Issue
Sawmills	Weak lumber markets; low capacity utilisation.
Pulp Mills	High cost structure (labour, fiber, electricity) compared to global competitors.
Tire Manufacturing	High cost structure (labour, shipping) compared to global competitors.
Ship Building/Repair	High cost structure (primarily labour) compared to global competitors; idled capacity.
Wallboard	Weak markets; low capacity utilisation.
Textiles	High cost structure (labour) and poor proximity to markets.

The Canadian Shipbuilding Industry is plagued by many of these economic factors. Shipbuilding is a labour intensive business and the high labour rates in Canada preclude the Canadian Industry from being competitive in the commercial market globally. In addition to this structural deficiency many foreign countries heavily subsidise their domestic industries in many cases preventing Canadian yards from competing in certain sectors. As a result, Canadian Shipyards are plagued by over capacity and all yards that have sold over the past 12 years have sold at prices reflecting significant discounts to their physically depreciated replacement cost indicating the existence of significant external obsolescence.

Legal Framework

The Nova Scotia Assessment Act requires that all properties be assessed at their "market value". Market value can have many meanings however the Courts have consistently held that market value for assessment purposes is not the subjective test of "value to the owner" but its value to "any owner." In a similar capacity the courts have held that market value is not "value in use" but rather its "value in exchange."

The distinction between "value to the owner" and "market value" is of considerable importance in this case. Irving Shipbuilding Inc. is completing infrastructure upgrades as part of its successful bid to negotiate contracts to build a new combat fleet for the Canadian Government. The upgraded facility is required to build Combat Surface Combatant (CSC) vessels for the Canadian navy starting in approximately 2020. Although ISI intends to construct smaller Arctic Offshore Patrol Ships (AOPS) from late 2015 through to the early 2020's the heavy foundations, framing, height, and size of the fabrication halls have been designed specifically to accommodate construction of the CSC program and are superadequate to any other practical shipbuilding use. This effectively makes ISI the only party who could potentially make full use of the facility.

In *Southam Inc (Pacific Newspaper Group) v. British Columbia (assessor of Area 14-Surrey/White Rock)*, the BC Court of Appeal was asked to weigh in on this very issue. The property in question was a unique printing facility constructed by Southam to print Vancouver's two daily newspapers. The building cost was in excess of \$40m to construct and was assessed at a commensurate amount. Southam took the position that the assessment should be \$25m because that was the price the property would command on the open market because no other buyers possessed enough market share to make full use of the facility.

In an agreed statement of facts, it states:

- If Southam did not own the existing facility it would have to construct a replacement at a cost that would exceed the current assessment of \$40m;
- There were no other newspaper businesses in the area that could use the plant;
- If the property was not required by another owner for the production of newspapers at a similar capacity to the present owner, and the property was offered for sale on the open market, it would sell for \$25m.

The Court of Appeal ultimately upheld the lower court's ruling that the market value was correctly set and confirmed the \$25m assessment accordingly.

The facts in the Irving Shipbuilding case mirror those in *Southam* with the exception being that ISI has consistently maintained that it was not willing, without Provincial assistance, to invest its capital to complete the infrastructure upgrades. Fundamentally, tying obsolescence to ISI's projected utilisation of the property provides an indication of "value to the owner" instead of the "market value" test required at law.

In order to estimate the appropriate amount of obsolescence in this case it is necessary to gain an understanding of who the potential purchasers are, what they require from a facility standpoint, and their alternatives to acquiring the Irving Shipbuilding property. Consider the following:

(1) Option A - Continued Use as a Shipyard

It would be logical to assume that the facility would appeal to a purchaser interested in ship fabrication or repair, however as was the case in *Southam*, the facility is significantly over built to accommodate military shipbuilding requirements compared to commercial shipbuilding applications available to the Canadian market. We would suggest there are a number of ways to estimate the obsolescence under this use:

Allocation of Market Extracted Depreciation

We analysed transactions involving several shipyards that have taken place over the past 12 years. By comparing the sale price of the improvements to their physically depreciated replacement cost at the time of the sale, we estimated the amount of external obsolescence present in each transaction. The particulars of each transaction are summarised below:

Facility	Date	Size (ft. ²)	Price	External Obsolescence
Davie, Levis, Quebec	2008	761,000	\$28,000,000 (equipped)	70%
Davie, Levis, Quebec	2011	761,000	\$28,000,000 (equipped)	70%
Marystown, Marystown, NL	2002	136,647	\$ 3,000,000	78%
Cowhead, Marystown, NL	2002	143,142	\$ 6,000,000	86%

Utilisation Based Measure

Consideration can also be given to the degree to which the facility could be utilised by other purchasers interested in acquiring the facility for ship fabrication and repair. The obsolescence can be calculated by having regard to the replacement cost of a facility sufficient to accommodate the requirements of an alternate user. Once again, given that the opportunities that exist in the commercial shipbuilding market do not require a facility of this size, height nor the heavy foundations and framing and that even the smaller facilities shown in the table above have sold with substantial obsolescence, it stands to reason that the obsolescence would be comparable using this method.

(2) Option B – Alternate Use

Although the courts generally discourage speculating on values in alternate use when calculating assessments, ISI is in a unique position to provide some perspective on the challenges associated with repurposing a shipyard. In 2003, after the Canadian Patrol Frigate program concluded, ISI set to work repurposing the closed Saint John shipyard. ISI retained the services of international consulting firm Booz Allen Hamilton (BAH) to consider alternate uses and a redevelopment strategy for the facility. BAH considered more than 110 possible uses for the site and there were no viable, economic uses that could effectively utilize the heavy foundations, framing, height, and the extensive attached office. Ultimately the site was modified to manufacture wallboard and the conversion was only possible because approximately one-half (½) of the conversion costs were paid for by the Federal Government as part of a \$55m aid package dedicated to repositioning the shipyard for new opportunities. Without this assistance the wallboard plant would not have been constructed and the site would likely remain idle today. The facilities presently carry an assessment of approximately \$24 million.

One of the challenges in repurposing a shipyard is in dealing with items that carry liabilities or require remediation. In the Irving Shipbuilding case a purchaser acquiring the property for alternate use would have to deal with the Graving dock and the Barrington Street retaining wall and would be restricted from putting the property to a higher use for environmental reasons.

We trust that the foregoing provides some context for our recommendation that a fixed obsolescence rate of 75% be adopted for the purpose of modelling assessments on the subject property. We trust that this meets with your requirements, however if you have any questions concerning the foregoing please do not hesitate to contact us.

Yours truly,

TURNER DRAKE & PARTNERS LTD.

ANDRÉ C. POULIOT
Manager
Property Tax Division

Enclosure