



## Report to Council

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**To:** Mayor Linton and Members of Council

**Report:** COR2021-41

**Prepared By:** Dan Wilson, Managing Director of  
Corporate Services & Treasurer

**Date:** 26 Jul 2021

**RE:** Tax Increment Equivalent Grant: Elora South Inc.

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### **Recommendation:**

THAT the Council of the Township of Centre Wellington approve the Tax Increment Equivalent Grant application submitted by Elora South Inc.

AND THAT Council authorize the Chief Administrative Officer and the Managing Director of Corporate Services & Treasurer to execute a Tax Increment Equivalent Grant agreement between the Township and Elora South Inc. based on the contents of report COR2021-41 dated July 26, 2021.

AND THAT Council authorizes the Chief Administrative Officer and the Managing Director of Corporate Services & Treasurer to execute an agreement between the County of Wellington and the Township regarding County participation in the Elora South Inc. Tax Increment Equivalent Grant.

### **Summary:**

Elora South Inc. has made an application for a Tax Increment Equivalent Grant (TIEG) under the Township of Centre Wellington Community Improvement Plan (CIP). The site has been designated as a Priority Site by Council and Elora South Inc.'s submitted cost estimates are considered eligible costs under the TIEG program.

As a result of the proposed development of the Elora South site, the assessed property value is estimated to increase from \$2 million to approximately \$130 million at full build out.

Staff in consultation with RCI Consulting are in the process of developing a TIEG agreement between the Township and Elora South Inc. A separate agreement will be required between Wellington County and the Township to allow for County TIEG payments to filter through the Township to Elora South Inc.

**Report:**

The Township of Centre Wellington adopted a Community Improvement Plan in 2015. The Township's CIP authorizes two categories of financial incentives, Level One and Level Two Incentives. Among the Level Two incentives offered is a Tax Increment Equivalent Grant (TIEG).

The TIEG Program offers grants to property owners whose property taxation has increased as a result of the "substantial" development, redevelopment, or rehabilitation of an eligible building or property within the Township's 'Urban Centre'. The purpose of the program is to defer a property tax increase for a period of time in order to help finance "substantial" property improvements that would otherwise be considered cost prohibitive by a property owner. It is anticipated that the nature of property improvements will be in the form of conversion, redevelopment, and/or intensification of underutilized sites for commercial, employment, and mixed-uses. The Township will benefit from a portion of the tax increase during the grant period, and the full tax increase following the grant period.

In order to qualify for a Level Two Incentive, a site is required to be identified by Council as a Priority Site. A property may be identified as a Priority Site if it meets one or more of the following criteria:

- Has frontage along the Grand River;
- Is a known brownfield property;
- A building on the site has significant heritage value;
- The site is vacant or underutilized and has potential for significant development/redevelopment; and/or
- The site is subject to a proposal that will help achieve targets and policies of the Provincial Growth Plan; accommodate significant job growth; achieve exceptional design standards resulting in increased building costs; or help achieve any other local economic development goal or priority identified by Township Council.

Collectively the Elora South Inc. properties were identified as a Priority Site by Council in 2015.

An application for a TIEG must provide an estimate of eligible costs. Eligible costs may include such costs as:

- Removal of debris including all site infrastructure and general improvements for structural safety purposes to meet the minimum requirements of the Ontario Building Code;
- Site preparation including construction/improvement of on-site infrastructure (e.g. water services, private sanitary and storm drains and/or private sewers, watermains, roads, curbs and gutters, catch basins, hydro, gas and communication services);

- Expenses related to the relocation of sanitary sewers, storm sewers and watermains within the same property boundaries;
- Demolition of all buildings and structures together with removal and disposal of all materials and debris;
- Capital expenditures for existing building renovation and/or new building construction, including accessibility costs;
- Capital expenditures for new building construction where exceptional design standards are met and result in increased building costs;
- Construction cost premium for the provision of underground parking or structured spaces vs. surface parking;
- Legal fees, consulting fees and financing costs, preparation of a business plan, preparation of professionally prepared drawings, expenses related to designated Heritage Buildings and/or properties as they relate only to specific eligible costs identified above; and/or
- Municipal Property Assessment Corporation Assessment Estimates.

A TIEG is calculated as a portion of the municipal property taxation increase due to the “substantial” development, redevelopment, or rehabilitation of an eligible building or property. The increase in property taxation, or “tax increment”, is calculated by subtracting the municipal portion of property taxes before development from the municipal portion of the property taxes after development.

The Township's CIP allows for a TIEG equal to 80% of the eligible tax increment over a 10-year period. Wellington County's TIEG program allows for a TIEG over a 5 year period as follows:

- 100% of the eligible tax increment in year 1;
- 80% of the eligible tax increment in year 2;
- 60% of the eligible tax increment in year 3;
- 40% of the eligible tax increment in year 4; and
- 20% of the eligible tax increment in year 5.

Luciano Piccioni, President, RCI Consulting assisted the Township with the review of the TIEG application and the preparation of the TIEG agreement. Some general conditions that will be incorporated into the agreement are as follows:

1. The development of the Elora South Inc. site will occur in phases over a maximum of 15 years.
2. The TIEG will be calculated using assessment values provided by the Municipal Property Assessment Corporation (MPAC) immediately following the development of each phase.
3. The TIEG will be based on Township and County taxation only. Education related taxation would not be included in the program.
4. The Township TIEG will be paid annually, over 10 years for each phase. Payment will only be made once specific conditions have been met, including payment of all property taxes due to date.

5. The sum of TIEG payments cannot exceed the total eligible costs for each phase of the development.
6. Any new construction or development on the site outside of the TIEG program will not be included in the TIEG calculations.

**Corporate Strategic Plan:****Strong Local Economy**

- Facilitate new business coming to Centre Wellington
- Facilitate new retail uses to meet the needs of a growing community

**Financial Implications:**

As mentioned above, the proposed development of the Elora South site is expected to increase taxation assessment value from \$2 million to approximately \$130 million. Based on 2021 tax rates, this equates to additional annual taxation revenue of over \$475,000 for the Township and over \$900,000 for Wellington County.

While a portion of this tax increment would be provided back to Elora South Inc. over a 10 year period (for each phase) in the form of a TIEG, the Township and the County would benefit significantly in the long term from this additional assessment and taxation.

Based on high level calculations, The Township's TIEG payments for this application would total approximately \$3.8 million. The County TIEG payment (commercial development only and subject to County approval) would total approximately \$930,000. These are only estimates and are subject to change based on what is actually constructed and the associated assessment values determined by MPAC. As mentioned above, these TIEG payments would take place over approximately 15 years while the Township (and County) retain the balance of the increase in property tax revenues over this time.

Included within this report (Attachment A) is a summary of taxation assessment estimates (future vs. current). These figures were used to calculate the TIEG estimates contained within this report.

Attachment B to this report includes an Elora South site plan with building references.

**Consultation:**

This report was prepared in consultation with:

- Andy Goldie, Chief Administrative Officer
- Brett Salmon, Managing Director of Planning and Development
- Luciano Piccioni, President, RCI Consulting
- Wellington County Staff

**Attachments:**

- [Attachment A - Elora South TIEG Taxation Assessment Estimates](#)

- [Attachment B - Elora South Site Plan with Building References](#)

**Approved By:**

Andy Goldie, Chief Administrative Officer

**Attachment A**  
**Elora South Inc. TIEG Application**  
**Summary of Assessment Estimates**

**Estimates Future Assessed Values (2016 \$)**

#	Description	MPAC Estimates (2016 \$) - see notes 1 and 2		
		Residential	Commercial	Total
A	Condo	60,905,000	-	60,905,000
B	Flat Iron Building	6,649,000	978,757	7,627,757
C	Walser Building	-	1,593,262	1,593,262
D	Hotel	23,355,000	19,021,000	42,376,000
E	Commercial	-	7,081,034	7,081,034
F/G	Parking Garage	190,000	888,300	1,078,300
F/G	Commercial/Residential	4,170,000	6,145,438	10,315,438
<b>Total</b>		<b>95,269,000</b>	<b>35,707,791</b>	<b>130,976,791</b>

Estimated Annual Eligible Taxation - see note 3 and 4		
Township	County	Total
200,000	-	200,000
26,600	9,100	35,700
7,800	14,700	22,500
169,900	176,400	346,300
34,600	65,600	100,200
5,100	8,200	13,300
43,800	57,000	100,800
<b>487,800</b>	<b>331,000</b>	<b>818,800</b>

**Current Assessed Values (2016 \$):**

Roll #	Description	Class	Assessed Value
11.14500	24 Carlton Place	Commercial	1,970,000
11.14508	30 Carlton Place	Commercial	250,000
<b>Total</b>			<b>2,220,000</b>

Current Taxation		
Township	County	Total
9,649	18,270	27,919
1,225	2,318	3,543
<b>10,874</b>	<b>20,588</b>	<b>31,462</b>

Note 1: Per MPAC, all residential assessment would be considered a RT (residential) tax classification, not MT (multi-residential).

Note 2: Assessment estimates are based on 2016 valuations provided by MPAC and are subject to change.

Note 3: Taxation estimates are calculated based on 2021 Township and County taxation rates.

Note 4: Eligible taxation includes commercial and residential (mixed use) assessment for the Township and only commercial assessment for the County. Total County taxation (TIEG eligible and non-eligible) is estimated at \$923,500.



## Attachment B

