



## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT

Report Date: November 16, 2007  
Author: Karen Levitt  
Phone No.: 604.873.7251  
RTS No.: 6999  
VanRIMS No.: 01-5500-30  
Meeting Date: November 27, 2007

TO: Vancouver City Council  
FROM: City Manager  
SUBJECT: Update on Port Issues

#### RECOMMENDATION

- A. THAT Council endorse the Draft Preliminary Engagement Framework found in Appendix D of this report, which is intended to serve as the basis for a future regional Charter that would formalise the relationship and establish an ongoing liaison framework between the Metro Vancouver port cities and the Vancouver Fraser Port Authority; and that Council direct the City Clerk to notify the Chair of the VFPA Transition Committee of this endorsement.
- B. THAT the Mayor and Council send a letter to the British Columbia Premier, the BC Minister of Finance, the BC Minister of Community Services, the BC Minister of Transportation, the BC Minister of Economic Development and the BC Minister of Small Business and Revenue (who is responsible for the BC Assessment Authority), to express City Council's objection to those elements of the Ports Competitiveness Initiative extension that would involve any form of provincial intervention into municipal property taxation policy.

#### CITY MANAGER'S COMMENTS

Over time, the City of Vancouver has developed positive and productive working relationships with the port authorities within its jurisdiction. These relationships are inherently complex, since the City and the port authorities are faced with many inter-related opportunities and

challenges, and at the same time, they are separate entities, governed by independent legislation, each with its own objectives, business practices and governance structures.

With the imminent amalgamation of the three Greater Vancouver port authorities comes the opportunity for the City (and in the larger picture, all of the Metro Vancouver port host municipalities) to build on and enhance these positive relationships, and the Preliminary Engagement Framework attached in Appendix D presents a starting point for this.

With respect to the (unrelated) proposed extension to the provincial Ports Competitiveness Initiative, while the City recognises the importance of our local ports and port industries, Council has a history of opposing any provincial legislation that interferes with local government autonomy over tax policy. The tax rate cap imposed on seven selected port properties within Vancouver's jurisdiction between 2004 and 2007 has cost Vancouver taxpayers almost \$800,000 over these four years. While the Ports Competitiveness Initiative no doubt is a great help to port industries, it contravenes the fundamental principle of local government autonomy over property tax policy.

## COUNCIL POLICY

On September 15, 1998, representatives of the City and the Vancouver Port Corporation both signed a Charter designed to guide their working relationship, found in Appendix A of this report. This Charter lays out the intended spirit and mechanics of the working relationship, provides for a dispute resolution process, and lists a set of mutually agreed-to objectives for the two organisations.

On June 12, 2007, Vancouver City Council approved three motions, relating to the proposed amalgamation of the three Lower Mainland ports. The first indicated Council's support for the proposed amalgamation, the second addressed Council's desired governance structure and establishment of a municipal advisory board to the Vancouver Fraser Port Authority's Transition Committee, and the third directed the Mayor to request the reinstatement of compensatory funding for the Vancouver police costs associated with providing effective policing in the Port of Vancouver. All three of these motions are included in Appendix B of this report.

On January 16, 2003, Council endorsed a statement that represented the collective position of local port host municipalities, concerning property taxation for port authorities and port-related industries (Appendix F). Later that same year, on September 11, 2003, Council directed the Mayor to send a letter to various provincial ministers, expressing Council's objection to the provincial proposal to limit property taxes paid by private companies that work in the port industry, by means of a tax rate cap and new tax exemptions. (These changes were ultimately implemented in 2004 by the provincial government, as part of the five-year Ports Competitiveness Initiative).

## PURPOSE

The purposes of this report is to update Council on two current (but unrelated) port issues:

- the pending amalgamation of the three Lower Mainland port authorities, and
- the recently-announced extension of the provincial Ports Competitiveness Initiative (PCI).

## BACKGROUND - PORTS AMALGAMATION

The three Lower Mainland port authorities - the Fraser River Port Authority, the North Fraser Port Authority and the Vancouver Port Authority -- are working toward amalgamating into one entity, to be called the Vancouver Fraser Port Authority (VFPA). Detailed information about the amalgamation can be found at [www.portamalgamation.com](http://www.portamalgamation.com).

## BACKGROUND - PORTS COMPETITIVENESS INITIATIVE

In 2003, the provincial government implemented the Ports Competitiveness Initiative (PCI), which included in the following elements:

- CLASS 4 (HEAVY INDUSTRIAL) TAX RATE CAP FOR EXISTING PORT FACILITIES: A cap on municipal tax rates for existing ports facilities of \$27.50 per \$1,000 of assessed value, with the cap to remain in place for five years starting in 2004.
- CLASS 4 (HEAVY INDUSTRIAL) TAX RATE CAP FOR NEW PORT FACILITIES: A 10-year cap on municipal tax rates for new ports facilities of \$22.50 per \$1,000, with the cap to apply to new construction started before January 1, 2009.
- COMPENSATION TO MUNICIPALITIES: Annual compensation to affected municipalities, equal to the impact of the tax cap on existing ports facilities in 2003, projected at the time of implementation to cost the province \$2.6 million annually. (The City of Vancouver's share of this compensation was approximately \$42,000 per year.)
- BERTH CORRIDOR TAX EXEMPTIONS: A tax exemption for berth corridors, which are the are the docking facilities required at port container and break bulk facilities. Traditionally, berth corridors had been tax exempt, but they became taxable in the two years prior to the implementation of the Ports Competitiveness Initiative, as the result of assessment appeals. In 2003 municipalities collectively received \$1.4 million by taxing berth corridors. Under the Ports Competitiveness Initiative, the provincial government, through regulation, restored berth corridors' tax exemption status.
- RETROACTIVE PROVINCIAL SCHOOL TAX REMISSION: A remission of provincial school tax for the tax on berth corridors back to 2002. The remission meant that the province

would not collect any revenue from the berth corridors, and would refund the ports operators for the school tax portion of provincial property taxes collected for 2002 and 2003.

- REVIEW OF GRANTS-IN-LIEU PAID BY VANCOUVER WHARVES FACILITY: The grant-in-lieu of taxes paid by Vancouver Wharves would be included in the general review of grants in lieu paid by Crown corporations that was being conducted at the time the PCI was implemented.
- REVIEW OF PORT LAND VALUATION POLICY: The Minister of Sustainable Resource Management, responsible for assessment policy, would initiate a policy review of the valuation of ports lands for assessment purposes.
- REVIEW OF PCI IN THIRD YEAR OF PROGRAM: The Ports Competitive Initiative would be reviewed after three years, in order to measure the success of the initiative, and to determine how to proceed after the initial five-year rate cap and compensation program ends.

The provincial review of the PCI has now been completed, and on September 11, 2007, the Province announced their intention to introduce legislation in the Spring session to support the extension of the PCI. If approved by the Legislative Assembly, as of 2009 the Ports Competitiveness Initiative will include:

- a continued tax rate cap of \$27.50/\$1,000 of assessed value for existing investments for 10 years;
- a continued tax rate cap of \$22.50/\$1,000 on new investments for 10 years on improvements constructed before Dec. 31, 2018;
- increased municipal compensation and payments indexed to the rate of inflation from 2009 to 2018; and
- the option for municipalities to negotiate 10-year agreements with port operators using new provisions in the *Community Charter*; these agreements would not affect a municipality's ability to access provincial compensation.

The news release about the PCI extension is found in Appendix H of this report.

## DISCUSSION - PORTS AMALGAMATION

### CITY INVOLVEMENT IN TRANSITION

City staff and elected officials have been involved in the amalgamation transition process, through two separate entities:

- the *Metro Vancouver Port Cities Task Force* is made up of elected officials (Terms of Reference are in Appendix E; this Task Force is referred to as the Port Cities Committee (PCC) in the Draft Preliminary Engagement Framework, and
- the *Port Cities Task Force Advisory Committee*, a staff working group that supports the work of the Metro Vancouver Port Cities Task Force.

The *VFPA Amalgamation Transition Committee* is responsible for overseeing the integration of the three Lower Mainland port authorities, and is chaired by Sarah Morgan-Silvester, a member of the Vancouver Port Authority Board of Directors.

#### FORMATION OF THE VFPA

The letters patent for the new Vancouver Fraser Port Authority (VFPA) have already been submitted, and it is anticipated that the VFPA will be officially formed in January 2008. All senior management appointments have now been made (see Appendix C for details).

#### GOVERNANCE

The Metro Vancouver Port Cities Task Force has made a request to the federal government that "... the *Canada Marine Act* be amended to allow the new amalgamated Vancouver Fraser Port Authority Board to include representation by three municipal appointees from the GVRD, one selected by cities with Fraser River ports, one selected by cities with sea ports, and one at-large representative selected by GVRD port cities, and that the municipal appointees be elected representatives."

However, this change has not been granted, so with the formation of the VFPA, the Board will be comprised of eleven members, with one appointed by port cities. Helen Sparks, currently the municipal appointee to the Fraser River Port Authority Board of Directors, has been selected by the Metro Vancouver Port Cities Task Force to be the first municipal appointee to the new VFPA Board of Directors. The process for selecting the municipal appointee going forward is addressed in the Draft Preliminary Engagement Framework in Appendix D.

#### DRAFT PRELIMINARY ENGAGEMENT FRAMEWORK

The Draft Preliminary Engagement Framework provides a starting point for formalising the working and governance relationships between the VFPA and port cities. This document was developed by the VFPA Amalgamation Transition Committee, and has been endorsed by the Metro Vancouver Port Cities Task Force, to be used as the basis for a regional Charter that will guide the relationship between the port cities, federal government, provincial government and the amalgamated port authority.

Once the amalgamation is complete, the *Charter for the Relationship Between the City of Vancouver and the Vancouver Port Corporation* would no longer be in effect, as the Vancouver Port Corporation will cease to exist. The proposed regional Charter would take the place of this earlier document. The Preliminary Engagement Framework builds on the same

fundamental principles upon which the Charter between the City of Vancouver and the Vancouver Port Corporation was developed, and delineates a framework for the various governance interrelationships and communication among the parties.

The framework also proposes an annual conference, which would provide the opportunity for a wide range of stakeholders to come together for dialogue on matters of mutual interest. One major difference between the City's existing Charter with the Vancouver Port Corporation, and the Draft Preliminary Engagement Framework between the VFPA and Metro Vancouver Port Cities, is that the latter does not include, at this point, a specified dispute resolution process.

It is expected that this document will be further developed and formalised over VFPA's first year of operations.

## **DISCUSSION - PORTS COMPETITIVENESS INITIATIVE EXTENSION**

At the time the Ports Competitiveness Initiative was originally implemented, Vancouver City Council expressed their objection to the provincial proposal to limit property taxes paid by private companies that work in the port industry by means of a tax rate cap and new tax exemptions. This objection was made because these interventions by the Province contravened the principles of local government autonomy over property tax policy. The various elements of Council's position on port taxation are summarised in the submission to the Province made jointly by all GVRD port host municipalities, in January 2003 (Appendix F).

### **TAX RATE CAPS**

There were two new tax rate caps associated with the introduction of the PCI. With the extension to this program, each is proposed to remain in place until 2018.

#### **A. TAX RATE CAP FOR EXISTING PORT PROPERTIES**

- A rate not greater than \$27.50 per \$1,000 taxable value (Class 4 Heavy Industrial only).
- Applies to a specified set of existing port properties, which are scheduled in the provincial legislation.
- There are seven properties which qualify for this tax rate cap in the City of Vancouver (see Table 1).

#### **B. TAX RATE CAP FOR NEW INVESTMENT ON PORT PROPERTIES**

- A rate not greater than \$22.50 per \$1,000 taxable value (Class 4 Heavy Industrial only).

- There has been no such eligible investment in the City of Vancouver, since the 2004 implemented of the PCI.

### PROVINCIAL COMPENSATION

At the time this tax cap was implemented, the Province made some compensation available to municipalities, intended to offset tax revenue losses associated with the cap. This compensation amount was calculated using 2003 tax figures, and was not adjusted in subsequent years to reflect actual lost revenues. Table 1 shows that for the City of Vancouver, while the provincial compensation amount has remained fixed at approximately \$42,000 each year, annual lost revenues have been between three to eleven times greater than this amount.

The proposed extension would entail a similar level of provincial compensation, indexed by the rate of inflation; compensation levels would not be reset to match current revenue losses associated with the 2009 tax rate caps. This means that, if the PCI is extended to 2018, the associated revenue losses to the City would continue to be many times greater than the provincial compensation.

### TAX REVENUE LOSSES TO DATE

Table 1 shows the financial impact of the PCI tax rate cap on the City. Since it was implemented in 2004, the rate cap has cost Vancouver taxpayers approximately \$800,000. In each year, the tax revenues lost due to the tax cap on the seven properties shown below are ultimately collected from all other taxpayers.

### FINANCIAL IMPLICATIONS

There are no direct financial implications to the City associated with the ports amalgamation.

The extension of the PCI will almost certainly involve further tax revenue losses for the City, associated with both the \$27.50 tax rate cap for the already-capped port properties shown in Table 1, as well as any new port investments within the City that are deemed eligible for the \$22.50 rate cap.

The extent of the City's revenue losses cannot be known in advance of each year's detailed tax calculations. This is because the Class 4 tax rate varies from year to year, based on the current year taxable value of that property class, and the size of the current year tax levy for that class. The provincial compensation is expected to remain at approximately the same level as it has been for the past five years (\$42,000), which will offset only a small fraction of the City's tax revenue losses.

TABLE 1. FINANCIAL IMPACT ON CITY OF VANCOUVER OF PCI TAX RATE CAP, 2004-2007

	2004	2005	2006	2007
<b>A. CAPPED PROPERTIES - TAXABLE VALUE (\$000)</b>				
09 200 028-561-192-30-2003 Centerm	\$56,513	\$48,186	\$47,984	\$44,540
09 200 028-561-226-34-4010 Agricore United	\$3,856	\$2,853	\$2,861	\$2,638
09 200 028-561-226-34-4015 Agricore United	\$13,852	\$15,081	\$15,443	\$15,716
09 200 028-561-226-34-4020 Agricore United	\$282	\$225	\$225	\$231
09 200 028-561-230-30-4050 Vanterm	\$50,777	\$42,767	\$42,853	\$39,725
09 200 028-561-250-76-4014 Pacific Elevators	\$27,200	\$25,046	\$25,728	\$25,526
09 200 028-561-275-40-4050 Cascadia	\$37,521	\$36,101	\$36,600	\$36,905
<b>TOTAL TAXABLE VALUE</b>	<b>\$190,001</b>	<b>\$170,259</b>	<b>\$171,694</b>	<b>\$165,281</b>
<b>B. TAX RATES</b>				
Actual COV General Tax Rate	\$28.58	\$28.32	\$28.47	\$30.25
Legislated Capped Tax Rate, Selected Class 4 Properties	\$27.50	\$27.50	\$27.50	\$27.50
\$ Difference	(\$1.08)	(\$0.82)	(\$0.97)	(\$2.75)
% Difference	-3.8%	-2.9%	-3.4%	-9.1%
<b>C. REVENUE LOSS DUE TO TAX CAP</b>				
Tax Revenue from Capped Properties, w/o Tax Cap	\$5,431,117	\$4,821,158	\$4,887,336	\$5,000,448
Tax Revenue from Capped Properties, with Tax Cap	\$5,225,028	\$4,682,123	\$4,721,585	\$4,545,228
Tax Loss, Due to Tax Cap	-\$206,090	-\$139,036	-\$165,751	-\$455,220
Offset: Provincial Compensation	\$41,618	\$41,618	\$41,618	\$41,618
<b>NET TAX REVENUE LOSS, DUE TO TAX CAP</b>	<b>-\$164,472</b>	<b>-\$97,418</b>	<b>-\$124,133</b>	<b>-\$413,602</b>

## CONCLUSION

This report updates Council on two important issues: the upcoming amalgamation of the three Lower Mainland ports into one consolidated entity, the Vancouver Fraser Port Authority, and the anticipated extension of the provincial Ports Competitiveness Review.

The City has expressed support for the amalgamation, although the requested change to the *Canada Marine Act* to allow for three municipal representatives (rather than one) on the VFPA Board of Directors has not been granted. Recommendation A of this report recommends that Council endorse the Preliminary Engagement Framework that has been developed by the Metro Vancouver port cities and the VFPA Amalgamation Transition Committee.

## LIST OF APPENDICES - RELATED TO PORT AMALGAMATION

Appendix A..... Charter for the Relationship Between the City of Vancouver and Vancouver Port Corporation, Signed September 15, 1998



- Appendix B ..... Resolutions Concerning the Proposed Amalgamation of the Three Lower Mainland Ports, Approved by Vancouver City Council on June 12, 2007
- Appendix C ..... News Release re: Lower Mainland Port Amalgamation Vancouver Fraser Port Authority Executive Structure - Appointment Announcements, September 6, 2007
- Appendix D ..... Draft Preliminary Engagement Framework Between Metro Vancouver and The Vancouver Port Corporation, December 17, 2007
- Appendix E ..... Terms of Reference for the Metro Vancouver Port Cities Task Force

**LIST OF APPENDICES - RELATED TO PORTS COMPETITIVENESS INITIATIVE**

- Appendix F ..... Submission to the Province for Consideration in Any Change to Port Tax Policy, Jointly Submitted By GVRD Port Municipalities, Endorsed by Vancouver City Council on January 16, 2003
- Appendix G ..... Fact Sheet: Initial Implementation of the Provincial Ports Competitiveness Initiative, October 15, 2003
- Appendix H ..... News Release re: Ports Competitiveness Initiative Extension, September 11, 2007

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**APPENDIX A**  
**CHARTER FOR THE RELATIONSHIP BETWEEN THE CITY OF VANCOUVER**  
**AND VANCOUVER PORT CORPORATION**  
**SIGNED SEPTEMBER 15, 1998**

Whereas the Port of Vancouver (Port) is a major employer and economic generator within the Vancouver region and Canada's premier port, and whereas the Port occupies a major proportion of the waterfront lands in the City of Vancouver, and whereas the City of Vancouver (City) provides municipal services and access, essential to the effective operation of the Port, and manages development adjacent to the Port, and whereas the City and the Vancouver Port Corporation (Port Corporation) are both committed to the economic development of the region, the provision of jobs, the efficient movement of goods and people, and the maintenance and enhancement of the environment, therefore the City and the Port Corporation acknowledge the importance of each to the other, and the necessity for a good working relationship between the two bodies, and commit to this Charter to guide that relationship.

1. The Port Corporation and the City each acknowledge the independence of the other, and the obligation of each to act in a manner consistent with its enabling legislation and obligations.
2. The Port Corporation and the City commit to continuing effective communication on matters of interest to both parties, including but not limited to notice to each other and consultation on physical developments and management policies which may affect the other.
3. The President and CEO of the Port Corporation and the City Manager of the City will arrange joint meetings of their respective management teams at least annually, and additionally when appropriate, to review the relevant plans of the two organizations to determine where there may be issues requiring resolution and areas where the two organizations may be mutually supportive.
4. Following the annual meeting of staffs from the two organizations, the Port Corporation Board and City Council will receive reports from their officials and give direction as each may deem appropriate on issues requiring action by staff to support the joint interests of the two organizations.
5. In the event of a disagreement, the City and Port Corporation agree to rely on a dispute resolution procedure involving:

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- In the first instance, a joint review by the President and CEO of the Vancouver Port Corporation and the City Manager of the City;
  - If the review by the President and CEO of the Port Corporation and the City Manager of the City is unsuccessful in resolving the dispute, a joint review by a Committee consisting of the Mayor, two members of City Council and the City Manager, and the Chair of the Vancouver Port Corporation, two members of the Board of the Port Corporation and the President and CEO of the Port Corporation; and
  - If this is unsuccessful, mediation/arbitration by an independent board, with one member appointed by each of the Port Corporation and City, and the third member, who shall be the Chair, appointed by the two members.
6. Where legally possible, the City and Port Corporation agree to be bound by the conclusions of the arbitration, where either City or the Port Corporation cannot be bound by the rulings of a third party, neither shall be bound, but both undertake to give the recommendations from the process due consideration.
7. On matters requiring formal agreement between the two parties, the City and the Port Corporation agree to pursue simplified legal agreements relying on the dispute resolution procedure set out above.
8. The City and the Port Corporation agree to work together in the following areas of mutual interest and insofar as their separate interests and obligations may permit the development of mutually agreed plans to further these objectives:
- Promotion of the business of the Port;
  - Enhancement of the marine environment;
  - Provision of access to the waterfront and activities of the Port for citizens where this is consistent with the work of the Port;
  - Effective management of the use of the harbour including recreational use where this is consistent with the work of the Port;
  - Provision of effective road and rail access and utility services for the efficient operation of the Port;
  - Provision of access to water for necessary City utility services;

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- Provision of effective policing and emergency services in the Port and adjacent area of the City, including emergency planning and disaster response;
  - Ensuring that development on Port lands is compatible with both the economic development of the Port and the interests of the City;
  - Ensuring that development in the City is compatible with the economic development of the Port and the interests of the City;
  - Ensuring effective public consultation on significant decisions relating to Port and adjacent City lands.

Dated September 15, 1998, and signed by:

- The Mayor of the City of Vancouver
- The City Manager of the City of Vancouver
- The Chair of the Vancouver Port Corporation
- The President and CEO of the Vancouver Port Corporation

**APPENDIX B**  
**RESOLUTIONS CONCERNING THE PROPOSED AMALGAMATION OF**  
**THE THREE LOWER MAINLAND PORTS**  
**APPROVED BY VANCOUVER CITY COUNCIL ON JUNE 12, 2007**

**1. SUPPORT FOR PROPOSED AMALGAMATION**

*WHEREAS amalgamation of the three Lower Mainland Ports will:*

- *Facilitate a regional approach to port-related land use, transportation planning, goods movement and environmental initiatives;*
- *Support an enhanced ability for ports to set regional environmental and safety standards for land-side and marine-side operations;*
- *Provide a simplified port/municipal relationships with a single point of contact;*
- *Support this Council's goal of developing the strongest local and regional economy; and*
- *Facilitate an enhanced competitiveness of the region's ports in the international marketplace, providing significant additional employment and economic activity for the residents of Vancouver;*

*THEREFORE BE IT RESOLVED THAT Vancouver City Council formally express its support for Amalgamation of the Lower Mainland Ports to the Honourable Lawrence Cannon, Minister of Transportation, Infrastructure and Communities.*

**2. TRANSITION COMMITTEE & MUNICIPAL REPRESENTATION ON NEW PORT AUTHORITY BOARD**

*WHEREAS:*

- *Vancouver City Council has indicated its support for the Lower Mainland Port Amalgamation;*
- *The Canada Marine Act (CMA) will define and determine the composition of the board for the amalgamated body;*

- *The existing board structure provides for Vancouver's participation in the selection of one municipal appointee on each of the boards of the Vancouver Port Authority and the North Fraser Port Authority;*
- *The existing and proposed governance structure does not include representation from Vancouver or any other municipality;*
- *As the City of Vancouver takes an active interest in the success and growth of the port in a manner that is consistent with community values and objectives; and*
- *A solid governance structure is crucial in ensuring that Vancouver is one of the most accountable cities in the country;*

*THEREFORE BE IT RESOLVED THAT:*

1. *As part of pending amendments to the CMA, Vancouver City Council submit to the Minister of Transport, Infrastructure and Communities, the Honourable Lawrence Cannon, its desire for Vancouver to have at least one municipal appointee continue to serve on the Board of Directors of the amalgamated Vancouver Fraser Port Authority (VFPA), along with at least one other municipal appointee; and*
2. *Vancouver City Council request the VFPA amalgamation transition committee establish a municipal advisory body, to which Vancouver and every partner municipality may appoint a representative who can proactively represent the interests of their community.*

### **3. PORT POLICING COSTS**

*WHEREAS:*

- *The Federal Government is responsible for the security and policing provisions of all of Canada's Ports;*
- *The "make-up funding" for Vancouver's additional policing requirements expired on July 1, 2004;*
- *The funding of \$350,000 per year, that is paid by the Vancouver Port Authority to the Solicitor General, relates to policing operations directed at intelligence and security within the Port of Vancouver and is not specifically designated for Vancouver;*

- *The Port of Vancouver enjoys a collaborative, on-site presence with the Vancouver Police Department, that includes a partnership with CBSA, RCMP and the Coast Guard; and*
- *The Vancouver Port Authority recommends that policing services are best handled by the police of local jurisdiction and the RCMP, as these police forces possess the capacity and personnel to better manage criminal intelligence and emergency response than would a stand-alone port police force;*

*THEREFORE IT BE RESOLVED THAT Vancouver City Council ask the Mayor to request the Minister of Public Safety and Solicitor General, the Honourable Stockwell Day, to reinstate the compensatory funding for the Vancouver Police, as a critical element to effective policing in the Port of Vancouver.*

**APPENDIX C**  
**NEWS RELEASE RE: LOWER MAINLAND PORT AMALGAMATION VANCOUVER FRASER PORT**  
**AUTHORITY EXECUTIVE STRUCTURE - APPOINTMENT ANNOUNCEMENTS,**  
**SEPTEMBER 6, 2007**

Captain Gordon Houston, Transition CEO, is pleased to announce the executive appointments for the proposed Vancouver Fraser Port Authority (VFPA). The appointments are effective upon receipt of the Certificate of Amalgamation from the Government of Canada. The Boards of Fraser River Port Authority, North Fraser Port Authority and Vancouver Port Authority have approved these positions.

Led by the principles of the "*Vision of Amalgamation Success*" and to support the strategic vision of being a "*global competitor, community partner*", the leadership team will enable the VFPA to fully achieve the opportunities presented by amalgamation of the three lower mainland ports, while engaging the diverse talent offered by the combined organizations.

**Chris Badger, Chief Operating Officer**

Captain Badger will be responsible for operations, transportation logistics and marketing as the VFPA works to build a world-class gateway. He will also take the lead in developing VFPA's reputation as a driving force in the advancement of Canada's logistics chain.

**Allan Baydala, Chief Financial Officer**

With overall responsibility for VFPA's financial and accounting functions, Mr. Baydala will ensure the continued financial self-sufficiency of the VFPA as required under the *Canada Marine Act*.

**Allen Domaas, Chief Sustainability Officer**

In this capacity, Captain Domaas will be responsible for maximizing regional benefits, encouraging fair market access, mitigating growth impacts and leading sustainability practices from an economic, social and environmental perspective.

**Lori Lindahl, Vice President, Human Resources**

Ms. Lindahl will be responsible for incorporating leading human resource practices so the VFPA can continue to attract, retain and engage the very best talent. She will also be



responsible for coordinating the optimization of the organization's activities, post amalgamation.

**Tom Winkler, Chief Strategic Development Officer**

Mr. Winkler will be responsible for the planning, development and implementation of strategic real estate and infrastructure initiatives, which are key to the organization's long-term success.

The five positions noted above report directly to the CEO.

**Peter Xotta, Vice President, Business Development**

Mr. Xotta will provide leadership and strategic direction to VFPA's marketing, transportation and logistics programs.

**Graham Kee, Vice President, Operations and Security**

Mr. Kee will have overall responsibility for land / marine operations and security.

These two positions report directly to Chris Badger, Chief Operating Officer.

**Gary Brush, Vice President, Corporate Services**

Mr. Brush will be responsible for the provision of internal support services including the oversight of VFPA facilities.

**Tom Corsie, Vice President, Infrastructure Development**

Captain Corsie is responsible for all matters pertaining to VFPA real estate and property development.

These positions report directly to Tom Winkler, Chief Strategic Development Officer.

For further information, please contact:

Anne McMullin, Amalgamation Communications Team Lead

Bus 604-665-9069 / Cell 778-231-6978 / [anne.mcmullin@portvancouver.com](mailto:anne.mcmullin@portvancouver.com)

**APPENDIX D**  
**DRAFT PRELIMINARY ENGAGEMENT FRAMEWORK BETWEEN**  
**METRO VANCOUVER AND THE VANCOUVER PORT CORPORATION**



**Preliminary Engagement Framework**  
**Metro Vancouver and Vancouver Fraser Port Authority**

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Whereas the pending amalgamation of Vancouver Port Authority, Fraser River Port Authority and North Fraser Port Authority will result in a new organization to be known as the Vancouver Fraser Port Authority;

And whereas several port cities within Metro Vancouver and the existing port authorities have entered into charters to formalize their relationships;

And whereas the port cities and port authorities each acknowledge the independence of the other and the obligation of each organization to act in a manner consistent with its enabling legislation and obligations;

And whereas the port cities and port authorities each acknowledge that their elected and appointed representatives have legal and fiduciary responsibilities to act in the best interest of their respective organizations;

And whereas the port cities and port authorities wish to foster harmonious relations and meaningful consultation among all parties that have interests and obligations related to marine activity including provincial and federal authorities, the port authorities, port industries, port cities, Metro Vancouver, other cities and stakeholders affected by port operations;

And whereas the port cities and port authorities wish to continue past practices such as local coordination meetings, attendance by port authority representatives at municipal Council

meetings, harbour tours, special projects and interacting in a variety of ways that best suit local priorities;

And whereas the port authorities and port cities wish to formalize their relationship and establish an ongoing liaison framework built on a spirit of cooperation and respect;

The Vancouver Port Authority, Fraser River Port Authority, North Fraser Port Authority and Metro Vancouver port cities hereby commit to enter into this *preliminary engagement framework* to guide the relationship between the Vancouver Fraser Port Authority and port cities effective January 1, 2008 or the date of formation of the Vancouver Fraser Port Authority.

#### Definitions.

**VFPA.** The Vancouver Fraser Port Authority (VFPA) will be a non-shareholder, corporation, established by the Government of Canada pursuant to the Canada Marine Act (CMA), and accountable to the federal Minister of Transport, Infrastructure and Communities. The VFPA will be committed to sustainable business practices that optimize the movement of passengers and cargo and the competitiveness of the lower mainland gateway.

**VFPA Board.** The VFPA Board is a board of appointed directors who provide governance over the VFPA's affairs; the Board is appointed under rules set out in the CMA to represent the interests of the VFPA.

**Metro Vancouver.** The Greater Vancouver Regional District, also referred to as Metro Vancouver is a federation of 21 municipalities operating under the British Columbia (BC) Community Charter and the BC Municipal Act. Metro Vancouver is committed to sustainable growth and the protection and enhancement of quality of life.

**Metro Vancouver Board.** The Metro Vancouver Board provides the political leadership and governance over the affairs of Metro Vancouver, drawn from officials elected to municipal office and appointed by their respective municipal councils.

**PCC.** The Port Cities Committee (PCC) is an advisory committee of the Metro Vancouver Board consisting of elected officials from port cities; the PCC is created

and operated as set out by the Metro Vancouver Board to represent the interests of port cities.

**Port Cities.** Port cities are municipalities identified in the VFPA's Letters Patent. In 2008, this will include the cities of Vancouver, Delta, Coquitlam, Richmond, Belcarra, Burnaby, New Westminster, Port Moody, North Vancouver City, Surrey, North Vancouver District, Port Coquitlam, West Vancouver, Maple Ridge, Pitt Meadows and Township of Langley.

The Metro Vancouver Board and the VFPA Board agree and commit to this *preliminary engagement framework* to guide the relationship between the two bodies through the definition of forums of effective engagement.

1. The Metro Vancouver Board and the VFPA Board will use Board and Committee meetings of both organizations as forums to discuss issues and solutions of mutual interest.
  - 1.1 The VFPA may appoint representatives to attend PCC meetings in accordance with terms of reference set out by Metro Vancouver, as amended from time to time.
  - 1.2 The PCC may appoint representatives to attend VFPA meetings in accordance with procedural guidelines set out by the VFPA, as amended from time to time.
  - 1.3 The parties agree to convene an annual joint meeting of the VFPA Board and PCC.
  - 1.4 All parties acknowledge the need to respect the confidentiality of VFPA Board and PCC in-camera proceedings.
2. Staff of Metro Vancouver Port Cities and VFPA will establish regular meetings to discuss issues of mutual interest, exchange information about best practices and to work on regional projects such as an annual conference.
  - 2.1 Representatives of the VFPA's Executive and senior staff will meet with Port Cities CAOs and senior staff on a quarterly basis.
  - 2.2 VFPA and Port Cities staff of various disciplines will meet on an as required basis to resolve issues as they arise from time to time in each Port City.
3. An annual conference will be convened with the following goals:

- a. Serve as venue for an Annual Meeting of VFPA and Metro Vancouver officials.
  - b. Provide a venue to engage Federal and Provincial officials in meaningful dialogue of matters of concern to VFPA and Metro Vancouver and long-term directions for Canada, British Columbia and the region.
  - c. Foster a better understanding of the VFPA as a global competitor and community partner.
  - d. Foster a better understanding of local and regional pressures and priorities affecting Metro Vancouver municipalities.
  - e. Create a forum for exchange of best practices.
  - f. Provide a venue for annual joint meeting of staff groups in various disciplines including Land Use Planners / Port planners, Emergency Response agencies, Economic Development officers and other sectors as required.
  - g. Host presentations by national and international speakers on relevant topics and best practices.
4. This preliminary Engagement Framework between the Vancouver Fraser Port Authority and Metro Vancouver will be expanded and formalized into a regional Charter to be developed over the next 12 months.

Signatures:

\_\_\_\_\_  
*Chair Vancouver Port Authority*

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*Chair Fraser Port Authority*

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*Chair North Fraser Port Authority*

\_\_\_\_\_  
*Chair Metro Vancouver*

\_\_\_\_\_  
*Chair Port Cities Committee*

## APPENDIX E

## TERMS OF REFERENCE FOR THE METRO VANCOUVER PORT CITIES TASK FORCE

**Port Cities Task Force  
TERMS OF REFERENCE**

The Vancouver, Fraser River and North Fraser Port Authorities are proposing to merge into a single port authority called the Vancouver Fraser Port Authority. The associated report, *"Global Competitor, Community Partner: An Integrated Port Entity in the Lower Mainland"* was released in December 2006, and is now with the federal Minister of Transport. The proposed merger has region-wide implications for port services, economic development, local government representation on the new Board of Directors, the management of our marine and estuarine environments, and potentially other matters such as property taxation. These implications should be thoroughly understood, and the local and regional perspectives need to be articulated to senior government.

The Port Cities Task Force is an advisory committee to the Committee of GVRD Mayors. It is intended to be the forum through which issues involving relationships with port authorities, other governments, and related agencies can be addressed and strategies and actions recommended to the Board.

The Port Cities Task Force will:

- 1) Engage with port authorities and senior governments in dialogues on local and regional interests.
- 2) Review the Port Authority amalgamation report including the options for representation on the Port Board.
- 3) Review port related issues that impact port cities and the region such as land assessment and use, taxation, dredging, community involvement and communication.

In carrying out this role, the Committee may provide advice and direction to staff as to the scope and priority of work to be carried out. However, where such direction represents a significant expenditure of funds, the Committee shall refer the matter to the Board, with appropriate recommendations for decision by the Board.

**Committee Membership**

The GVRD Port Cities Task Force shall comprise the Board Chair (who shall chair the committee) and Vice Chair (who shall be the Vice Chair of the committee), and the Metro Vancouver Mayors, along the Port areas. The appointment of the Committee Chair and Vice Chair will consider the representations of Harbour and River Cities Port.

The staff support of the Port Cities Task Force Committee will be the responsibility of the RAAC Committee members.

**Committee Meetings**

The Port Cities Task Force will meet at the discretion of the Chair as necessary to carry out the role of the Task Force. A quorum of 50% plus one of the Committee memberships is required to conduct Committee business.

**APPENDIX F**  
**SUBMISSION TO THE PROVINCE FOR CONSIDERATION**  
**IN ANY CHANGE TO PORT TAX POLICY, JOINTLY SUBMITTED BY GVRD PORT MUNICIPALITIES**  
**ENDORSED BY VANCOUVER CITY COUNCIL ON JANUARY 16, 2003**

SUBMISSION TO THE PROVINCE OF BRITISH COLUMBIA PORT COMPETITIVENESS REVIEW ON BEHALF OF CITY OF PORT MOODY, DISTRICT OF NORTH VANCOUVER, CITY OF NORTH VANCOUVER, CITY OF VANCOUVER, CITY OF BURNABY, CORPORATION OF DELTA AND THE CITY OF RICHMOND

December 2002

**Property Taxation on Ports & Port Industries**  
**Comments for Consideration in Provincial Review**

***Our ports are significant economic generators for the entire country***

We recognise that our local port authorities are very important economic generators for the city, region, province and country, and we value the presence of these industries within our municipal boundaries.

***Ports are primarily a federal responsibility***

The responsibility of Canadian ports falls under federal jurisdiction - the Ministry of Transportation - and therefore the responsibility of keeping the ports competitive is primarily a federal responsibility. We acknowledge and appreciate that the Minister of Transportation, the Honourable David Collenette, has appointed a four-member expert panel to undertake consultations with stakeholders in an effort to review the *Canada Marine Act* (CMA) to identify recommendations for improvement.

However, our position is that competitive gains or CMA recommendations *should not be at the expense of the host municipalities*. The benefits of the ports are realised in all regions of Canada, and the federal government should take the lead role in addressing ports' competitiveness problems, rather than download these responsibilities onto municipalities. Most of the competitiveness issues that have been raised by ports fall under the domain of federal responsibilities, and require subsidy or investment level on the part of the Canadian federal government, as is provided by the US federal government.

***The presence of the ports creates real costs for municipalities***

There are significant municipal costs associated with the provision of services to ports and port industries, including police and fire services, and land use planning. It is important to note that some of these costs, while significant, are not necessarily direct cash outlays but



rather are embedded/implied in peak staffing requirements or potential liability costs associated with emergency response on port lands.

***Revenues from property tax and PILTs are crucial for municipalities***

In order to help offset the costs of providing services to ports and port industries, it is absolutely necessary that ports and their tenants pay property taxes and payments in lieu of taxes (PILTs) in full and on time. If these revenues were to be decreased or eliminated, this would directly increase the financial burden on other local property taxpayers, and in addition, the provision of municipal services to port authorities and their tenants may ultimately be compromised.

***Property taxes and/or PILTs are not the main obstacle to port competitiveness***

Because there are so many differences in competitive factors between US and Canadian ports, we cannot just compare property taxes paid by ports in these two countries in isolation. Several factors under the control of the federal government could greatly improve port authorities' and related industries' competitiveness and their ability to make appropriate capital investments, and in dollar terms these would have a much greater benefit to ports than the reduction or elimination of municipal taxes and/or PILTs. These include:

- eliminating the requirement for port authorities to remit an annual stipend based on gross revenues,
- making available a wider range of tools available to port authorities for financing capital investment,
- where appropriate, granting ports the authority to acquire and dispose of real property on behalf of the federal Crown without the necessity of Supplementary Letters Patent, as well as the right to retain the proceeds of sales of federal real property, and
- playing a more strategic role in terms of legislation and investment that would facilitate the development of the comprehensive national transportation infrastructure.

***Tax rate capping is not the solution***

Municipalities basically have one major source of revenue to finance the services they deliver: property taxes. Any radical change to the property tax system will have extensive consequences for local governments. Municipalities are not structured in a way that lends itself to the use of property tax schemes or incentives to stimulate economic activity. When property tax revenues are decreased, there is no offsetting revenue generated elsewhere

for a municipality. By comparison, federal government tax exemptions can be designed to stimulate investment activity, which in turn will generate a net gain via increased corporate income taxes.

***A tax class shift is not the solution***

The port municipalities do not support the concept of shifting Class 4 major industrial port properties to lower tax rate property classes, such as the light industrial or business class. The outcome of this approach would be only to generate a very significant loss in tax revenues that would have to be borne by the other property classes. Municipalities are going concerns operating with budgets that have been developed over many years, assuming a certain level of taxation from various established sources. Cities financial health rely on these revenue streams being sustained.

An argument that has been put forward port industry lobbyists that the ratio of Class 1 resident tax rates to Class 4 heavy industrial rates is as high as 10 to 1. While this fact is accurate, it needs to be understood in the following context. *Taxation as measured in dollars per square foot of land is similar for both residential and heavy industry, because industrial land is assessed at approximately 10% of the value of residential land.*

***The BC assessment/tax system does not need major revision***

The port municipalities' position on this issue is that allowances have already been made to accommodate Class 4 major industrial properties (exemptions on some infrastructure, favourable depreciation period), which came out of negotiations with port industries several years ago. The current structure recognizes and incorporates many of the recommendations from these past discussions. Additionally, the BC assessment scheme is recognized as one of the fairest and easiest to administer property assessment processes in the world.

***The MFA credit rating is potentially at risk***

If autonomy over taxation - that is, the ability of each city to set its own tax rates - is compromised via senior government dictating or limiting rate setting policy, it is possible that the credit rating of municipalities (through the MFA) may slip below its current AAA rating, which would result increased borrowing costs for all BC municipalities, Translink and the GVRD. This is because credit rating agencies will evaluate such a change as a restriction on the BC municipal sector's ability to repay its debt. There is precedent for this: in February 2002, Standard and Poors stated: "*The ratings (of the MFA) also are supported by the MFABC member municipalities' strong liquidity and tax rate-setting autonomy over their local assessment bases.*"

***Port downloading has already been absorbed by municipal governments***

Through the downloading federal costs and responsibilities in recent years, such as disputes over PILT payments, the discontinuation of port policing, minimal funding of infrastructure and roads, etc., port municipalities are already contributing significantly to ports' competitiveness.

***Municipal taxpayers should not subsidise a federal infrastructure facility***

If it is determined that ports and or port industries should not pay property taxes, it is the federal government that should fund this subsidy, not local property taxpayers. The following three arguments strongly support this assertion.

- Our local port authorities benefit all Canadians, not just local municipal taxpayers. For example, according to recent VPA statistics, the Vancouver Port Authority currently generates almost 62,000 jobs and \$1.6 billion of GDP Canada-wide. It is unfair to ask local taxpayers to subsidise national infrastructure.
- Municipal governments do not earn any incremental revenue associated with the economic activity generated by the port, while the provincial and federal governments enjoy direct cash benefits in the form of sales, income and excise taxes, plus the annual stipend remitted by port authorities to the federal government.
- As a capital tax, property tax in general is a regressive tax and is therefore not effective as a means of income redistribution. If ports and/or related industries require subsidy, then revenues associated with income tax rather than property tax should be used to ensure basic socio-economic equity among those who are paying.

It is noted this inequity is exacerbated in a situation in which ports would be required to remit an annual stipend to the federal government and at the same time be exempted from paying local property taxes. This would amount to a transfer of funds generated using a regressive tax source (from municipal governments) to the federal government, which has access to progressive tax sources. By any objective standard, this is unfair and counters basic principles of equity in taxation that are valued throughout Canadian society.

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**APPENDIX G**  
**FACT SHEET: INITIAL IMPLEMENTATION OF**  
**THE PROVINCIAL PORTS COMPETITIVENESS INITIATIVE, OCTOBER 15, 2003**

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2003FIN0025-000903  
Oct. 15, 2003

Ministry of Finance  
Ministry of Competition, Science and Enterprise

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**PORTS COMPETITIVENESS INITIATIVE**

The initiative includes the following elements:

- A cap on municipal tax rates for existing ports facilities of \$27.50 per \$1,000 of assessed value. The cap will remain in place for five years starting in 2004.
- A 10-year cap on municipal tax rates for new ports facilities of \$22.50 per \$1,000. The cap will apply to new construction started before Jan. 1, 2009.
- Annual compensation to affected municipalities, equal to the impact of the tax cap on existing ports facilities in 2003, is expected to cost the province \$2.6 million annually.
- A tax exemption for berth corridors. Traditionally, berth corridors have been tax exempt. They have become taxable over the past two years as a result of assessment appeals. In 2003 municipalities collectively received \$1.4 million by taxing berth corridors. Under the Ports Competitiveness Initiative, government - through regulation - is restoring berth corridors' traditional tax exemption status. This exemption is expected to reduce provincial school tax revenues by \$650,000 per year. (Berth corridors are the docking facilities required at container and break bulk facilities. Container and break bulk refers to cargo that is loaded directly into the hold of a ship piece-by-piece.)
- A remission of provincial school tax for the tax on berth corridors back to 2002. The remission means that the province will not collect any revenue from the berth corridors, and will refund the ports operators for the school tax portion of provincial property taxes collected for 2002 and 2003.

- The grant-in-lieu of taxes paid by Vancouver Wharves will be included in the general review of grants in lieu paid by Crown corporations that is currently underway.
- The Minister of Sustainable Resource Management - responsible for assessment policy - will initiate a policy review of the valuation of ports lands for assessment purposes.
- The ports competitive initiative will be reviewed after three years. The purpose of the review will be to measure the success of the initiative and determine how to proceed after the initial five-year rate cap and compensation program ends.

### **Municipal Ports Taxation Table**

<b>Municipality</b>	<b>2003 Tax Revenue Before the Cap*</b>	<b>2003 Tax Revenue After the Cap</b>	<b>Change in Tax Revenue</b>	<b>Provincial Compensation</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D=C-B</b>	<b>E</b>
Delta	\$ 3,386,368	\$ 3,205,449	(\$ 180,919)	\$ 180,919
North Vancouver (C)	4,926,334	3,671,525	(1,254,809)	1,254,809
North Vancouver (D)	1,869,273	1,252,543	(616,730)	616,730
Pt. Moody	1,135,195	641,190	(494,005)	494,005
Surrey	312,798	312,798	-	-
Vancouver	4,540,728	4,499,110	(41,618)	41,618
<b>TOTAL</b>	<b>16,170,696</b>	<b>13,582,615</b>	<b>(2,588,081)</b>	<b>2,588,081</b>

\* Revenue figure does not include 2003 tax revenue from berth corridors, which were historically exempt from taxation. The total municipal property tax revenue from berth corridors in 2003 is \$1.4 million.

**Source** - All tax rate data from the Local Government Department; Ministry of Community Aboriginal and Women's Services.

APPENDIX H  
NEWS RELEASE RE: PORTS COMPETITIVENESS INITIATIVE EXTENSION,  
SEPTEMBER 11, 2007



NEWS RELEASE

For Immediate Release  
2007FIN0024-001108  
Sept. 11, 2007  
Ministry of Finance

**PROVINCE TO EXTEND PORTS COMPETITIVENESS INITIATIVE**

VICTORIA – British Columbia will introduce legislation to provide a 10-year extension to its tax relief initiative for ports operators, Finance Minister Carole Taylor said today.

After consultation with the ports industry and affected local governments, the Province intends to extend the Ports Competitiveness Initiative to 2018. Starting in 2009, the proposed renewal would see the Province increase compensation by the rate of inflation since 2004 and index future payments to inflation. In addition, the proposal provides local governments and port operators with the ability to enter into their own ports competitive agreements using new provisions in the Community Charter.

“Our ports contribute billions of dollars to the provincial economy each year and provide thousands of jobs for B.C. families,” said Taylor. “This extension will provide additional support for communities and ports operators to ensure B.C.’s ports remain competitive into the future.”

The Ports Competitiveness Initiative aims to encourage new investments in ports infrastructure and secure the competitive position of British Columbia’s major industrial ports. Introduced in 2003, the initiative provides property tax relief to 20 major industrial ports by capping municipal tax rates on eligible facilities and compensates local

governments for the resulting impact. Recent consultation with stakeholders fulfils the Province's commitment to review the initiative after three years.

"British Columbia's ports are an integral part of the Pacific Gateway Strategy, providing a vital transportation and trade link to the Asia-Pacific," said Transportation Minister Kevin Falcon. "This extension is an important step to ensure our ports system continues to grow and attract international investment."

If approved by the Legislative Assembly, as of 2009 the Ports Competitiveness Initiative will include:

- a continued tax rate cap of \$27.50/\$1,000 of assessed value for existing investments for 10 years;
- a continued tax rate cap of \$22.50/\$1,000 on new investments for 10 years on improvements constructed before Dec. 31, 2018;
- increased municipal compensation and payments indexed to the rate of inflation from 2009 to 2018; and
- the option for municipalities to negotiate 10-year agreements with port operators using new provisions in the Community Charter; these agreements would not affect a municipality's ability to access provincial compensation.

Media contact:

Niki Pandachuck

Ministry of Finance

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