

STATEMENT IN RESPONSE TO COUNCIL DISCUSSION REGARDING PILTs AND PRPA EMPLOYEE COMPENSATION

JANUARY 11, 2022

At the January 9, 2023 Prince Rupert City Council meeting, Council discussed a report from staff regarding Payments In Lieu of Taxes (PILTs) and the Prince Rupert Port Authority's employee compensation structure, and made statements implying that PRPA employees have a financial incentive to avoid municipal taxation payments.

Property owners in Prince Rupert are required by law to pay property taxes. Technically, government bodies are exempt from property taxes, which includes PRPA in its role as a manager of federal crown land. Despite being exempt from taxation, through Payments In Lieu of Taxes (PILTs), PRPA pays to the City of Prince Rupert the same property tax as other property owners would pay for any property.

PRPA properties subject to PILT are largely comprised of vacant, undeveloped crown land on Ridley Island and Lelu Island. Municipal property tax rates set by the City of Prince Rupert and District of Port Edward (and other property tax authorities) are applied to their assessed value to determine the appropriate payments. Once a property is leased to a tenant, it is not subject to PILTs and pays property tax directly to the taxing authority.

When property values are disputed, appeals can be made to the BC Property Assessment Appeal Board and the federal PILT Dispute Advisory Panel.

PRPA's PILT payments have reflected the property values determined by BC Assessment. In recent years, BC Assessment significantly increased the assessments of PRPA properties and PRPA appealed the assessments to the Property Assessment Appeal Board using the same appeal process available to every property owner. The City was aware of the appeal being filed and the ensuing process. As a result of the appeals, the assessment methodology and the resulting assessments of those properties were recognized as being incorrect, and the Property Assessment Appeal Board issued orders that reduced the assessed values.

PRPA has offered to enter a collaborative process with local municipalities to further review the value of these lands. However, the City of Prince Rupert and District of Port Edward have chosen to dispute those values through both federal and provincial processes established for that purpose. PRPA is committed to ensuring that its properties are accurately valued and PILTs are paid on that basis.

Any suggestion that PRPA's employees have a financial incentive to avoid municipal tax payments is based on a misunderstanding. PRPA pays a portion of its compensation to every staff member through a program that ensures a strategically aligned team focused on the success of the Port and the community. Net income is only one of many factors considered in that calculation. Performance objectives include not only financial performance, but also the advancement of development projects that grow and diversify the port and local economy,

delivery of effective sustainability and community initiatives, and the maintenance of a strong and enduring organization.

PRPA employees are motivated to grow PRPA revenues through the attraction of new investment and the sustainable development of vacant PRPA land for the benefit of all. Current examples of projects under investigation include Fairview Container Terminal expansion, the Vopak Pacific Canada Project, and the Ridley Island Export Logistics Project. PRPA's incentive programs drives growth, diversification, and municipal tax revenues at the same time.

It is troubling that Prince Rupert City Council has drawn conclusions that suggest that PRPA and its employees are working against the best interests of its local community. PRPA and its 90 employees are proud members of their community. PRPA and its employees want to see the City of Prince Rupert and District of Port Edward succeed in funding and delivering dependable local services. Our work to attract investment and development has more than doubled industrial tax revenues in the last ten years, providing the City of Prince Rupert with the distinction of having one of the strongest industrial tax bases and receiving one of the highest levels of tax dollars per capita in BC. This information is readily available in the City's financial statements and comparative local government data found on the BC Government website.

More broadly, PRPA's work has been integral in enabling job growth, wage growth, and business opportunities in the community as highlighted in the Prince Rupert Gateway Council's most recent Economic Impact Study. PRPA also continues to advance community interests with the development of port projects such as the Fairview Connector Road and the Seal Cove Salt Marsh, and supporting a broad range of recreational, cultural, health, environmental, and other projects and programs that have contributed to the community's livability. To this end, PRPA has thoughtfully aligned its own goals and the incentives of its employees accordingly.

Payment In Lieu of Taxes Act:

<https://www.tpsqc-pwgsc.gc.ca/biens-property/peri-pilt/comprendre-understand-eng.html>

2021 Port of Prince Rupert Economic Impact Study:

<https://www.rupertport.com/economic-impact/>

Municipal Tax Rates & Burden in British Columbia:

<https://www2.gov.bc.ca/gov/content/governments/local-governments/facts-framework/statistics/tax-rates-tax-burden>