

Daycare Centre Tax Exemptions

Date	December 9, 2020
To	Executive Committee
From	Citizen Experience, Innovation & Performance
Service Area	Corporate Strategy & Performance
Item No.	EX20-34

RECOMMENDATION

The Executive Committee recommends that City Council:

1. Approve a two-year tax exemption for the years 2021 and 2022 equal to 40 per cent of the taxes levied with respect to all properties in the city that are owned and operated by licensed non-profit childcare centres on the following conditions:
 - a. The tax exemption shall only apply to the portion of the property that is occupied and used for or in conjunction with the childcare centre; and
 - b. The tax exemption only applies to the property while it is being operated as a licensed childcare centre as defined by *The Child Care Act, 2014*;
2. Direct the City Solicitor to prepare the necessary tax exemption agreements and authorizing bylaw to provide the tax exemption to be brought forward at a future City Council date once all the exemption agreements have been signed; and
3. Authorize the City Manager or designate to apply to the Government of Saskatchewan on behalf of the property owners for any exemption of the education portion of the property taxes that is \$25,000 or greater in any year during the term of exemption.
4. Direct Administration bring an information report to City Council in Q4 of 2021 that provides more information on the current state of the federal government's work towards a national childcare program and any known impacts such a program will have on City policy.

5. Approve the recommendations in this report at its meeting on December 16, 2020.

ISSUE

The current municipal tax exemption for licensed non-profit childcare centres was approved by Council until the end of 2020, with a request that a new policy be brought forward addressing fiscal support for licensed non-profit childcare centres.

COVID-19 has shone a light on the importance of childcare across the country. Senior levels of government with responsibility for childcare are starting to act. In the federal government's recent Throne Speech, there is a commitment to develop and implement a national childcare program. It is unknown at this time what the program will entail and what level of fiscal support from the federal, and/or provincial, government will be available for childcare operations and families; however, it is expected the federal government will begin consultations with provinces over the coming months as the recent budget announcement included funding to begin exploring such a program, with a larger funding commitment expected in the spring when the new federal budget is announced.

Allowing the existing exemption for licensed non-profit childcare centres to continue for two years maintains municipal support for childcare centres in a time of fiscal uncertainty while the federal government begins consultation and work on a national childcare program.

IMPACTS

Financial Impacts

In 2019, a 40 per cent exemption of the commercially assessed property value was given to licensed non-profit childcare centres. The partial exemption equated to \$51,553 in municipal levy, \$89,148 in total levy, and was given to 22 licensed childcare centres. In 2020, the partial exemption equated to \$63,417 in municipal levy, \$108,337 in total levy, and was given to 23 licensed daycare centres.

The financial impact for granting the 40 per cent partial property tax exemption for 2021 and 2022 is approximately \$108,337 in estimated foregone tax revenue each year. The City's share of this estimated foregone revenue in each year is approximately \$63,417. The total exemption cost is dependent on the number of centres receiving the exemption, though this number is not expected to grow much beyond the 23 centres currently in receipt of the exemption.

Policy/Strategic Impacts

Section 13.5 of the *Official Community Plan: Design Regina* states, the City will encourage the provincial government and the community to establish locally based attainable childcare facilities. This report contains options for City Council to continue to provide interim financial support to licensed non-profit childcare centres until the federal government begins work on the recently announced national childcare program.

Other Impacts

Role of the Municipality

The announcement of a national childcare program is viewed as a positive step in addressing childcare across Canada: the federal government has publicly committed to taking a leadership role with provinces across Canada. Canada's constitution assigns provincial governments the exclusive authority in the areas of social policy and education. This results in childcare policies and funding arrangements varying from province to province. While some provincial governments have put legislation to delegate oversight of childcare to municipalities, in Saskatchewan, the provincial government maintains that responsibility. The Government of Saskatchewan, through the ministries of education and social services, is responsible for childcare oversight and funding through *The Child Care Act*, *The Child Care Regulations* and *The Cities Act*.

The Education Property Tax Act

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.

There are no accessibility, environmental or legal/risk impacts for this report.

OTHER OPTIONS

Option 1: Status Quo (i.e. do not extend the daycare tax exemption for one year)

With the exemption having expired at the end of 2020, this option would simply see the City not provide such an exemption for 2021. The City would receive property taxes in full from licensed non-profit childcare centres, the benefits of which would be approximately equal to the cost of the exemption to the City in either of 2019 or 2020. This option would be expected to have an impact on licensed non-profit childcare centres at a time when they are already dealing with significant challenges related to COVID-19. This option is not recommended due to the impact on these childcare centres.

Option 2: Proceed with limited virtual engagement in January 2021

This option would see Administration engaging with the sector, outside of the federal government's work on the national childcare program. This enables Administration to make a recommendation on a long-term policy to Council prior to the expiration of the recommended exemption period. This option is not recommended as the current situation for childcare centres amidst pandemic conditions is evolving and uncertain. Public Health Orders are continuing to impact childcare operations and the federal government is intending to announce a new national childcare program. Administration is continuing to monitor federal and provincial action on this file and will engage through any national and provincial consultation processes. This positions the City to work with all levels of government and local childcare providers to develop a long-term, municipal policy approach

that compliments national programs, respects provincial jurisdiction and advances community needs.

COMMUNICATIONS

Stakeholders were notified in November 2020 that this report would be considered by Council in December 2020 and that Administration is recommending an extension of the 40 per cent property tax exemption for licensed non-profit childcare centres for 2021 and 2022, to allow for more time to meaningfully engage in the development of a policy solution and to gain greater clarity on commitments from other levels of government.

If the recommendation in this report is approved by Council, stakeholders will be notified of the continued exemption and any required action on their part.

DISCUSSION

This report is coming forward at this time because COVID-19 has shone a light on childcare needs, not only in our community but across our country.

For a variety of reasons, support for childcare is a complex topic. The City is committed to the policy direction of encouraging the provincial government and the community to establish locally-based attainable childcare facilities. This includes working with childcare providers, along with the federal and provincial governments, to develop a municipal policy that provides the most effective support possible while balancing the needs and priorities of all stakeholders. For this to be successful, Administration recommends this work be done in tandem with federal work on a national childcare program.

In order to develop a long-term, municipal policy meeting the noted criteria, Administration is recommending an extension of the current exemption so that there is still support for childcare providers in the interim. Extending the current 40 per cent exemption will provide some level of certainty for childcare providers during a time when they are experiencing great uncertainty and require support. Forty percent is the difference between the municipal tax rates for the residential and commercial property classes.

In addition to the current 40 per cent exemption for licensed non-profit childcare centres, the Regina Economic Recovery Grant is also available to commercial properties, including daycare centres, providing successful applicants with grants to support their recovery from the impacts of COVID-19. Recipients of grants must match the grant with their own contribution. To date, several businesses providing childcare or other services for children have received grants.

This report is being brought forward for consideration at the same time as the report addressing tax exemptions for non-profit businesses given the shared focus on tax relief for non-profit businesses.

DECISION HISTORY

In December 2018, Council approved Option 1 (a 40 per cent exemption) for licensed non-profit childcare centres for 2019 and 2020 (CR18-119). This exemption was intended to provide tax relief for licensed non-profit childcare centres until a new policy addressing support for them could be developed in consultation with Council and stakeholders.

Respectfully Submitted,



Barry Lacey
Executive Director,
Financial Strategy & Sustainability

Respectfully Submitted,



Louise Folk
Executive Director, Citizen Experience,
Innovation & Performance

Prepared by: Pamela Deck, Director

ATTACHMENTS

Appendix A - CR18-119 - Daycares Options