

INVESTING IN FAMILIES

OUR WORK SUPPORTS AND EXPANDS COMMUNITY SERVICES THAT ENABLE FAMILIES TO WORK AND BUILD ECONOMIC STABILITY



CHILDREN, YOUTH AND FAMILIES

Child Care Facilities Development and Financing in California

Presented by:

Kim Tarr

National Economic Development and Law Center

Gary Kinley

Child Development Policy Institute Education Fund

California Association for the Education of Young Children (CAEYC)

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National Economic Development and Law Center

- ***Children, Youth and Families (CYF) Division***

The CYF division aims to assist community-based organizations that serve children, youth and families in low-income communities to have a greater impact on employment and economic development opportunities available to their constituency. Further, this division works with community economic development organizations to integrate enterprises, services and programs that directly benefit children, youth and families into their overall community revitalization plans.

- Within the Child Care Program there is a project called



Building Child Care (BCC) Project

- **Purpose:** To provide a centralized clearinghouse of information and services designed to improve and increase child care providers' access to financial resources for facilities development projects in California.
- **Who:**
 - The National Economic Development and Law Center
 - Child Care Facilities Fund of the Low Income Investment Fund
 - Child Development Policy Institute Education Fund
 - California Child Care Resource and Referral Network

Funded by the California Department of Education, Child Development Division, and designed as the State's response to the need to bring resources together on a centralized statewide level.



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Presentation Overview

- Part One: The Facilities Development Process
 - Planning, Pre-development, Development, and Start-Up Stages
- Part Two: Financial Resources Overview
 - Grants and Loans
- Part Three: Where to Turn for Help
 - Community Resources and Statewide Resources



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First Things First...

- How we define *Child Care Facilities Development*:
 - Renovation or Expansion to a child care center or family child care home
 - Building or Purchase of a facility to be used as a child care center or family child care home



Part One: The Facilities Development Process

The process can be broken into four major stages...

1. Planning
2. Predevelopment
3. Development
4. Start-Up

Reference:

- *Child Care Facilities Development Checklists*



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1. The Planning Stage

Addresses 3 key questions:

1. Is there market demand for the proposed facility and services?
2. Is the proposed facility project financially feasible?
3. Is the sponsor organization ready to take on this project?

Writing a Business Plan can help providers answer these questions

Reference:

- *Facilities Development and Financing Manual Chapter 3, Developing a Business Plan*
- *Financial Readiness Assessment, Red and Green Flags*



2. The Predevelopment Stage

- Select a site
- Obtain site control & approval
- Design the project
- Secure a Contractor
- Obtain Financing for the development stage

Reference:

- *Architects and Contractors Referral List*



3. The Development Stage

- Construction or renovation of site
- Equipping the classroom(s)
- Licensing approval (inc. fire clearance)
- Personnel
- Marketing the Program



4. The Start-Up Stage

- Operational Budget (3 months min.)
- Phase-in Children and Staffing
- Program Sustainability

Part Two: Financial Resources Overview

1. Grants

- Grant Basics
- Grant Resources

2. Loans

- Why Consider Financing?
- Loan Resources



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Grant Basics

- Each Phase of development requires funding.
 - Planning and Predevelopment are best funded via internal resources, grants or soft loans
 - Development costs (construction and permanent) are better suited to loans
- Typically grants are only available to nonprofit organizations and not to for-profit centers or family child care homes.
- A single grant is rarely large enough to cover an entire child care facilities development project.
- Available resources and funding interests are subject to change from year-to-year.
- For equipment funding (including playground) and small repairs, **First Five (Prop 10) Commissions** sometimes provide grants. Check with your local Commission to find out more.



Grant Resources

- BCC List of Potential Grant Resources
- Other Resources for Identifying Grants:
 - Foundation Center www.fdncenter.org
 - Enterprise Foundation (MoneyNet) www.enterprisefoundation.org
 - The Grantsmanship Center www.tgci.com has information on Community Foundations
 - Local Community Development Block Grants Funds (CDBG)

Reference:

- *Potential Grant Resources for Child Care Facilities Development in California*



Loans

- Why Consider Financing?
- Loan Resources Available



Why Consider Financing?

1. It's Capital Efficient

- *Allows the agency to leverage other money (savings and grants) and to make limited resources go farther*
- *Allows the agency to pay for costs over time instead of all at once*
- *It is quite common, and often essential to combine multiple funding streams in order to realize a facilities development project*



Why Consider Financing (cont.)?

2. Meet Higher Costs/ Serve Families Faster

- *Supply of loan capital is far greater than supply of grants (esp. in current economy)*
- *Loans have a faster turn around time/It takes a long time to raise grant money*
- *Raising equity through grants, donations, savings, and internal resources takes a long time*



Why Consider Financing (cont.)?

2. Meet Higher Costs/ Serve Families Faster (cont.)

- *Financing typically provides larger amounts of money than grant funding*
- *Capital campaigns to raise grant money may compete with operating fundraising*

Bottom Line

Raise greater amounts in less time 

meet higher costs and serve families faster

Why Consider Financing (cont.)?

3. Develop Business Skills

- *Lenders often offer special technical assistance (TA) services to insure better success rates of their borrowers*
- *These services can foster the development of a provider's business and financial planning skills*
- *Financing may bring ownership within reach which allows an agency to:*
 - *Gain long-term tenure*
 - *Customize the space for kids and staff*
 - *Build its financial position and stability*



Why Consider Financing (cont.)?

4. Expand Early Care and Education (ECE) Stakeholders

- *Leverages interest in the ECE field from financial institutions and other economic entities*
- *Successful financing now will encourage expansion of financial resources in the future*



The Financial Institution Landscape

- Conventional Institutions (e.g. Commercial banks)
- Alternative Lenders (e.g. Community Development Financial Institutions; Credit Unions)
- Government-Certified Small Business Lenders (e.g. Small Business Administration certified lenders)
- Government Resources (e.g. Federal Housing Administration)
 - Federal
 - State
 - Regional/Local

Reference:

- *The Matrix of Child Care Facilities Development Financial Resources in California*



Part Three: Where to Turn for Help

Community Resources:

- Resource and Referral Agencies
- Local Child Care Planning Councils
- Regional Resource Centers
- Small Business Development Centers and SCORE Offices
- First Five Commissions
- Specialists: Architects, Contractors, Project Managers, Developers
- Licensing and Zoning: Child Care Advocate Program, Licensing Specialists, Planning Depts., Fire Depts.

Reference:

- Quick and Dirty Guide to Facilities and Financing Resources*



Where to Turn for Help (Cont.)

Statewide Resources:

California Child Care Resource and Referral Network

www.rrnetwork.org

Child Care Law Center

www.childcarelaw.org

California Head Start Association

www.ca-headstart.org

California Association for the Education of Young Children

www.caeyc.org



Where to Turn for Help (Cont.)

In California, there has never been a central place linking child care facilities development and financing resources on a statewide level...

The [Building Child Care \(BCC\) Project](#) takes the first step in establishing such a place.



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Building Child Care Project

Identify Resources – Improve Access to Resources – Expand Depth and Quantity of Resources Available

How do we do this?

- Referrals to TA, Funding Sources, Publications
- Interactive Project Website:
www.buildingchildcare.org
- Toll-free help line: **888-411-3535**
- Trainings
- Identify and respond to gaps in the field of developing and financing child care facilities in California



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*How to contact
Building Child Care
for follow-up information:*

- Toll Free Line: **888-411-3535**
- Website: **www.buildingchildcare.org**
- Email: **bcc@nedlc.org**

