

**Toronto
Port
Authority**



**Administration
Portuaire
de Toronto**

Geoffrey A. Wilson
President & Chief Executive Officer
Président-directeur général

60 Harbour Street, Toronto, Ontario, Canada M5J 1B7

Tel/Tél: 416.863.2037 • Fax/Télécopieur: 416.863.0495 • email: gwilson@torontoport.com

August 7, 2013

Via Email

Mr. Joseph Pennachetti
City Manager
City of Toronto
Toronto City Hall
7th Floor, East Tower
100 Queen Street West
Toronto, ON M5H 2N2

Dear Joe,

Thank you for your letter dated July 30, 2013.

I have been advised by legal counsel that, as a result of the July 3, 2013 request of the Toronto Port Authority ("TPA), a federal Dispute Advisory Panel (DAP) has been set for December 2, 3 and 4, 2013. The new DAP will hear our respective positions and expert evidence regarding the valuation of the Billy Bishop Toronto City Airport ("BBTCA").

We regard this as a predictable, constructive and necessary step given Toronto City Council's unfortunate April 3, 2013 rejection of the settlement that both your staff and mine had previously negotiated, and which had received the approval of the TPA Board in February 2013 as well as the Council's Government Management Committee on February 25, 2013. The fact that Council proceeded in a most unusual procedural way on April 3rd, depriving itself of in-camera advice from the City's senior staff, then voting in favour of your staff proposal -- only to reverse itself two minutes later -- continues to be a concern for the TPA and our stakeholders.

I also understand that City Council voted 20-5 at its most recent meeting to defer a review of the City's BBTCA PILT stance. If this deferment was in any way a result of the contents of my letter dated July 15, 2013, I take that as a positive sign. There was nothing to be gained for Council to pass a motion seeking more in per passenger PILTs from BBTCA than is paid by Toronto Pearson to its host municipalities; particularly with the foreknowledge that the TPA was not in a position to agree to such a demand.

I appreciate from our June meeting that there is a desire in some quarters to see additional PILTs from BBTCA passengers beyond what was agreed to earlier. As I predicted when we met, my Board firmly rejected the notion that the capping year upon which Airport PILTs is based be changed from 2013 to 2014 merely because of the passage of time; as you know, getting this onto the Council schedule was beyond our control.

I take the opportunity, in response to the points made in your July 30, 2013 letter, to remind that the per passenger PILT regime under which Toronto Pearson pays was capped back in 2002 so we see capping BBTCA using 2013 figures as clearly generous to the City on a relative basis.¹ I remind that while TPA is prepared to pay \$0.94 per passenger there is a lack of commercial cargo traffic at BBTCA, unlike at Pearson which has ~30% of its air traffic in the form of cargo traffic for which no per-passenger PILT is paid to its host municipalities.

With the benefit of that perspective, and given the recent chain of events, we are concerned that some on Council might see this upcoming December 2013 DAP process as a “free option” for the City – where a “good” outcome for the City leads to more BBTCA PILTs than had been previously agreed between our two agencies, while a “negative” outcome for the City gives City Council the chance to come back to the TPA and ask for the agreement tabled by you for their approval on April 3, 2013.

As you know, the DAP process is intended to give advice on the value of the Airport property. Please take this letter as our formal notice that should the new DAP recommend a value for the Airport, say a nominal amount, the TPA may be guided by the DAP’s advice as to paying such nominal amount. The goodwill we had hoped to achieve with the City by offering to pay more than the independently recommended \$0.80 PILT (which was a byproduct of the recommendations flowing from the 2009 DAP process), and agreeing to a 2013 capping year formula, has not borne fruit, unfortunately, based upon the April 3, 2013 City Council vote, the lack of meaningful progress on the BBTCA neighbourhood transportation study, the choking of the airport’s street access by the installation of a variety of no turn signs on Eireann Quay Toronto & East York Community Council, etc.

Regarding the “erroneous” MPAC valuation, I highlighted this in my earlier letter due to specific feedback the TPA has received from certain members of City Council who have advised us that they voted against your April 3, 2013 recommendations based upon their view that the BBTCA should pay PILTs based upon the very high, and “erroneous”, MPAC valuation figures. As we both know, you are in a position to provide advice and context, but it was this slim majority of Councillors who defeated the proposed City/TPA agreement and demanded a far higher BBTCA PILT than you had recommended.

Given the amount of apparent misinformation involving the TPA in general, and the BBTCA PILT topic in particular, our team has offered individual meetings and briefings with each member of City Council; several have already taken us up on the offer to meet with my colleagues and/or our Board Chair. Although this PILTs issue has yet to be resolved to anyone’s satisfaction, I am glad that your team has re-engaged on the 2012 BBTCA traffic study, and we will soon be coming to brief your colleagues regarding the exciting 30 Bay Street real estate office tower development.

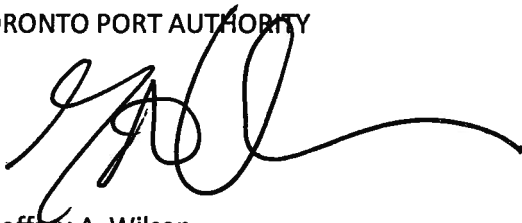
In closing, Counsel also advises me that the City lawyer involved in the current DAP process was constructive, co-operative and dealt with our request for a new DAP very quickly. For that, I thank him and you. I believe that staffs at the TPA and the City have a history of working together productively and

¹ Per Section 45.1(1)(4) of Ontario Regulation 282/98, the amount of PILTs paid by a designated airport authority in any one tax year is capped at 105% of the PILT amount paid by such authority in the immediately preceding tax year. These capping provisions went into effect for all designated airport authorities (including Pearson) beginning in tax year 2002. By agreeing to commence capping in tax year 2013 instead of 2002 and based on projected passenger loads, BBTCA stands to pay an estimated \$13.5 million more in PILTs for tax years 2013-2021 than would have been due if capping commenced in 2002.

professionally (the Macro I and Macro II agreement are but two recent examples) and I am glad to see that practice continue.

Sincerely,

TORONTO PORT AUTHORITY

A handwritten signature in black ink, appearing to read 'G. Wilson', with a long horizontal flourish extending to the right.

Geoffrey A. Wilson
President & Chief Executive Officer

cc: Mayor Rob Ford, City of Toronto

cc: Mark McQueen, Chair, Toronto Port Authority

Enclosure: Letter from Joseph Pennachetti, July 30, 2013

City Hall
100 Queen Street West
East Tower, 11th Floor
Toronto, Ontario M5H 2N2

Tel: 416-392-3551
Fax: 416-392-1827
jpennac@toronto.ca
toronto.ca

July 30, 2013

Mr. Geoffrey Wilson
President & Chief Executive Officer
Toronto Port Authority
60 Harbour Street
Toronto, ON M5J 1B7

Dear Mr. Wilson:

Re: Payments in lieu of taxes: Billy Bishop Toronto City Airport (BBTCA)

I write to clarify certain information in your letter of July 15, 2013 concerning payments in lieu of taxes (PILTs) for Billy Bishop Toronto City Airport that was circulated to Mayor Rob Ford and members of Toronto City Council.

On April 3, 2013 Toronto City Council did not adopt the proposed agreement that City Staff had presented to Council on a per passenger PILT to be made by the TPA for the Billy Bishop City Centre Airport. The feedback we heard from City Councillors was that the proposed agreement was not fair to the City.

City staff continue to view the per passenger PILT for the BBTCA as the best solution for both the TPA and the City. It was with that belief in mind that you and I met in my office along with City and TPA staff on June 3, 2013 to discuss a revised proposal which results in an increase in future PILTs to the City that could be presented to Council to consider.

We have always understood the TPA's position to be that it is willing to pay PILTs based upon a per passenger rate. The revised proposal is consistent with this. The TPA will receive the benefit of the terms in the regulation and will only be making a payment based upon passenger numbers from two years prior. Our revised proposal simply provides that the capping provision in the regulation will not apply to the TPA's PILT payment until 2014.

Accordingly, your July 15 letter is misleading to suggest that the increase that we discussed on June 3, 2013 is related to MPAC's valuation of the BBTCA. In my view, it is appropriate to try and resolve this matter on the basis of the revised proposal which is fair to both the City and the TPA.

Yours truly,



Joseph Pennachetti
City Manager

Copy to: Mr. Roberto Rossini, Deputy City Manager & Chief Financial Officer
Ms. Anna Kinastowski, City Solicitor
Ms. Diana W. Dimmer, Director of Litigation
Mr. Casey Brendon, Director of Revenue Service
Ms. Giuliana Carbone, Treasurer
Mr. Angus MacKay, Lawyer, City of Toronto
Mark McQueen Chairman, Toronto Port Authority
Mr. Alan J. Paul, Vice President & Chief Financial Officer, Toronto Port Authority
Mr. J. Mark Richardson, Vice President & General Counsel, Toronto Port Authority
Mr. Phillip L. Sanford, Lawyer, McCarthy Tétrault
Mayor Rob Ford, City of Toronto