



COUNTY OF WELLINGTON

COMMITTEE REPORT

To: Chair and Members of the Economic Development Committee
From: Crystal Ellis, Director of Economic Development
Date: Tuesday, May 17, 2022
Subject: **Elora South Inc. Tax Increment Equivalent Grant (TIEG) Request**

Background

Pearle Hospitality, referred to as Elora South Inc. submitted a Tax Increment Equivalent Grant (TIEG) request under the Township of Centre Wellington Community Improvement Plan (CIP) on July 26, 2021. Centre Wellington Council has designated the location a Priority Site and approved the Elora South Inc. TIEG application. The County of Wellington was approached by the Township of Centre Wellington to consider a TIEG for the project under the County's Invest Well Community Improvement Programme.

Purpose of a CIP and a TIEG

A CIP is intended to encourage rehabilitation initiatives and stimulate development. A CIP allows a municipality to provide tax assistance, grants or loans to assist in the rehabilitation of lands and buildings within the defined Community Improvement Project Area. The County's Invest Well CIP prioritizes the investment of County resources into community improvement projects that directly support a set of long-term County-wide planning and economic development priorities.

A TIEG defers a property tax increase for a period of time in order to assist in financing substantial property development or improvements. This is treated more like a rebate than a grant, as full payment of taxation is required before the annual TIEG payment can occur. A TIEG is only applied to the portion of the taxes that increased due to the development or improvement. Only industrial and commercial development qualify for the TIEG, residential is excluded.

Elora South Inc. Project

To evaluate the Elora South Inc. proposal, Economic Development Staff worked with the County Treasury department to review the application using the guidelines of the County Invest Well CIP. The Elora South Inc. project proposal includes multiple buildings with residential, hotel, and commercial uses. The development covers 3.6 hectares / 8.9 acres, and the assessed property value is estimated to increase from \$2 million to approximately \$130 million upon full build out. The current taxation of the property in 2021 is \$31,462 (Township \$10,874, County \$20,588). Upon buildout of the project, the resulting annual commercial and residential property tax, based on 2021 rate, would be \$1,411,591 (Township \$487,868, County \$923,723).

The proposal has six phases of development that will occur over a maximum period of 15 years. The TIEG will be calculated using assessment values provided by the Municipal Property

Assessment Corporation (MPAC) immediately following the completion of each phase and does not include education related taxation. Phase one, the condo development (Building A) does not qualify for the County Invest Well CIP and is excluded from the proposed County TIEG. Also not a part of the TIEG proposal, are the residential units, the community benefit infrastructure that includes a public pedestrian walking trail, a restored heritage ruin and a public square constructed by Elora South Inc.

A description of the buildings and site map are as follows:

Phase	Location	Description
Phase 1	Building A	Mid rise residential building with 136 residential units. (Building A is excluded from the County's TIEG, does not qualify)
Phase 2	Building C	Walser Ruin, restored two storey ruin into a commercial building with artist space. 4,456 sq. ft.
Phase 3	Building D	Mixed use building with 58 hotel suites, 50 residential units and commercial space. 13,000 sq. ft. (Residential portion is excluded from the TIEG)
Phase 4	Building F	Mixed use building with 12 residential units and commercial space. 18,082 sq. ft. (Residential portion is excluded from the TIEG)
Phase 4	Building G	Parking Garage with 195 parking spaces.
Phase 5	Building E	Mixed use building with 15 hotel suites and commercial space. 25,400 sq. ft.
Phase 6	Building B	Flatiron building, a mixed-use commercial and residential building with 16 units. 3,600 sq. ft. (Residential portion is excluded from the TIEG)



The Elora South Inc. TIEG application was evaluated through the County's Invest Well CIP. Projects are measured based on five CIP priority areas. The Elora South Inc project is described below:

Priority #1, To Use Land Strategically: The project redevelops vacant/underutilized downtown land and exceeds the construction value threshold of \$200,000. The development is expected to provide 100 construction jobs annually over the span of the 10 years during buildout and 200 new long term local positions are expected to be created in new employment retail, service and commercial sectors.

Priority #2, To Provide Rental Housing: The project involves the development of a mixed-use form of housing and includes residential intensification in a downtown area, however the TIEG does not include residential.

Priority #3, To Improve Buildings and Infrastructure: The project involves adaptive reuse of vacant land and the repurposing of a underutilized building (Walser Ruin). There is also substantial utility and infrastructure improvements.

Priority #4, Diversify the Economy: The project creates new retail, restaurant and accommodation business in the downtown area.

Priority #5, To Promote Tourism: The project involves the beautification, restoration and enhancement of tourism assets in Wellington County. There is an increase in short-term accommodation options and the location is identified as a top destination in Wellington County.

The benefits to Wellington County include:

- The redevelopment of the Elora Mill and the proposed Elora South project have elevated the lure of Wellington County as a premier destination in not only Ontario but as a top destination in Canada.
- Visitors who stay overnight spend three to four times as much as daytrippers, and the additional downtown development in Elora enables the rest of Wellington County to benefit from such visitor spending.
- Creation of new jobs in construction and commercial sectors.
- Diversification of the local economy.
- Increase in the commercial and industrial assessment base in Wellington County.

TIEG Proposal

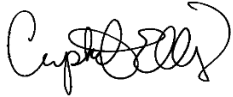
The Township of Centre Wellington's CIP allows for a TIEG equal to 80% of the eligible tax increment over a 10-year period. This amounts to a total estimated member municipality grant value of \$3,815,952.

The County Invest Well CIP TIEG programme allows for a five-year term grant with 100% of incremental taxes in year one, dropping by 20% each year until taxes return to the full amount in the sixth year. This amounts to a total proposed grant value of \$931,695 over five years.

Recommendation:

That the Elora South In. TIEG application be approved and forwarded to the Administration Finance and Human Resources Committee.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crystal Ellis', with a stylized flourish at the end.

Crystal Ellis
Director of Economic Development

Attachments:

Township of Centre Wellington, Report to Council. COR2021-14, July 26, 2021, Tax Increment Grant: Elora South Inc.