

REGION OF OTTAWA-CARLETON  
RÉGION D'OTTAWA-CARLETON

REPORT  
RAPPORT

Our File/N/Réf.

DATE 06 January 2000

TO/DEST. Co-ordinator  
 Corporate Services and Economic Development Committee

FROM/EXP. Finance Commissioner  
 Social Services Commissioner  
 A/Regional Solicitor

SUBJECT/OBJET **PROPERTY TAX REBATE FOR NON-PROFIT LICENSED  
 CHILD CARE CENTRES**

---

**DEPARTMENTAL RECOMMENDATION**

**That the Corporate Services and Economic Development Committee recommend Council approve a rebate for 100% of the property taxes levied on all non-profit, non-home based licensed child care centres in Ottawa-Carleton for the space they occupy for that purpose.**

**BACKGROUND**

In June of this year, Aladin Childcare Services forwarded a request to be considered for property tax exemption on its property at 2240 Russell Road. Aladin has entered into a 40 year lease agreement with the United Church of Canada, the owners of the property, and is supported in part from funds provided by the Region. After researching the treatment of Aladin's situation, along with the other child care centres in Ottawa-Carleton, it became apparent that there is not a consistent application of the classification for taxation purposes of properties that are occupied by child care services.

**DISCUSSION**

The classification and treatment of child care centres for taxation purposes is defined under the *Assessment Act*.

Ontario Regulation 282/98 of the *Assessment Act* defines the criteria used to determine the classification of properties in Ontario. Under this regulation all properties occupied by child care centres are to be classified and assessed in the same way as other properties, with two exceptions that deal with non-profit child care organizations. Section 3.(1) 2 (ii) of the regulation identifies residential property assessment to include:

***“land used by a non-profit organization for child care purposes that is either,***

- A. land owned by the organization, or***
- B. land leased by the organization, other than land that would otherwise be in the commercial property class or the industrial property class”***

In other words, any class of property owned and occupied by a non-profit child care centre is to be assessed as residential for taxation purposes.

The Ontario Property Assessment Corporation (formerly the Provincial Assessment Office) has further confirmed that all non-profit child care centres leasing property (outside of the commercial and industrial property class) are also to be assessed for taxation purposes as residential, including schools, churches and multi-residential properties. As a result of this section of the regulation, the property that Aladin Childcare Services occupies is assessed and taxed at the residential rate. Child care centres that lease space in the commercial and industrial property class do not receive the same treatment and are to be taxed at the commercial and industrial rate respectively.

Section 3 of the *Assessment Act* further identifies the different conditions under which properties and organizations would be eligible for tax exemption. The Ontario Property Assessment Corporation has indicated that child care centres have been exempted in the past after meeting the criteria found in section 3. (1).12 of the Act as follows:

***“Land owned, used and occupied by,***

- i. The Canadian Red Cross Society,***
- ii. The St. John Ambulance Association, or***
- iii. Any charitable, non-profit philanthropic corporation organized for the relief of the poor if the corporation is supported in part by public funds.”***

To be considered eligible for exemption under this section, the property must first be owner-occupied before any of the additional exemption criteria is examined. The Ontario Property Assessment Corporation has indicated that the determination of eligibility as an organization providing “relief for the poor” is generally resolved in court and not by the Ontario Property Assessment Corporation.

Because Aladin Childcare Services leases the space it occupies, it does not fulfil the ownership requirement and as a result has not been considered for property tax exemption under this section. Consequently, the United Church, as the owner of property, is charged property taxes at the residential rate for the space that Aladin Childcare Services occupies.

### Child Care Facilities

Non-profit child care services in the Region are located in schools, churches, government buildings, multi-residential buildings, and purpose-built facilities.

Under the changes introduced in the property assessment and taxation legislation in 1998, the assessment roll does not contain a breakdown of tenants with their corresponding assessment type. As a result, staff were not able to determine accurate property classifications for buildings with child care centres, where multiple assessment types were identified on the roll. The following table provides an estimated breakdown of the current situation for the 158 child care centres in Ottawa-Carleton:

<b>Taxation Classification</b>	<b>Space Occupied</b>			<b>Total</b>
	<b>Church <sup>(1)</sup></b>	<b>School <sup>(3)</sup></b>	<b>Other/ Unknown</b>	
Taxed Residential	1 <sup>(2)</sup>	3	6	<b>10</b>
Taxed Commercial	-	-	18 <sup>(4)</sup>	<b>18</b>
Not Taxed	10	44	42	<b>96</b>
Mixed Taxation	3	-	31 <sup>(5)</sup>	<b>34</b>
<b>TOTAL</b>	<b>14</b>	<b>46</b>	<b>98</b>	<b>158</b>

- (1) Church property when used for church purposes is exempt from property taxes, however, when leased out to non-profit child care centres, it is supposed to be classified as residential.
- (2) Aladin Childcare Services is in this category.
- (3) School property when used for education purpose is exempt from property taxes as well as from payments-in-lieu, however, when leased out to a non-profit child care centre, that portion of the property is supposed to be classified as residential.
- (4) Figure includes 7 for-profit child care centres and possibly some that occupy space in the commercial/industrial property class, which under the current legislation are all to be taxed at the commercial/industrial rate.
- (5) "Other" includes PIL properties, properties that contain multiple taxation categories, and addresses not found on the tax roll.

While Council does not have the authority to grant property tax exemptions, it has in the past provided, under special circumstances, tax rebates under an optional provision contained in section 442.1 (4) of the *Municipal Act*. For example, in August 1998 Council approved a tax rebate to churches renting space to houses of refuge and in June 1999 the provisions of the mandatory charities rebate was extended to include Registered Canadian Amateur Athletic Associations. It is recommended that this optional program be used to provide a 100% rebate to non-profit licensed child care centres for property taxes on the property they occupy in Ottawa-Carleton, which would include Aladin Childcare Services. Under the current legislation, the Region is able to provide rebates through the optional program and as stipulated in section 442.1 (4) 3.

***“The program may provide for rebates to eligible charities or similar organizations for taxes on property that is not eligible.”***

The Legal Department has confirmed that as a result of this clause, Council is able to provide rebates to properties even if they are not located in the commercial or industrial property class.

Under the current legislation, a rebate provided by Council for all non-profit licensed child care services for the space they occupy, would be cost shared by all three levels of government based on their portion of the tax bill. In the case of the residential properties, the breakdown of the tax bill is 22% for the Province, 59% for the Region and 19% for the Area Municipalities, while the breakdown in the commercial tax bill is 52% for the Province, 37% for the Region and 11% for the area municipalities.

It is estimated that this program would result in a total property tax rebate of less than \$300,000 per year. Of this amount, the Region would absorb \$177,000.

#### Funding of Child Care

Child care subsidy is based on needs testing that is performed by Social Services staff. This needs testing takes into account both the family’s income, as well as the family’s assets. The cost sharing arrangement is 80/20, with the Province contributing the 80% to an upset limit. Because the Province has capped its contribution, the Region has been contributing more funding than the required 20% for this service. Consequently, the property tax rebate would be used to reduce the Region’s contribution and would result in a reduction in the per child cost for this service throughout the Region for the facilities that receive the rebate.

#### Finance Department Comment

The Region’s share of the rebate cost would be approximately \$177,000 and would be shared by all regional tax supported funds (i.e. Region Wide, Police, Child Care, Transit and Solid Waste). Offsetting the Region’s share of the rebate would be the reduced operating costs of all non-profit, non-home based licensed child care centres in Ottawa-Carleton. Based on the departmental estimates, the Regional contribution required to fund these centres, as provided in the Child Care budget, would be reduced by the amount of the property tax rebate, estimated at approximately \$300,000.

*Approved by*

*J.C. LeBelle*

*Finance Commissioner*

*Approved by*

*Dick Stewart*

*Social Services Commissioner*

*Approved by*

*E. A. Johnston*

*A/Regional Solicitor*