Tax Abatement Agreement

Between:

The City of Saskatoon, a municipal corporation pursuant to the provisions of *The Cities Act* (the "City")

- and -

Saskatoon Airport Authority, a non-profit Canada corporation and extra-provincially registered in the Province of Saskatchewan (the "Authority")

Whereas

A. The Authority was incorporated to manage, develop and operate the Saskatoon John G. Diefenbaker International Airport (the "Airport") in Saskatoon, Saskatchewan.

B. Her Majesty the Queen in Right of Canada is the owner of the following land upon which the Airport is located at 2625 Airport Drive:

Surface Parcel Number:	166137701
Legal Land Description:	Blk/Par A Plan 73S24023 Ext 5

(the "Property")

C. Her Majesty the Queen in Right of Canada and the Authority entered into a ground lease dated January 1, 1999, under which the Authority became responsible for the management, development and operation of the Airport.

D. Under the terms of the ground lease, the Authority is responsible for payment of all municipal property taxes for which the City, prior to 1999, would have received a grant in lieu of real property tax from Her Majesty the Queen.

E. The City and the Authority entered into an agreement dated November 3, 2009, pursuant to which the City exempted from taxation all runways, taxiways and aprons within the Operationally Protected Area at the Airport for a term of five years and expired on December 31, 2013.

F. The Authority requested a further exemption from taxation for all runways, taxiways and aprons within the Operationally Protected Area at the Airport.

G. The Airport is an economic facilitator that plays an integral part in attracting and maintaining new and existing businesses in Saskatoon, and is important to the economic growth and well-being of Saskatoon.

H. The City and the Authority recognize that the Airport is unsustainable if subjected to full property taxation based on an *ad valorem* system.

I. The City and the Authority agree that the Authority should pay a legislated per passenger payment-in-lieu of taxes on the Property.

J. The City and the Authority have asked the Province of Saskatchewan to amend *The Cities Act* and the Regulations to exempt the Authority from property taxes and, in return, to obligate the Authority to make payments-in-lieu of taxes based upon an amount per passenger to be prescribed in the Regulations.

K. The requested amendments to *The Cities Act* and the Regulations have not been made, and in the meantime the Authority has requested a partial abatement of taxes on the Property.

Now Therefore, in consideration of the premises and mutual covenants hereinafter contained, the parties agree as follows:

Taxes Payable

1. (1) The Authority acknowledges and agrees that it shall be liable for the payment of taxes on the Property during the term of this Agreement in an amount determined according to subsection (2).

(2) During the term of this Agreement, the taxes payable by the Authority on the Property shall be the greater of:

(a) the previous year's passenger count x $0.73 (capped at a maximum change of 5% per year);

(b) the 1999 taxes increased annually by the percentage change in the uniform mill rate (with automatic adjustments to recognize the restatement of the mill rate as a result of periodic reassessments); or

(c) $929,698.00 (being the actual taxes levied in 2013).

Taxes Abated

2. (1) The City acknowledges and agrees that, during the term of this Agreement, it shall abate any taxes levied on the Property in excess of the amount payable for taxes by the Authority pursuant to section 1.

(2) The abatement shall be made on an annual basis, after December 31st for the immediately preceding year.

Payment of Taxes

3. (1) In accordance with section 237 of *The Cities Act*, in each year of this Agreement, the City shall send the Authority a tax notice showing the total taxes levied with respect to the Airport property for that year. The City shall also provide the Authority with a notice showing the taxes payable by the Authority pursuant to section 1. The difference between the total taxes levied and the taxes payable by the Authority pursuant to section 1 represents the taxes to be abated for that year.

(2) In accordance with Bylaw No. 6673, "*A bylaw of The City of Saskatoon to provide for the payment of taxes and the application of discounts and penalties thereto*", the Authority shall pay, on or before the 30th day of June in the year in which the taxes are levied, the taxes payable in respect of the Property pursuant to section 1.

(3) After December 31st of the year in which the taxes are imposed, in addition to the abatement provided for in this Agreement, the City shall write off any additional percentage charges that might otherwise be imposed upon the unpaid taxes if those taxes were not being abated.

Term

4. The term of this Agreement shall be for a period of five years, commencing on January 1, 2014, and ending on December 31, 2018.

Termination

5. This Agreement shall automatically terminate upon the Province of Saskatchewan enacting legislation to exempt the Authority from taxation and, implementing an alternative payment-in-lieu of taxation system.

Duty to Provide Information

6. (1) The Authority shall provide the City with an annual passenger count for the Airport.

(2) The count shall be determined using passenger statistics supplied by airlines using the Airport, and which statistics the Authority uses to calculate the Airport's improvement fees.

Assignment

7. The Authority shall not have the right to assign or otherwise transfer this Agreement or any of its rights, privileges, duties or obligations under this Agreement without the prior written consent of the City, which consent may not be unreasonably withheld or delayed.

Notice

8. (1) Any notice or consent required or permitted to be given by any party to this Agreement to the other party shall be in writing and shall be delivered or sent by registered mail (except during a postal disruption or threatened postal disruption) or facsimile transmission or other electronic communication or the applicable address set forth below:

in the case of the City:

The City of Saskatoon
222 – 3rd Avenue North
Saskatoon SK S7K 0J5
Fax: (306) 975-7975

in the case of the Authority:

Saskatoon Airport Authority
#1 – 2625 Airport Drive
Saskatoon SK S7L 7L1
Fax: (306) 975-4233

(2) Any notice delivered personally shall be deemed to have been validly and effectively given and received on the date of such delivery provided same is on a business day (Monday to Friday, other than a statutory holiday).

(3) Any notice sent by registered mail shall be deemed to have been validly and effectively given and received on the fifth business day following the date of mailing.

(4) Any notice sent by facsimile transmission or other electronic communication shall be deem to have been validly and effectively given and received on the business day next following the date on which it was sent (with confirmation of transmittal received).

(5) Any party to this Agreement may, from time to time, by notice given to the other party, change its address for service under this Agreement.

Time

9. Time is of the essence of this Agreement and no extension or variation of this Agreement operates as a waiver of this provision.

Amendments

10. No change or modification of this Agreement is valid unless it is in writing and signed by each party.

Further Assurances

11. The parties agree that each of them shall, upon reasonable request of the other, do or cause to be done all further lawful acts, deeds and assurances necessary for the better performance of the terms and conditions of this Agreement.

Severability

12. If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability attaches only to such provisions and the remaining terms and provisions of this Agreement remain in full force and effect.

Binding Effect and Enurement

13. This Agreement enures to the benefit of and is binding upon the parties hereto and their respective successors and permitted assigns.

Governing Law

14. This Agreement is governed by and is to be construed in accordance with the laws of the Province of Saskatchewan and the laws of Canada applicable herein and treaded in all respects as a Saskatchewan contract. The parties to this Agreement hereby irrevocably and unconditionally attorn to the exclusive jurisdiction of the courts of the Province of Saskatchewan and all courts competent to hear appeals therefrom.

Headings

15. The headings in this Agreement are for ease of references only and are not to be taken into account in the construction or interpretation of any provision to which they refer.

Signed by The City of Saskatoon this 20 day of Nov, 2014.

The City of Saskatoon

Donald J. Atchison MAYOR

CITY CLERK

THE CITY OF SASKATOON c/s PROVINCE OF SASKATCHEWAN

Signed by Saskatoon Airport Authority this 14th day of November, 2014.

Saskatoon Airport Authority

SASKATOON AIRPORT AUTHORITY Seal c/s