





CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Economic Development Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	October 2, 2024
SUBJECT/REPORT NO:	Municipal Capital Facility John C. Munro Hamilton International Airport (PED24061) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	David McCullagh (905) 546-2424 Ext. 1647
SUBMITTED BY:	Norm Schleeahn Director, Economic Development Planning and Economic Development Department
SIGNATURE:	
SUBMITTED BY:	Raymond Kessler Chief Corporate Real Estate Officer Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That the lands contained and described in a new Lease with TradePort International Corporation pursuant to confidential Report PED19084(j) known as the John C. Munro Hamilton International Airport, municipally located at 9300 Airport Road, Mount Hope (Hamilton) Ontario, be a municipal capital facility operating as an international airport (CYHM, YHM), be exempted from taxation for municipal and school purposes;
- (b) That the Mayor and City Clerk be authorized and directed to execute Municipal Capital Facility Agreement, and any ancillary documents, substantially in the form attached as Appendix "A" to Report PED24061, with such amendments deemed reasonable and necessary to the satisfaction of the City Solicitor effective on the

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SUBJECT: Municipal Capital Facility John C. Munro Hamilton International Airport (PED24061) (City Wide) - Page 2 of 5

new Lease commencement date made pursuant to confidential Report PED19084(j) of the John C. Munro Hamilton International Airport;

- (c) That the By-law, attached as Appendix "B" to Report PED24061, to establish the Municipal Capital Facility designation for the John C. Munro Hamilton International Airport, be passed;
- (d) That, upon approval by Council, staff be directed to give written notice of the By-law in respect of Recommendation (c) of Report PED24061 to the secretary of the school boards having jurisdiction, and the Municipal Property Assessment Corporation;
- (e) That the Clerk be directed to give written notice of the By-law approving this Report PED24061 in respect of Recommendation (c) to the Minister of Finance.

EXECUTIVE SUMMARY

This Report recommends the continued designation of John C. Munro Hamilton International Airport, subject to a new Lease Agreement between the City of Hamilton and TradePort International Corporation (TradePort), as a municipal capital facility and the continued exemption of this facility from taxation for municipal and school purposes pursuant to section 110(6) of the *Municipal Act*, 2001 and Ontario Regulation 603/06, section 2(1).

The new Lease Agreement between the City of Hamilton and TradePort to be effective September 13, 2024, as recommended by Staff in confidential Report PED19084(j) to Airport Subcommittee on May 9, 2024, provides that the City would formally enact a By-law declaring John C. Munro Hamilton International Airport to continue as a municipal capital facility.

This Report PED24061 is updating what the existing status currently is with John C. Munro Hamilton International Airport including certain vested lands into the airport's leased area. The Municipal Capital Facility By-law must be enacted contiguous with the effective date of the new Lease Agreement with TradePort.

The municipal capital facility designation is consistent with the terms of the new Lease Agreement and with that as is currently in place for this airport with updates that include those lands being vested and have been vested through various amendments to the existing Lease that are being used for purposes in accordance with the *Municipal Act*. Any land that ceases to be used for eligible for purposes are excluded from this designation.

SUBJECT: Municipal Capital Facility John C. Munro Hamilton International Airport (PED24061) (City Wide) - Page 3 of 5

The updated By-law designating John C. Munro Hamilton International Airport continuing as a municipal capital facility will be provided to Municipal Property Assessment Corporation and the secretaries of local school boards as required by the *Municipal Act* to ensure the tax exemption is implemented.

For greater clarity by passing of the By-law TradePort will not be receiving any additional municipal tax benefit beyond what is currently in place and as outlined in the new Lease Agreement recommended by Staff in confidential Report PED19084(j) to the Airport Sub-committee on May 9, 2024.

Alternatives for Consideration – See Page 5

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Currently the subleased commercial and leased/licensed components of the airport facility are not exempt from assessment and taxation, so this updated municipal capital facility designation retains the status quo towards the continued billing and collection of property taxes for these components.

Staffing: None.

Legal: The City has authority under the *Municipal Act*, 2001, section 110(6) to exempt from all or part of the taxes levied for municipal and school purposes land or a portion of it on which municipal capital facilities are or will be located. The *Municipal Act* requires a tax exemption under section 110(6) to be supported by a Municipal Capital Facilities Agreement, and also that the lands be owned or leased by the person or entity providing municipal capital facilities.

In new Lease Agreement with TradePort both the City and TradePort consent to the recommended changes. TradePort's representatives have agreed to these terms in the new Lease Agreement, so the City needs to approve execution of the new Lease Agreement before it is effective.

HISTORICAL BACKGROUND

A Municipal Capital Facility By-law that was passed in 1996 expired December 31, 2012. On November 14, 2012, Council approved the extension of this Municipal Capital Facility by way of By-law 12-257 in approving General Issues Committee Report 12-032 (Item #11(b)) approving Airport Implementation Task Force Report 12-002 approving Report PED12202 Municipal Capital Facility Status of John C. Munro Hamilton International Airport.

SUBJECT: Municipal Capital Facility John C. Munro Hamilton International Airport (PED24061) (City Wide) - Page 4 of 5

On March 30, 2022, Council approved General Issues Committee Report 22-006 approving Airport Sub-committee Report 22-001 (item 14.2) approving Report PED19084(f) entitled TradePort/City Lease Negotiation Status Update and directed staff to negotiate salient lease extension terms, consistent with those outlined terms attached as Appendix “A” to Report PED19084(f).

Consequently, on May 9, 2024, Staff brought forward confidential Report PED19084(j) to the Airport Sub-committee recommending a new Lease Agreement following these approved negotiations.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The *Municipal Act* contains three legislative requirements following enactment of a municipal capital facility by-law:

1. Notice of the tax exemption by-law to Municipal Property Assessment Corporation;
2. Notice of the tax exemption by-law to the secretaries of all school boards having jurisdiction, and;
3. Notice of the municipal capital facility agreement by-law to the Minister of Finance.

RELEVANT CONSULTATION

- Corporate Services Department, Legal and Risk Management Services Division;
- Corporate Services Department, Financial Services, Taxation and Corporate Controller Division; and,
- Economic Development Division, Planning and Economic Development Department.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

When creating the existing Municipal Capital Facility By-law 12-257, the City was then facing an unfunded expenditure related to assessment of the airport for municipal taxes which was then avoided through designation of John C. Munro Hamilton International Airport as a Municipal Capital Facility. The City was able to delay and avoid entirely the taxation consequences by extending the Municipal Capital Facility designation through a By-law. The recommended new By-law and designation has no impact on the amounts otherwise coming due from TradePort through Payment in Lieu of Taxes Payments in Lieu of Taxes based on the recommended new Lease Agreement as brought forward in confidential Report PED19084(j) to Airport Sub-committee on May 9,

SUBJECT: Municipal Capital Facility John C. Munro Hamilton International Airport (PED24061) (City Wide) - Page 5 of 5

2024. The new Lease Agreement as recommended by city staff ensures continued Payments in Lieu of Taxes to the City from TradePort, as outlined in this new Lease Agreement. The recommended Municipal Capital Facility By-law and Agreement as outlined in this Report PED24061 will continue to save the City from expenditures equal to the educational portion of taxes. This savings for the City would continue as long as the new Municipal Capital Facility By-law is in place.

ALTERNATIVES FOR CONSIDERATION

By not approving this Report PED24061, the alternative of allowing taxation of John C. Munro Hamilton International Airport will increase the assessment base of the City. Consequently, the City as property owner will be responsible for paying property taxes on the airport lands and must find a funding source for these property taxes starting from the January 1, 2024, commencement date of the new Lease Agreement, if approved, and future years during its 49-year term. As contained in the new Lease Agreement, as recommended, TradePort will make payments on account of property taxes as negotiated based on payment in lieu of taxes Payments in Lieu of Taxes framework, but these negotiated amounts will be insufficient to pay even the educational portion. As a result, the city would have to pay the educational portion. This alternative is not recommended by Staff as the City can avoid the annual financial impacts by adopting the recommendations of this Report PED24061. In the event that this alternative is chosen, a funding source to cover the property tax recovery will need to be identified.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report PED24061 – Municipal Capital Facility Agreement (form)

Appendix “B” to Report PED24061 – Municipal Capital Facility By-law – John C. Munro Hamilton International Airport