



# CHILD CARE INCENTIVES AT THE MUNICIPAL LEVEL



To adopt a more proactive approach to child care readiness, communities have various opportunities to incentivize these facilities. Incentives are often thought to be primarily financial, but there are many non-monetary ways child care facilities can be encouraged including procedural, zoning, and development incentives. By implementing a combination of these strategies, municipalities can ensure that families have access to high-quality child care, which is essential for the well-being and development of children and the economic health of the community.



This quick sheet organizes incentives into four main categories:

1. Regulatory incentives
2. Procedural incentives
3. Tax incentives
4. Financial incentives

## DOES YOUR COMMUNITY OFFER CHILD CARE INCENTIVES?

This quick sheet outlines the various incentives that a municipality can offer developers to encourage the establishment of child care facilities.

Communities should assess which incentives will be most effective for their needs and implement the most suitable strategies, or a combination of them.



## #1: REGULATORY INCENTIVES

A regulatory incentive is a tool used by local governments to encourage specific development outcomes or land use practices. These incentives are designed to motivate developers or business owners to undertake projects that align with community goals like, adding child care facilities. Zoning and licensing are two types of regulations that fall under local jurisdictional control where incentives can be impactful. (Construction regulations are under the purview of the state, even if they may be administered and enforced by the county or local government, so providing construction code changes or incentives are not possible at the local level.) As zoning is locally adopted and administered, zoning incentives are one of the simplest ways to make it easier for child care businesses to open.

Examine the local code of ordinances to determine what regulations may be difficult or expensive for a new or existing business owner, particularly a child care business owner, to comply with.

### Potential regulatory incentives:

1. Allow child care businesses without requiring a local business license.
2. If an existing child care business wants to expand, allow for increases to the dimensional standards (such as setbacks, building heights, lot coverage percentages), beyond what other businesses might be allowed, such as a restaurant or manufacturer.
3. If a business wants to add child care facility as an accessory/secondary use on its existing site as an employee benefit, allow for increases to the dimensional standards (such as setbacks, building heights, lot coverage percentages), beyond what might be allowed for other accessory uses or buildings.
4. Provide additional unit or square foot bonuses in a mixed-use development or planned unit development (PUD), or other flexible development tools available in your community.

## #2: PROCEDURAL INCENTIVES

A procedural incentive refers to measures or benefits provided to developers that streamline or expedite the bureaucratic processes involved in obtaining permits, approvals, or other necessary permissions for their projects. These incentives are aimed at reducing administrative burdens and speeding up the development process, which can often be lengthy and complex. Examine the local procedures typically required for businesses openings or expansions to see what procedures can be trimmed for everyone and also which ones can be trimmed to incentivize a child care business to open or expand.

### Potential procedural incentives:

1. Offer administrative approvals for new child care businesses, especially family and group child care homes.
2. Offer administrative approvals for building additions onto existing child care businesses, especially family and group child care homes.
3. Encourage and offer free pre-development meetings for child care facilities. This allows potential child care providers to receive feedback from different municipal departments early in the process.
4. Bundle inspections. Every inspection requires time that is valuable to a business owner; bundling or scheduling inspections to occur during the same part of the day expedites the development process.

## #3: TAX INCENTIVES

Tax incentives are financial benefits provided by the government to encourage certain behaviors or activities. These incentives can take various forms, including tax credits, deductions, exemptions, and reduced tax rates. In Michigan, local governments do not have the authority to provide tax relief to particular businesses. However, tax increment financing (TIF) is a tool that local governments may use to fund economic development and redevelopment projects.

Tax increment financing is a procedure that allows municipalities to “capture” the additional, or incremental, taxes from property as it increases in value. Property owners continue to pay taxes as usual, but a portion of the money is diverted to pay for development activities that have a public benefit. The development activities are outlined in a detailed plan that is adopted locally in accordance with state law. TIF plans often include public improvements and amenities but can also include incentives aimed at reducing the cost burden of developing a site or opening a business that might not otherwise be feasible.

## #3: TAX INCENTIVES *continued*

### Potential tax incentives:

1. If your community does not have a TIF, consider creating one.
2. If your community already has a TIF, consider the following:
  - The TIF plan should list child care businesses as a desired business in the district.
  - The plan should identify buildings in the district that are more suitable for development as a child care business.
  - Adopt a rebate program to assist businesses in a TIF district. Adopt criteria that ranks private sector redevelopment projects on a point system based upon how well the projects meet the TIF plan's criteria. Projects

that rank higher due to location or the project's quality would be entitled to greater rebates. A rebate from the local government can fill a lending gap, which will make projects financially feasible.

While tax increment financing is the tool currently available today for Michigan's local governments, advocating for changes in legislation at the state or federal level may create other tax incentives and credits to support child care providers.

## #4: FINANCIAL INCENTIVES

A funding incentive to open or improve an existing business may take many different forms. It could take the form of a cash grant or a very low interest loan. It may also include in kind funding incentives, like a waiving of fees normally incurred. Developing innovative funding and financing strategies is key to sustaining quality child care services.

### Potential financial incentives:

1. Reduce or waive or refund (after final approval) local fees for child care facilities, including business license, building permit, and inspection fees.
2. Consider if/when signed, sealed plans by an architect are required for local review of prospective child care business.

3. Identify potential funding opportunities at the local, state, and federal levels, as well as from private donors, philanthropic organizations, and corporate partners.
4. Explore public/private partnerships and leverage federal and state funding opportunities.
5. Locally, collaborate with businesses, non-profit organizations, and government agencies to form partnerships that can provide financial support for child care initiatives.
6. Research and apply for grants and subsidies from government agencies, foundations, and other funding sources to supplement program funding.

## SYNERGY WITH INCENTIVES

After reviewing the list of possible incentives, there are any number of combinations that offer short- and long-term relief to child care business owners. Here is one sample:

*Allowing a child care center to open as a principal permitted use (zoning incentive); in this case, principal permitted uses automatically also receive administrative review (procedural incentive); the building is located in the DDA so it is eligible*

*for a rebate program (tax incentive); and the community in question refunds permit fees back to child care businesses after inspection approval (funding incentive).*

This is only one possible bundle of incentives, out of a dozen or more that are possible.

