

December 5, 2018

To: Members
Executive Committee

Re: Daycares Options

RECOMMENDATION

1. That Administration be instructed to do a consultation with City Council and stakeholders to determine daycare policy purpose and objectives and to prepare a report on a daycare policy before Q2 of 2020.
2. That this report be forwarded to the December 17, 2018 meeting of City Council for approval.

CONCLUSION

Administration recommends consultation with City Council and stakeholders to determine daycare policy purpose and objectives. Results of the consultation will be used to inform a proposed policy for City Council's consideration before the end of Q2 2020.

If City Council wishes to provide interim relief to daycare centres while a policy is explored, Administration recommends providing a two-year 40 per cent exemption to owned and operated licensed non-profit daycare centres. This option is the most transparent and has the lowest administrative cost.

BACKGROUND

At the November 27, 2018 Executive Committee (Committee) meeting, Administration presented the report EX18-32 Supplemental – Daycares containing an overview of daycare regulation in Saskatchewan, information on how daycare properties are assessed and taxed in the city of Regina and an analysis of methods related to tax policy that City Council may choose to implement (page six).

At that meeting, the Committee requested that Administration bring back additional information on what is outlined on page six of report EX18-32.

DISCUSSION

Below is an analysis of how the options discussed in EX18-32 that may be used to provide interim relief to owner occupied licensed non-profit daycares. Regardless of the option, daycares are classified as commercial properties.

The benefits of both a property tax exemption and a subclass are provided to the owner of the property. As per the list of licensed child care centres provided by the Government of Saskatchewan, there are currently 17 owned and operated and 13 leased daycare centres operating in city of Regina. It is not recommended that any of the options be granted to daycares operating in leased properties, as it is difficult to determine if the benefit will be passed on to the lease holder.

The analysis provided includes a broad estimate of the impact on leased centres, should City Council want to include them. These numbers are a high-level approximation as Administration currently does not have the leased space to determine the values of leased centres. Table 1: Tax Tool Options summarizes the financial impact of each tax mitigation option.

Table 1: Tax Tool Options

Option	Owner Occupied		Leased		Total	
	Municipal Impact	Total Impact	Municipal Impact	Total Impact	Municipal Impact	Total Impact
#1 Partial (40%) Exemption	\$ 41,600	\$ 69,300	\$ 40,800	\$ 68,000	\$ 82,400	\$ 137,300
#2 Create a Sub-class	\$ 25,100	\$ 27,500	\$ 25,300	\$ 27,700	\$ 50,400	\$ 55,200
#3 Full (100%) Exemption	\$ 104,500	\$ 183,900	\$ 102,500	\$ 180,300	\$ 207,000	\$ 364,200

Option #1 – Provide a Partial (40 per cent) Exemption

This option provides an exemption so that the taxes levied on owned and operated licensed non-profit daycare centres are equal to the taxes they would be levied if they were classed as residential. Daycare centres would see a 40 per cent reduction in levy if they were classed as residential. This option is the most transparent and has the lowest administrative cost.

The municipal impact of providing a 40 per cent exemption to owned and operated licensed non-profit daycare centres is approximately \$41,600. The total benefit to property owners, including library and education levies is \$69,300.

If City Council wants to include taxable leased daycare centres in this option, there would be an additional impact of approximately \$40,800 municipal and \$68,000 total.

Providing a tax exemption is more transparent than the creation of a subclass as granting an exemption requires the passage of a bylaw, which lists the properties receiving an exemption.

With this option, property owners will enter into an agreement with the City of Regina (City). Agreements may include conditions for monitoring and terms for enforcement of the exemptions.

Option #2 - Create a Sub-class

To implement a sub-class, City Council would instruct Administration to create a sub-class for all commercial properties that are owned and operated by a licensed non-profit daycare and set the mill rate factor for that subclass equal to the mill rate factor for residential properties.

A subclass allows for the application of the residential mill rate factor to the defined group of properties. A subclass will not account for the differences in provincial percentages of value applied to commercial (100 per cent) and residential (80 per cent) properties. The relief provided will be the difference between the commercial and residential mill rate factor.

Mill rate factors are not applied to education levies. The municipal impact of creating a subclass for licensed non-profit daycare centres is approximately \$25,100. The total benefit to the property owner is approximately \$27,500.

If City Council wants to include leased daycare centres in this option, there would be an additional impact of approximately \$25,300 municipal and \$27,700 total.

Other considerations for the creation of subclass are transparency and enforcement. Using a subclass to provide support is less transparent than providing an exemption, once the subclass is created there is no reporting on which properties are affected. As well, there are no provision for Administration to remove the property from the subclass if property taxes are unpaid.

Option #3 – Provide a Full (100 per cent) Exemption

Through this option, City Council may choose to provide a full exemption to owned and operated licensed non-profit daycare centres.

The benefits of this option are the same as those discussed in Option #1. Additionally, this option would address the issue of unfairness among centres operating in and outside of statutorily exempt properties.

The municipal impact of providing a full exemption to owned and operated licensed non-profit daycare centres is approximately \$104,500. The total benefit to property owners, including library and education levies is \$183,900.

If City Council wants to include leased properties in this option, there would be an additional impact of approximately \$102,500 municipal and \$180,300 total.

Consultation with Stakeholders (Recommended)

Report EX18-32 discusses an option for City Council to develop a policy that would provide support to daycares. To determine the best method of support, there are many factors that need to consider. Factors include, but are not limited to:

- What public policy issue is to be addressed?
- Who should be the beneficiary of the incentive (daycare centres, parents, children etc.)?

- Which daycare model should receive an incentive (Family Home, Family Group Home or Child Care Centre)
- Should the incentive apply to leased, owned or all properties?
- Which portion of the daycare should receive support (just child care or all services)?

Should City Council choose to provide support to the daycare sector, Administration recommends consultation with City Council and stakeholders to determine policy purpose and objectives. Results of the consultation will be used to inform a proposed policy. Administration would not recommend providing a tax mitigation measure in the interim. However, should City Council want to provide tax mitigation to daycares prior to an approved policy being in place, Administration recommends Option #1 as outlined in this report.

RECOMMENDATION IMPLICATIONS

Financial Implications

If City Council chooses to provide interim relief, the municipal impact of providing a 40 per cent exemption to owned and operated licensed non-profit daycare centres is approximately \$41,000. The total benefit, including library and education levies, is \$69,000. This is not currently included in the proposed 2019 budget and would equate to a mill rate increase of approximately 0.02 per cent.

If City Council wants to include leased properties in this option, there would be an additional impact of approximately \$40,000 municipal and \$67,000 total.

Environmental Implications

None with respect to this report

Policy and/or Strategic Implications

Section 13.5 of the OCP states that the City will encourage the provincial government and the community to establish locally based attainable child care facilities. This report contains options for City Council to provide interim support to licensed non-profit daycare centres while a policy for daycares is developed.

Other Implications

The education portion of the taxes is subject to *The Education Property Tax Act* which specifies that any exemption of education taxes that is \$25,000 or greater in any given year, must be approved by the Government of Saskatchewan. For the library portion, pursuant to subsection 263(1) and 263(2) of *The Cities Act*, City Council must either obtain an agreement from the Library Board or raise the amount that would have been levied.

Accessibility Implications

None with respect to this report

COMMUNICATIONS

Copies of this report, as well as, EX18-32 Supplemental – Daycares and EX18-33 Revised – Community Non-Profit Tax Exemption Policy were provided to the licensed non-profit daycare centres.

DELEGATED AUTHORITY

The recommendations contained in this report and the policy require City Council approval.

Respectfully submitted,



Deborah Bryden, Director
Assessment & Taxation Department

Respectfully submitted,



Diana Hawryluk, Executive Director
City Planning and Development

Report prepared by:
Tanya Mills, Manager Property Tax & Administration