

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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The 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.



INVESTING IN FAMILIES

Presentation Overview

- **Part One: The Facilities Development Process**
 - Planning, Pre-development, Development, and Start-Up
 - Step by Step: A 20-Step Facilities Development Guide
- **Part Two: Financial Resources Overview**
 - Grants and Loans
- **Part Three: Where to Turn for Help**
 - Community, Statewide and National Resources



INVESTING IN FAMILIES

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

Today's focus will be on child care centers.



Part One: The Facilities Development Process

The process can be broken down into four main stages...

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

Reference:

- *Child Care Center Facility Development Checklists*



20-Step Development Timeline

		MEASURABLE OUTCOMES - A 20-STEP DEVELOPMENT TIMELINE FOR CHILD CARE CENTER FACILITIES DEVELOPMENT WORK													
STEPS		QTR 1	QTR 2	QTR 3	QTR 4	QTR 5	QTR 6	QTR 7	QTR 8	QTR 9	QTR 10	QTR 11			
1	Child Care Needs Study	█													
2	Project Feasibility Study	█													
3	Predevelopment Funding	█													
4	Site selection & site control		█												
5	Provider Selection		█												
6	Architect selection, program schematic			█											
7	Site acquisition			█											
8	Fund raising & financing plan development				█										
9	Fundraising & financing continued					█									
10	Fundraising, construction & permanent financing completed						█								
11	Architecture Design Development & planning review				█	█	█								
12	Architecture Working drawings					█	█	█							
13	Plan Check & revisions						█	█	█						
14	Contractor Selection						█	█	█						
15	Loan Closing & start of construction							█	█	█					
16	Construction Supervision site work and foundations								█	█	█				
17	Construction Supervision framing & rough installations									█	█	█			
18	Construction Supervision finish work, landscape & punch lists										█	█	█		
19	Permanent Loan closing & start-up												█	█	
20	Delay/Problem Solving/ work added	█	█	█	█	█	█	█	█	█	█	█	█	█	



STEP 1

CHILD CARE NEEDS STUDY



- WHAT AGE AND INCOME GROUPS WILL BE SERVED?
- ARE THERE OTHER PROGRAMS IN THE AREA?
- IS OPERATING SUPPORT AVAILABLE?
- YOU MUST HAVE DEMAND NOT JUST A NEED FOR SERVICES
- PREDEVELOPMENT GRANTS ARE AVAILABLE FROM THE ABCD FUND

STEP 2

PROJECT FEASIBILITY

- ORGANIZATION IS READY
- BUDGET LOOKS GOOD
- CHILD CARE DEMAND IS HIGH
- GOOD FIT WITH BOARD AND STAFF



ORGANIZATIONAL CAPACITY



- IDENTIFY DEVELOPMENT STAFF
- FIT WITH LONG- RANGE GOALS
- ARE YOU READY TO GROW?
- DO YOU HAVE A BUSINESS PLAN?



FISCAL CAPABILITY

- WHAT IS THE CURRENT STATE OF YOUR BUDGET?
- HOW WILL A DEVELOPMENT IMPACT YOUR BUDGET?



STEP 3

PREDEVELOPMENT FUNDING

- Architect fees
- Plan check fees
- Consultants
- Project Coordinator
- Site Acquisition/Deposit



FOUR KEY COMPONENTS TO PREDEVELOPMENT FUNDING



- Identified site
- Operating support identified
- Financially stable provider
- Market opportunities

- YOU NEED AT LEAST 2 OR 3 IN PLACE BEFORE YOU ARE READY TO GET STARTED



STEP 4

SITE SELECTION

THINGS TO CONSIDER

- COST OF SITE
- ROOM FOR BUILDING, PLAYGROUNDS & PARKING
- LOCATION IN THE COMMUNITY
- LAND USE ISSUES
- ENVIRONMENTAL ISSUES
- TRANSPORTATION ACCESS
- NEIGHBORHOOD ACCEPTANCE
- DELAY ACQUISITION UNTIL CONTINGENCIES ARE CLEARED



STEP 5

PROVIDER SELECTION PROCESS

- CAPACITY
- PROGRAM QUALITY
- EXPERIENCE WITH SIMILAR PROGRAMS
- SITE VISITS AND INTERVIEWS
- INCLUDE CHILD CARE PROFESSIONALS ON SELECTION COMMITTEE
- PROVIDER SHOULD BE PART OF DESIGN REVIEW TEAM



STEP 6

ARCHITECT SELECTION



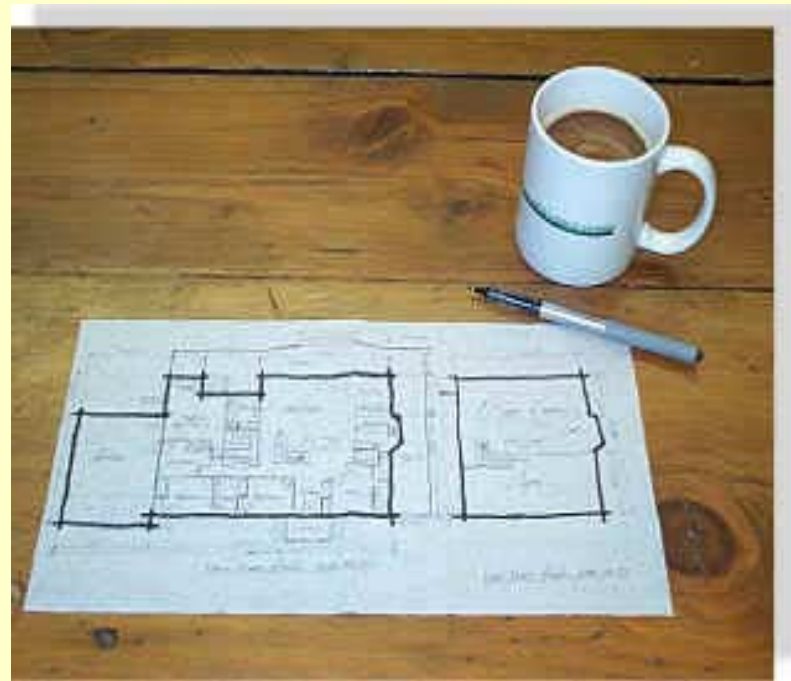
Check out BCC's website for the
Referral List of Architects

- EXPERIENCE WITH CHILD CARE FACILITIES
- EXPERIENCE WITH LOCAL PLANNING DEPARTMENT
- INCLUDE SITE VISITS
- INCLUDE SOME DEVELOPMENT PEOPLE ON SELECTION COMMITTEE



and Preliminary Architectural Designs

- Basic Floor Plans
- Storage, Storage, Storage
- Space for children
- Open sight lines
- Direct access to play yard
- Prepare preliminary cost estimate
- Involve child care staff in design process
- Preliminary Fire Dept. review
- Preliminary review by Community Care Licensing



MODULAR CONSTRUCTION ON PUBLIC SCHOOL SITES



- CONSTRUCTION IS REVIEWED AND APPROVED BY THE DIVISION OF THE STATE ARCHITECT (DSA)
- MAKE SURE THAT ARCHITECT HAS EXPERIENCE WITH DSA
- MAKE SURE THAT MANUFACTURER HAS EXPERIENCE WITH DSA
- ALLOW ROOM IN BUDGET FOR UPGRADES IN MATERIALS AND CUSTOM ADDITIONS



STEP 7

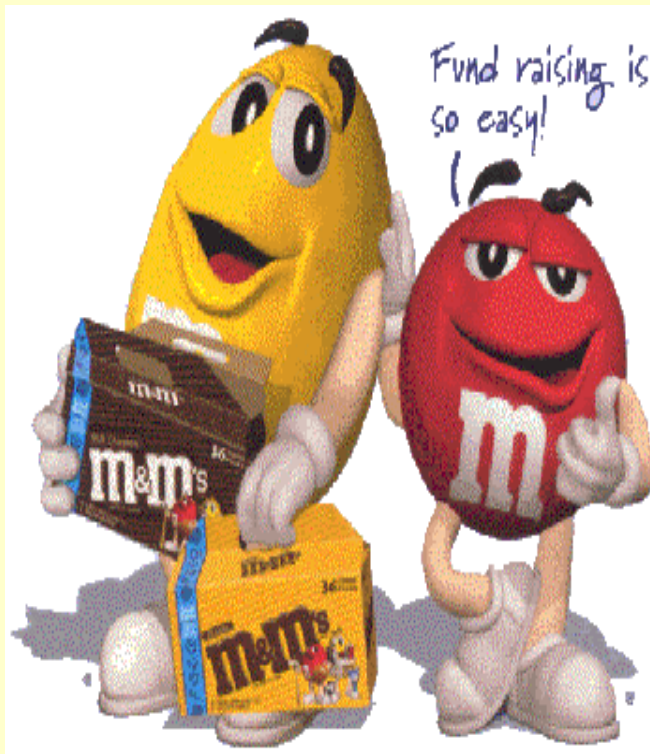
SITE ACQUISITION

- RELY ON REAL ESTATE EXPERT
- INVESTIGATE ZONING, TOXICS ISSUES
- NEGOTIATE
- CONSIDER PARTNERSHIP WITH DEVELOPER OR OTHER AGENCIES
- PURCHASE OR LEASE?



STEP 8

FUNDRAISING AND FINANCING PLAN



- Diversified plan
- Realistic goals
- Realistic Timeline
- Professional staff/consultant
- Combine grant writing, local fundraising & financing

STEP 9

CONTINUED FUNDRAISING



- Examine child care's aversion to debt
- Typically a child care center can carry 15% to 40% of its project cost through loans

STEP 10

FUND RAISING COMPLETED

- PREDEVELOPMENT/
SITE ACQUISITION
- CONSTRUCTION
LOAN
- PERMANENT or
TAKE-OUT LOANS



STEP 11

USE PERMIT HEARINGS

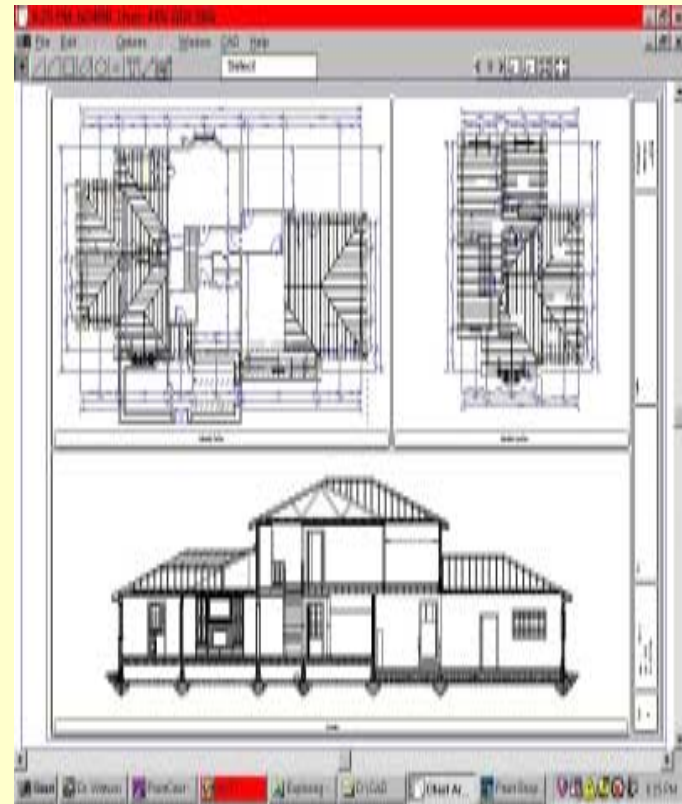
- Organize community support
- Hold neighborhood meetings prior to public hearing so that you can address reasonable concerns ahead of time



STEP 12

WORKING DRAWINGS

- WATCH FINE DETAILS (window heights, cabinet locations, counter space)
- SPECIFY QUALITY FINISH MATERIALS
- PLAN FOR OPERATING EFFICIENCY
- WATCH FOR INTERIOR AIR QUALITY ISSUES (floor coverings, paint, ventilation system)
- TIME FOR VALUE ENGINEERING BY GENERAL CONTRACTOR



LANDSCAPE ARCHITECTURE

- Shade
- Non-poisonous/low allergy plants
- Soften the environment
- Low water usage
- Low maintenance
- Hardscape areas
- Outdoor storage
- Open sight lines
- Good drainage plan for sand boxes and climbing structure areas



PLAYGROUND EQUIPMENT



- SELECT MANUFACTURER WITH STATE CERTIFIED EQUIPMENT
- HIRE CERTIFIED INSPECTOR
- DON'T LET PLAY EQUIPMENT DOMINATE THE YARD



Encourage Gardens and Natural Materials as a Part of Play Yard

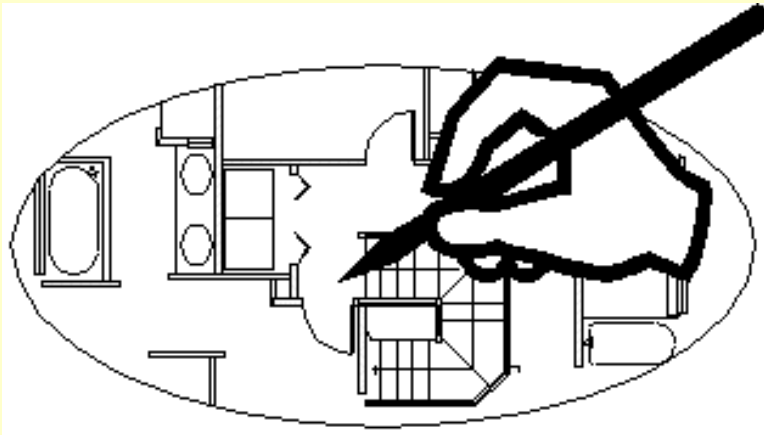


Look for & Plan Volunteer Opportunities



STEP 13

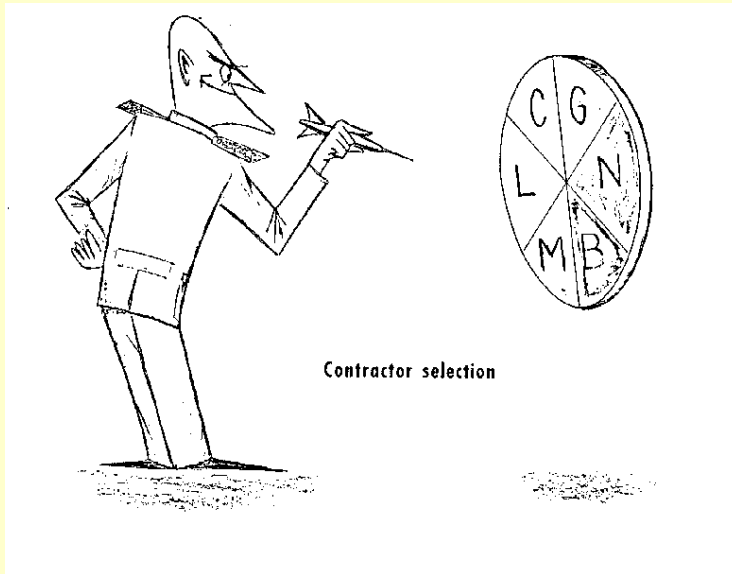
PLAN CHECK AND REVISIONS



- Take advantage of this time to identify and correct any items that could become change orders
- Consider keeping some items as alternates in case funds are available

STEP 14

CONTRACTOR SELECTION



COMPETITIVE BID

- identify multiple contractors
- conduct a bid walk
- select lowest reasonable bid

NEGOTIATED BID

- early assistance with costs estimates and value engineering
- competitive bid process retained for subcontractors



STEP 15

GROUND BREAKING



- RECOGNITION TO PLAYERS
- PREPARE A PRESS RELEASE AND PRESS PACKET
- INVOLVE THE COMMUNITY



and NOTICE TO PROCEED



STEP 16

CONSTRUCTION SUPERVISION



- Clarify roles & responsibilities
- Identify experienced construction supervisor to represent you
- Participate in weekly site visits



STEP 17

CONSTRUCTION SUPERVISION CONTINUED

- Maintain careful calendar, files & construction budget
- Maintain 10% construction retention from all payments
- Take photos



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STEP 18

FINAL INSPECTION/PUNCH LIST



- Prepare corrections
Punch list
- Release retention only
after punch list and lien
releases are in
- clarify call back and
warranty procedures
- prepare maintenance
schedule



STEP 19

START - UP

- STAFF RECRUITMENT
- PURCHASE EQUIPMENT AND SUPPLIES
- CURRICULUM DEVELOPMENT
- MARKETING PROGRAM
- SCHEDULE FINAL INSPECTION BY COMMUNITY CARE LICENSING



CELEBRATE AND MOVE IN

grand
opening



STEP 20

PROBLEM SOLVING ALONG THE WAY



- Keep budget updated
- Maintain contingencies
- Anticipate time delays
- Keep Board of Directors informed
- Keep parents informed
- Stay flexible



Part Two: Financial Resources Overview

There are two types of facilities funding available to help child care programs build, purchase, expand or renovate centers:

1. Grants

- Grant Basics
- Grant Resources

2. Loans

- Why Consider Financing?
- Loan Resources



A Few Facts About Grants

- A single grant is rarely large enough to cover an entire child care facilities development project.
- 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
- Available resources and funding interests are subject to change from year-to-year.
- Typically grants are only available to nonprofit organizations and not to for-profit centers or family child care homes.
- 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

Where to Go for More Information

- **BCC document:** *Potential Grant Resources for Child Care Facilities Development in California*
- **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
 - U.S. Housing and Urban Development (HUD) www.hud.gov
 - Empowerment Zone
 - Local Community Development Block Grant Funds



Loans

- Why Consider Loan Financing?
- Loan Resources Available

Why Consider Financing?

1. It's Capital Efficient

- *Allows an agency to make limited resources go farther*
- *Allows an agency to pay for costs over time instead of all at once*
- *Allows an agency to create a credit history*
- *It is quite common, and often essential to combine multiple funding streams (e.g. savings, loans, equipment grants) in order to make a facility development project happen*



Why Consider Financing (cont.)?

2. Meet Higher Costs/ Serve Families Faster

- *Supply of loan capital is far greater than supply of grants*
- *Loans have a faster turn around time -- It takes a long time to raise grant money*
- *Loans typically provide larger amounts of money than grant funding*

Bottom Line:

**Raise greater amounts in less time = >
Meet higher costs and serve families faster**



Why Consider Financing (cont.)?

3. Develop Business Skills

- *Alternative lenders often offer special technical assistance (TA) services to insure better success rates of their borrowers*
- *These services can foster the development of an agency's business and financial planning skills*
- *Help agencies build business skills and run a stronger program*



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*



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Loan Resources

Sources of Funding

- Conventional Institutions (e.g. Local banks)
- Alternative Lenders (e.g. Community Development Financial Institutions)
- 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*



Loan Resources

FAQ About Applying for Facility Development Loans

Q: *Do agencies need to have an excess of income to expenses to qualify for loans?*

A: The bottom line of all qualifying criteria is:

Repayment Capability

Q: *What is the best way to request loans?*

A: With a well thought-out, clear, concise and financially sound Business Plan that has been developed with professional assistance.



Part Three: Where to Turn for Help

Community Resources: (Reference *Quick and Dirty Guide*)

- 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.



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.)

National Resource:

For more information or questions concerning Head Start facilities, contact:

Head Start Facilities Assistance Desk

Bob Crooks, Facilities Specialist

Toll free phone number: 800-303-0705

(8:00 a.m. - 4:30 p.m ET)

Email: bcrooks@pal-tech.com

Website: <http://www.hsnrc.org/Facilities>



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.



Where to Turn for Help (Cont.)

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**

