High-Quality Childcare Co-Op Partnership

A Public/Private Partnership: Employer-Supported Childcare

The Vision

Sandy City, in partnership with area employers, will establish a business-supported childcare co-op that transforms vacant office/retail space into a state-certified early learning center serving infants through elementary-aged children—making high-quality childcare accessible and affordable for employees while strengthening workforce recruitment and retention.

The City's Redevelopment Agency funds facility renovation and setup. Business partners determine their level of employee childcare support. A state-vetted provider with a proven track record of kindergarten readiness outcomes operates the center. The result: high-quality childcare at a fraction of typical market cost.

Timing & Momentum

● **Sandy City General Plan:** Goal to strengthen economic development by supporting small businesses with employee recruitment and retention through increasing access to high quality childcare

● **State Legislation (HB0015):** Utah law explicitly authorizes RDA investment in childcare infrastructure as economic development

● **Federal Tax Incentives (One Big Beautiful Bill Act - Effective 2026):** Unprecedented employer tax credits make childcare co-ops financially compelling:

- **Enhanced Employer-Provided Childcare Tax Credit**: Up to 40% of qualified childcare expenses (50% for small businesses), with maximum credits of $500,000 ($600,000 for small businesses)
- **Increased Dependent Care FSA limits**: Employees can set aside up to $7,500 tax-free (up from $5,000) for childcare expenses
- **Small business pooling authorized**: Federal law now explicitly allows small businesses to pool resources to contract with qualified childcare providers

● **Qualified providers available:** Preliminary market research confirms qualified providers operating in Utah with proven kindergarten readiness outcomes and state "high quality" designation

● **Construction feasibility confirmed:** Consultation with commercial renovation experts confirms vacant office space can be transformed into licensed childcare facilities using approved methods

● **Market demand validated:** Preliminary conversations with Sandy employers confirm strong interest in employer-supported childcare benefits

Workforce Impact

● **Differentiated recruitment benefit** in a competitive labor market
● **Reduces attrition** among employees with young children
● **Eliminates childcare-related absences** that drain productivity

What Makes This Different

● **Full family coverage:** One location, infants through elementary—no more juggling multiple providers
● **School-age transportation included:** Before/after school care with transport eliminates the coverage gap that forces parents to choose between work and school schedules
● **Federal tax leverage:** Participating businesses can claim 40-50% federal tax credits on childcare expenses
● **RDA facility investment:** Businesses qualify for operational credits without capital expense or construction risk
● **Small business pooling:** Multiple employers can share costs and benefits under federal law
● **Unprecedented federal support:** Up to $600,000 annually in tax credits makes participation financially compelling

Federal Tax Advantage for Participating Businesses

The One Big Beautiful Bill Act (signed July 4, 2025, effective January 2026) dramatically enhances federal tax incentives for employer-provided childcare, creating unprecedented financial opportunity for businesses that invest in workforce support:

Employer-Provided Childcare Tax Credit (IRC Section 45F - Enhanced):

- **Standard businesses**: 40% tax credit on qualified childcare expenses, up to $500,000 maximum annual credit
- **Small businesses** (≤$31M annual gross receipts): 50% tax credit on qualified expenses, up to $600,000 maximum annual credit
- **Qualifying expenses include**: Facility construction/renovation, operational costs, staff salaries, employee childcare scholarships, contracts with qualified providers
- **Credits are indexed for inflation** beginning 2027

What This Means for Sandy Business Partners:

- A business spending $1.25M on childcare expenses can claim the full $500,000 tax credit ($600,000 for small businesses)
- **RDA absorbs facility investment (renovation, setup)** per HB0015 authority, allowing businesses to claim credits on operational and employee support costs
- Multiple small businesses can **pool resources** to jointly contract with a childcare provider and share tax credit benefits
- Combined with the co-op model, participating businesses gain childcare access at a fraction of typical cost while maximizing federal tax benefits

Employee Tax Benefits:

- Employees can contribute up to $7,500 tax-free to Dependent Care FSAs (up from $5,000)
- Enhanced Child and Dependent Care Tax Credit provides additional savings

Example Scenario:

A Sandy small business with 50 employees invests $100,000 annually in childcare support through the co-op. Under the enhanced credit, they receive a $50,000 federal tax credit (50% rate), reducing their net cost to $50,000—while HB0015 allows the RDA to fund facility renovation and setup, eliminating the largest barrier to entry.

The Five-Way Win

Stakeholder	Benefit
Federal Government	One Big Beautiful Bill Act employer childcare credits deployed; workforce participation increased
State of Utah	HB0015 activated; Sandy becomes first-mover model for RDA-funded childcare infrastructure statewide
Sandy City	Vacant space revitalized; small businesses strengthened; workforce pipeline supported; economic development priority advanced
Businesses	Federal tax credits (40-50%) + RDA facility investment = childcare access at dramatically reduced net cost; competitive recruitment/retention tool
Families	Affordable, high-quality care from infancy through elementary; enhanced tax benefits via increased FSA limits; work-life balance restored

Immediate Ask

Authorize RDA investment in employer-supported childcare infrastructure to leverage federal tax incentives created by the One Big Beautiful Bill Act.

Specifically:

- Direct Economic Development staff to identify 3-5 vacant commercial locations suitable for childcare center conversion
- Obtain preliminary renovation cost estimates for each location
- Develop proposed public-private partnership structure that maximizes federal tax credit eligibility for participating businesses
- Engage with potential business partners to assess participation levels and childcare demand
- Return to RDA Board within 90 days with:
    - Location options and renovation cost analysis
    - Business participation commitments
    - Financial model showing RDA investment + business federal tax credits + family cost savings
    - Legal structure recommendations
    - Funding request for Board approval

This authorization commits staff time for feasibility analysis only. No financial expenditure or contractual commitments will be made without subsequent RDA Board approval following legal review and compliance with procurement requirements.

Federal window of opportunity: Businesses can begin claiming enhanced credits in 2026. Early action positions Sandy as first-mover in leveraging federal incentives for workforce development.

Why This Matters Now

This partnership leverages state legislation, federal tax incentives, and city investment to solve one of Utah's most pressing workforce challenges—making it easier for parents to work and children to thrive.

State authority + federal incentives + documented need = opportunity for Sandy to lead.

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