



COUNTY OF WELLINGTON

COMMITTEE REPORT

To: Chair and Members of the Administration, Finance and Human Resources Committee
From: Ken DeHart, County Treasurer
Date: Tuesday, May 17, 2022
Subject: Elora South Inc Tax Increment Equivalent Grant (TIEG) Request

Background:

This report is intended to provide Committee with an understanding of the financial implications of a Tax Increment Equivalent Grant (TIEG) for the entire Elora South expansion project, by way of entering into a Financial Assistance Agreement with the Township of Centre Wellington.

Pearle Hospitality, known as Elora South Inc., submitted an application for property tax assistance and filed a TIEG request with the Township of Centre of Wellington. Township Council has approved the TIEG application and are preparing to enter into a formal TIEG Agreement with Elora South Inc.

Now that all local approvals are in place, Elora South Inc. and the Township request that the County examine the possibility of offering its own tax increment equivalent grant to this development project. Under the Planning Act, it is the responsibility of the local municipality to work with applicants and monitor the project in all legal conforming aspects set out in their Agreement. The County's responsibility is to provide financial assistance under its own CIP/TIEG programme upon approval of County Council.

County Economic Development staff have reviewed and evaluated Elora South's application for financial assistance within the guidelines of the County's Community Improvement Programme (CIP). Their evaluation determines that the Elora South development is eligible for financial assistance and have confirmed the project meets all five criteria stated under the CIP. The Economic Development staff recommendation is to endorse the application and bring the matter to Council for approval.

The County's CIP contains a Tax Increment Equivalent Grant (TIEG) programme. A TIEG is a grant equal to the full amount, or a portion of the amount, of the estimated property tax increase after the property is redeveloped. The increase in taxes (or the tax increment) may be calculated by subtracting the municipal portion of the property taxes prior to reassessment from the municipal portion of the property taxes after reassessment. Grants are typically provided for a period of 3 to 10 years; however, the maximum value of the grant is limited to the total value of eligible costs invested into the development as defined by the Planning Act. A TIEG can stimulate investment by effectively deferring part of the increase in taxation associated with reassessment through grants that are equivalent to a portion of the resulting property tax increase.

Financial Analysis of Potential Tax Incentives for the Elora South Development

Elora South Inc. has submitted one application for TIEG assistance. The project spans two properties which are identified in Table 1 of Schedule A, and comprises six phases to be constructed over a 15 year period. The phases include multiple structures with many having multiple uses and tax classifications. Until each phase is inspected by the Municipal Property Assessment Corporation (MPAC) and assessed for property tax purposes, annual TIEG calculations will be estimates only.

The Township of Centre Wellington has provided the County with some figures and assumptions for the proposed development including the pre-project assessed value and property taxes as well as assumptions made for the post-project assessed value for the entire development (all figures using 2016 assessed values and 2021 tax rates). County staff have further developed this analysis to breakdown the amount of the grant calculation for both the Township and the County portion. County grants exclude residential apartments and condominiums.

Table 1, Schedule A shows that the pre-project assessment of the original (2) properties is \$2,220,000 resulting in annual municipal property taxes in 2021 of \$31,462 (Township \$10,874; County \$20,588). The Township is assuming that assessment values will climb to \$130,976,791 after the entire development has been completed. Table 2, Schedule A, shows that resulting eligible annual property taxes using 2021 rates would be \$819,021 (Township \$487,868; County \$331,153). This results in combined incremental municipal taxes of \$787,559 for the entire development. All tax estimates in Schedule A represent eligible portions only and exclude all residential tax components for the County, and all Education property tax and/or any Special Area Rates where applicable.

The proposed grant from the County will be for a five year term, with grants amounting to 100% of incremental taxes in year 1, dropping by 20% each year until taxes return to the full amount in the sixth year – excluding any residential development components. This amounts to a total grant amount of \$931,695 over five years. Table 3, Schedule A, provides a detailed breakdown of annual grant amounts as if the entire project was completed at the same time (using 2021 tax rates).

The Township has approved a grant of 80% of incremental taxes for 10 years on all property class improvements. This amounts to a total grant value of \$3,815,952 over 10 years.

TIEG agreements are structured so that property owners must pay all taxes for the current year and not have the tax account in arrears before making a requesting for an annual TIEG rebate. The Township will verify the tax account status and provide an invoice to Wellington County for the County's share of the TIEG annually.

Recommendation:

That a tax increment equivalent grant for Elora South Inc development be approved for eligible commercial improvements for a duration of five years; and

That the incentives amount to 100% of the tax increment in year one; 80% in year two; 60% in year three; 40% in year four; and 20% in year five; while returning to full taxation in year six; and

That staff be directed to enter into a Financial Assistance Agreement with the Township of Centre Wellington for the Elora South Inc Tax Increment Equivalent Grant application.

Respectfully submitted,



Ken DeHart, CPA, CGA
County Treasurer