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CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date:	November 26, 2009
Contact:	Grace Cheng
Contact No.:	604.871.6654
RTS No.:	08481
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Meeting Date:	December 1, 2009

TO: Vancouver City Council

FROM: Director of Finance / General Manager of Financial Services Group

SUBJECT: Written Submission to Municipal Port Property Taxation Fairness Commission

RECOMMENDATION

A. *THAT the City Clerk be instructed to notify the Municipal Port Property Taxation Fairness Commission, by December 3, 2009, of Vancouver City Council's position on property taxation issues pertaining to Port Metro Vancouver and related port industry properties as outlined in this report.*

B. *THAT staff report back on the Municipal Port Property Taxation Fairness Commission's findings and recommendations as soon as they become available in 2010.*

CITY MANAGER'S COMMENTS

As gateways to the Asia-Pacific region, we recognize that our ports are key economic generators for the Metro Vancouver municipalities, the province and the country; and we value the presence of our ports and the related industries within our municipal boundaries.

Canadian ports are national transportation infrastructure and keeping them competitive is primarily a federal responsibility. While acknowledging the importance of keeping our ports competitive, this should not be accomplished at the expense of the port host municipalities. It is a broader constituency of taxpayer and senior governments that receive the direct benefit derived from port activities and yet it is the host municipalities that incur costs associated with port activities which can only be recovered through the property taxation system. The imposition of the municipal tax rate caps and restoration of berth corridor improvements' exemption status as part of the Ports Competitiveness Initiative effectively download such responsibilities onto host municipalities and their taxpayers and significantly undermine municipal governments' autonomy over local property taxation policy.

The fact that municipalities have little to no control over the payments in lieu of taxes made by Port Metro Vancouver is also problematic. These payments are designed to give recognition to the impact that port presence and operations have on local municipal services and infrastructure. They are also integral to the financial health of the municipalities and allow for revenue stability that is important for service level planning. As good “citizens”, ports should structure these payments to reflect the same property valuation and taxation processes which apply to taxpayers with whom they share responsibility for covering municipal costs.

As a result of the shortfall in tax revenues arising from the tax rate caps and berth corridor exemption and in payments in lieu of taxes, other business and residential taxpayers are required to pay higher taxes than they otherwise would to cover the costs of services and supports provided to the port by the City.

This report will form the basis of the City of Vancouver’s submission to the Commission on key issues pertaining to property taxation and assessment for Port Metro Vancouver and related port industry properties.

COUNCIL POLICY

Council opposes any provincial legislation that interferes with local government autonomy over property taxation policy.

On January 16, 2003, Council endorsed a statement that represented the collective position of Metro Vancouver port host municipalities concerning property taxation for Port Metro Vancouver and related port industries (Appendix A).

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 operate on either leased port-owned land or privately-owned land near ports 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 Ports Competitiveness Initiative.

On June 12, 2007, Council 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.

PURPOSE

The purpose of the report is to outline the key issues pertaining to property taxation and assessment for Port Metro Vancouver and related port industry[1] properties for submission to the Municipal Port Property Taxation Fairness Commission by December 3, 2009.

[1] Port Industries - Private companies that operate on either leased port-owned land or privately-owned land near ports.

BACKGROUND

Property taxation and assessment for Port Metro Vancouver and related port industry properties has been an issue of significant concern for Metro Vancouver municipalities. On August 31, 2009, the Metro Vancouver Port Cities Committee, a sub-committee of the Metro Vancouver Board of Directors, appointed a two-person Municipal Port Property Taxation Fairness Commission (the "Commission") to examine current practices and make recommendations as appropriate. (Refer to Appendix C for the engagement letter and terms of reference.)

Key objectives are:

- To identify and define the major issues related to property taxation and assessment for Port Metro Vancouver, related port industry properties, and port host municipalities;
- To produce a fair, objective and expert evaluation of each issue identified, from each major stakeholder's point of view; and
- To provide practical, implementable recommendations to the Metro Vancouver Port Cities Committee for resolving each of the issues identified.

Key issues to be addressed are:

- Basis of taxation
- Role of property tax exemptions and caps
- Fairness of current system of payments in lieu of property taxes
- Roles and responsibilities of provincial and federal governments
- Competitiveness of property tax treatment compared to ports in comparable jurisdictions

The Commission will consult all port host municipalities, Port Metro Vancouver, related port industries, the provincial government, and the federal government on their positions on the above issues. Stakeholders are also invited to make written submissions to the Commission. This report will form the basis of the City of Vancouver's submission to the Commission.

The Commission will report out on its findings and recommendations by March 2010.

DISCUSSION

The key issues pertaining to property taxation for Port Metro Vancouver and related port industry properties are outlined below, and further details are provided in the subsequent sections.

- The provincial government's imposition of the municipal tax rate caps on tenant-occupied port properties significantly undermines municipal governments' autonomy over local property taxation policy.

- Property taxes constitute the single largest revenue source for municipal governments. Having very limited alternative revenue sources, any forgone taxes arising from the imposed tax incentives and/or exemptions will have to be borne by other property taxpayers, both business and residential.

- By comparison, federal and provincial tax incentives are more appropriate mechanisms than municipal property tax incentives to stimulate economic activities which in turn generate incremental income, sales, payroll and excise tax revenues for the federal and provincial governments.

- The presence of the ports creates real costs for municipalities. Port Metro Vancouver should acknowledge the benefits received and make payments in lieu of taxes that are equivalent to the amount which would be paid by a taxable owner.

- Ports are national transportation infrastructure over which the federal government has primary responsibility. The economic benefits generated by these ports are enjoyed by all British Columbians and Canadians, and the incremental taxation revenues directly benefit the provincial and federal governments. As such, the issue of port competitiveness and government subsidy is most appropriately addressed at the senior government level.

- The current basis of taxation with the assessed property value as the proxy is transparent and easy to administer, and offers an equitable, defendable and stable tax base as well as reliable and predictable revenues to municipalities. Any changes that deviate from these principles are not recommended.

PORT PROPERTIES AS A PORTION OF THE CITY'S TAX BASE & REVENUES

From a property taxation perspective, there are two key types of port properties:

- Federal Port Properties
  Port properties that are owned and occupied by Canada Port Authorities (including Port Metro Vancouver) - The federal government is constitutionally exempt from local property taxation. However, discretionary payments are made to local taxing authorities in lieu of property taxes.

- Tenant-occupied Port Properties
  Port properties that are leased and occupied by third party tenants – If the period of tenancy is over one year, the property is taxable and local taxing authorities have the right to collect property taxes from the tenant.

  In 2009, the combined assessed value of the tenant-occupied port properties totals $191.6 million, representing 96% of the major industrial property class (Class 4). The combined municipal tax levies paid on these properties totals $5.2 million, representing 95% of Class 4 and 1% of the City's tax revenues.

MUNICIPAL TAX RATE CAPS ON TENANT-OCCUPIED PORT PROPERTIES (CLASS 4)

As part of the Ports Competitiveness Initiative (the "Initiative") that took effect in 2004 and extends through 2018, the provincial government has legislated municipal tax rate caps to eligible tenant-occupied port properties as follows:

I. Existing Tenant-occupied Port Properties

- A rate not greater than $27.50 per $1,000 taxable value
- Applicable to seven port properties in the City of Vancouver

II. New Investment on Eligible Tenant-occupied Port Properties

- A rate not greater than $22.50 per $1,000 taxable value
- Applicable to one port property in the City of Vancouver

As compensation for the forgone tax revenues, the provincial government introduced an annual payment to the port host municipalities. From 2004 to 2008, the City received an annual payment of $41,600 which was set based on the City's non-indexed tax revenue losses arising from the municipal tax rate caps in 2003. Starting in 2009, the payment is adjusted annually by the Consumer Price Index through 2018.

Since the introduction of the municipal tax rate caps, the City's annual forgone tax revenues net of provincial compensation vary between $102,100 and $561,700; and the cumulative forgone tax revenues over the six years total $1.5 million (Appendix B). It should be noted that the extent of the City's tax revenue losses cannot be determined in advance of each year's tax rate calculations as Class 4 tax rate varies from year to year depending on the total municipal tax levy to be collected from all property classes, Class 4's share of the total tax levy, and the total taxable value of Class 4 properties.

RESTORATION OF BERTH CORRIDOR IMPROVEMENTS' EXEMPTION STATUS

Also included in the Initiative was the restoration of the tax exemption status of berth corridor improvements by the provincial government in 2004. These include docking facilities required at port container and break bulk facilities. Berth corridor improvements were traditionally exempt from property taxation until 2002 when they were made taxable as a result of assessment appeals.

In 2009, the two berth corridor improvements in the City of Vancouver that are exempt total $39.8 million in assessed value, representing 20% of Class 4. Between 2004 and 2009, the cumulative tax impact totals $6 million in lost tax revenues (Appendix B). If they were taxable, the municipal general tax rate would have been reduced due to a larger tax base. It should be noted that payment in lieu of taxes does not apply to these exempt berth corridor improvements.

PAYMENTS IN LIEU OF TAXES

Pursuant to the Constitution Act, the federal government is exempt from local taxation. However, the Payments in Lieu of Taxes Act stipulates that payments be made to local governments in lieu of property taxes on certain exempt properties at the discretion of the Minister of Public Works and Government Services Canada or the heads of Crown corporations and agencies.

Payments in lieu of taxes are integral to the financial health of Canadian municipalities. In 2009, these payments account for 3.6% of the City of Vancouver's revenues. They allow for revenue stability that is important for service level planning. Since municipalities provide policing, fire-fighting, emergency management, land use planning, and other city services to federal and crown properties, payments in lieu of taxes provide vital and fair compensation for services rendered.

Under the Payments in Lieu of Taxes Act, payments are to be calculated on the basis of the values and rates which would apply to federal property if it was taxable. This ensures that the amount paid is essentially equivalent to the amount which would be paid by a taxable owner. As well, payments are to be made according to the schedule established by the municipality and additional amounts are to be paid if payments are late.

In reality, there have been longstanding discrepancies between Port Metro Vancouver's payments in lieu of taxes and the City's billings. Between 1999 and 2008, the City billed Port Metro Vancouver, which includes Vancouver Port Authority and North Fraser Port Authority, a total of $39.4 million and received only $25.7 million, resulting in outstanding receipts of $13.7 million (Appendix B). The key issue relates to the assessment of port properties: claiming senior government status under the Constitution Act, Port Metro Vancouver does not recognize the BC Assessment valuation and payments are often based on the valuation determined by its contracted property assessor, which is lower than what was determined by BC Assessment. Even when payments are made, the basis for their calculation is not always clear and supporting documentation is not always made available to the City.

Another issue is around port properties that are leased to third party tenants. As mentioned earlier, if the period of tenancy is more than one year, the property will be taxable: local taxing authorities will collect property taxes directly from the tenant and payment in lieu of taxes will not apply. To ensure timely and accurate billing on these properties, it is critical that Port Metro Vancouver duly informs the City and BC Assessment of all third party occupancy changes and tenancy terms, change in property use, long-term vacancies, and other significant property changes. Any delay in updating the taxation status could result in loss of tax revenues and/or payments in lieu of taxes for which the City has no recourse through normal collection processes.

The Federation of Canadian Municipalities, in consultation with its members, is in the process of developing an advocacy strategy on the federal government's Payments in Lieu of Taxes Program to better address the challenges municipalities are experiencing which include, but are not limited to, the aforementioned issues.

MUNICIPALITIES AS AN ORDER OF GOVERNMENT

Aside from the aforementioned financial implications, the provincial government's imposition of the municipal tax rate caps is just one example of provincial policy initiatives which significantly undermines municipal governments' autonomy over local property taxation policy. Another recent example is the introduction of the supportive housing property class (Class 3) in 2009 whereby through legislation, eligible properties are assessed at nominal values and effectively exempt from property taxation.

This concern is echoed by the Federation of Canadian Municipalities in its Policy Statement on Municipal Finance and Intergovernmental Arrangements which notes:

- The provincial government must respect municipal authority in areas of municipal jurisdiction.

- Municipal governments must be able to draw on financial and other resources that are adequate to support community needs.
- Before new responsibilities are assigned to municipalities, there need to be provision for resources required to fulfill the responsibilities.
- The provincial government and municipalities will attempt to resolve conflicts by consultation, negotiation, facilitation and, if necessary, formal dispute resolution, and in particular provincial governments must consult municipalities on new legislation or alteration to grants.

GOVERNMENT SUBSIDY

Ports are national transportation infrastructure over which the federal government has primary responsibility. Acknowledging the vitality of British Columbia's ports to the economic future of British Columbia and Canada, nevertheless, the issue of port competitiveness and government subsidy should be addressed at the senior government level.

All British Columbians and all Canadians enjoy the economic benefits generated by these ports. Their activities create incremental income, sales, payroll and excise tax revenues for the provincial and federal governments. Yet, it is fair to say that municipalities do not share the same direct financial benefits as their provincial and federal counterparts do. As a capital tax, property taxes do not increase as a result of greater economic activity. Instead, port host municipalities incur real costs in delivering policing, fire-fighting, emergency management, land use planning, and other city services to these ports.

If the creation of economic benefits is the main justification for government subsidy, municipal taxpayers are the least appropriate ones to pay for the subsidy. If the goal of the subsidy is to redistribute wealth among industries, property tax is the least equitable mechanism relative to consumption and income taxes.

BASIS OF TAXATION

The current basis of taxation with the assessed property value as the proxy is transparent and easy to administer, and offers an equitable, defendable and stable tax base as well as reliable and predictable revenues to municipalities.

The BC Assessment Authority is a provincial agency, independent of the municipal and other taxing authorities, responsible for determining the assessed value of all real property in British Columbia. Assessments are determined based on factors including, but are not limited to, market evidence such as recent sales and rental rates of "comparable" properties, current use and zoning, and relevant legislations. Such methodologies are universally applied to all real property and do not differentiate federal, provincial, and crown properties from taxable properties.

The City of Vancouver will not support any changes to the current basis and methodologies of taxation that deviate from the aforementioned principles of equity, stability, predictability, transparency, and ease of administration.

FINANCIAL IMPLICATIONS

Since the Initiative took effect in 2004, the cumulative tax impact for the City has reached $7.5 million:

- Municipal tax rate caps net of provincial compensation - $1.5 million
- Exemption of berth corridor improvements - $6 million

Since 1999, the ongoing dispute between the City and Port Metro Vancouver on the payments in lieu of taxes has result in outstanding receipts of $13.7 million.

The tax revenue shortfall is shared by properties in all classes as part of the annual tax distribution exercise. As a result, other taxpayers would be levied a higher tax rate than they otherwise would in order to generate the same amount of tax levies. For the 2009 tax year, every $1 million loss of tax revenues translates into a 0.18% tax increase.

CONCLUSION

The City acknowledges the vital role our ports and related port industries play in the economic future of British Columbia and Canada. Like other national transportation infrastructure, the issue of ports competitiveness and government subsidy should be addressed at the senior government level. Provision of subsidy vis-à-vis property tax caps and/or exemptions is the least equitable and sustainable approach, and municipal taxpayers are the least appropriate group to provide subsidy given the relative financial benefits realized from the port activities. More importantly, municipal government should be recognized as an order of government and its autonomy over property taxation policy must be respected by senior governments.

This report will form the basis of the City of Vancouver's submission to the Commission on key issues pertaining to property taxation and assessment for Port Metro Vancouver and related port industry properties.

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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

Our ports are significant economic generators for the entire country
We recognize 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 Honorable 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 realized 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, favorable 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 Poor's 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 subsidize 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 subsidize 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.

MUNICIPAL TAX RATE CAPS ON TENANT-OCCUPIED PORT PROPERTIES

Year	General Tax Loss due to Tax Rate Caps			Compensation Received	Net Impact
	Existing Properties	New Investments	Total		
2004	(171,966)	0	(171,966)	41,616	(130,350)
2005	(143,692)	0	(143,692)	41,616	(102,076)
2006	(171,410)	0	(171,410)	41,616	(129,794)
2007	(455,220)	0	(455,220)	41,616	(413,604)
2008	(145,059)	(41,876)	(186,934)	41,616	(145,318)
2009	(493,626)	(113,835)	(607,461)	45,767	(561,694)
	(1,580,973)	(155,710)	(1,736,683)	253,847	**(1,482,836)**

BERTH CORRIDOR IMPROVEMENT EXEMPTIONS

Year	Exempt Value by BC Assessment			General Tax Impact
	1300 Stewart St (561-230-30-4050)	775 Centennial Rd (561-192-30-2003)	Total	
2004	13,394,000	15,517,000	28,911,000	(826,412)
2005	14,054,000	16,276,000	30,330,000	(858,843)
2006	14,580,000	16,926,000	31,506,000	(896,831)
2007	15,400,000	21,793,000	37,193,000	(1,125,245)
2008	16,482,000	23,295,000	39,777,000	(1,125,145)
2009	16,482,000	23,295,000	39,777,000	(1,204,820)
				(6,037,295)

PAYMENTS IN LIEU OF TAXES

Year	Vancouver Port Authority			North Fraser Port Authority			Total		
	Billed	Received	Outstanding Receipts	Billed	Received	Outstanding Receipts	Billed	Received	Outstanding Receipts
1999	2,794,096	2,794,096	-	15,362	-	(15,362)	2,809,458	2,794,096	(15,362)
2000	2,672,907	2,672,907	-	64,102	-	(64,102)	2,737,009	2,672,907	(64,102)
2001	3,013,773	2,715,277	(298,496)	134,915	-	(134,915)	3,148,688	2,715,277	(433,411)
2002	4,689,865	2,893,505	(1,796,360)	311,013	-	(311,013)	5,000,878	2,893,505	(2,107,373)
2003	3,311,144	2,172,217	(1,138,927)	345,598	-	(345,598)	3,656,743	2,172,217	(1,484,526)
2004	3,200,016	2,174,795	(1,025,221)	372,144	-	(372,144)	3,572,160	2,174,795	(1,397,365)
2005	3,688,073	2,524,865	(1,163,208)	417,241	-	(417,241)	4,105,314	2,524,865	(1,580,449)
2006	4,569,913	2,664,518	(1,905,395)	434,094	-	(434,094)	5,004,007	2,664,518	(2,339,489)
2007	4,188,482	2,658,389	(1,530,093)	439,142	-	(439,142)	4,627,624	2,658,389	(1,969,235)
2008	4,375,682	2,414,120	(1,961,562)	318,519	-	(318,519)	4,694,201	2,414,120	(2,280,081)
	36,503,951	25,684,689	(10,819,262)	2,852,131	-	(2,852,131)	39,356,082	25,684,689	**(13,671,393)**

August •, 2009

Enid Slack Consulting Inc.
34 King Street East, Suite 640
Toronto ON
M5C 2X8

Attention: Dr. Enid Slack

Victoria Consulting Network Ltd.
2677 Dunlevy Street
Victoria B.C.
V8R 5Z3

Attention: Mr. Peter Adams

Dear Dr. Slack and Mr. Adams:

Re: Engagement Letter – Municipal Port Property Taxation Fairness Commission

The Metro Vancouver Port Cities Committee (the "**Committee**"), a sub-committee of the Greater Vancouver Regional District ("**Metro Vancouver**") Board of Directors, recently approved the formation of a Municipal Port Property Taxation Fairness Commission (the "**Commission**"), with the objectives of:

1. clearly identifying and defining the major issues related to property taxation and assessment for the Vancouver Fraser Port Authority, port industry properties and for port host municipalities;

2. producing a fair, objective and expert of each issue identified, from each major stakeholders' point of view; and

3. providing recommendations to the Metro Vancouver Port Cities Committee for resolving each of the issues identified.

Appointment

Metro Vancouver hereby appoints Dr. Slack as chair of the Commission and Mr. Peter Adams as commissioner of the Commission (collectively, the "**Consultants**").

The Consultants will be jointly responsible for undertaking research and reporting to the Committee in accordance with the Terms of Reference that are attached to this letter as a Schedule.

The Consultants may engage sub-consultants to assist with the work of the Commission.

Term

The term of this engagement commences on September 1, 2009 and expires on the date that the Commission's final report is accepted by the Committee.

Commission Budget

The total budget for completing the work of the Commission is $80,000, excluding any applicable taxes. The budget will be disbursed as follows:

$7,500	payable to Enid Slack Consulting Inc. after September 1, 2009;
$5,000	payable to Victoria Consulting Network Ltd. after September 1, 2009;
$10,000	payable as reimbursement for reasonable and customary travel expenses (proof of expenses required);
$40,000	available for payment to sub consultant(s) engaged by the Consultants to assist with the work of the Commission;
$7,500	payable to Enid Slack Consulting Inc. when the final report of the Commission is accepted by the Committee;
$5,000	payable to Victoria Consulting Network Ltd. when the final report of the Commission is accepted by the Committee; and
$5,000	payable at the discretion of Metro Vancouver's Chief Financial Officer for any other miscellaneous expenses related to the work of the Commission.

Invoicing and Payment

The Consultants and any sub consultant(s) must submit (by fax, email or post) invoices requesting payment, together with copies of receipts for all expenses, to:

Metro Vancouver
4330 Kingsway
Burnaby BC V5H 4G8
Attention: Chief Financial Officer (Jim Rusnak)

Fax: 604/451-6520
Email: jim.rusnak@metrovancouver.org

Metro Vancouver will process all payments within 10 business days of receipt of such invoices.

Ownership and Intellectual Property Rights

Title, property rights and ownership in all materials produced by the Consultants or the sub-consultants in relation to the work of the Commission will belong to Metro Vancouver.

Title, property rights and ownership in and to all copyright in all written material produced by the Consultants or the sub-consultants in relation to the work of the Commission will belong to Metro Vancouver.

Conflict of Interest

Each of the Consultants confirm that they do not have any pecuniary interest in the business of any third party that would cause a conflict of interest or be seen to cause a conflict of interest in carrying out the services described in the Terms of Reference. Should either of the Consultants acquire such an interest during the term of the engagement, the interested Consultant must declare such interest in writing to Metro Vancouver immediately.

Assignment not permitted

Neither of the Consultants may assign to any other party responsibility for completing the work of the Commission.

Timeliness

The schedule for reporting that is set out in the Terms of Reference is important to Metro Vancouver.

Entire Agreement

This letter and the attached Terms of Reference constitute the entire terms of your engagement and supersede all previous representations and statements made concerning your engagement and the work of the Commission. Any amendments to these terms of engagement must be in writing and must be signed by both Consultants and Metro Vancouver.

Please sign the duplicate copy of this letter to indicate your acceptance of these terms and conditions of engagement.

We look forward to working with you on this project. Please feel free to call if you have any queries regarding your engagement.

Yours truly,

Metro Vancouver

Signed by Jim Rusnak
Chief Financial Officer

I hereby accept the terms of engagement set out in this letter:

Dr. Enid Slack, for and on behalf of Enid Slack Consulting Inc.

Date:

I hereby accept the terms of engagement set out in this letter:

Mr. Peter Adams , for and on behalf of Victoria Consulting Network Ltd.

Date:

SCHEDULE

Terms of Reference for the Municipal Port Property Taxation Fairness Commission

Objectives
The objectives of this initiative are to:

- Clearly identify and define the major issues related to property taxation and assessment for Port Metro Vancouver, port industry properties, and for port host municipalities;
- Produce a fair, objective and expert evaluation of each issue identified, from each major stakeholders' point of view; and
- Provide practical, implementable recommendations to the Metro Vancouver Port Cities Committee for resolving each of the issues identified.

Issues to be Addressed
The following issues will be addressed:

- The basis of taxation (e.g. property values, gross revenues, etc.).
- Role of property tax exemptions and caps.
- Fairness of current system of payments in lieu and property taxes.
- Roles and responsibilities of provincial and federal governments.
- Competitiveness of property tax treatment compared to ports in comparable jurisdictions.

Approach
To achieve the objectives, the following approach will be used:

- Research:
  - Review and evaluate existing studies of port taxation over the past 10 years.
  - Provide a historical analysis of port taxation in Metro Vancouver.
  - Collect information on property taxation of ports in comparable Canadian and US jurisdictions.
  - Review existing analyses of the economic benefits and costs of ports to host municipalities.
  - Collect information on the governance structure for ports in other jurisdictions.
- Consultation:
  - Meet with all of the stakeholders to understand their positions on port taxation. Stakeholders include port host municipalities, Port Metro Vancouver, related port industries, the provincial government, and the federal government.

- Analysis:
    - Evaluate the property tax and governance issues on the basis of a set of principles (e.g. fairness, efficiency, stability, local autonomy, etc.).

- Recommendations:
    - Make recommendations on the best approach to the taxation of port properties.
    - Make recommendations on the role of property tax exemptions and caps.
    - Make recommendations on port governance.

- Report:
    - Write a report that summarizes the findings of the research, consultation, analysis, and recommendations.

Schedule
The work of the Commission will begin on September 1, 2009. A draft of the report will be presented to the Port Cities Committee by the end of December 2009. The final report will be presented to the Port Cities Committee by the end of February 2010.