

INVESTING IN FAMILIES

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



CHILDREN, YOUTH AND FAMILIES



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Child Care Facilities Development and Financing in California

Presented by:

Building Child Care Collaborative Partners

at the

Southern California Resource and Referral Regional Meeting

Friday, June 20, 2003



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.



Building Child Care (BCC) Project

- Who are we?
 - National Economic Development and Law Center (NEDLC)
 - Child Care Facilities Fund of the Low Income Investment Fund (CCFF/LIIF)
 - Child Development Policy Institute Education Fund (CDPI Ed Fund)
 - California Child Care Resource and Referral Network (CCCR&RN)

Funded by Child Development Division, CDE



Building Child Care (BCC) Project

- Who do we serve?
 - Family Child Care Providers
 - Child Care Center Providers (nonprofit and for profit)
 - TA providers (R&Rs, RRCs, LPCs, etc.)
 - Financial Resource Agencies



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Presentation Overview

- **Part One:** The Facilities Development Process
 - Planning, Pre-development, Development, and Start-Up
- **Part Two:** Financial Resources Overview
 - Grants and Loans
- **Part Three:** Where Can Providers Turn for Help?
- **Part Four:** Fitting the Pieces Together



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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



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The R&R Perspective

1. How often do you get facilities development and financing questions from child care providers?
2. What questions do they ask?



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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*
- *Child Care Financial Planning and Facilities Development Manuals*



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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 **Organization or Provider Ready** to take on this project?

(Writing a Business Plan can help 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*



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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:

- *Manual Chapter 3, Developing a Business Plan*
- *Architects and Contractors Referral List*



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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)



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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



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Grant Basics

- Each stage of development requires funding
 - Planning and Predevelopment are best funded via internal resources, grants or soft loans
 - Development costs are better suited to loans
- Typically facility grants are only available to nonprofit organizations.
- 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.



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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*



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Loans

- Why Consider Financing?
- Loan Resources Available



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Why Consider Financing?

1. Meet Higher Costs/ Serve Families Faster

- *Supply of loan capital is far larger than supply of grants*
- *Loans have a faster turn around time.*
- *Raising equity through grants, donations, savings, and internal resources takes a long time.*
- *Loans typically provide larger amounts of money .*
- *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.



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Why Consider Financing (cont.)?

2. 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.*
- *Grant funding for facilities is generally limited to nonprofits and is not usually available to for-profit centers or family child care homes.*



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Why Consider Financing (cont.)?

3. Develop Business Skills

- *Community 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*



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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

The Financial Institution Landscape

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



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For More Information on Loan Resources:

- *The Matrix of Child Care Facilities Development Financial Resources in California* (also on Website)
- *A Resource Guide: Financing Child Care Facilities Development in California*
- **Other Resources for Identifying Loans:**
 - Small Business Administration
 - Micro - Lenders
 - Community Development Financial Institutions
 - Local Government Programs (especially for housing loans and community economic development programs)
 - Local Banks



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Part Three: Where can providers turn for help?

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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Part Three: Where can providers turn for help?

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

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



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Part Three: Where can providers turn for help?

Statewide Resources:

- Child Care Law Center
- California Child Care Resource and Referral Network
- California Association for the Education of Young Children
- California Association for Family Child Care
- Affordable Buildings for Children's Development (ABCD) Initiative



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Part Four: Fitting the Pieces Together

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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Part Four: Fitting the Pieces Together

BCC is working:

To further the development of a TA system in which these varied resources for child care facilities development offer integrated and multi-tiered assistance to providers:

- From BCC at the statewide level;
- From intermediary organizations on the local and regional level;
- From one-on-one business assistance providers, and professional consultants.



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Part Four: Fitting the Pieces Together

An Example of How it Works:

1. R&R Staff receives a call from a local provider who wants to expand her family child care home
2. R&R refers provider to BCC toll free line for assistance
3. BCC talks with the provider about:
 - Where she is in the process and what steps she needs to take;
 - What local TA resources are available and how they help;
 - What financial resources might be available to fit her needs;
 - Other informational resources available for assistance
4. Send packet of materials
5. Provider contacts R&R to gather info on the local child care market



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Building Child Care (BCC) Project

How to Contact BCC for follow-up information:

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

