

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

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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 (CED) organizations to integrate enterprises, services and programs that directly benefit children, youth and families into their overall community revitalization plans. CYF has two key programs: Child Care and Family Support.

- 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:** National Economic Development and Law Center, Child Care Facilities Fund of the Low Income Investment Fund, Child Development Policy Institute Education Fund, and the 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*
- *Maneuvering the Maze Materials*



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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)

Money Needed During this Stage:

*Equity (planning grants and internal resources) and limited debt
(soft loans or recoverable grants)*

Reference:

- *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

Money Needed During this Stage:

Equity (planning grants and internal resources) and limited debt (soft loans or recoverable grants)

Reference:

- *Maneuvering the Maze Chapter 3, Developing a Business Plan*
- *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

Money Needed During this Stage:

Debt (loans) and equity (internal resources and grants)



4. The Start-Up Stage

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

Money Needed During this Stage:

Equity



Part Two: Financial Resources Overview

1. Grants

- Grant Basics
- Grant Resources

2. Loans

- Why Consider Financing?
- Loan Resources



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 programs or family child care homes
- Available resources and funding interests are subject to change from year-to-year
- A single grant is rarely large enough to cover an entire child care facilities development project



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 CDBG Funds (Community Development Block Grants)

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

- *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 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*



Loan Resources Available

- The Financial Institution Landscape
- Where to turn for further information



The Financial Institution Landscape

- Conventional Institutions
- Alternative Lenders
- Government-Certified Small Business Lenders
- Government Resources
 - Federal
 - State
 - Regional/Local

Reference:

- *The Matrix of Child Care Facilities Development Financial Resources in California*
- *A Resource Guide: Financing Child Care Facilities Development in California*



The Financial Institution Landscape

1. Conventional Institutions

Types:

- A. Commercial Banks
- B. Thrift Institutions

Description:

- Offer large sized loans
- Not typically designed for child care
- Available to both nonprofit and for profit agencies

Resources/Incentives:

- *Community Reinvestment Act incentives*
- *Federal Home Loan Bank of San Francisco incentives (Advancement for Community Enterprise)*



The Financial Institution Landscape

2. Alternative Lenders:

Types:

A. Community Development Financial Institutions:

- Community Development Banks
- Community Development Loan Funds
- Microenterprise Lenders
- Credit Unions

B. Foundations – Program Related Investments (PRI's)

C. National Financial Intermediaries

D. Community Development Corporations



The Financial Institution Landscape

2. Alternative Lenders (cont.):

Description:

- Designed to help meet the financial needs of particular communities, usually in distressed areas
- Sometimes they have special programs for child care
- Offer more flexible and smaller sized loans than conventional institutions
- Sometimes loans are paired with TA for the borrower

Available to both nonprofit and for-profit agencies, depending on the type of loan program and the lending institution's requirements



The Financial Institution Landscape

3. Government Certified Small Business

Lenders:

Types:

A. California Small Business Financial Development Corporations

B. Certified Development Companies (SBA)

Description:

- Cover the middle ground between conventional institutions and alternative lenders because of less risk and fewer restrictions



The Financial Institution Landscape

4. Government Resources:

Types:

A. Local Programs

- Community and Economic Development Programs
- Housing Loans
- Redevelopment Agencies

Available to both nonprofits and for profits depending on the program



The Financial Institution Landscape

4. Government Resources (cont.):

B. State Programs

- California Children and Families Commission
- California Department of Education Child Care Facilities

Revolving Fund Program

- Housing and Community Development Child Care Facilities Financing Program (no funds available)

Available to both nonprofits and for profits depending on the program



The Financial Institution Landscape

4. Government Resources (cont.):

C. Federal Programs

- Department of Agriculture Rural Development Division:
 - Community Facilities Program
 - Business and Industry Program
 - Single-Family Housing Program
- Housing and Urban Development:
 - Community Development Block Grant
- Federal Housing Administration:
 - Title 1 Home Improvement Loans (for FCCH's)
- Small Business Administration: www.sba.gov/financing (*limited to for-profit businesses*)
 - Certified Development Company 504 Loan Program
 - Microloan Program
 - Prequalification Pilot Loan Program
 - SBA LowDoc Program
 - 7(A) Loan Guaranty Program



Part Three: Where to Turn for Help

■ Community Resources

- Resource and Referral Agencies
- Regional Resource Centers
- Small Business Development Centers
- SCORE (Service Corps Of Retired Executives) Offices
- Local Planning Councils
- Child Care Advocate Program

Reference:

- Quick and Dirty Guide to Facilities and Financing Resources*



Where to Turn for Help (Cont.)

■ Statewide Resource

Building Child Care Project

- 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



Building Child Care (BCC) Project

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