



## The National Economic Development & Law Center

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### ***Linking Child Care Development and Housing Development: Tools for Child Care Providers and Advocates*** **September 2002**

**By Jan Stokley**

#### **Summary**

Increasingly, housing developers are reaching out to the child care field to learn how to plan for and develop child care programs to serve existing housing developments and new housing communities. This article explores what child care providers and advocates can gain from partnerships with housing developers and housing advocates. It describes and provides examples of both *policy collaborations* and *development partnerships* that child care providers and advocates may pursue and includes brief examples of each strategy's successful implementation in diverse communities.

#### **Why Link Child Care Development and Housing Development**

The child care field and the housing development field have much to gain from collaboration. Stronger relationships will benefit both fields for a number of reasons.

*The child care market area tends to be defined by the location of family housing.* The family home is still the nucleus of the child care market area for many consumers. Consumer preferences for child care close to home are strengthened by (1) the trend by many school districts to return to neighborhood schools and (2) increasingly long commutes to the workplace, which make convenience of child care to the family home a greater priority. Thus, child care market opportunity tends to follow family housing patterns.

*Child care "nimbyism" can be mitigated by coordination with local planning for housing.* Like schools, libraries, churches and synagogues, child care homes and centers are acknowledged by many to be essential to a thriving residential community. People may support child care development "in general" until the moment a specific family child care home or center is actually proposed to be developed "in their backyard"—in an existing residential community next door to real-live neighbors with real-live concerns about noise, traffic and parking arising from child care activities. When child care homes and facilities are planned for and sited as part of the overall land use planning and public approval process to which planned housing development is subject, child care-specific "nimbyism" can be avoided.

*Housing developers have access to long-term capital, which is chronically lacking in the child care field.* Successful housing development depends on access to capital which can be repaid over extended periods of time commensurate with the useful life of the physical improvements. The child care field, for the most part, has lacked access to long-term capital investments for facilities and business development. Partnerships between child care providers and housing developers are a proven strategy for helping providers access capital for facilities development and improvements that would otherwise be difficult for them to obtain.

*Development of housing in coordination with child care can reduce child care facility development costs.* When child care homes and facilities are built into the development budget of a housing project or housing community, the total development budget for the child care facility is often less than it would have been had the facility been developed on a stand-alone basis. Cost savings can be realized across many line items, including land, offsite and onsite improvements, architecture and engineering, development fees, construction and financing charges.

*Development of low-income housing in coordination with child care for low-income families can make both enterprises more economically sustainable.* As a result of the time limits imposed by welfare reform, most parents who are unsuccessful in their efforts to transition from welfare to work will no longer be eligible for cash assistance. For these low-income families, access to a subsidized housing unit may no longer be adequate to assure housing stability, since they will need to be employed—with access to affordable child care—in order to pay even the low cost of rent in subsidized housing. Now more than ever, housing stability among low-income families, as well as employment stability, will depend on having access to both affordable housing and affordable child care. This, in turn, means that housing and child care enterprises will be more economically viable if they are developed in a coordinated manner, so that low-income families have ready access to both resources.

## **Linking Child Care and Development and Housing Development: Strategies and Examples**

Successful strategies for linking child care development and housing development can be pursued in many ways and in diverse communities. Some strategies are described here, with examples of their implementation. Child care and housing advocates can work together to ensure that state and local policies and finance programs provide for a more systematic link between housing development and child care development. And even in the absence of such policies, child care providers and housing developers can partner on specific projects to develop child care resources to serve new and existing housing developments.

### **Policy Collaborations**

Housing and child care advocates have only begun to tap the potential to influence state and local policies in order to promote a stronger, more systematic link between family housing development and child care development. This link can help child care providers overcome child care "nimbyism", as well as generate resources for the capital development needs of the child care field.

*Example: Addressing child care in the Consolidated Plan.* Federal law requires each state, as well as "entitlement" cities (cities of more than 50,000 people), to develop a "Consolidated Plan" that identifies needs and sets priorities for the expenditure of federal housing funds and Community Development Block Grants. Child care advocates can work with housing advocates to insure that the

child care needs generated by development of affordable housing are documented and reflected as priorities in the Consolidated Plan. In North Carolina, a coalition of child care and community development advocates took steps to insure that in the state's Community Housing Assessment System document (the predecessor of the Consolidated Plan), priority be given to multi-family housing projects that address child care needs. *For more information, contact Rhonda Rainey, President and CEO of the North Carolina Association of Community Development Corporations, tel. 919-831-9710.*

*Example: Identifying child care as a priority in housing finance programs.* Child care advocates can also work with housing advocates to target specific housing programs to gain an advantage in the competition for limited low-income housing tax credits or other state-allocated housing funds for those applicants who incorporate planning for child care in their proposed multi-family housing projects. In Oregon, the Oregon Child Care Resource and Referral Network is collaborating with the Association of Oregon Community Development Organizations to convince the state Department of Housing and Community Services to give a competitive advantage to low-income housing tax credit applicants who assessed child care needs and proposed programs and facilities to meet them. *For more information, contact Debra Orman, Executive Director, Oregon Child Care Resource and Referral Network, tel. 503-375-2644.*

*Example: Developing new housing-child care finance programs.* New family housing finance programs can be crafted to include funds for developing child care facilities, and they can even be linked with child care operating subsidies. In California, the state's Family Housing Demonstration Program provides financing for child care facilities as part of the financing available for low-income family housing. Under a Memorandum of Understanding with the Department of Education, the child care centers financed in this way are able to receive contracts for child care operating subsidies. All of the current program funds have been committed, and no additional funding is available right now. *For more information, contact Teri Bressler, Program Manager, California Department of Housing and Community Development, tel. 916-327-2896.*

*Example: Creating land use policies that support child care development.* State land use laws can also be a vehicle for assuring that child care resources are developed and strengthened to meet the needs that arise from residential housing development. For example, California state law pre-empts local ordinances that bar family child care homes serving six and fewer children from residentially-zoned neighborhoods. Preemption laws in other states vary widely in their scope, content, and impact. *For more information, contact Chris Cleary, Attorney, Child Care Law Center, tel. 415-495-5498.*

*Example: Clarifying landlord liability.* Landlords may be reluctant to rent homes and apartments to family child care providers because of fears of their own liability or excessive wear and tear on their property. In Oregon, the Oregon Child Care Resource and Referral Network and the Association of Oregon Community Development Organizations have collaborated on state legislation to make explicit what they believe existing law already provides—that landlords are not liable for negligence of a family child care provider in the conduct of the family child care business. Clarifying the scope of landlord liability should reduce landlord reluctance to rent single family homes and apartments to family child care providers. *For more information, contact Debra Orman, Executive Director of Oregon Child Care Resource and Referral Network, tel. 503-375-2644.*

*Example: Planning new residential communities with child care centers and family child care homes.* New child care centers may have an easier time in securing necessary public approvals if they are incorporated in the plans for new housing communities from the inception. Likewise, a certain

number of family child care homes can be planned into new communities without necessitating further zoning approval. South County Housing, a nonprofit developer in Santa Clara County, California, has plans to develop a new 57 acre community, Los Arroyos, which will eventually include 100 market-rate single-family homes, 200 subsidized single-family homes, and 50-60 subsidized multi-family units, as well as a new school and park. South County Housing is incorporating child care planning into the overall community planning process for Los Arroyos. The hope is that child care centers, like the new elementary school that the community will require, will be specifically sited in the plan and that centers will be an integral part of the project's overall planning, public approval and finance process. *For more information, contact Marie Juncker, Executive Director, South County Housing, tel. 408-842-9181.*

*Example: Incorporating child care in local sustainable growth policies.* Communities that are attempting to control suburban sprawl typically require developers to plan for and help mitigate all of the community impacts of the housing growth. As discussed above, child care is one of the community needs that predictably arises from family housing development. Local governments that manage growth wisely will require developers to plan for and help finance the child care that will be needed because of their housing development. Santa Cruz County, for example, requires housing developers either to provide child care facilities or deposit "mitigation" funds into a child care development loan fund that is then used to help finance child care facilities and homes. *For more information, contact Marcia Meyer, Director, Child Development Resource Center, Santa Cruz County Office of Education, tel. 408-479-5321.*

## **Development Partnerships**

Whether or not state and local housing and land use policies affirmatively support the linkage between family housing development and child care development, child care providers and housing developers can partner on specific projects to develop child care resources for new and existing housing developments.

*Example: Incorporating family child care homes in new multi-family housing developments.* The development of new housing, both multi-family and single-family housing communities, provides a wonderful opportunity to design housing explicitly to accommodate family child care providers in the most effective way possible. Rather than having to make do with inadequate space or fight angry neighbors over a use permit, family child care homes can be designed into housing projects—in a way that is supportive of the family child care business and balances the needs and desires of other residents of the housing.

Depot Commons is co-housing project in Morgan Hill, California that includes three buildings with 12 co-housing units and a fourth building that consists of a second story two-bedroom unit for a family child care provider with an additional 1,175 square feet of first floor space dedicated solely to the family child care business, which is licensed to serve twelve children. Developed by a nonprofit housing developer primarily with housing finance sources, the project benefited from technical assistance from the local child care resource and referral agency. *For more information, contact Marie Juncker, Executive Director, South County Housing, tel. 408-842-9181.*

*Example: Incorporating family child care homes in new single-family housing developments.* Willow Springs Condominiums is a detached ten home condominium project proposed

to be developed for first-time homebuyers in the Willowbrook neighborhood of unincorporated Los Angeles County. The nonprofit housing developer has targeted one of the homes for sale on a priority basis to a licensed family child care provider who meets the project's income guidelines. A local child development agency reviewed the design proposals for all of the homes and made low-cost design recommendations to accommodate ease of child watching for both child care providers and parents alike. *For more information, contact Alexander Pratt, President, Drew Economic Development Corporation, tel. 310-632-3290.*

*Example: Supporting the development of licensed family child care homes in existing housing developments and neighborhoods.* Existing neighborhoods, especially older urban neighborhoods, may suffer from housing deterioration that affects the quality of the environment that existing or prospective family child care providers can offer. Housing development organizations that rehabilitate homes and then rent them to low- and moderate income families (or make them available for sale to first-time homebuyers) can rehabilitate some units and make them available on a priority basis to family child care providers.

For example, Eastside Community Investments in Indianapolis, as part of its larger housing rehabilitation effort, rehabilitated more than twenty single-family homes that it then leased on a preferential basis to family child care providers. *For more information, contact Dennis West, President, Eastside Community Investments, tel. 317-637-7300.*

*Example: Including child care centers in new multi-family housing projects.* By developing child care centers in new multi-family housing projects, housing developers can lower the total cost of developing new child care centers. Mid-Peninsula Housing Coalition frequently develops small child care centers as part of its larger family developments. At Santa Familia, a 79-unit garden-apartment complex for low-income families and seniors, an adjacent church leased the land for the center and a parking area (in the church's existing parking) at minimal cost. The developer was able to achieve additional costs savings by negotiating with the construction contractor to donate his profit percentage from the part of the contract allocated to the child care center. The child care center also benefited from the low-cost financing that was available for the entire project, since it was an affordable housing project. The developer estimates that it cut the development cost of the child care center almost in half (from \$125/sf to \$64/sf) by incorporating it in the financing and development of the multi-family housing project. The two nonprofit partners on the project both donated part of their housing development fees to help finance the construction of the child care center, which is operated under a lease with a local child care provider. *For more information, contact Matthew Schwartz, Senior Project Manager, Mid-Peninsula Housing Coalition, tel. 415-299-8000.*

*Example: Developing child care centers and family child care homes in existing public housing projects.* Public housing authorities increasingly identify as their mission not simply to "warehouse" low-income families in affordable housing units, but instead to create communities that support family well-being and economic sufficiency. As a result, a growing number of public housing authorities are seeking partnerships with child development and child care organizations to help develop new child care centers and family child care homes at public housing sites. For example, the Richmond, California Public Housing Authority invited the Contra Costa County Community Services Division, Child Development Department, to develop a co-located Head Start and subsidized child care center on land made available by the public housing authority at a public housing site. The Housing Authority also provided some of the financing for the center. *For more information, contact Wilda Davisson, Contra Costa County Community Service Department, tel. 510-374-3994.*

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