



Early Learning and Child Care Initiative

Child Care Centre Expansion Loan

Terms and Conditions

Table of Contents

Background.....	2
Terms and Conditions Overview.....	3
Loan Description.....	3
Eligibility Criteria - Centres.....	4
Eligible Expansion Costs.....	4
Ineligible Expansion Costs.....	5
Loan Amounts.....	5
Adjustment of Repayable & Forgivable Loan Portions.....	5
Loan Timelines.....	6
Unforeseen Expenses.....	6
Changes to the Expansion.....	6
Surplus Funds.....	6
Project Manager.....	6
Loan Security.....	7
Application Process.....	8
Required Documentation.....	8
Required Financial Documentation.....	9
Application Deadline.....	9
Contact Information.....	9
Submission of the Application package.....	10
Loan Application Review Process.....	11
Application Eligibility and Completeness Check.....	11
Provincial Review.....	11
Business Plan Evaluation Criteria.....	11
Financial Evaluation Criteria.....	12
Community Benefit Evaluation Criteria.....	12
Notification of Approved Applications.....	13
Disbursement of Funds Process.....	14
Inspection of the Centre.....	14
The Centre Submits Invoices and Receipts.....	14
The Invoices and Receipts are Reviewed.....	15
Recovery of Funds Process.....	16
Forgivable loans.....	16
Repayable loans.....	16
Default of the loan.....	16
Accountability Process.....	17
Evaluation of Expansion Loan Program.....	18
Appendix A - Definitions.....	19
Appendix B– Examples of Eligible Expansion Loan Expenses.....	20
Appendix C– Expansion Loan Timeline.....	21

Background

The priorities for the Government of Nova Scotia for fiscal year 2007-2008 include the following:

- Health Promotion and Protection;
- Youth, Families and Communities;
- Community Safety;
- Economic Development and Infrastructure; and
- Environment.

These initiatives are focused on strengthening the social service system, enabling the government to improve outcomes for Nova Scotia's youth, families, and communities.

One of the priorities of the Department of Community Services Early Learning and Child Care (ELCC) program is to strengthen the child care sector by providing services and funds to "ensure that all Nova Scotia children enjoy a good start in life and are nurtured and supported by caring families and communities". This is compatible with the Department's goal of "self reliant people, strong families and inclusive communities".

A number of investments will be made in the fiscal year 2007-2008 in the area of Early Learning and Child Care. One of these investments will be the Expansion Loan program which will provide funding support to facilitate the expansion of new and existing child care operations.

This document describes the Department of Community Services terms and conditions regarding the **Child Care Centre Expansion Loan**.

Terms and Conditions Overview

The purpose of the **Child Care Centre Expansion Loan** is to provide financial assistance to new and existing facilities enabling them to expand their capacity. This loan program will be available to family home agencies and commercial and non-profit licensed child care centres. This program supports the department's vision of managed growth in licensed child care capacity by evaluating the regional need and financial viability of the applicant centres so that expanded capacity is sustainable.

This funding is intended to facilitate the creation of additional licensed child care spaces, in areas where a need for increased capacity exists. The Department of Community Services will place special emphasis on applications that will lead to an increase in the number of available infant childcare spaces and programs with community support. Funding is provided as a combination of forgivable and repayable loans.

A key component of this initiative is the development of the Expansion Loan Agreement. The Expansion Loan Agreement will clarify the responsibilities of the centre and the department and ensure adequate accountability for the funding provided through this program.

Note: Please refer to "Appendix A – Definitions" for definitions of the terms used throughout this Terms and Conditions document.

Loan Description

The Child Care Centre Expansion Loan will consist of repayable and forgivable portions for non-profit centres and commercial centres.

Approved non-profit centre funding will be comprised of a 75% forgivable loan, with the remaining 25% being provided in the form of an equity contribution by the centre or a repayable loan (1% interest) from the Department of Community Services. Approved commercial centre funding will be comprised of a 25% forgivable loan, with the remaining 75% being provided in the form of an equity contribution by the centre, funding from a third party or a repayable loan (1% interest) from the Department of Community Services.

The Department of Community Services will issue loan funds in trust to the centre's lawyer upon receipt of approved original itemized receipts or invoices. This process is described in more detail in the *Disbursement of Funds Process* section of this document.

Details regarding the repayment and forgiveness of the loan are described in the *Recovery of Funds Process* section of this document.

Eligibility Criteria - Centres

If the application is from a licensed full or part-day centre, the applicant centre must:

- Currently own the location of the proposed expansion, or
- In the case of a proposed expansion in leased premises, provide written documentation on the landlord's letterhead granting permission for the proposed expansion. Additionally, the borrower must provide a copy of their lease showing a term of not less than five years if a formal lease agreement exists. In certain instances the Department of Community Services reserves the right to request security up to the amount of the loan. In the case of leased premises this will require the consent of the landlord.

If the application is from a new full or part-day (start-up) centre, the applicant must:

- Have submitted a *Notice of Intent to Apply for a License to Operate a Child Care Centre*.
- In the case of new construction the centre must plan to utilize the funding to build a child care centre of which they will be the owner/operator.

If the application is from a Family Home Daycare Agency, the Applicant must:

- Be in compliance with the Family Home Daycare Program and legislation.

Eligible Expansion Costs

Expansion Loan funds will be provided to fund construction expenses related to:

- New construction necessary to expand the capacity of a licensed child care facility.
- New construction necessary to create new capacity of a licensed child care facility.
- Reconfiguration of existing space to expand the capacity of a licensed child care facility.
- New construction necessary to create a new Family Home Daycare Agency.
- The cost associated with the purchase of required program equipment or furnishings (indoor/outdoor) to support the expansion as stipulated in the license.

Note: A funding formula is currently under review by the Department of Community Services that will define maximum funding amounts for the various expenses related to the Expansion process. This formula will be made available to applicants once it has been completed.

Refer to Appendix B for examples of eligible expenses.

Expansion Loan funds will be provided to fund equipment expenses related to the newly licensed child care spaces created as a result of the expansion. This funding will be determined by a predefined formula which will allot a defined funding amount to each newly licensed space for the purchase of the equipment required under the child care centres license. Please direct questions regarding required equipment to your Early Childhood Development Officer (ECDO).

Ineligible Expansion Costs

The following costs are ineligible for Child Care Centre Expansion Loan funding:

- Any costs for work incurred prior to loan approval (unless identified in advance – May 30, 2007);
- Salaries and benefits, staff training and any professional development activities of child care staff;
- Overhead and ongoing operating costs (e.g., utility costs or insurance);
- Costs for work on premises that the operator doesn't own and where no long term agreement exists;
- Any work that decreases opportunities to implement developmentally appropriate practices (i.e., best practices);
- Work on any areas not used exclusively for delivery of child care programs;
- Any alteration that significantly affects the care of the children that has not received approval of the Minister as per Section 10, ***Alteration of Facility***, as per the Nova Scotia *Day Care Act. R.S., c. 120, s. 1.* and Regulations.

Loan Amounts

For approved non-profit child care centres the maximum forgivable loan amount will be 75% of the approved funding level. This will require an equity contribution from the centre of 25%, of which all or a portion may be a repayable, Department of Community Services low interest loan (1% interest).

For approved commercial child care centres the maximum forgivable loan amount will be 25% of the approved funding level. This will require an equity contribution from the centre of 75%, of which all or a portion may be a repayable, Department of Community Services low interest loan (1% interest).

Funding ratios for approved Family Home Daycare Agency will match those described above dependent on the Family Home Daycare Agency's non-profit or commercial status.

Adjustment of Repayable & Forgivable Loan Portions

The Department of Community Services reserves the right to increase the repayable and decrease the forgivable portions of the approved Expansion Loan, in cases where the number of new child care spaces stated by the applicant in their application is less than those actually created by the expansion. The Department of Community Services must be advised immediately of any changes in the anticipated number of child care spaces the expansion will create.

Loan Timelines

The expansion work must commence within six months of the application approval date. The approved centre must notify the Department of Community Services when construction begins. All construction must be complete within fifteen months from the date of approval. Repayment of the repayable portion of the Expansion Loan will begin repayment thirty days after construction is completed.

Once an application has been approved (see Gate 1, appendix C) the applicant can begin preliminary work related to the project such as obtaining blue prints, survey work, environmental assessments, etc. These costs will be funded under the Expansion Loan program up to specified maximum amounts. Once this preliminary work has been completed the applicant will submit their updated cost estimate to the Department of Community Services for review (see Gate 2, appendix C). At this point the Department of Community Services will review the updated cost estimates and budget. If the projects costs have changed from what was originally outlined in the application the Department of Community Services reserves the right to fund the additional project costs or withdraw their approval of the application.

Unforeseen Expenses

The department is not responsible for any unforeseen expenses related to the expansion. The centre is responsible for any additional project expenses incurred over and above the amount of the approved funding.

Changes to the Expansion

Centres must inform the department in writing if there are any changes from the agreed upon expansion. Changes will require departmental approval.

Surplus Funds

The Centre shall refund any surplus funds. Additionally, any funds not spent in accordance with the Terms and Conditions will be repayable to the Department of Community Services.

Project Manager

Approved Expansion Loans in excess of \$100,000.00 are required to have a Project Manager to oversee the expansion project. It is the responsibility of the centre to obtain the services of a qualified and competent Project Manager with significant experience pertaining to the construction industry. The Project Manager will oversee and guide the project to completion and serve as a source of contact to the Department in conjunction with the centres management team.

Note: Salary expenses related to the Project Manager are eligible for funding under the Expansion Loan program.

Loan Security

The Department of Community Services reserves the right to take security for the Expansion Loan, up to the total amount (forgivable & repayable portions) of the loan granted.

Application Process

Required Documentation

The centre must provide the following documentation along with the application for the Expansion Loan. Unless otherwise stated both non-profit and commercial centres are required to submit all of the listed documentation.

- **For commercial family home day care agencies & child care centres:** evidence of commercial status (i.e., a copy of a Certificate of Registration with the Registry of Joint Stock Companies reflecting good standing, a Certificate of Incorporation, if applicable, and the identification of the business number on the application form);
- **For non-profit family home agencies & child care centres:** evidence of non-profit status (i.e., a copy of a Certificate of Registration with Registry of Joint Stock Companies reflecting good standing, a list of the centre's current Board of Directors, the length of their terms, a description of their current board positions, an intent to borrow document with appropriate signatures attached and a list of the signing officers);
- If the Centre owns the property, they must provide evidence of ownership of the property (i.e., a copy of the centre's deed; a copy of the centre's last mortgage statement; and either an assessment notice or an appraisal);
- If the centre is leasing their property, they must provide a copy of the current lease and a letter of approval for the proposed expansion from the landlord, and confirmation of long term leasing arrangement (minimum five years).
- If the centre is located in a school or church, where no lease arrangement is in place, then evidence of written long-term arrangement must be provided.
- Evidence that the proposed expansion meets zoning by-laws of the county or municipality (i.e., a copy of a letter of verification, a building permit, fire inspection permit, or an environmental assessment, where applicable);
- A business plan detailing the proposed expansion plan as stipulated in the application.
- Copies of three preliminary quotes from qualified independent contractors. An exception will be for leased premise where the lease agreement states arrangements must be made through the lessor.
- A copy of a confirmation of any other program accessed for grant or loan funding specific to the expansion plans.

Note: Additional documentation may be requested by the Department of Community Services on a case by case basis if the documentation is deemed necessary to complete the application review process.

Required Financial Documentation

The following financial documents are required to be provided with the application for the Expansion Loan:

- Accountant prepared financial statements (Audited or Review Engagement) for the most recent two years ends, appropriately signed off, including Balance Sheet, Income Statement and Cash Flow Statement.
- The centre's current annual operating budget (before the expansion);
- Cash flow projections for two years following the proposed expansion (included in application).

Application Deadline

Centres applying for expansion funding must ensure that the completed application including all required documents is received by head office, on or before the stated deadline for application submission.

Contact Information

The loan application form will be available on the Department's web site. Questions related to licensing requirements should be directed the centre's regional Early Childhood Development Officer (ECDO). Questions related to the completion of the Expansion Loan application should be directed to the Coordinator Capital Grants, Loans & Service Agreements.

Submission of the Application package

The Application **must** include:

- A signed and completed application form in the required format; and
- All required supporting documentation, including financial documents, as described in the *Required Documentation* section of this document.

All documents must be forwarded to head office in order for the applications to be considered for funding. The Centre should create a photocopy of the application and supporting documentation for their records.

Address Application Packages attention to the, ***“Child Care Centre Expansion Loan Application.”*** Mail, fax or deliver, the Application Package to head office.

Note: Faxed applications will be accepted; however, signed originals must follow and be on file before any funding will be distributed.

The application package, including supporting documentation, must be received by staff at head office before the application deadline date.

Loan Application Review Process

Application Eligibility and Completeness Check

After the application packages are received at head office, they will be checked to confirm that the centre meets the basic eligibility requirements for the loan and the application package is complete.

If an application package is incomplete the centre will be contacted by phone or letter to request the missing information. All missing documentation must be received by head office before the application deadline date.

Only applications that meet the basic eligibility requirements and that are deemed complete will be evaluated.

Provincial Review

The head office Provincial Review Committee will make all funding decisions and will be chaired by the Coordinator of Capital Grants, Loans and Service Agreements with regional involvement. The Provincial Review Committee will evaluate and apply a weighted score to each application based on the business plan, financial evaluation and community benefit.

A summary report of all head office recommendations for funding approval will be provided to the Executive Director of Family and Community Supports who will review the report and submit it to the Minister of Community Services for final approval of the loans.

Business Plan Evaluation Criteria

The committee will review and evaluate the centre's proposed business plan described in the application form. The business plan must describe the centre's expansion objectives in detail.

The business plan will be rated based on the centre's need and the perceived value of the expansion to the community, the facility and the children. A centre with a business plan addressing a high priority need will receive a higher rating than a centre that has a business plan describing a lower priority need.

Financial Evaluation Criteria

The centre's business plan and financial documents will be reviewed by the Provincial Review Committee to assess the centre's financial viability and stability in relationship to the loan, and their ability to comply with the conditions of the loan. Once the financial analysis is complete the centre's financial suitability will be rated on a sliding scale.

Community Benefit Evaluation Criteria

The benefit to the community of the proposed expansion will be rated based on the following criteria.

- The need identified in the geographic area for the services offered by the proposed expansion.
- Past history of licensing compliance (existing centre):
 - i. Day care operators who have been issued consecutive short term licenses for the two years immediately preceding the application date will be considered ineligible for expansion loan funding.
 - ii. Operators who are currently operating under a short term license, but who have been issued a full year license sometime in the past two years are eligible to apply but must come into full compliance before any expansion loan funding will be issued.
 - iii. Notwithstanding (ii), an operator who is currently operating under a short term license will be ineligible to apply for expansion loan funding if the ECDO has reason to believe that an expansion of the facility may compromise the health, safety or well-being of the children.
- The Department of Community Services will look favourably on proposals that facilitate the creation of additional infant child care spaces and these spaces will be scored at a higher level.
- The Department of Community Services will look favorably on partnership proposals which have the support of local community groups and these will be scored at a higher level. Please include letters expressing support for the proposed expansion from these organizations.
- The Department of Community Services will look favourably on proposals that incorporate environmentally friendly ("green") initiatives into their proposals such as recycled building materials, energy efficient appliances, energy efficient windows, etc.

Notification of Approved Applications

Following the head office review of all applications, centre's will be notified, in writing, of their status.

Centres approved for the loan will receive the ***Acceptance of Child Care Centre Expansion Loan letter and the Child Care Centre Expansion Loan Agreement.***

The child care centre must return the Child Care Centre Expansion Loan Agreement to head office with the appropriate signatures.

The Agreement will be signed by the Minister and a copy will be returned to the centre. When the centre receives the signed agreement from the Department of Community Services the centre can advise their contractor(s) to begin the expansion loan work and/or purchase materials that are approved under the contract.

Disbursement of Funds Process

The distribution of funds can begin after the centre has been approved for a loan and has received the Child Care Centre Expansion Loan Agreement signed by the Minister.

Funds will be disbursed when invoices for completed work are received and reviewed by the Early Childhood Development Officer (ECDO). The regional office in consultation with independent inspectors will confirm that the work has been completed and instruct the lawyer to disburse the required funds.

For non-profit centres, the invoices will be reimbursed for 75% of the total cost, up to the total forgivable loan amount approved. If the centre has been approved for a repayable loan for their 25% equity component, invoices for the equity loan will be reimbursed up to the total repayable loan amount approved.

For commercial centres; the invoices will be reimbursed for 25% of the total cost, up to the total forgivable loan amount approved. If the centre has been approved for a repayable loan for their 75% equity component, invoices for the equity loan will be reimbursed up to the total repayable loan amount approved.

The Department of Community Services does not warranty the quality of the work done.

The Department of Community Services reserves the right to require hold backs for Builders Liens, and any percentage of funds for deficiencies, until such time as the work is completed.

Inspection of the Centre

Before disbursing funds, an initial inspection of the child care centre's work site and construction plans will be completed by an independent inspection service. Further inspections by the independent inspection service will be completed during the construction process.

The inspection will be performed to ensure that there are no issues with the Business Plan or compliance issues on the work site. This inspection may include inspections by other departments, such as fire, health, agriculture, environment and labor etc. The regional office must signoff the inspection indicating that it is complete and there are no issues.

The Centre Submits Invoices and Receipts

Payment of Contractor and/or equipment/material provider invoices will be made only after the work is completed and/or materials/equipment have been received by the Centre.

Once the work is completed the Centre can submit invoices and/or receipts to their ECDO for review. Only original invoices and receipts or acceptable equivalents will be considered for payment.

The Invoices and Receipts are Reviewed

The ECDO will review the invoices and receipts. The regional office will advise the Centre's lawyer to issue the funds for payment to the relevant payees for authorized expansion loan related expenses. If the payment of the invoices is declined for any reason, notification and reasons for this action will be communicated to the Child Care Centre.

Recovery of Funds Process

Forgivable loans

The forgivable portions of a non-profit, commercial and family home daycare agency's loans will be forgiven at a rate equally distributed over the amortization period of the specific centres expansion loan. Amortization periods will be determined by the Department of Community Services in consultation with the individual centres. Amortization periods can range from five to twenty-five years in five year increments.

Repayable loans

The repayable loan amounts for non-profit, commercial and family home daycare agency's that take a repayable loan for all or a portion of their (25% non-profit / 75% commercial) equity share are to be repaid monthly over an amortization period determined by the Department of Community Services in consultation with the Centre. Amortization periods can range from five to twenty-five years in five year increments. Repayable loans carry an interest rate of 1%.

Note: Amortization periods will be the same for both the forgivable and repayable portions of their expansion loans as per the Agreement.

Default of the loan

The following events will constitute a default under the Child Care Centre Expansion Loan:

- The Borrowers failure to fulfill the obligations of the loan Agreement or the centre's lease;
- A bankruptcy petition filed in relation to the Borrower;
- A court of competent jurisdiction has appointed a trustee to manage some or all of the Borrower's assets;
- The Borrower has ceased to operate a licensed child care centre or the Borrower's license for the centre has been suspended, cancelled or not renewed by the Minister;
- If a centre is leased and the Borrower does not renew the current lease for the Centre or the lease is terminated for any reason; or
- The sale of the centre.

If any of the circumstances listed above occur before the full amount of the loan funding has been advanced, the loan Agreement terminates, no further payments will be made in relation to the loan, and loan funding advanced to date will become immediately payable.

If any of the circumstances listed above occur after all loan funding has been advanced, the Agreement for the loan terminates, and the total amount of the loan that has not been repaid or forgiven will become immediately payable.

If in the event of a default, the Department reserves the right to offset monies received by the Borrower through other programs.

Accountability Process

By signing the agreement the centre agrees to the repayment terms. Repayment of the loan shall be made monthly in accordance with the centre's loan agreement. The centre is responsible for any project expenses incurred over and above the amount of the approved loan.

For the duration of the project the centre will agree to:

- Use the funding provided pursuant to the loan agreement for expansion and for no other purpose;
- Commence expansion work within six months of the application approval date. The approved centre must notify the Department of Community Services when construction begins. All construction must be complete within fifteen months from the date of approval;
- Obtain, in advance and in writing, the approval of the department for any changes to the project, including an extension of the time lines for project completion;
- Continue to operate a licensed child care centre in compliance with all legislative and regulatory requirements and maintain a full complement of directors as is required by law; for the term of the loan.
- Provide all information and documents requested by the department including confirmation by appropriate agencies and inspectors that the various construction components of the work done in relation to the project comply with the relevant standards;
- Maintain records in a form satisfactory to the department and permit the department to inspect the project and such records at any reasonable time; and
- Provide proof of fire and casualty insurance satisfactory to the department annually or upon request for the term of the loan.

Evaluation of Expansion Loan Program

For evaluation purposes, centres will be required to:

- Comply with all obligations under the lease and the loan agreement, including loan repayments as required;
- Continue to operate a licensed centre on the premises for the term of the loan agreement;
- Maintain financial records and supporting documentation relating to the project to allow for subsequent reporting and review by the department at any time during the term of the agreement, or for seven years after the end of the fiscal year in which the project is completed, whichever is longer;
- Participate fully in evaluations of the project and provide any information requested by the department in respect of these evaluations;
- To make centre staff available to participate in the evaluation process at mutually agreeable times during the term of this agreement or for seven years after the end of the fiscal year in which the project is completed, whichever is longer;
- To submit annual financial statements to the department within 90 days of the end of the centre's fiscal year end during the term of this loan agreement.

The centre must agree that if any kind of legal action is brought against the department in relation to the expansion loan the centre will protect the Minister from the claim, whether or not it is brought before or after the loan agreement has ended. The centre will also agree to pay all costs related to the claim unless the department negligently caused the damage that gave rise to the claim.

Appendix A - Definitions

For purposes of the expansion loan the following definitions apply:

“Department” means the Department of Community Services.

“Amortization Period” means the period of time it will take for a forgivable loan to be forgiven and a repayable loan to be repaid.

“ECDS” means Early Childhood Development Services.

“ECDO” means Early Childhood Development Officer and refers to regional staff of the Department of Community Services responsible for licensing child care centres and providing supported child care consultation.

“Centre” and “child care centre” means a facility which provide full-day licensed day care under the Day Care Act. R.S. N.S., 1989, c.120.

“Facility” means a building or part of a building at or in which day care is or may be provided but does not include a place such as hospital or school which is subject to other statutory requirements.

“Borrower” means the individual, partnership, incorporated company or Board of Director in whose name a license to operate a child care facility under the Day Care Act has been issued.

“Interest adjustment date” is the date interest on the borrowed amounts begins to accrue in accordance with the terms of the signed Expansion Loan Agreement.

“Total revenue” is the total number of dollars a centre receives from all sources.

“Director” means the chief administrative officer, owner, operator, executive director, manager and/or administrator who works on site, full or part time, at the centre.

“Operator” means the individual, partnership, group, company or Board of Directors in whose name a license to operate a day care facility under the Day Care Act has been issued.

“Fiscal year” means the provincial government business year which runs for the twelve months from April 1st of any given year until March 31st of the following year.

Appendix B– Examples of Eligible Expansion Loan Expenses

Foundation & Excavation	Flooring	Playground Installation (includes ground cover & fencing)
Windows Installation	Sewer & Water Hook up	Legal Fees
Siding & Roofing	Ventilation System	Architect Fees
Drywall & Underlay	Rough & Finish Carpentry	Construction Labour Costs
Plumbing Requirements	Playroom Materials & Equipment	Permit Fees
Electrical Wiring	Tables & Chairs	Project Manager Fees
Shelving Materials	Storage Shed	Land
Cabinets & Fixtures	Playground Equipment	Insulation

Note: A funding formula is currently being developed by the Department of Community Services that will define maximum funding amounts for the various expenses related to the Expansion process such as the examples shown above. This formula will be made available to applicants once it has been completed.

Appendix C– Expansion Loan Timeline

