

Local economic benefits: land development and taxation

Greater Toronto Airports Authority
March 27, 2018
GTAA Consultative Committee



Toronto Pearson

Toronto Pearson is growing to support demand, increasing its economic contribution to the local region and all of Canada

TODAY

47M passengers

70% of global economies by daily, direct flights

6.3% of Ontario's GDP (\$42 B)

332,000

jobs facilitated in ON (approx.)

2037

85M passengers

80%+ of global economies by daily, direct flights

8.5 % of Ontario's GDP

700,000

jobs facilitated in ON (approx.)

The GTAA is a corporation without share capital and recognized as a Canadian Airport Authority by the federal government. It pays ground rent to the federal government and is subject to payments-in-lieu of real property taxes (“PILT”) to its host municipalities, Toronto and Mississauga.

These expenses together comprised approximately **21 per cent** of the GTAA’s operating expenses or **15 per cent** of total expenses (accounting for depreciation and interest).

In 2017 the GTAA paid PILT in the amounts of **\$34.6M to Mississauga and \$198K to the City of Toronto.**

PILT paid by Ontario airports is established in Ontario Regulation 282/98 Section 45.1(7), as follows:

- \$0.94/passenger for Toronto Pearson (Ottawa, Thunder Bay, Windsor and London pay different rates based on calculation in 2001 when the regulation was drafted);
- Passenger volumes reported by Statistics Canada (2-year lag time; revenue passengers only);
- 5% cap on year-over-year growth.
- In 2014, Billy Bishop was added to airports under this regulation, paying \$0.94/passenger

From 2001 to 2015 PILT increased on average by about 1.6 per cent per year.

Municipal taxes paid by tenants operating at Toronto Pearson



Toronto Pearson

Any land or building space leased by the GTAA to third parties (e.g. to airlines, retailers, cargo operators, hotels, etc.) is assessed by the Municipal Property Assessment Corporation (MPAC) and subject to municipal property taxes. Payments are made by these tenants to Mississauga or Toronto directly.

The GTAA's tenants paid approximately **\$23 million in property taxes** in 2017 to the City of Mississauga and **\$490,000** to the City of Toronto.

Development charges relating to the GTAA's Airport development

As federal property, Mississauga's building permit and development charge (DC) regime does not apply to the airport lands. Mississauga can apply to the Federal Government for payments in lieu of DCs relating to Airport development.

Mississauga and Region of Peel applied for payments in lieu of DCs and, in 2007, Mississauga and the Region of Peel received payments of \$841,360 and \$4,121,100 respectively from the Federal Government for the GTAA's development of the Airport up to 2004 (GTAA subsequently reimbursed Federal Government).

Third party developments on Airport lands



Toronto Pearson

The GTAA has voluntarily made the payment of development charges and fees a requirement for third party non-aviation developments at the Airport so that Mississauga, the Region of Peel and school boards receive these payments expeditiously.

Example developments include the Air Canada Flight Training Facility, the Alt Hotel, and Toyotoshi Auto Mall.

DCs for the Corporation's Third Party Developers (2008-~2020)	
Third Party Municipal Levies and DCs previously paid	\$11,350,000
Anticipated Future Third Party Municipal Levies	\$3,500,000
TOTAL:	\$14,850,000



GTAA tenants receive health inspection services provided through the Region of Peel.

Other traditionally municipal services, such as fire, emergency response, garbage pickup, snow removal, are paid for or delivered by the GTAA.

Competing globally: growing non-aeronautical revenue



Toronto Pearson

Non-aeronautical revenues (NAR) are a vital component of an airport's bottom line, helping to keep airport fees down and providing revenue diversification that can serve as a cushion during economic downturns.

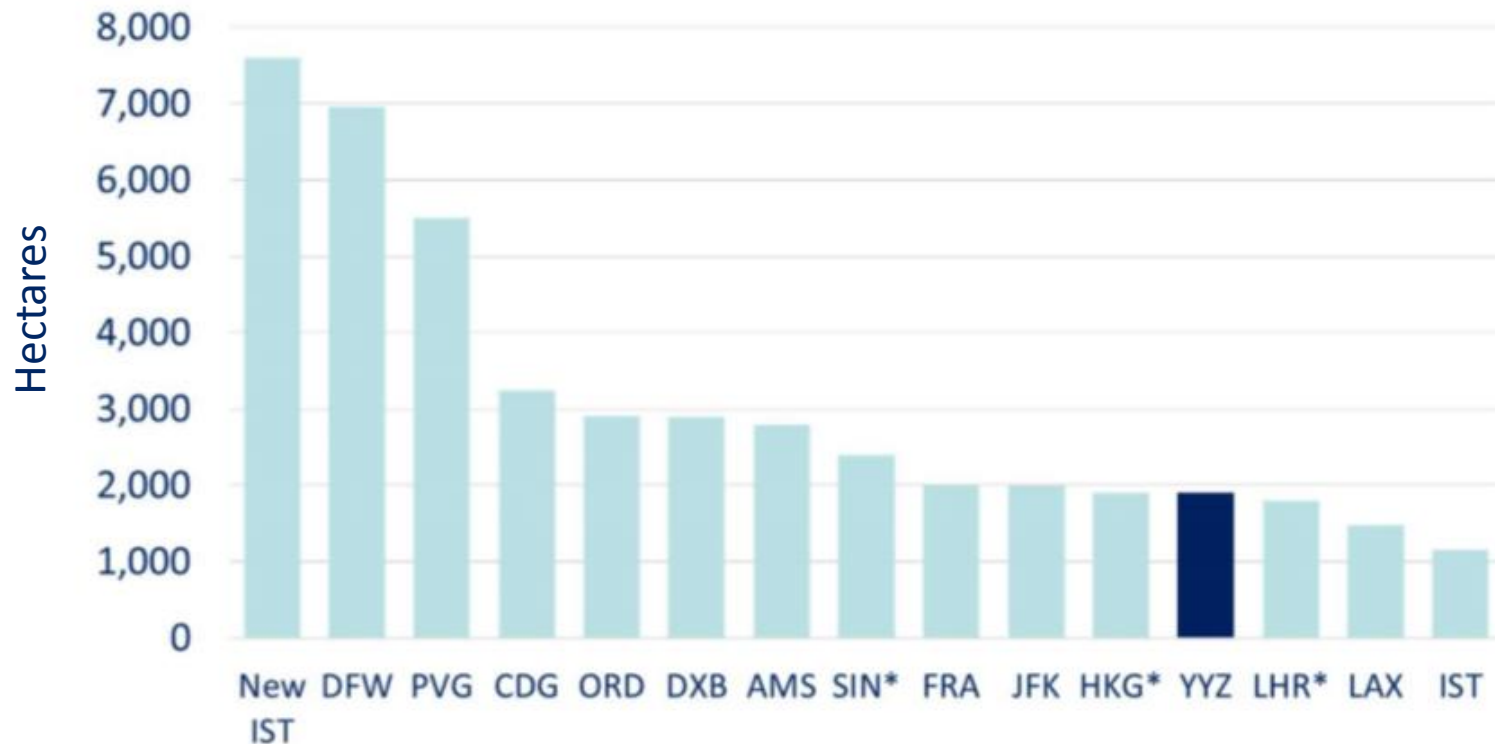
Top non-aeronautical revenue sources include: retail, car parking, property and real estate revenue or rent, rental car concessions, food and beverage and advertising.

The GTAA strives to increase its NAR to support continued investment in airport facilities to meet and exceed the needs of the increasing number of passengers we serve.

Current land availability relative to other international top tier international hubs



Toronto Pearson



Amsterdam Schiphol Airport (AMS) has increased commercial and operational real estate over the last 20 years

- Total office space has increased by 16% between 2011 and 2016, from 565,000m² to 657,000m²
- Several MNCs are headquartered in the airport employment zone, including ING and Philips
- Schiphol is opening a 150,000m² terminal in 2023



Case study: Frankfurt Airport

Frankfurt Airport (FRA) has expanded terminal facilities and developed surrounding land for commercial use

- The Squire building on Frankfurt Airport's rail station has 140,000m² of commercial space and is home to KPMG, Lufthansa, and Hilton
- Industrial area acquisitions to the west of the airport were developed into the 1,000,000m² Monchh of logistics park
- Fraport has also acquired and developed 700,000m² of former forest north of the airport into the Gateway Gardens business park



The GTAA has created a subsidiary, Airway Centre Inc., which has acquired several properties.

Transport Canada staff reviewed these transactions in accordance with the Ground Lease and the Minister of Transport consented to the GTAA, or its subsidiary, acquiring and holding the properties.

The lands acquired by Airways Inc. were not transferred to the Federal Crown; they continue to fall within municipal jurisdiction for planning and taxation purposes.

An aerial photograph of Toronto Pearson International Airport, showing the terminal building, runways, taxiways, and a complex multi-level highway interchange in the foreground. The city skyline is visible in the distance under a clear sky. A semi-transparent white banner with the text 'Thank you' is overlaid across the center of the image.

Thank you



Toronto Pearson