

McCartney, Angela PREM:EX

From: Jillings, Duncan FIN:EX
Sent: Monday, November 20, 2017 12:47 PM
To: Colins, Tracey L PREM:EX
Subject: charts for T Colins.xlsx
Attachments: charts for T Colins.xlsx

Tracey

The other point I should have made is that District of North Vancouver did not “lose” revenue: they shifted the taxes onto other taxpayers, who are the losers. The District tells us the shift came within major industry class taxpayers that were not designated ports.

I will correct our speaking notes about no changes to the Finance list. BC Assessment made late changes after we did our package and I was not clever enough to go back and amend my notes.

Duncan

Fibreco Upland Parcel

Ports Property Tax Act

Tax rate cap

Assessment Act

Value of Land

	2004	designated	designation under the Act began in 2007	
	2005	designated		
	2006	designated		
	2007	designated	not designated	} never designated until 2015
	2008	designated	not designated	
	2009	designated	not designated	
	2010	not designated	not designated	
	2011	not designated	not designated	
dropped in error	2012	not designated	not designated	} designated at low leasehold values
	2013	not designated	not designated	
	2014	not designated	not designated	
	2015	designated	designated	
	2016	designated	designated	} at 2014 market values plus inflation
	2017	designated	designated	
	2018	will be designated	will be designated	

History of Valuation

2014	\$23.2 million	market value
2015	\$6.1 million	2006 leasehold plus inflation
2016	\$6.2 million	2007 leasehold plus inflation
2017	\$6.3 million	2008 leasehold plus inflation
2018	\$24.3 million	2014 market plus inflation

Fibreco Upland Parcel

<i>Ports Property Tax Act</i>		<i>Assessment Act</i>	
Tax rate cap		Value of Land	
2004	designated	designation under the Act began in 2007	
2005	designated		
2006	designated		
2007	designated	not designated	D
2008	designated	not designated	
2009	designated	not designated	
2010	not designated	not designated	
2011	not designated	not designated	
2012	not designated	not designated	E
2013	not designated	not designated	
2014	not designated	not designated	
2015	designated	designated	F
2016	designated	designated	
2017	designated	designated	
2018	will be designated	decision required	

- A** dropped in error. DNV sought back taxes for difference between the uncapped tax rate and the capped tax rate
- C** the "new investment" capped rate on new investment this year cannot apply for the usual next ten years because the property was not designated
- D** Correctly not designated
- E** Change of policy, land value reduced to \$6 million.
Undervaluation cost other District taxpayers and saved Fibreco about \$1.5 million over three years compared to a valuation of \$23.2 million
- F** Decision required on valuation s.13

**Ports Property Tax
Act**

Value of Land

Valuation

<p>A dropped in error. DNV sought back taxes for difference between the uncapped tax rate and the capped tax rate</p>	<p>This is still far below what they would pay if property valued at real market rates Should see benefit for other taxpayers</p>
<p>C the "new investment" capped rate on new investment this year cannot apply for the usual next ten years because the property was not designated</p>	<p>s.13</p>
<p>D Correctly not designated</p>	
<p>E Change of policy, land value reduced to \$6 million.</p>	
<p>Undervaluation cost other District taxpayers and saved Fibreco about \$1.5 million over three years compared to a valuation of \$23.2 million</p>	
<p>F Decision required on valuation s.13</p>	

Page 4 of 112 OOP-2018-83813

Page 005 to/à Page 010

Withheld pursuant to/removed as

s.12;s.14;s.13

ORDERS IN COUNCIL
REVISED LATE ADDITION SUMMARY

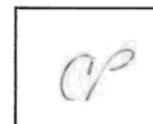
Prepared November 28, 2016

For Cabinet Review

November 30, 2016

		APPOINTMENTS	
	MIN	PURPOSE OF ORDER	STATUTE

s.12,s.13,s.14



Page 012 to/à Page 019

Withheld pursuant to/removed as

s.12;s.14;s.13

McCartney, Angela PREM:EX

From: Jillings, Duncan FIN:EX
Sent: Thursday, November 30, 2017 4:41 PM
To: Colins, Tracey L PREM:EX
Subject: RE: ports OIC proposal MAH R1783 FIN R1764
Attachments: First Report to the Province Draft 2 - No Highlights FINAL read only.docx; for Cab Ops Nov 30 2017.docx

Tracey
This is what I have for you so far.

Duncan Jillings
Director, Property Taxation
Tax Policy Branch
Ministry of Finance
New as of October 6, 2017:
(778) 698-5796
cell: (250) 208-4205

From: Colins, Tracey L PREM:EX
Sent: Thursday, November 30, 2017 2:58 PM
To: Jillings, Duncan FIN:EX
Subject: ports OIC proposal MAH R1783 FIN R1764

Hi Duncan
Can you please provide some additional information about the s.12,s.13

s.12,s.13

thanks

Tracey Colins
Executive Director, Cabinet Operations
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1. THE ISSUE

- Over the past two years, a number of issues have arisen concerning the assessment and taxation of a major port property in North Vancouver. These issues have not yet been resolved; but, the Minister of Finance has proposed a solution in his letter of October 23, 2015 to the affected parties: the District of North Vancouver (DNV) and Fibreco Export Inc. (Fibreco). I have been asked to work with the parties to see whether the proposed solution is acceptable or an alternative solution is preferable.
- This first report lays out my understanding of the the issue and how it arose, reports on my first meetings with DNV and Fibreco and concludes with some observations on the possibility of finding a solution acceptable to all parties.

2. IMPORTANT BACKGROUND INFORMATION, DATES AND EVENTS

2.1 THE PORT PROPERTY TAX ACT (PPTA)

- The PPTA was passed in 2004 as part of the government's Ports Competitiveness Initiative. PPTA caps the municipal tax rate on designated port properties at:
 - > \$27.5/\$1,000 for existing properties; and,
 - > \$22.5/\$1,000 on new investment.
- To offset the impact on municipal revenue, the PPTA authorizes the province to pay annual compensation to affected municipalities.
- Benefitting port properties are designated through a regulation to the PPTA. A designated property must meet two conditions:
 - > Be next to a navigable waterway; and,
 - > Be assessed in whole or part as Class 4 (Major Industry) property.
- In 2004, over 25 major port properties were designated. They included the two properties that together constitute the Fibreco terminal in the District of North Vancouver: an "upland parcel" owned in fee simple by a numbered company; and, a second parcel (mostly a water lot) leased from Vancouver Port Authority.
- Under the initial Act, the tax caps were to apply for 5 years on existing properties and 10 years on new investment.
- The PPTA was amended in 2008 to extend the tax cap on existing properties to 10 years while retaining the lower rate on new investment for a ten-year period. Compensation payments to municipalities were increased effective 2009 to compensate for inflation since 2004 and indexed to inflation thereafter.

- The Act was further amended in 2014 to remove the time limit on the tax cap on existing properties.

2.2 THE TAXATION OF PORT LAND UNDER THE ASSESSMENT ACT

- In 2007, the province amended the Assessment Act (AA) to change the method by which the land used by the major ports is valued for property tax purposes. The new approach is detailed in Section 20.3 of the Act. It establishes a base assessed value for each designated property effective for the 2007 tax year and a rate of increase in value linked to the Consumer Price Index for subsequent years. The properties to be valued in way are designated through regulation.
- This initiative was taken in response to:
 - > Concerns expressed by Port Operators over increases in assessed land values placed on their properties by BCA.
 - > The desire of Port Operators for stability and predictability in taxes.
 - > A successful challenge by one Port Operator, Western Stevedoring (WS), of the assessed values placed on its properties by BCA. The decision by the Assessment Appeal Board in favour of WS revolved around the fact that the port land was leased from Vancouver Port Authority and that use of the land was constrained by federal legislation and the terms of the lease. The Board did not agree that market comparisons used by BCA took into account these restrictions.
- The new method of valuation of port land and the base values chosen were discussed with Port Operators before amendments to the Assessment Act were introduced.
- The land values established by the legislation and accompanying regulation led to a small reduction in revenue for affected municipalities. The province did not compensate municipalities for this loss.
- The port properties designated under the AA in 2007 were identical to those designated under the PPTA **with one important exception**: the Fibreco upland parcel. There are two conflicting interpretations about why this parcel was excluded:
 - > **Excluded By Design:** Unlike all the other parcels, the Fibreco parcel is not subject to federal legislation and leased from a Port Authority. It is owned in fee simple by a private company. Therefore, the restrictions in use applicable to leased federal land do not apply and the usual methods of valuation by BCA are applicable.
 - > **Excluded By Mistake:** The intention was to cover the same properties as the PPTA. The wording of the Act does not limit applicability of Section 20.3 to leased Crown land.
- A later section discusses the merits of these two interpretations.

- As explained below, the exclusion of Fibreco's upland parcel from the AA list of designated properties in 2007 led to an error under the PPTA in 2010 that triggered the current impasse among the parties.¹

2.3 THE PPTA ERROR IN 2010 AND ITS CONSEQUENCES

- The Regulation that lists of port properties that are designated under the PPTA has been amended over time. The adjustments can be major (for example, the properties known as Vancouver Wharves were added in 2008); others, can be simple updates to names and assessment roll numbers.
- For the 2010 tax year, a significant error was made with the Fibreco upland parcel. It was dropped **by mistake** from the list of designated properties under the PPPT Regulation.² The error was continued for the 2011,12 and 13 tax years and was not noticed by the provincial government or DNV over that period.
- Each year, typically in December, MCSCD reminds affected municipalities of the port properties that are subject to the tax caps in the coming year and the compensation that will be paid to them. For 2010 to 2013, MCSMD continued to inform DNV annually that the upland Fibreco parcel was designated and, therefore, eligible for the appropriate tax caps under the Act.
- For the 2014 tax year, the Regulation continued to omit the upland parcel. In January 2014, DNV became aware of the error and sought clarification from the provincial government. In March 2014, after discussions among provincial government departments and BCA, provincial officials were leaning to the conclusion that the parcel was **not dropped in error** in 2010. On the contrary, the officials were advised that the upland parcel was not next to navigable water and should not therefore have been designated under the Act (i.e. the error was not in dropping the parcel in 2010 but in including it in the first place). As a result, no change was made to the PPTA regulation for 2014 and the Fibreco upland property remained undesignated.
- In April 2014, MCSCD passed on this interpretation to the District before tax rates were finalized for 2014 (although no consensus had been reached among provincial officials at this time). Accordingly, DNV did not cap tax rates on the parcel for 2014 and, in addition, levied back taxes for the years 2010-2013 (to cover the difference between capped and uncapped tax rates). After receiving its tax notice for 2014, Fibreco objected to the change in designation and the levying of back taxes.

s.13

¹ The use of the word "error" is consistent with current accepted thinking by all parties.

² The source of this error was the inadvertent decision to use the list of properties designated under the Assessment Act, which did not include the Fibreco upland parcel, as the template for designated properties under the PPTA.

s.13

- In 2014, Fibreco made known their objections to the de-designation of the upland parcel under the PPTA and the inconsistent treatment of the parcel under the PPTA and the AA.
- DNV made the decision to levy back taxes even though it continued to receive compensation payments to under the PPTA for the upland parcel.³
- In the second half of 2014, provincial officials continued to examine the issue of designation under PPTA. They concluded this time that the upland parcel was bounded in part by navigable water and **was, therefore, eligible for designation** under the PPTA. **i.e. they reversed the position passed on the DNV in April 2014.** As a result, the upland parcel was re-designated under the PPTA for the 2015 tax year. (Since there was no way short of legislation of correcting the designation of the upland parcel for the 2010 to 2014 tax years, the parcel remains undesignated for those years.)
- Beginning in 2015, DNV resumed capping the tax rate on the upland parcel but did not cancel the back taxes owing for 2010-13.
- Having traced the error to a difference in the Regulations under the PPTA and the AA, provincial officials concluded in 2015 that the properties designated for the tax cap under the PPT, should also be designated for the special port land valuation rules under section 20.3 of the AA (i.e. the list of delegated properties under the two Acts should be identical.) Therefore, the AA regulation was amended to include Fibreco's upland parcel for the 2015 and subsequent tax years.
- A regulated base value for the parcel was derived from the regulated per sq. ft. value of another bulk products export terminal on the North Shore. The regulated value of land placed on the parcel in 2015 was \$6,068,509. In 2014, the assessed value had been around \$23 million.
- (It is unclear whether the decision to designate the parcel under the AA and the proposed valuation were discussed with DNV or Fibreco before the regulation was amended in late 2014.)
- At the end of all of these changes, Fibreco remains liable for back taxes in the order of \$1 million levied by DNV even though they had only been dropped from the PPPT Regulation by mistake. At the same time, Fibreco has benefitted from the change in designation under the Assessment Act which has provided the company with an annual tax saving going forward of around \$0.5 million, compared to 2014 taxes on the property. DNV is not pleased with the loss of revenue and is not at the moment prepared to cancel back taxes owing.

³ In 2004, 19% of the compensation payment to DNV was attributable to the upland parcel. Using this percentage, the compensation paid over the period 2010-2014 for this parcel was in the order of \$0.75 million.

2.4 THE MINISTER'S LETTER

- In his letter of October 23, 2015, the Minister laid out the provincial perspective:
 - > That the upland parcel has been de-designated by mistake under the PPTA; and,
 - > That the parcel has been left off by mistake from the 2007 list of designated parcels under the AA.
- In that context, the Minister suggested the following solution to the outstanding issues:
 - > No adjustment to the assessed values of land values prior to 2015;
 - > DNV to rescind back taxes for the period 2010-13;
 - > Uncapped taxation for the 2014 tax year to remain in effect;
 - > New investment over the period 2010-13 would not qualify for the lower tax rate.

3. FIRST MEETING WITH THE DISTRICT OF NORTH VANCOUVER – MAY 30, 2016

Meeting at the District Offices with Andy Wardell, Elio Lorio, Richard Parr

3.1 HIGHLIGHTS

Assessment Act

- DNV cannot accept the solution recommended in the Minister's letter because it does not adequately address the issue of designation of the upland parcel under the AA. The District is willing, however, to work with the province to seek a non-legislated, non-litigated solution.
- DNV does not accept the Provincial position that the upland parcel was left off of the designated list in 2007 by mistake. They believe the parcel does not qualify for designation under the AA because it is a fee simple parcel and not leased land. For them, this is confirmed by the 2007 Ministry of Finance discussion paper reference.
- Therefore, they do not accept that DNV has benefitted in any way from exclusion of the parcel from the designated list in 2007. On the contrary, they believe that the District has suffered a substantial loss in annual revenue as a result of de-designation in 2015 and 2016 (around \$0.5 m per year).

s.13,s.16

s.13,s.16

PPTA

- They were surprised in early 2014 when they heard about the lack of designation for 2010 onward. They assumed it was an error and sought clarification from MCSCD. They were informed that it was NOT an error. Only later did the province suggest that exclusion from the designated list was an error.
- Given the parcel was not designated, the tax rate actually charged for 2010-13 years was unlawful and needed to be corrected. It could not be ignored because the Community Charter does not allow municipalities to confer a benefit on private companies and a lower, unauthorized, tax rate on a single company is a benefit.

s.13,s.16

s.13,s.16

3.2 OTHER ISSUES RAISED

- They are unhappy about the process to date. The province has consistently taken a long time to respond to their concerns and have been contradictory in its responses. Hence, they have become suspicious of the province's actions and motives. There is not a lot of trust.

s.13,s.16

- They realize that the Province has the potential to rewrite PPPT legislation to correct mistakes or to reduce compensation (or to do the same via a MEVA).
- We discussed the possibility that the upland parcel was left off by mistake in 2007; that a key objective was to ensure stability and predictability of land values in the face of possible escalation of market values. (This was certainly a factor in the Port Operators coming to the province in 2006; from the Port Operators point of view, this was as important as the WS appeal result. The evidence for this is the use of the CPI as the land value escalator not any reference to market land values.) They were not convinced.
- The tax sale process must, under the Local Government Act (LGA), start in late September unless Fibreco pays all \$643,740 in delinquent taxes (delinquent taxes are not the full amount of back taxes owing but is outstanding tax, interest and penalties owing from 2014).⁴ The District can apply Fibreco's regular 2016 tax payment to this amount but this would still leave a shortage of \$139,623. A payment by Fibreco of this shortfall before the last week of September would delay the tax sale process by one year.
- The District has a tax policy to reduce the tax rate for all of Class 4 to \$27.5/\$1,000. This policy has been in effect since 2009. All taxes from new development in Class 4 is used to help achieve this purpose. However, any reductions in value (e.g. those associated with the land value of the upland parcel) delay movement to this goal. The losers are the non-port major industries in the District.

⁴ The LGA makes a distinction between delinquent taxes and taxes in arrears.

4. FIRST MEETING WITH FIBRECO – JUNE 6, 2016

Telephone conversation with Kerry Lige

4.1 HIGHLIGHTS

- They do not see any need for extended discussion on this topic. They have accepted the solution proposed in the Minister's letter of October 23, 2015 despite the fact that, in their view, it primarily benefits the District not the company. They assume that the Minister's proposed solution will be followed.
- They point out that the Minister's letter states that dropping the upland parcel from the PPTA regulation in 2010 and excluding the parcel from the list of designated properties under the AA were both errors made by the province. These error have now been identified and remedied.
- Both errors have been at Fibreco's expense. The assessed value of land has been overstated since 2007 and hence taxes to DNV have been larger than than they otherwise would have been. The error on the PPTA has led to DNV levying back taxes and the prospect of a tax sale.
- The proposed solution would provide no compensation to Fibreco for excess taxes paid in the period 2007-2014 but Fibreco is willing to accept the compromise.
- The claim by DNV that it has lost taxes is contradicted by the Minister's letter.
- The designated land value put on the upland parcel (~\$6 million) was chosen by the province not by Fibreco. They assume that the province had a sensible rationale for the value chosen and they see no reason to enter into discussion on revising that value.
- In short, they are in no mood to compromise. They point out that they are on the cusp of major investments in the port (~around \$100m) and have applied to DNV and Metro Vancouver for the necessary permits. They feel that resolution per the Minister's letter will "facilitate" implementation of the planned investment.

4.2 OTHER ISSUES RAISED

- The believe they have a strong legal case against the District should they attempt to proceed with a tax sale. They do not believe the District has the authority to levy back taxes.
- They understand that the District could challenge the land value designation under AA. However, they see this as an issue between the District and the Province. They seem to be willing to let it play out. They assume that the decisions taken to date by the Minister are legally binding.
- In response to my questions, they confirmed that:

- > Even though the upland property was not designated in 2007 under the AA, they never approached government to correct the situation.
- > They did not appeal the assessed value of the land over the period 2007-2014.
- (It may be inferred, therefore, that they were not uncomfortable with the land values in place from 2007-2014.)

5. MY OBSERVATIONS

s.13

Page 031 to/à Page 033

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s.13

Hi Duncan

Can you please provide some additional information about the ^{s.12,s.13}

s.12,s.13

Page 035 to/à Page 036

Withheld pursuant to/removed as

s.12;s.13

thanks

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(c): 250-507-2284

Section 20 subsection (4)

The actual value of properties to which this section applies is

- (a) the actual value of the land as determined under section 19 or 20.3, and
- (b) the cost of industrial improvements less depreciation that is at a rate and applied in a manner prescribed by the Lieutenant Governor in Council, and the Lieutenant Governor in Council may prescribe different rates and different manners of application of depreciation for individual properties or classes or types of properties.

McCartney, Angela PREM:EX

From: Currie, Brian J MAH:EX
Sent: Friday, December 1, 2017 9:51 AM
To: Jillings, Duncan FIN:EX
Cc: Fraser, Rob A MAH:EX; Volk, Kevin MAH:EX; Colins, Tracey L PREM:EX
Subject: Re: ports OIC proposal MAH R1783 FIN R1764
Attachments: for Cab Ops Nov 30 2017.docx; Subsidy comparison.xlsx

I have a few comments on your response Duncan, which was well done, just a bit to add. See the attached files.^{s.13}

s.13

Brian

From: Jillings, Duncan FIN:EX
Sent: November-30-17 4:46 PM
To: Currie, Brian J MAH:EX; Fraser, Rob A MAH:EX
Subject: FW: ports OIC proposal MAH R1783 FIN R1764

Hello

Cab Ops is asking questions about ports OICs.

Attached is my response. I also sent here Peters Draft 2 FINAL report from 2016 which you have.

Duncan Jillings
Director, Property Taxation
Tax Policy Branch
Ministry of Finance
New as of October 6, 2017:
(778) 698-5796
cell: (250) 208-4205

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			2010	2011	2012	2013	2014
08-316-010-1750-5030-9	Fibreco - Waterlot	Land	1,215,765	1,240,080	1,266,122	1,279,036	1,279,036
		Improv	0	0	0	0	0
		Total	1,215,765	1,240,080	1,266,122	1,279,036	1,279,036
08-316-010-1750-5010-4	Fibreco - Upland	Land	23,309,000	22,867,000	26,050,000	27,229,000	30,687,000
		Improv	12,143,800	1,162,500	13,142,000	12,580,600	12,034,300
		Total	35,452,800	24,029,500	39,192,000	39,809,600	42,721,300
08-316-090-0111-6000-4	Western Stevedoring (Lynnterm E)	Land	13,035,792	13,296,508	13,575,734	13,714,207	13,714,207
		Improv	10,507,000	10,842,000	10,618,000	10,599,000	10,414,000
		Total	23,542,792	24,138,508	24,193,734	24,313,207	24,128,207
08-316-090-0111-6001-2	Western Stevedoring (Lynnterm E-B)	Land	260,282	265,488	271,063	273,828	273,828
		Improv	7,972,000	7,989,000	7,956,000	7,979,000	7,876,000
		Total	8,232,282	8,254,488	8,227,063	8,252,828	8,149,828
08-316-090-0111-6010-1	Univar Canada (Dow Chemical)	Land	3,439,751	3,508,546	3,582,225	3,618,764	3,618,764
		Improv	3,182,000	3,192,000	3,348,000	3,339,000	3,280,000
		Total	6,621,751	6,700,546	6,930,225	6,957,764	6,898,764
	Grand Total		75,065,390	64,363,122	79,809,144	80,612,435	83,177,135
	Estimated portion of Value - Fibreco		0.49	0.39	0.51	0.51	0.53
	Actual Annual Subsidy paid to DNV		780,081	791,002	809,195	818,096	818,096
	Estimated Fibreco subsidy portion		381,060	310,555	410,210	416,988	432,769
	Total					1,518,814	1,951,583
	DNV Class 4 Tax Rate		44.3907	42.4862	41.171	36.7662	29.3332
	Difference to Tax Cap		16.8907	14.9862	13.671	9.2662	1.8332
	Fibreco - Tax Deficit due to Rate Cap		598,823	360,111	535,794	368,884	0
	Total					1,863,611	1,863,611
	Net Difference					344,797	-87,972

Note: Fibreco paid full taxes for 2014 so there is no differential amount.

Note: Subsidy proportion related to Fibreco is **estimate only**.

Note: Land includes foreshore lease value.

DATE PREPARED:

TITLE: Valuation of Fibreco Upland port property for 2018 tax year

ISSUE: Decisions are required on valuation for the Fibreco upland parcel as designated port property under the *Assessment Act* for 2018.

BACKGROUND:

This note deals with the prescribed valuation under the *Assessment Act* of a parcel of land (the “Fibreco upland parcel”), which is owned in fee simple by Fibreco Export Inc. (Fibreco), within the District of North Vancouver (the District).¹

The Ports Competitiveness Initiative establishes:

- a tax rate cap for Class 4 – Major Industry for designated port properties, pursuant to the *Ports Property Tax Act*, enacted by way of an Order in Council (OIC); and
- prescribed land values for designated port properties under the *Assessment Act*, enacted by way of regulation (BC Reg. 304/2010, the Port Land Valuation Regulation).

Most of the designated port properties under the *Assessment Act* will be valued for 2018 by simply increasing the 2017 prescribed value by application of the rate of general inflation as measured by BC Consumer Price Index. However, a separate decision is required for the valuation of the Fibreco upland parcel.

In 2007, the *Assessment Act* was amended to authorize prescribed values for leasehold port properties under use restrictions imposed by federal port authorities. This amendment was partly in response to a court decision, which said that the provincial assessments must consider the restricted use of the leased federal port property² and partly as a component of the Ports Competitiveness Initiative. The initial values established in 2007 have been increased annually by the rate of general inflation as measured by BC consumer Price Index. The use of the inflation indicator has meant that prescribed port values have increased more slowly than the market value of these properties.

The Fibreco upland parcel is unusual in that it is a fee simple parcel, while all other parcels designated under the *Assessment Act* are leased, mostly from the federal port authorities. Because it is not a leased parcel, the Fibreco upland parcel was not designated in 2007 when the province began to prescribe land values for designated port properties.

² *Assessor of Area 08 – North Shore/Squamish Valley v. Western Stevedoring Co. Ltd.* 2006 BCSC 509

The Fibreco upland parcel was first designated under the *Assessment Act* in 2015, following a review by Ministry staff. s.13

s.13

Valuation of the Fibreco upland parcel for the 2015 tax year reduced its land value from \$23.2 million in 2014 to \$6.1 million in 2015. The District of North Vancouver has complained about the change to the valuation of this property and notes that the change has shifted the tax burden onto other major industry taxpayers that are not subject to the tax rate cap for designated ports. The Province attempted in 2016 to develop a consensus for valuation of the property with the District and Fibreco but was not successful.

A separate, but related issue is that the District included in its 2014 tax notice additional billing for the 2010 through 2013 period, after the District discovered in 2014 that the Province had failed to designate the property in those years under the *Ports Property Tax Act* for the purpose of applying the municipal tax rate cap. That issue is not considered in this note.

s.13

DISCUSSION:

The government must establish a value for the Fibreco Upland parcel. s.13

s.13

The decision in 2015 to value the property as if it were a leasehold parcel resulted in considerable municipal tax savings for Fibreco. Savings compared to market valuation as a fee simple property would have been even higher in 2016 onwards, as market values rose much faster than the general inflation rate.

Municipal taxation, Land component only

	Valued by	Prescribed land value	Tax at \$27.5/\$1000	Savings from 2014 tax ¹
2014	market	\$23.2 million	\$637,000	
2015	designated	\$6.1 million	\$167,000	\$470,000
2016	designated	\$6.2 million	\$169,000	\$468,000
2017	designated	\$6.3 million	\$173,000	\$464,000

1. Estimates based on tax rate of \$27.5/\$1000 without considering the new investment capped rate of \$22.5/\$1000 on a small amount of new investment from 2009.

OPTIONS:

Page 050

Withheld pursuant to/removed as

s.13

McCartney, Angela PREM:EX

From: Flanagan, Paul FIN:EX
Sent: Friday, December 1, 2017 2:13 PM
To: Colins, Tracey L PREM:EX
Subject: FW: Ports OIC - FIN confirmation

From: Jillings, Duncan FIN:EX
Sent: Friday, December 1, 2017 1:48 PM
To: Flanagan, Paul FIN:EX
Subject: RE: Ports OIC - FIN confirmation

My responses to the three questions.

Tax Policy Branch have briefed Minister James and had an information meeting with MLA Ma on Fibreco issues.
Tax Policy Branch has briefed Minister James on the issue of adding WWL to the two regulations.
Tax Policy Branch has given MAH the decision notes on Fibreco and WWL and MAH saw several of the drafts.

s.13

McCartney, Angela PREM:EX

From: MacMillan, Elizabeth PREM:EX
Sent: Friday, December 1, 2017 4:42 PM
To: Colins, Tracey L PREM:EX
Cc: Powell, Charlotte PREM:EX
Subject: Re: ports OIC summary

Thx — I'll take a few min to read and refresh my memory from my notes.

On Dec 1, 2017, at 4:39 PM, Colins, Tracey L PREM:EX <Tracey.Colins@gov.bc.ca> wrote:
s.12,s.13,s.14

Tracey Colins
Executive Director, Cabinet Operations
Office of the Premier
Tracey.colins@gov.bc.ca
(w): 250-387-0782
(c): 250-507-2284

McCartney, Angela PREM:EX

From: Colins, Tracey L PREM:EX
Sent: Friday, December 1, 2017 5:15 PM
To: Flanagan, Paul FIN:EX
Cc: Jillings, Duncan FIN:EX; Michell, Jennifer FIN:EX; Prisiak, Lisa PREM:EX; MacMillan, Elizabeth PREM:EX; Powell, Charlotte PREM:EX
Subject: Re: Ports OIC - FIN confirmation

Thank Paul
s.13

Copying Elizabeth and Charlotte to bring them in to the conversation as they are also engaged in trying to work this through the process before Monday

Tracey Colins
Executive Director, Cabinet Operations
Office of the Premier
Tracey.Colins@gov.bc.ca
(w): [250-387-0782](tel:250-387-0782)
(c): [250-507-2284](tel:250-507-2284)

On Dec 1, 2017, at 5:00 PM, Flanagan, Paul FIN:EX <Paul.Flanagan@gov.bc.ca> wrote:

Tracey. s.13
s.13

From: Colins, Tracey L PREM:EX
Sent: Friday, December 1, 2017 3:01 PM
To: Flanagan, Paul FIN:EX; Jillings, Duncan FIN:EX
Cc: Michell, Jennifer FIN:EX; Prisiak, Lisa PREM:EX
Subject: FW: Ports OIC - FIN confirmation

Paul
I received the separate email forwarded from Duncan (attached); good on the first question.

s.12,s.13,s.14

s.13

Thanks
Tracey

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Sent: Friday, December 1, 2017 1:33 PM
To: Flanagan, Paul FIN:EX; Jillings, Duncan FIN:EX
Subject: Ports OIC - FIN confirmation

Hi Paul/Duncan

Can you please provide confirmation for 3:00 this afternoon please:

By way of response to this email, can you confirm please that Finance/MAH have briefed Minister James, Minister Robinson and Bowinn Ma on all the implications of both the ports OICs, including the

s.12,s.13

s.13

thanks

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Tracey.colins@gov.bc.ca
(w): 250-387-0782
(c): 250-507-2284

McCartney, Angela PREM:EX

From: Dawes, Jacquie MAH:EX
Sent: Saturday, December 2, 2017 8:31 AM
To: MacMillan, Elizabeth PREM:EX
Cc: Flanagan, Paul FIN:EX; Volk, Kevin MAH:EX
Subject: Re: today? Fibreco

Good morning. Happy to touch base later this morning. Kevin is our lead and can likely best address questions.

On Dec 2, 2017, at 8:18 AM, MacMillan, Elizabeth PREM:EX <Elizabeth.MacMillan@gov.bc.ca> wrote:

Good Morning Jacquie and Paul – we are desperately trying to assist in keeping this OIC in the briefing materials being advanced successfully for next week's Cabinet. The summary was supposed to be wrapped-up yesterday to do that. s.13

s.13

I can be available by phone today between 10:30 and 3 pm and am unable to make commitments for tomorrow.

Paul, I understand s.22 and so haven't been in touch, however, if you think anyone else from FIN should be engaged, please just say so.

Look forward to your reply.

Cheers

E

From: Colins, Tracey L PREM:EX
Sent: Friday, December 1, 2017 4:23 PM
To: MacMillan, Elizabeth PREM:EX; Powell, Charlotte PREM:EX
Subject: Ports OIC - info for 4:45 call

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Cc: Michell, Jennifer FIN:EX; Prisiak, Lisa PREM:EX
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s.12,s.13,s.14

s.12,s.13,s.14

s.13

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2014-23.2M Market
 2015-61 Leasehold → 2016/17
 2018 — 24.3m (2014 base) market

	2004	2007-2009	2010-2014	2015-2017	2018
VALUE	N/A	ND ✓	2014 23.2 ND ✓	2015 23.2 → 61m D X	DECISION
TAX CAP	D	D ✓	ND X BUT CAP IMPOSED BY DNY 1.5m	D ✓	D

date

23.2
 6.1
 6.1
 6.1
 24.3

McCartney, Angela PREM:EX

From: Flanagan, Paul FIN:EX
Sent: Saturday, December 2, 2017 10:59 AM
To: Volk, Kevin MAH:EX; MacMillan, Elizabeth PREM:EX
Cc: Dawes, Jacquie MAH:EX
Subject: RE: Fibreco

s.13

Fibreco's land value was not designated from 2004 to 2014 and the valuation was fair market value. Fibreco did not contest the valuation during that period. They then got a low value designation, s.12,s.13

s.12,s.13 \$24 million is way below the fair market value.

From: Volk, Kevin MAH:EX
Sent: Saturday, December 2, 2017 10:51 AM
To: MacMillan, Elizabeth PREM:EX
Cc: Flanagan, Paul FIN:EX; Dawes, Jacquie MAH:EX
Subject: Re: Fibreco

s.13

Kevin Volk
Ministry of Municipal Affairs and Housing

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Please do any of you have details at your fingertips of a conference line we can use?

Here's proposed language I have:

s.12,s.13,s.14

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Thanks Elizabeth. We're going through our notes, but with respect to Fibreco, we would defer to Finance s.13 documentation.

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Ministry of Municipal Affairs and Housing

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s.13,s.14

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Cheers
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Thanks
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(w): 250-387-0782
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McCartney, Angela PREM:EX

From: Flanagan, Paul FIN:EX
Sent: Saturday, December 2, 2017 11:03 AM
To: MacMillan, Elizabeth PREM:EX; Volk, Kevin MAH:EX
Cc: Dawes, Jacquie MAH:EX
Subject: RE: Fibreco

s.13

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s.13

s.13

Please is that in err or no longer the case?

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(w): 250-387-0782
(c): 250-507-2284

McCartney, Angela PREM:EX

From: Volk, Kevin MAH:EX
Sent: Saturday, December 2, 2017 11:05 AM
To: MacMillan, Elizabeth PREM:EX
Cc: Flanagan, Paul FIN:EX; Dawes, Jacquie MAH:EX
Subject: RE: Fibreco

Yes, it appears that is no longer the case.

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Cc: Flanagan, Paul FIN:EX; Dawes, Jacquie MAH:EX
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(w): 250-387-0782
(c): 250-507-2284

McCartney, Angela PREM:EX

From: Colins, Tracey L PREM:EX
Sent: Monday, December 4, 2017 8:46 AM
To: MacMillan, Elizabeth PREM:EX
Cc: Powell, Charlotte PREM:EX; Prisiak, Lisa PREM:EX
Subject: RE: Fibreco language
Attachments: MAH_R1_1783 Ports draft.pdf

s.13

s.12,s.13

From: MacMillan, Elizabeth PREM:EX
Sent: Saturday, December 2, 2017 11:33 AM
To: Colins, Tracey L PREM:EX
Cc: Powell, Charlotte PREM:EX; Prisiak, Lisa PREM:EX
Subject: Fibreco language

Good Morning – please use wording below for summary entry. I'll fwd you by separate e-mail the approval record. Grateful Tracey next week for you to ID for us where the MAH language re:s.12,s.13 are in the materials you rec'd from MAH and when you got them. I think this will be helpful to us finding improvements in our process as per our discussion yesterday.

Thanks

E

s.12,s.13,s.14

Page 075 to/à Page 108

Withheld pursuant to/removed as

s.12;s.14;s.13

**ORDERS IN COUNCIL
LATE ADDITION SUMMARY**

For Cabinet Review

December 6, 2017

FOR DECISION

MIN

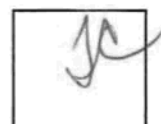
PURPOSE OF ORDER

STATUTE

s.12,s.13,s.14

t,

Prepared December 1, 2017
2017-12-03 5:23 PM



1

Page 110 to/à Page 112

Withheld pursuant to/removed as

s.12;s.14;s.13