CALIFORNIA DEPARTMENT OF EDUCATION

CHILD DEVELOPMENT DIVISION

BUILDING CHILD CARE COLLABORATIVE

Report to the Legislature
Child Care Facility Development and Financing:
Barriers and Recommendations

BUILDING CHILD CARE

A California Statewide Collaborative

PROJECT BACKGROUND

Building Child Care (BCC), funded by the California Department of Education, is a collaboration of organizations designed to help child care providers bridge the gap between available public and private sector financing for child care facilities. Four organizations, the National Economic Development and Law Center, the California Child Care Resource and Referral Network, the Child Development Policy Institute Education Fund, and the Low Income Housing Fund, have combined their experience, resources, and expertise to build a clearinghouse of information and assistance for developing and financing child care facilities.

All too often, people interested in starting a child care business or current providers who need help expanding their services have been forced to find their way through a confusing maze of codes, regulations, financing requirements, building requirements, and construction challenges. In California, there is currently no one place to turn for one-to-one technical assistance, support, training, referrals, publications, information, and materials specific to child care financing, capital expansion, and facilities development issues. This Collaborative takes the first step in establishing this one-stop shop by creating the "technical assistance and training" link for the development of California's child care facilities.

Specifically, we provide technical assistance and information to the child care community, gathering key information on the challenges and successes of new child care facilities development projects. We are currently establishing a web site containing information on facilities and financing strategies, and we have a toll-free line that people can call to ask specific questions and to learn about existing resources. We have also begun to provide financial development trainings for local child care advocates such as Resource and Referral agency and Regional Resource center staff, who often provide the first level of contact to existing and potential providers looking for help in purchasing, expanding, building or renovating a center or home-based facility.

The BCC Collaborative recognizes that although this work is an important piece of the larger facilities development work needed in California, it is only a first step. We know first hand that the lack of available funding to purchase, expand or improve child care facilities remains a major obstacle to creating sufficient child care capacity. Technical assistance alone will not address this critical need.

As the statewide contractor for the California Department of Education, the BCC Project has begun to address the need for expanded financing options by working to identify the barriers to current financing and then recommending concrete actions that will improve access to public funding for facilities development projects. In addition, partners within BCC are collaborating with other key leaders in California, such as the foundation community, lending institutions, the private sector and appropriate government agencies to begin building a long-term, sustainable strategy of leveraging public and private financing for child care facilities across the state.

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OVERVIEW

In June 2001, the Building Child Care (BCC) Collaborative[1] entered into an agreement with the Child Development Division of the California Department of Education for the express purpose of developing an intermediary to support child care providers in accessing technical assistance and financing to create, expand or improve child care facilities. This project was created through AB2778 (Jackson), which was signed by the Governor and became Section 8290.1 of the Education Code.

As required by the Legislation, this report seeks to document current barriers to the development and financing of early care and education facilities,[2] as well as to make recommendations to overcome those barriers. In doing so, this document seeks to draw on recent experiences and efforts, including those of the Child Development Policy Advisory Committee (CDPAC) to market the Child Care Facilities Financing Program,[i] and recent efforts of the David and Lucile Packard Foundation to form a statewide public-private intermediary to spur the creation and preservation of child care services throughout the State.[ii]

[1] The Building Child Care Collaborative is led by the National Economic Development and Law Center, with members comprised of the California Child Care Resource and Referral Network, the Child Development Policy Institute Education Fund, and the Child Care Facilities Fund of the Low Income Housing Fund.
[2] Child care, child development and early care and education are used interchangeably throughout this report.

SECTION ONE: BACKGROUND

The provision of quality child care is a function of several interrelated factors including caregiver qualifications and experience, wages, leadership, business management, parent relations, and the physical plant in which care is provided. Ultimately though, both the availability and quality of licensed child care hinge on two key factors: qualified nurturing caregivers; and a healthy, safe, and developmentally stimulating physical environment. Simply put, you need the people and the place. The focus of this report is the place—the physical environment or facilities, which are necessary to provide child care services.

In recent years, growing attention has been paid to the facilities side of the equation. This is attributable to several factors. Most notable, perhaps, is the overwhelming mismatch between the supply of licensed child care and the demand for it from working parents, particularly now that Welfare Reform has encouraged hundreds of thousands of parents to return to the workforce. In California, the licensed supply of child care, estimated at 818,467 spaces in 40,000 child care businesses, meets only 21% of the demand from working parents.[iii] The needs of the estimated 1,256,410 California children in poverty are particularly acute. There are more than 200,000 low income children on waiting lists for subsidized child care,[iv] indicating that unmet demand alone proves the need for expanded child care facilities. Furthermore, demand for space and facilities to house quality child care programs is only expected to increase as school readiness and universal pre-kindergarten programs are explored and implemented in California.

Also notable is the recently documented economic impact of the child care sector in California. The licensed child care industry generates between $4.7 and $5.4 billion dollars in revenue each year. The sector directly employs over 123,000 people in the state (three times the number of employees in advertising, twice the number in lumber, and several thousand more than those in the accounting and legal services industries). An estimated additional 86,000 jobs are indirectly created by the child care sector. Collectively, the working parents of children in licensed child care facilities are able to earn at least $13 billion each year, in turn creating almost $5 billion in tax revenue. Quite simply, child care both directly and indirectly fuels the State's economy.[v]

At the same time that the economy immediately benefits from child care, so do children. How children are cared for in their early years points to clear outcomes later on in life. A recent report published by Children Now perhaps says it best, "A high quality early care and education program can make a crucial difference in a child getting off to the right start in kindergarten."[vi] The social benefits of early care and education have been well documented. The High/Scope Perry Preschool Program, which randomly divided low income three and four year olds into two groups, is but one example. Half of the children received no special services, while the others were enrolled in a quality preschool program, including a weekly home visit until kindergarten. The children who did not participate in the preschool were five times more likely to become chronic offenders in adulthood. In 1995, *The Cost, Quality and Outcomes in Child Care Centers Technical Report* found that children in high quality child care had better language and math skills as well as better classroom social and thinking skills from preschool years into elementary school. In addition, children who received high quality child care "tended to have fewer behavior problems from the preschool years through the second grade."[vii] Also, ensuring that children get off to the right educational start through quality child care increases the likelihood that they will be equipped to participate in the economy later in life.[viii] The double bottom line of child care – economic and social – is clear.

Yet, despite the overwhelming demand for child care and despite evidence of its positive economic and social impacts, agencies in the State have documented a slow growth in the child care supply over the last several years. As cited in the *1999 California Child Care Portfolio*, the number of licensed child care facilities only grew by 4.4% between 1996 and 1998. Initial analysis indicates that there has been positive headway in closing the gap between supply and demand between 1998 and 2000—6% growth statewide. But statewide figures can mask the large swing occurring in different regions of the state. According to Resource and Referral Agency statistics, for example, between 1996 and 1998 Kings County experienced a 120% increase in the number of licensed child care slots while Marin County saw a 3% decrease.[ix]

Moreover, while there may be an increase in the number of facilities overall, there are massive changes in the numbers of new approved licenses and closures in any given year. For example, Community Care Licensing within the Department of Social Services showed that statewide in 1999 there were approximately 54,450 child care center and family day care licenses. During that year, 11,712 new licenses were approved and another 11,304 licenses were closed. This means that in any given year, even if supply remains stable or grows slightly, more than 20% of the provider population may be new to the child care system. (Note: This figure might be somewhat overstated in that facilities are individually licensed, so that a provider may move, triggering both a new license and a closure, while not being new to the field).

The growth trends on a state level bury some of the complex dynamics impacting the supply of child care in communities. For example, in recent years, the supply of child care has been particularly vulnerable to real estate pressures. Due to limited purchasing power, the sector has typically rented property and often used below market spaces. Often child care providers rely on surplus space on school properties, in classrooms or portables, church basements or recreation halls, and other sub-prime commercial or residential real estate. While there is no definitive data on the property status of the child care sector in California, a 1995 survey determined than only 24% of providers responding to a statewide survey ***own*** their facilities.[x] Recent class size reduction in California[xi] has decreased the availability of space in schools, resulting in the relocation, or in some cases, permanent closure of child care programs. This loss of space for the sector and the recent appreciation in the real estate market has left child care providers, who have limited purchasing power, often unable to compete with more profitable uses and it has limited their ability to either retain or gain new space to meet demands from working families. Nearly 10% of state contracted centers, which have applied to the California Department of Education's Child Care Facilities Revolving Fund, have been displaced from current facilities including those in schools. However, this represents only a subset of the child care center supply, and due to the fragmentation of the delivery system and some of the limits of licensing data, the magnitude of class-size reduction and real estate pressures remains difficult to measure.

In addition to the overwhelming need for a greater ***supply*** of child care facilities, there has been growing recognition of the importance of the physical environment to the ***quality*** of child care. The impact of the physical environment on the quality of care was documented in a 1995 four state comparative study: *Cost, Quality and Child Outcomes in Child Care Centers,*[xii] which determined that there is a high correlation between the physical environment and quality of care provided. The adequacy of the physical plant for care giving and child development, whether home or center based, is both immediately apparent and subtler in its impacts. Immediately apparent is how much space is provided per child, the presence of outdoor space for gross motor skill development, the physical condition of the facility in terms of maintenance and upkeep, and the immediate presence or absence of any hazards for children, staff and families. These baseline requirements for space can be enhanced greatly in terms of quality if there is an ability to develop the space specifically for the task of providing early care and education, especially for the age group of children to be served and the staff who will educate them. Quality design features which may have a less immediate, but tangible impact include bathrooms and food prep areas off the classroom with clear site lines, windows and other features designed specifically for children at their height, play spaces immediately off the classroom, teacher break and preparation areas as well as space for the provision of one-on-one and group services to children and families including health, mental health and family support services. These design features can enhance the experience of children and their development greatly, as well as the day to day experiences and success of staff in their work.[xiii]

Together, the factors mentioned above have resulted in focused attention and resources dedicated specifically to meeting the physical plant and related technical assistance and finance needs of the child care sector. The recent pressure on the sector and the loss of leases within it have also prompted a strong desire for ownership or long term tenure for providers so that they can have security, invest in their facilities to make them high quality and developmentally appropriate environments for children and staff, and optimally, build their financial bottom line. To work toward these goals, a movement comprised of child care leaders, parents and community development organizations, has taken hold on national, state and local levels.

Nationally, community development financial institutions and child care leadership organizations joined ranks in the late 1980's, and formed a network of collaboration to address a specific facility challenge: the prohibition of the Federal Head Start Program to allow the use of contract funding for mortgage payments instead of lease payments, irrespective of the cost. This prohibited Head Start providers from purchasing buildings and, therefore, from accessing the numerous programmatic and financial benefits of ownership. The network, now named the National Children's Facilities Network (NCFN), was successful in gaining a regulation change to allow the purchase of facilities by Head Start Programs. In addition to being a peer-based network to share information and best practices, NCFN is currently focused on two strategies to increase the resources and support for the child care industry to meet its facilities needs, particularly in low income neighborhoods. First, NCFN is working on public policy strategies to increase federal investments in facilities and technical assistance.[xiv] Second, NCFN is testing the feasibility of a one-time, $50 million capital campaign among national foundations, corporations, and other private funders to raise a pool of equity to support funding of facilities in low income, high need areas of the country through nonprofit intermediaries.[xv] This national network is sustained by the sum total of common issues and challenges of several statewide and local initiatives.

On the state level, California is a leader in recognizing the importance of children's facilities and finance, largely due to the pioneering work of the National Economic Development and Law Center that began in the 1990's. Recognizing the challenges facing the child care sector and opportunities for collaboration between the sector, community development initiatives, and financial institutions, NEDLC formed the Statewide Task Force for Financing Early Childhood Facilities ("Task Force"), which brought a variety of strong stakeholders together on this issue. The Task Force's resulting report, *Financing Early Childhood Facilities, Investment Strategies for California's Low-Income Communities*,[xvi] created a plan of action for the State. Many recommendations made in the plan were implemented in full or in part, resulting in increased attention to and resources for child care and the development of facilities. Two important off-shoots of the Task Force work were: 1) the creation of two new public financing programs for the child care sector,[xvii] (See next page); and, 2) the creation of a planning process to investigate the feasibility of a statewide public-private intermediary specifically designed to meet the facilities development and finance needs of the child care sector, supported by the David and Lucile Packard Foundation.[xviii]

California Department of Housing and Community Development
Child Care Facilities Financing Program:
Lessons Learned

The Child Care Facilities Financing Program (CCFFP) was established to meet the financing needs of the licensed child care sector in light of Welfare Reform as part of the Thompson-Maddy-Ducheny-Ashburn-Welfare-to-Work Act of 1997 (chapter 270, 1997; Education Code 8277.5). The statute initially allocated $7 million equally between direct loan and loan guaranty components of the program. An additional appropriation of $16 million augmented the direct loan fund in Fiscal Year 2000-2001 and of these $750,000 was dedicated to creating a MicroEnterprise Assistance Program, for loans less than $25,000 to family child care providers who serve more than 6 children. In total, the CCFFP represented a resource of $19.5 million in direct loans and $14 million in the guaranty program (given the 4:1 leveraging rule over the $3.5 million). In July 2001, funding was removed from the program and the program was closed.

Under the program, child care facilities, which met program priorities, could receive a direct loan from $25,000 to $2 million representing up to 50% of a project's cost or a loan guaranty of up to 80% of the loan amount not to exceed $2 million. Direct loan interest rates were favorable and tied to the State's cost of funds (6% at the time the program was closed).

In the two plus years of operation of the program a significant impact was made. Ultimately the program funded 16 direct loans totaling $7,159,600 and 5 loan guarantees totaling $2 million. CCFFP funding created 1,145 new child care spaces while preserving an existing 330. Facilities financed by the program created a total of 180 new jobs, and retained 66. The program had significant geographic reach, with 60% of direct loans reaching rural areas. Due to increased targeted marketing efforts through a partnership with the Child Development Policy Advisory Committee (CDPAC), an estimated $14 million in financing was in the pipeline at the time the program was closed.

The CCFFP was a vital resource for child care providers, which, at least for the time being, has been lost. The challenges faced by the program and the lessons learned through its implementation are important to carry forward. These challenges and lessons are many. First, the program got off to a slow start. While passed in 1997, the direct loan and guaranty components weren't effectively available to the child care field until 1999, and, the MicroEnterprise Assistance Program never got off the ground. Second, marketing of the program was slow to get launched and was not initially targeted effectively. The program quickly learned that child care is very local and that information about the program and how to access it was not immediately apparent at the local level. The program was delivered through interagency relationships between the Department of Housing and Community Development and the Technology, Trade and Commercial Agency. Small Business Development Financial Corporations were the service and contact point for providers. SBDFCs worked with providers to prepare loan applications including business plans. The number of parties involved made the program slow and cumbersome to work with at times. In addition, the lack of familiarity with child care, particularly on the part of the SBDFCs, who were the face of the program, made the program difficult to access for many child care providers. Finally, the product as originally designed was found to be not fully in line with what applicants needed. According to HCD in its annual report to the legislature on the program dated March 2001, "The program's experience has been that some prospective borrowers have difficulty funding 50% of the project costs from other funding sources due to the unavailability of equity funds and thin profit margins that limit their debt capacity. CCFFP believes these projects would move forward if the loan terms were more flexible, e.g., financing larger share of the project's costs, longer loan terms, payment deferrals, lower interest rate loans, allowing a higher percentage of loan participation when used with a loan guarantee." Further, CDPAC recommended that the loan be assumable by other operators. Ironically, at the same time that the program was de-funded, changes were approved to address these concerns, including reducing the interest rate to 3%, extending loan terms to 30 years, reducing the match requirement, and providing for the loan to be assumed by another child care provider. These changes lay important groundwork for the program to be re-instituted successfully.

**Successfully Building the Supply of Child Care Facilities for Low Income Families:
The California Department of Education's Revolving Fund**

In 1998, the California Department of Education (CDE) established the Child Care Facilities Revolving Fund (CCFRF), which provides funding for the lease-purchase of new relocatable buildings.[1] $25 million from the 1997 budget act was appropriated and, due to its flexible terms, the program has been highly successful.

At present, the program provides the following to child care providers currently contracting with CDE:

- Up to $150,000 for a single relocatable building (including architect, engineering, site development, site improvements, inspections and testing)

Facilities funded under this program, with some exceptions, are to be placed on public land. The State holds title to the facility for a period of 10 years, during which the provider makes 0% interest payments to repay the cost of the facility. At the end of 10 years, ownership of the relocatable transfers from the State to the provider. Payments made by providers are returned to the CCFRF to fund the lease-purchase of additional relocatables. CDE's Child Development Division and School Facilities Planning Division jointly administer the program.

The program has had a major impact on the contracted child care sector. As of June 30, 2001, the program had received a total of 1,299 applications from providers. Of these, 372 were ineligible while another 224 withdrew their applications from consideration. As of June 30, 2001, the program had a total of 703 active applications:

- 397 of those were in the planning stage and while approved had not yet received funding;
- 183 had received a first disbursement of funding and had approved plans for the facility; and
- 123 had successfully drawn full funding, installed the buildings, and obtained approval by local authorities.

Of the active applications in the program, just less than 10% sought assistance due to displacement. Approximately 7% needed funding to address health and safety hazards in current facilities. The vast majority of applicants, 87%, were able to undertake expansion projects with the support of the CCFRF.[2]

The program's success is attributable to several key factors. The program is marketed and administered by CDE, which has longstanding relationships with eligible providers. The application process is streamlined and straightforward. CDE staff is available to assist providers through the application and development process. Perhaps most importantly, the program provides assistance on terms that are workable and that most providers can afford. Funds are available for vital architecture and engineering costs, and payments are made on a no cost basis over a 10 year period. The program is well administered and embraced by contracted child care centers as a vital new resource.

[1] Education Code Section 8278.3 established the Child Care Facilities Revolving Fund (CCFRF), which provides funding for the lease-purchase of new relocatable child care facilities.

[2] Note—total exceeds 100% as some providers noted more than one reason for applying for assistance.

In 1997, NEDLC also launched the Local Investments in Child Care (LINCC) Project. Acknowledging that child care is an essential part of California's economy, LINCC exists to stimulate public and private investment policy to meet the child care needs of children and families in California. LINCC has conducted local, and now statewide economic impact reports, which articulate the impact of the licensed child care industry on local economies. These reports have facilitated dialogue between the child care sector and local economic development policy makers, employers, and private lenders and are helping build local partnerships aimed at increasing the child care industry's capacity to respond to the shifting needs of California's families. The LINCC project is active in Alameda, Kern, Los Angeles, Monterey, San Mateo, Santa Clara, Santa Cruz, and Ventura counties in California. Participants in LINCC engage in localized strategies within a framework of statewide collaboration, support and policy.

In 1998, NEDLC and the Child Development Policy Institute Education Fund partnered to offer *Maneuvering the Maze* workshops designed specifically for center and family based child care providers throughout the state to provide key information on facilities development, financial management and sources of financing. These highly successful workshops identified a strong desire for information and training among providers. The workshops provided real-life leaders who shared their experiences as well as panels of lenders who spoke in lay terms and outlined the resources available and the processes for obtaining financing. The workshops marketed available funding and spurred the development of projects. Also, the policy sections of the workshops uncovered some key barriers to facilities development, such as the need for equity financing, and complications around local land use policies, which can make child care development difficult.

While funding and policy efforts often take place at the national and state level, much of the physical development and finance work for child care facilities takes place on the local level. For example, local governments usually control regulatory approval of child care facilities (land use, zoning, planning, building code, fire). Also, local Resource and Referral agencies are often a key source of support for providers as they contemplate and undertake facility projects and/or expansion plans. In addition, child care markets are very local in nature and may vary from block to block or neighborhood to neighborhood, let alone city to city. One-on-one technical assistance is best provided in person, and much of the financing for child care development is local in origin. Thus, much of the facility work takes place locally, on a project by project, or in some cases more systematic local or county-wide basis. For example, the LINCC project described above, works on a county by county basis in eight regions. In addition, facilities and finance partnerships exist in San Francisco and Marin Counties. See ***Appendix A*** for a description of the San Francisco Child Care Facilities Fund, an example of a local facilities partnership. Recent in nature, these initiatives have been successful in working on regulatory barriers, physical development and financing challenges, on both a project-by-project as well as systemic, city or county-wide basis.

For additional information on this subject, it should be noted that the scope and breadth of child care financing issues—both service and capital—on the national, state and local levels is perhaps best documented by the Kauffman Foundation's 2001 publication, *Financing Child Care in the United States*.[xix]

The facilities movement, comprised of local, state and national efforts, has resulted in a dramatic and marked increase in the attention to and resources for children's facilities development and finance in California. The availability of resources is best documented by *Child Care Facilities Development Financial Resources and Technical Assistance in California,* prepared by NEDLC in January 2001. This document is provided as ***Appendix C.*** Despite this marked increase in attention to and resources for facilities development and finance, barriers to developing and financing facilities remain and the wide scale impact that is needed to meet the demand for care, particularly in low income areas of the state, is staggering.

The balance of this report is devoted to documenting the barriers that remain despite recent progress and to making recommendations to overcome these barriers.

SECTION TWO: BARRIERS

Despite the overwhelming need for and benefit of early care and education services, there remain several barriers to the physical development and financing of facilities. Though the magnitude of these barriers varies, they can be identified in three main categories:

1. **Regulatory or Systemic Barriers;**
2. **The Limited Real Estate and Finance Capacity of the Child Care Sector; and**
3. **Economic Challenges**

1. Regulatory and Systemic Barriers to Facility Development and Finance

Once built, the state government regulates the provision of licensed child care. However, in the development process, local regulations including land use, zoning, building codes, and planning, greatly impact the siting, scale, location and use of facilities.

Treatment of small family child care (up to 6 or 8 children) is standard across the state due to a statute which describes family child care as a residential use of property and therefore permits these businesses and services to be established in neighborhoods *as of right* (e.g., without special or conditional use permits).

However, development of large family child care homes (9 to 14 children) as well as child care centers is subject to local review and approval. The local standards, which are applied to these larger child care facilities, vary greatly from jurisdiction to jurisdiction. Some may require fees (ranging from nothing to several thousand dollars); some may require conditional or special use permits to allow the provision of child care in certain zoning classifications; and such permits and project review may be based on public hearings and/or require traffic or noise impact studies, which could incur additional costs. Sometimes, permission to develop these larger child care facilities may be granted *as a right* with little time and money invested. Or, conversely, the application process, fees, hearings, and required reports may result in a cost of thousands of dollars and an investment of months of time depending on local regulations.

Local land use decisions need to account for potentially competing uses in a given area and balance multiple uses. For instance, the traffic and noise impacts of child care must be considered. Yet, undue barriers may be placed on the development of child care services in some jurisdictions. For example, the Ventura County LINCC project conducted a survey that found huge variation in the process, fees and time required to obtain approval of large family child care homes and centers within the County. Specifically, a large family child care home in Thousand Oaks must obtain a special or conditional use permit, attend a hearing, and pay fees of $960—a process which typically takes several months. Due to more supportive land use planning, a similar sized venture in a different part of Ventura County may obtain a permit over the counter in half an hour with no hearing requirements and a fee of $40. "Child care providers and advocates blame such disparities on a lack of appreciation about day care's role in society and on not-in-my-back yard attitudes."[xx] However, "City officials say they must retain some control over home-based centers, which can cause traffic, parking and noise problems in neighborhoods."[xxi]

These early development approvals, particularly in areas that have more stringent requirements, can be a significant barrier to the development of child care. Providers may not have the technical expertise, wherewithal and financial resources to risk up front to navigate the project approval process. In addition, in hot real estate markets in particular, providers might not be able to tie up property pending the approval process.

This investment of time and money is high risk as project approval is not guaranteed and dollars invested may be lost.

It is also worth noting that while the economic and social benefits of child care may be apparent to parents and providers, they are often unnoticed by communities at large. As a whole, the sector is relatively hidden, contributing to its project approval challenges. In fact, child care is not an explicit consideration in the land use planning and approval process for most jurisdictions. Child care is not one of seven required elements of General Plans,[xxii] but is instead often woven into other elements on community facilities, transportation, or maybe even housing if it is addressed at all in these vital road maps for physical development in communities.

Outdoor play space, which is vital for the healthy development of children, can pose additional challenges for child care centers, both those in development as well as currently operating facilities. First, the practice of Community Care Licensing granting waivers for the outdoor play space requirement in dense urban areas, which enabled providers to utilize public parks, has been eliminated. Therefore, new facilities must develop strategies for meeting the requirement of 75 square feet per child of outdoor play space, or in cases where that is not possible, dedicate a similar portion of space for indoor gross motor activity areas. In dense urban areas, this can pose a significant challenge in terms of locating space and developing it to the appropriate level for children. Outdoor activity area requirements can pose additional cost burdens to projects.

In addition, the State recently passed new public playground safety standards with which all licensed child care providers must comply. Passed in 1999, AB 1055 amended the Health and Safety Code that governs safety standards for playground facilities and equipment that are open to the public, including those in licensed child care centers. Under the law, all operators of child care centers need to have completed a playground safety inspection by October 1, 2001 for the purpose of identification of issues to come into compliance with the new safety standards. Generally, with some exceptions, playgrounds must be upgraded to come into compliance with the new safety standards by January 1, 2003. Playgrounds operated by public agencies are required to be upgraded only to the extent that state funds are made available for the purpose. This is not true of privately operated child care centers. The child care field has questioned the appropriateness of the standards for supervised play which takes place in licensed child care, and has scrambled to find the resources to both fund inspections which typically run between $200 and $700 per facility, and to make any upgrades or renovate playgrounds to meet the standards. In some instances the changes needed are minor, in many cases significant changes or entirely new playground installation are required. Depending on several factors, developing a new playground to meet the new safety standards can cost between $30,000 and $120,000 or more.[xxiii]

2. The Limited Real Estate and Finance Capacity of the Child Care Sector

There are some barriers to child care facility development and finance which the child care sector itself brings into the equation. These barriers stem from the funding culture and skill base of the typical provider.

As a sector, many child care providers (particularly nonprofits with state contracts) have been historically grant funded in a manner to create no net profit at the end of a given period. The typically tight margins and history of being grant funded can create reluctance to explore debt. Many providers see multiple risks in utilizing financing, including burdening future leadership with loan payments. At the same time, providers can fail to see some typical benefits such as the economic efficiency of paying for capital costs over time and leveraging savings or grants with debt. Yet, smart utilization of debt will be a key tool for the sector to ramp up its capacity to meet the needs of working families throughout the State.

Marketing debt to child care providers is a challenge. The child care sector in California is comprised of family child care homes and centers; two very different forms of organization and styles of business. In addition, providers and programs are diverse in terms of language, culture, geography and their approach to working with children. In order to have maximum impact then, training, debt, and finance tools need to be made available to child care providers in sector specific terms to which they can relate.

In addition to being debt adverse, many segments of the sector lack tangible skills for maneuvering the complex and interrelated mazes of regulation, facility development and finance. Any one development project can require land use permits, the development of a business plan including capital budgets and operating projections, the management of architects and contractors through construction, the assembly and management of several different funding streams (each of which may have their own unique requirements), and the approval of licensing and fire regulations (among others). All these tasks must typically be achieved by early childhood educators who are not only not trained in these skills, but who also have many other responsibilities, demands or projects going on at the same time. Currently only the most sophisticated providers have the requisite skills and support necessary to successfully develop facilities and access financing.

Note: While no definitive data on this point is available, a relatively small segment of family child care homes and centers have been successfully developing facilities and accessing financing in California over the past few years. Picturing the child care sector as a pyramid, only the very top of the triangle is currently undergoing capital expansion and/or using debt (other than high cost credit cards) to meet their capital needs. Some of the characteristics, which this relatively small segment of the delivery system may share:

- Being part of a broad spectrum agency and/or a multi-site child care agency operating at scale with related economic efficiencies and fiscal/business systems;
- Leadership with some experience and comfort with capital projects and/or debt;
- An ability to access and manage a range of traditional and nontraditional funding sources;
- Creating projects which have an economic edge (e.g., land donations, partnerships with other nonprofits such as affordable housing developers, or mixed use projects which generate income to subsidize the child care operation);
- External factors, such as losing a lease or site, which require them to overcome hurdles in order to survive; and/or
- The ability to draw on a supportive local environment and/or system of support.

3. Economic Challenges

A final set of barriers can be grouped as economic challenges for the sector. The nature and type of funding of the system and competing demands for limited resources create significant challenges to the financing of the sector. In fact, the economics of child care make loans difficult to underwrite, even on flexible terms. The challenges are many and interrelated.

First, the revenues generated by child care are limited, resulting in typically limited net income to devote to paying down capital costs over time (amortization). Limited net income or cash flow to devote to loan repayments means that providers are limited in how much they can borrow (particularly relative to project cost), and require loans at lower costs and on longer repayment terms.

While providers may require longer repayment terms because of their limited cash flow to amortize debt, they are often reliant on fluctuating parent fees and/or on public funding streams (contracts or vouchers), which are subject to market risk and are typically renewed on a year-to-year basis. This presents often undue risk for a lender in that primary funding sources to repay a loan are not committed but for a year at a time, while a provider/potential borrower may require 10, 20, or even 30 years in which to repay the costs of the project. A notable exception to this typical situation is that Head Start providers receive contracts for longer terms at rates that are negotiated and may provide sufficient cash flow to amortize debt. However, in general providers typically present relatively weak cash flow, the primary repayment source of a loan.

In addition, child care providers also often present fairly weak collateral, typically viewed as a secondary source of repayment for a loan if for some reason the business doesn't perform as planned and sufficient cash flow to repay debt is not generated. Collateral can take many forms including a lien on real property, pledges of cash or other assets, or perhaps a guarantee from a third party. Only a fraction of child care providers, about 25%, own property and are able to pledge it as collateral for a loan. However, if the real property is a child care center, it is often specially developed for the care giving of children and has limited alternative uses which may impact how a lender views the collateral and therefore how much a provider may borrow. It is anticipated that the majority of providers may not own property, and therefore will be seeking improvements loans for property they don't own. This complicates what, if any, collateral they can provide, and a lender will typically seek other assets such as cash or third party guarantees. Again, the typical provider does not have a strong balance sheet and may need to seek a sufficient third party backer to make a loan work.

A third factor that complicates borrowing by child care providers is an often present internal tension regarding where to invest limited funding. Facility needs may compete with other priorities. For example, child care providers may struggle to balance a need or desire for a new/expanded facility and debt with a desire to devote resources to recruitment and retention of qualified staff. Given limited resources, and competing demands, investing in child care facilities and incurring related debt may not be a priority.

Given the economic challenges outlined (cash flow, collateral, and competing uses for funds), providers often need to find multiple funding sources for any one project and combine loans with grants or equity from public and private sources. Therefore, projects may typically require multiple funding sources, with multiple expectations or requirements. A variety of funding sources will increase the complexity of the transaction, the skills required to manage the transaction, and the lead time for the whole project and funding sources to come together.

Due to limited cash flow and collateral as well as competing interests of where to invest limited dollars, only a segment of the child care sector can borrow funds to undertake facility projects, given the current environment. Efforts to overcome barriers to facilities development, and to increase the supply of child care in the State, must take into account that not all child care providers can afford to borrow, and must clearly target resources to the segment of providers most likely to be successful.

SECTION THREE: RECOMMENDATIONS

Our recommendations flow from the barriers identified. First, efforts must be undertaken to address the regulatory and systemic barriers to facilities development and finance in order to create a fertile environment for development. Second, the child care sector itself needs assistance to enhance its capacity to undertake facility development and finance. Third, financing which addresses the economic challenges of the sector needs to be made available and the sometimes risky development environment for child care providers and often limited cash flow to service debt need to be taken into account. The fourth and fifth recommendations included in this section speak to broader, more encompassing needs for the child care sector. The fourth recommendation concerns the larger picture of child care in California, and how to work toward meeting financial goals for it. The fifth recommendation is highly important in making all efforts to decrease barriers to child care facilities development actually work. This recommendation centers on the idea that such efforts hinge on the importance of collaboration.

RECOMMENDATION 1:

IMPROVE THE REGULATORY AND LAND USE ENVIRONMENT TO SPUR CHILD CARE DEVELOPMENT

Drawing on local successes with land use, such as those in the LINCC counties mentioned above, developing a statewide approach to improve the regulatory and land use environment for child care is critical.

A. **CREATE MODEL CHILD CARE PROJECT APPROVAL STANDARDS FOR LOCAL LAND USE AND ZONING DECISIONS**
   Land use decisions will remain under local control. However, backed by the Child Care Policy of the American Planning Association,[xxiv] the Building Child Care (BCC) Collaborative (as a statewide resource for technical assistance) can provide model child care review standards for consideration by local jurisdictions. Ideally, these will be developed in collaboration with the California chapter of the American Planning Association, the Child Care Law Center, and LINCC counties who have pioneered land use work. Once developed, BCC's partners on the regional and local level can then use the models developed at a statewide level as tools to encourage more favorable land use consideration of large family child care homes and child care centers. While such decisions will remain with local jurisdictions, the intent of developing model standards will be to share best practices across counties and to form a tool for educating and assisting local planners.

B. EXPLORE THE CREATION OF A CHILD CARE ELEMENT OF GENERAL PLANS

In California, a general plan is a city or county's basic planning document, serving as a roadmap for future community development. Any time a local government approves a particular use of a property within its jurisdiction, such use must be consistent with the city or county's general plan. "Typically, a general plan consists of statements about development policies, diagrams of different city zones, and standards for regulating development."[xxv] Currently, California general plans have seven mandatory elements: land use, circulation, housing, conservation, open space, noise, and safety. The general planning process is lengthy, involving a range of stakeholders in charting a course for development. While often considered within one or more sections of a general plan, child care is not required or given explicit consideration in these vital documents. Creation of a required element for child care will: send the signal that child care is a vital part of community infrastructure, create a forum for communities to consider their child care needs, and identify a strategy for meeting them on a regular basis to ensure that land use decisions are consistent with the goal of increasing the child care supply.

RECOMMENDATION 2:

BUILD THE CAPACITY OF THE SECTOR TO UNDERTAKE DEVELOPMENT AND FINANCE PROJECTS

Several key, interrelated steps must be taken to build the capacity of the child care sector itself.

A. EDUCATE THE SECTOR WHEN AND HOW TO USE DEBT

A primary task to overcome the cultural aversion to debt is to educate the child care sector about the appropriate and strategic use of debt to meet its capital needs. Education efforts need to be grounded in sector specific examples and take a multi-tiered approach in order to be effective. First, the field's current trainers such as Resource and Referral agency staff, Regional Resource centers, local planning councils, and community colleges need to be broadly educated on the issue to open the door of possibility to providers. Second, providers themselves need to be informed about the appropriate use of debt. This education must take several forms to be effective. Sector specific publications and written materials can lay a foundation of information. These materials can be brought to life in workshops or classes. A final and critical element is one-on-one technical assistance to aid providers in applying what they have learned from a publication or class to their individual agencies or circumstances. This layered approach is vital, and, it is currently underway through the Building Child Care Collaborative. These education efforts must be refined and continued in order to raise awareness about the possibility of development and debt among child care providers generally.

B. CONTINUE TO DEVELOP & PROVIDE SECTOR SPECIFIC TECHNICAL ASSISTANCE STATEWIDE

Once educated about the strategic and appropriate use of debt to meet their capital needs, most providers will need significant technical assistance ("T.A.") to complement their skills and to maneuver the maze of facility development and finance. T.A. services should take several forms in order to balance efficiency of scale against the specific and individualized needs of providers and projects.

Many aspects of facility development and finance are standard and can be adequately addressed in a one-size fits all manner across the State. The development process or the elements of a business plan, for example, do not vary. Publications should be centralized through the Building Child Care Collaborative and made readily available to the field on these topics. Additionally, one-on-one local assistance may be needed to undertake these tasks in a local environment or to overcome very localized challenges such as land use approvals. We therefore recommend continuing to nurture the web of statewide, regional and localized assistance that has recently emerged to support the child care sector with its facility development and finance needs.

First, the Building Child Care Collaborative should be cultivated as the statewide clearinghouse for the current trainers of the child care field as well as providers themselves. Advised by people working on the local level, BCC can refine, develop and disseminate sector specific written materials, comprised of publications, Internet resources, workshops and classes which can be developed and deployed at the statewide level. Materials should focus on a range of topics, particularly provider readiness to take on a facility development or expansion project as well as project feasibility analysis. Regional and local trainers of the field can bring these resources to life, and provide one-on-one assistance where it is needed and where there is capacity. Local partners include **Regional Resource centers**, **Resource and Referral agencies**, **local planning councils**, **LINCC counties**, **other counties with facilities partnerships, child care coordinators, and other key leaders on the local level**. In its report related to the Department of Housing and Community Development Child Care Program, CDPAC stated that "Developing a one-stop information source within an existing local entity to help people identify funding alternatives that best fit their business would be a tremendous benefit to child care providers of all kinds."[xxvi]

As this one-stop information source, the Building Child Care Collaborative must work actively to ensure strong links with local delivery systems and to ensure that resources developed at the statewide level meet the needs of local partners.

C. ENCOURAGE PARTNERSHIPS BETWEEN ECE PROVIDERS AND DEVELOPERS TO ENCOURAGE THE INCLUSION OF CHILD CARE

Due to the sometimes limited capacity of child care providers in the areas of real estate development and finance and the reality that these skills may be needed once or a few times in an organization's life, partnerships between the early care and education field and developers of real estate can be very powerful. These partnerships can involve large scale commercial or real estate developers who may be required to include community services in a development or chose to do this as an amenity for residents, tenants, or employees. Housing and community development organizations are also potentially powerful partners to meet the needs of low income families on the neighborhood level. Such groups have successfully partnered with early care and education organizations throughout the state to efficiently (in terms of time and cost) develop new child care services in family child care homes and child care centers in affordable housing and other community developments. *See **Appendix B** for a dynamic example of how such partnerships can be successful.*

D. BOOST THE AVAILABILITY OF ONE-ON-ONE TECHNICAL ASSISTANCE TO PROVIDERS WHO ARE READY AND HAVE FEASIBLE PROJECTS

According to the experience of the writers of this report and the findings of Statewide focus groups that CDPAC and the Packard Foundation conducted with providers earlier this year,[xxvii] early stage, one-on-one technical assistance is needed by the field in order to develop projects and to move them forward in a timely manner. While costly, one-on-one technical assistance is critical for child care providers in order to bring materials they have read or workshops/classes they have taken to life and to help them apply these resources to their own situations. Too often, costly mistakes, in terms of time and money, are made in child care facility development due to the complexity of the task, and the lack of support available to help providers work through that complexity.

Therefore, as mentioned above, regional or local capacity needs to be supported where it exists so that providers can receive this vital assistance. In addition, the Building Child Care Collaborative must be resourced and positioned to provide one-on-one assistance in those areas where no regional or local resources exist.

RECOMMENDATION 3:

CREATE NEW, VITAL SOURCES OF FINANCING TO CLOSE GAPS AND OVERCOME BARRIERS

Despite a great increase in financing sources for child care providers in recent years, key funding gaps remain. Family child care providers are particularly underserved. In addition, child care centers need no or very low cost upfront funding to appropriately plan projects.

A. CREATE A PUBLIC VEHICLE FOR MEETING THE CREDIT NEEDS OF FAMILY CHILD CARE HOMES

The marketing and program consultation efforts of CDPAC regarding the HCD loan program, including focus groups with providers, highlighted the pent up demand of family child care providers for credit that addresses their unique needs. In fact, "HCD received 75 calls requesting information about the Microenterprise program" following a focus group on the potential program.[xxviii] Despite being in the original design of the program, this component of the program was never launched. This is a key and vital niche for the public sector to address given the unique needs of family child care operators as well as the relatively small loan amounts (up to $25,000) and high transaction costs which limit private sector activities for this market. This niche can be filled by refunding the Microenterprise Component of the HCD Loan Program as recommended by CDPAC. Or an alternative delivery system backed by State funding could be developed. Family child care is an essential part of the supply, and the public sector should support it, at least in part, to address pent up demand within the child care sector.

B. CREATE EARLY STAGE HIGH RISK GRANT OR RECOVERABLE LOAN DOLLARS FOR CHILD CARE CENTERS TO STIMULATE PROJECT DEVELOPMENT AND AVOID COSTLY MISTAKES

Each phase of facility development and finance is challenging. However, early stage planning and predevelopment activities are critical. At this juncture, the outlines of a project are determined and, at times, costly mistakes can be made. Child care providers need capital that they can risk to determine if a project is feasible, and if so under what circumstances. Up front predevelopment dollars of $500 to $1,000 per child care space can give providers the funding they need to conduct due diligence, hire outside experts and determine what course of action, if any, to take. Early stage grant and recoverable loans will position providers and projects to more readily access the financing that is currently available from a range of public and private sources. Filling this gap, along with bolstering one-on-one technical assistance, will be a high impact strategy to move the most viable projects forward in a most efficient manner.

RECOMMENDATION 4:

CHART A COURSE FOR MEETING THE $5 BILLION TO $6.5 BILLION NEED FOR CAPITAL FINANCING FOR CHILD CARE FACILITIES

Firm data about the unmet capital needs for licensed child care facilities is not available. A 1996 report funded by the David and Lucile Packard Foundation estimated the unmet child care facilities need in California at $5 billion.

Another proxy for facility costs can be drawn from the school system and average per pupil spending for facilities. According to a CDE report published in April 2001 that documents school spending per student for the school year 1998-1999, an estimated $5,956 is spent per k-12 student in California each year. $3,925, or 66% of that is on classroom costs (teachers, instructional aides, counselors, nurses, books, supplies, equipment). $1,675, or 28% is spent on school site costs, including buildings.[xxix] Using the $1,675 figure as a ballpark investment needed per child care space and estimates from the Child Care Resource & Referral Network that there is demand for a total of 3,897,461 licensed child care spaces, a total of $6,528,247,175 in child care facilities investment is needed.

Therefore the need for capital financing is somewhere between $5 billion and $6.5 billion dollars. As a working goal, 50% of these needs, or $2.5 to $3.25 billion, should be met directly or indirectly by the public sector while the balance should be met by private sources.

It will take multiple strategies to meet this challenge. Closing the credit gap will require both equity and debt from public and private sources. The public sector has a strong role to play in providing equity, soft debt and credit enhancements or guarantees to spur private sector lending. Private sector lenders, both traditional and nontraditional, have a key role to play in meeting this challenge.

A. CONTINUE AND INCREASE PRIVATE INVESTMENT

There has been a dramatic increase in the financing made available to child care providers by private lenders. Technical assistance and education for lenders should continue through local partnerships and the Building Child Care Collaborative, to build upon and expand the trend of private investment in child care facilities on workable terms. The guaranty component of the Child Care Facilities Financing Program, or a similar program, should be re-instituted to leverage and spur this investment. Community Development Financial Institutions have a key role to play in bridging the gap between public and conventional private sources.

B. CONTINUE AND INCREASE PUBLIC INVESTMENT

Minimally, the State should continue if not increase its commitment to the California Department of Education's Child Care Revolving Fund, which has successfully met a segment of need. In addition, the State should strongly consider re-instituting the Child Care Facilities Financing Program, both direct loan and guaranty, with the key amendments passed in June 2001 if it proves to be in alignment with and complementary to the process convened by the David and Lucile Packard Foundation. Combined, these strategies will make a significant step toward closing the gap between what child care providers can privately finance and what their overall needs are.

However, given the cash flow constraints of providers, a persistent unmet challenge remains increasing the sources of equity for these important projects. For example, tax credits which reward private investment in child care facilities should be strongly pursued as a way of closing the equity gap for child care providers in low-income, high need areas.

One other suggestion for meeting the public funding challenge is that State Children and Families Commission funding could be explored as a complement to state general fund dollars.

RECOMMENDATION 5:

COORDINATE FACILITIES AND FINANCE EFFORTS

The child care sector and many efforts to address their facilities and finance needs have been fragmented. At a minimum, current efforts need to be more tightly coordinated.

A. TECHNICAL ASSISTANCE, MARKETING, AND FINANCE EFFORTS NEED TO BE RESPONSIVE TO THE NEEDS OF CHILD CARE PROVIDERS, AND MUST BE CLOSELY COORDINATED AND LINKED

Increasing the technical assistance infrastructure for child care providers needs to be the first priority because providers have had major challenges accessing the financing that was previously or is currently available. The technical assistance strategy outlined in Recommendation 2B, which should be housed in the Building Child Care Collaborative but comprised of a network of partners throughout the state, should be the clearinghouse for these activities.

These increased technical assistance efforts must be closely linked and coordinated with the marketing and application process for financing. The web of technical assistance providers at the State, regional and local levels must be versed in the financing that is available and must be able to make appropriate referrals to funding sources so that the funding that is available can be accessed successfully. In addition, one-on-one assistance must be available to help providers not only identify funding, but navigate the application, commitment, closing, disbursement and monitoring process for each of potentially many funding sources.

B. RECOGNIZE THAT NO ONE RESOURCE ALONE CAN DEVELOP A LARGE NUMBER OF FACILITY PROJECTS OR CREATE AN EFFECTIVE SYSTEM OF SUPPORT AND FINANCING FOR PROVIDERS

The regulatory, capacity and finance barriers are challenging and the costs of developing new child care spaces are too great for any one sector to successfully address the range of demand. Several public programs as well as private initiatives of foundations, lenders and nonprofits have been successful in developing or addressing some of these issues. A web of assistance, which concertedly addresses the regulatory, capacity and finance barriers, is needed. This assistance needs to be specifically targeted to child care providers and must be supported by the public and private sectors. Discussion about these needs is taking place in a business planning process for a Statewide Intermediary convened by the David and Lucile Packard Foundation. The State should actively participate in this process to identify successful strategies for collaborating and leveraging investments.

C. PARTICIPATE IN AND ALIGN INVESTMENTS WITH THE STATEWIDE INTERMEDIARY PLANNING PROCESS BEING UNDERTAKEN BY THE DAVID AND LUCILE PACKARD FOUNDATION

The David and Lucile Packard Foundation ("Packard Foundation") has a history of providing loans, loan guaranties and interest rate write downs in the five counties they serve. For the past three years, they have been engaged in a business planning process to establish a vehicle that will assist child care providers throughout the State to identify and access funding for facility development. The State should actively participate in this process in order to: a) identify opportunities to leverage public investment with private dollars; b) align the efforts of this potential new effort with current initiatives including the Building Child Care Collaborative, Regional Resource centers, and Resource and Referral agencies; and, c) participate in mapping out the most effective strategy for meeting the immense needs of the child care sector and their facility and finance challenges.

CONCLUSION

The child care field and its many partners in the public and private sectors have made great progress in meeting the increasing child care demands of families over the past several years. Despite this progress, a huge challenge remains to close the gap between the demand for care from working families and the supply of available, quality facilities. Creative thinking, hard work, and collaboration that builds on the successes of the last several years will enable us to successfully meet the important challenge of creating a quality child care alternative for every child in California.

APPENDICES

A. San Francisco Child Care Facilities Fund Program Description

B. Beach Flats Child Care Center Project Summary

C. Child Care Facilities Development Financial Resources and Technical Assistance in California

Appendix A

SAN FRANCISCO CHILD CARE FACILITIES FUND PROGRAM DESCRIPTION

The San Francisco Child Care Facilities Fund (CCFF) has used public sector dollars to leverage both foundation and business investment to support the development and renovation of child care facilities. In 1998, San Francisco determined that there was a significant shortage of child care spaces after welfare reform. In order to meet the increasing demand for child care, the Low Income Housing Fund, in partnership with foundation, corporate, and local public support, launched the Child Care Facilities Fund. This strategic public-private partnership is designed to expand and improve child care facilities in San Francisco's lowest income neighborhoods in three ways:

1. CCFF responds to the tremendous need for high quality care, particularly in low income neighborhoods, by aiding in the development of state of the art facilities.

2. CCFF offers child care providers timely and affordable financing for facilities improvement and expansion. This includes grants to family child care providers to create, maintain or improve child care spaces, and grants and low interest loans to centers to create new child care spaces, as well as preserve existing ones.

3. CCFF provides child care operators with business skills to manage their finances and facilities. This is done through courses and workshops on topics such as managing a capital improvement project, financial management, and advanced business practices. The CCFF also provides one-on-one technical assistance around facilities and business management.

The Board of Supervisors initially allocated $200,000 in city funds to support the project and increased their allocation to $600,000 for subsequent years of the project. In addition, a city developer child care impact fee that has existed since 1985 provides sustainable public funding for CCFF. The developer fee is generated through a law requiring that certain new office or hotel buildings include space for a child care center, or developers must pay a fee to the Child Care Capital Fund. A portion of the Child Care Capital Fund goes to the CCFF. The CCFF has used these public investments to leverage investments from foundations such as the Miriam and Peter Haas Fund, as well as a major consumer lender, The Providian Financial Corporation.

The CCFF offers grants to family child care providers for one time facilities and equipment costs for start up, quality improvement, or expansion costs. It also offers planning grants and low cost construction, equipment, and working capital loans to create spaces or improve the quality, safety, and overall environment of centers.

How the CCFF Works in San Francisco - A Project Profile: One Church Apartments

CCFF jump-started the San Francisco Redevelopment Agency by providing data about the child care demand in the One Church Street Area, and encouraged them to include a child care center in their plans for the parcel. Next, CCFF assisted the housing development corporation, Bridge Housing, in the square footage allocations and rough parameters for the child care space. Then, CCFF helped Bridge Housing find a qualified operator for the site. Now, CCFF's Facilities Developer is working hand in hand with the child care provider to develop capital and operating budgets, develop a funding plan, hire necessary consultants, and keep the project on track from final pre-development through construction. In addition, the CCFF will package more than $800,000 in grant and loan financing for the project. A new state of the art facility serving 27 infants and toddlers will be opening in September 2002.

As of September 30, 2001, the San Francisco Child Care Facilities Fund has financed a total of 4,609 child care spaces, more than 1,900 of which are new additions to the child care supply. In addition, the CCFF has trained nearly 1,000 child care providers and community development leaders on key business and facilities issues.

Appendix B

BEACH FLATS CHILD CARE CENTER PROJECT SUMMARY

Mercy Housing California, an affordable housing development corporation, is working to develop new affordable housing, a child care center, and a City Community Center in the Beach Flats neighborhood of Santa Cruz. The new development will involve the replacement of three substandard apartment complexes. The existing studio and one-bedroom apartments will be replaced with 48, two, three and four bedroom apartments to better accommodate the needs of the resident families who will receive relocation benefits and first preference to return to the new housing once it has been completed. Rents in the completed development will serve households with income levels between 30% and 60% of the area median. This project, which has been in planning for several years, will address some of the worst substandard housing conditions in the City. It is the first step in the process to improve and preserve Beach Flats as a residential neighborhood.

In addition to the affordable housing and a new City Community Center, this development will include a state-of-the-art child care program that will include a child care center and two units of housing specially designed for use as family child care homes. The two family child care homes will be developed separately from the center program and will be designed to accommodate and be licensed for up to 14 children each. It is hoped that the selected family child care providers will focus on the provision of infant and toddler care as a complement to the center’s 32 space pre-school age program.

The new child care center will be an integral part of the new affordable housing project and the Beach Flats neighborhood as a whole. The following is an outline of the “givens” of the child care center:

- The child care center will be located on the ground floor of a four story residential building. It will share the ground floor with the new City Community Center.
- Due to very tight space constraints, the proposed child care center will need to make its play yard areas available for use by the adjacent City Community Center when the child care program is closed.
- The City Community Center portion of the building will be owned and operated by the City of Santa Cruz. The child care center will be owned and maintained by Mercy Housing California and leased to the selected child care provider.
- Mercy Housing California will raise the money to finance the construction and land costs of the new center. The child care provider will not have to pay for any debt service. The child care provider, however, will be expected to pay a pro-rata share of

the operating costs of the building and will be asked to participate and assist with portions of the project's fundraising process.

- Although final designs for the child care center have not been completed, the center will include two classrooms, a kitchen, staff rooms and offices and storage space all within a total square footage of approximately 2,400 sq. ft.
- The child care center will be planned with the intention of meeting NAEYC accreditation.
- The child care center will be designed to serve pre-school age children, 24 months to 5 years of age. It is suggested that one classroom could serve "younger" children within this age group and that the second classroom could serve the "older" children within this age group.
- The development timeline for the child care center will be dictated by the timeline of the larger affordable housing development and is highly subject to change. Optimistic projections at this time anticipate the start of construction by late 2002 with the completed center ready for operations by late 2003.
- The child care must be fully subsidized in order to be affordable to the residents of the Beach Flats community.
- The child care program will be bi-lingual/bicultural and care will be provided in each child's home language (Spanish or English).
- The child care program will give priority to the children of families that live in the completed Beach Flats Affordable Housing Project.
- Mercy Housing California is very supportive of using "green" building practices and materials. It is hoped that the child care center will be a model of design and material selections that will provide high interior air quality and other health related benefits particularly important to young children.

Appendix C

Child Care
Facilities Development Financial Resources
and Technical Assistance in California

National Economic Development
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January, 2001

Expanded Manual Now Available: See Next Page for Details

In 1996, the National Economic Development and Law Center (NEDLC) published "Loan Capital for Early Childhood Facilities: A Sampling of California Resources". It included explanations of the types of financial resources available for child care facilities development, tips on obtaining those resources, and a survey of sample resources available throughout the state. While not exhaustive, the survey created a base of information on facilities development financing available in the state of California. Encouragingly, that base has expanded in the past few years, prompting the Center to revisit, revise and expand the materials during 2000 /2001.

For providers and advocates looking to construct, expand or renovate a center- or family-based operation, the revised version, "A Resource Guide: Financing Child Care Facilities Development in California," provides an inventory of child care-friendly financial resources – primarily in the form of loan capital – that meet a wide variety of facilities development needs. For those unfamiliar with the financial landscape, the guide also describes particular financial institutions, their purposes, and programs available to the public. By better understanding the financial industry, child care providers – as owners and managers of their businesses – are better able to provide for themselves and the families they serve.

For those providers who simply want abbreviated information on the financial programs available throughout the state, NEDLC developed a condensed version of the resources included in guide. This matrix format – the document you have in front of you – allows readers to quickly review the key points of each financing program, including the type of financing, terms, conditions, contact information, etc. Further information can be obtained either from the full guide, or by contacting the listed organization directly.

The matrix is organized into several sections, as indicated by the headers:

- Statewide resources
- Northern California resources
- Greater Bay Area resources
- Central Valley & Coastal resources
- Southern California resources
- Technical assistance organizations
- Technical assistance publications
- Appendix A: Nonprofit management technical assistance

For those interested in obtaining the full guide, please contact NEDLC at 510-251-2600 and ask for the publications department. Further information can also be accessed at www.nedlc.org.

LOAN SOURCE / NAME	PURPOSE	LOAN AMOUNT / TYPE	TERM / INTEREST RATE	ELIGIBILITY	CONTACT
Bank of America Community Development Banking	• Real estate acquisition, construction, working capital and equipment financing through permanent first and second mortgage loans.	• $2 million maximum • No minimum		• For-profit centers and family child care homes with several years of experience in the child care field.	• San Francisco: 415-622-3942 • Sue Nakata, Vice President • Los Angeles: 213-345-7271 • Glenn Sanada, Vice President
California Department Of Housing And Community Development *Child Care Facilities Financing Program*	• *Loan Guaranty Program:* up to an 80% guaranty of a private sector loan used to purchase, acquire, construct or develop a facility, and related equipment and fixtures. Projects must create new child care capacity or preserve capacity that would otherwise be lost. • *Direct Loan Program:* Up to 50% financing of the purchase, acquisition, construction or development of a facility, and related equipment and fixtures. Projects must create new child care capacity or preserve capacity that would otherwise be lost.	• Guaranty up to $1 million • Loans from $25,000 to $1,000,000	• Guaranty cannot exceed 20 years • Loan term is 20 years • Below prime fixed interest rate	• Designed for licensed child care and development services including: sole proprietorships and partnerships, proprietary, nonprofit corporations, local public agencies and large family child care providers. All proposals must create new child care capacity or preserve capacity that would otherwise be lost. • In addition, more than half of the spaces being created must provide for infant care, after school care, and/or special needs care OR the applicant is a current contractor with CDE OR the applicant serves a facility on or adjacent to a public school and replaces capacity lost to class size reduction OR more than half the capacity being created or preserved will serve children from 'welfare-to-work' families OR more than half the children served must be from households with incomes not exceeding 75% of the state median income.	Call your local Small Business Financial Development Corporation: • Northern California: 916-442-1729 • Northern Coast: 707-577-8621 • Bay Area: 925-416-6492 • Central Coast: 831-424-1009 • Central Valley: 559-438-9680 • Southern California (Los Angeles area): 213-739-2999 and 213-382-4300 • Southern California (San Diego area): 619-232-7771

Program currently unavailable

LOAN SOURCE / NAME	PURPOSE	LOAN AMOUNT / TYPE	TERM / INTEREST RATE	ELIGIBILITY	CONTACT
California Department of Education *Child Care Facilities Revolving Fund Program*	• Funding for the lease or purchase of new, relocatable child care facilities	• Lease-purchase funds advanced up to $150,000 for site development, relocatable buildings, installation costs and architectural & inspection fees.	• Lease payments amortized over 10 years with no interest.	• Provider must be under contract with CDE's Child Development Division to provide subsidized care	• DOE, School Facilities Planning Division, 6600 J Street, Suite 350, Sacramento, CA 95814 • 916-327-4056 • Michelle Collins
California Economic Development Lending Initiative (CEDLI) *Child Care Facility Financing Program*	• Permanent financing through mortgages for the acquisition, expansion, rehabilitation or refinancing of new or existing child care facilities	• $50,000 to $1 million	• Fixed market interest rates (approx. 8.8%) • 15 year term	• For non-profits and for-profits • Business must be at least 3 years old	• 1333 Broadway, Suite 604, Oakland, CA 94612 • 510-267-8990 • Clinton Etheridge, Vice President
California Trade And Commerce Agency *Loan Guaranty Program*	• Guarantees are issued on loans for facility development, equipment purchase, etc.	• Guarantees are normally 80% of loan; microloans (up to $25,000) can be fully guaranteed • Guaranteed portion of loan cannot exceed $350,000	• Up to 7 year term • Rates on loan are negotiated with each lender.	• Available to small businesses	• Call your local Small Business Financial Development Corporation (see above)
Enterprise Foundation	• Flexible financing in the form of loans for predevelopment expenses, site acquisition, construction and bridge financing during fund raising	• Average loan size is $250,000, but may exceed $500,000.	• Loans mature in 4 years • Starting rates around 6%	• Available to nonprofits, and to child care centers that serve low-income families	• 315 W. Ninth Street, Suite 501, Los Angeles, CA 90015 • 213-833-7988 • Sandra Gutierrez, Program Director
Federal Housing Administration *Title 1 Home Improvement Loans*	• Provides guarantee for property improvement loans used for alterations, repairs and site improvements	• Maximum loan insured is $25,000 • Loan over $7,500 must be secured by	• Interest rate is fixed, but may vary between lenders	• Family child care businesses only	• For information on Title 1 loans, call 1-800-767-7468 or • Contact a local lender authorized to make Title 1

LOAN SOURCE / NAME	PURPOSE	LOAN AMOUNT / TYPE	TERM / INTEREST RATE	ELIGIBILITY	CONTACT
		mortgage or deed of trust on property			loans.
Low Income Housing Fund	• *Revolving Loan Fund*: may be used for a wide range of construction activities, including pre-development, acquisition, construction, rehabilitation, bridge loans and lines of credit • *Loan packaging services:* provide larger, longer-term loans than Revolving Loan Fund	• Loan amount probably won't exceed $1 million • LIHF will also underwrite and broker non-profit loan requests to conventional lenders • From $100,000 to $5 million	• Terms up to 15 years • 7.5 – 9% interest rates • Terms up to 30 years • Rates established by individual lenders	• Non-profit development organizations and services providers, limited partnerships with a nonprofit general partner, limited equity cooperatives, community land trusts and government agencies are eligible to borrow from LIHF • Facilities loans will preferably have real estate as security • Community facility projects in low-income areas	• 1330 Broadway, Suite 600, Oakland, CA 94612 • 510-893-3811 • Noni Ramos, Director of Northern California Lending
Rural Community Assistance Corporation	• Provides short- and long-term funding for acquisition, pre-development and construction for community facilities, including child care. Loan and guaranty programs are offered.	• Loans up to $750,000 • Loan guarantee up to $1.1 million	• Below market rates	• Must be rural area (population of 50,000 or fewer) • Nonprofit organizations and government agencies are eligible	• 3120 Freeboard Dr. #210, West Sacramento, CA 95691 • 916-447-9832 • www.rcac.org
Small Business Administration	• *SBA 504 Real Estate Loans*: for real estate purchase, facility construction • *SBA 7a Guarantee*: for real estate acquisition, construction, working capital and fixed assets • *LowDoc Program:*	• Typical projects range from $500,00 to $5 million • Guarantees up to 80% of loan; $750,000 maximum	• 10 or 20 year term • Variable rates • 5 to 25 year term • Rates should not exceed prime plus 2.75%	• Available to existing businesses • Available to start-ups and existing businesses	• Call 1-800-827-5722 to find the SBA office nearest you • www.sba.gov

LOAN SOURCE / NAME	PURPOSE	LOAN AMOUNT / TYPE	TERM / INTEREST RATE	ELIGIBILITY	CONTACT
	similar to 7a guarantee above, but with streamlined application • *Microloan Demonstration Program:* designed for entrepreneurs • *Prequalification Loan Program:* loan guarantee program for women, minorities, veterans and disabled person-owned businesses	• Similar to 7a Guarantee • Loans range from $500 to $25,000 • Guarantees up to 75 or 80% of loan, depending on size. • Guaranteed loan maximum is $250,000	• Similar to 7a Guarantee • Rates and terms vary from program to program • Rates and terms vary from lender to lender	• Available to start-ups and existing businesses • Lending criteria may be less strict than conventional loan criteria • Start-ups and businesses without significant collateral or equity are encouraged to apply • Available to women, minorities, veterans and disabled person-owned businesses	
U.S. Department of Housing and Community Development *Community Development Block Grant*	• Acquiring real property for public purposes • Demolish property and clear sites to prepare the land for other uses • Reconstructing or rehabilitating housing and other property • New construction of housing only in certain circumstances • Assisting for-profit businesses for special economic development activities			• Provides eligible metropolitan cities and urban counties (called "entitlement communities") with annual direct grants. • Principally to benefit low- and moderate-income persons. • A separate component of CDBG--the State CDBG Program--provides program funds to the States, which they allocate among localities that do not qualify as entitlement communities.	• Call your local city manager or housing office to ask how the funds are distributed • For other program information, contact Community Connections at (800) 998-9999

LOAN SOURCE / NAME	PURPOSE	LOAN AMOUNT / TYPE	TERM / INTEREST RATE	ELIGIBILITY	CONTACT
Northern California Community Loan Fund	• Provides pre-development and development funds, including real estate acquisition, new construction, rehabilitation, working capital, equipment purchases and leasehold improvements	• Loans from $10,000 to $450,000 • "Mini-permanent" first and second mortgage loans • Line of credit for cash flow needs	• Below market interest rates • Maximum terms up to five years	• Non-profits that serve poor communities and have limited access to conventional funding • Communities in northern California (from Monterey County north to Oregon border)	• 870 Market Street, Room 677, San Francisco, CA 94102 • 415-392-8215

LOAN SOURCE / NAME	PURPOSE	LOAN AMOUNT / TYPE	TERM / INTEREST RATE	ELIGIBILITY	CONTACT
Cal Coastal ***Microloan Program***	• Provides funds for inventory, household improvements, equipment, furniture and working capital	• Loans from $5,000 to $25,000	• 5 year maximum term • Prime plus 2.75% interest rate	• New or expanding small businesses • For-profit child care centers are ideal candidates • Serves providers in Monterey, Santa Cruz, San Benito, S. Santa Clara, San Luis Obispo, Santa Barbara and Ventura	• Monterey: 831-641-0722 • Salinas: 831-424-1099 • San Luis Obispo: 805-547-8470 • Santa Barbara: 805-962-9251 • Santa Maria: 805-349-0798 • Ventura: 805-658-7270
Child Care Facilities Fund (Low Income Housing Fund)	• *Family Child Care Assistance Program*: to support the start up, expansion and quality improvement • *Child Care Center Assistance Program*: to non-profit child care centers • *Flex Fund:* to prevent a child care provider from shutting down due to unexpected emergencies • *Business management and facilities development technical assistance* is also available	• Recoverable grants; average size is $4,000 • Grants and loans are available • Grants up to $10,000, distributed within as few as ten days		• Licensed family child care providers in San Francisco • Non-profit child care centers serving low-income children in San Francisco	• 160 Sansome Street, San Francisco, CA 94104 • (415) 772-9094 • September Jarrett, Director
Child Care Fund of Alameda County (Children and Families Commission)	• *Emergency grants:* for unforeseen repairs that impact the health and safety of children staff and families • *Predevelopment financing:* to pay for facilities development planning and predevelopment activities • *Loan brokering:* to identify and access appropriate financing programs			• Services are available to all child development programs in Alameda County • Please contact the Fund for more details	• 1850 Fairway Drive, San Leandro, CA 94577 • 510-667-3074 • Maria Raff, Program Coordinator

LOAN SOURCE / NAME	PURPOSE	LOAN AMOUNT / TYPE	TERM / INTEREST RATE	ELIGIBILITY	CONTACT
Continued from above	• *Credit enhancements and flexible gap financing:* to make business and facilities development more affordable • *Business management and facilities development technical assistance* is also available				
City of Berkeley, Office of Economic Development	• *City Wide Loan Fund:* provides loans for working capital, equipment, leasehold improvements, fixed assets and capital improvements • *Revolving Loan Fund:* for business expansion	• Maximum loan is $100,000 • Loan amounts range from $15,000 to $90,000 • Program has matching fund requirement of at least $2 for every $1 from the Fund	• Interest rate determined by Treasury Note plus 1% • Typical term is for three years • Treasury Note interest rate • Terms range from 6 months to 10 years	• Available city-wide • Businesses must be located in the South Berkeley Target Area	• 2118 Milvia Street, Suite 200, Berkeley, CA 94704 • 510-705-8123 • ecodeve@ ci.berkeley.ca.us • www.ci.berkeley. ca.us/OED/busserv/loans.htm • Ted Burton or Bill Lambert
Community Bank of the Bay	• Provides small business loans, including working capital, equipment and financing for building acquisition or construction	• Maximum loans up to $500,000 with short-term financing • Maximum loans up to $600,000 with long-term financing	• Market rates	• The Bank targets businesses that generate employment for low- and moderate-income people and/or provide products or services to low- and moderate-income communities in the Bay Area	• 1750 Broadway, Oakland, CA 94612 • 510-271-8400 • bay-bank@usa.net • www.community bankbay.com

LOAN SOURCE / NAME	PURPOSE	LOAN AMOUNT / TYPE	TERM / INTEREST RATE	ELIGIBILITY	CONTACT
Local Initiatives Support Corporation	• For pre-development expenses • For development expenses	• "Recoverable grant" for $5,000 to $50,000 repaid when further financing is acquired • Short-term loan, minimum $50,000 • Short-term development loans	• 1 to 3 years • 0% interest rate • 1 to 3 years • 5-7% interest rate • 1 to 2 years • Affordable rates	• Provides loans, grants and technical assistance to community development corporations (CDCs) who are working in partnership with Head Start Centers and other child care and early childhood development facilities.	• 369 Pine Street, Suite 350, San Francisco, CA 94104 • Ph: 415-397-7322 • Fax: 415-397-8605
Northern California Community Loan Fund	• Provides pre-development and development funds, including real estate acquisition, new construction, rehabilitation, working capital, equipment purchases and leasehold improvements	• Loans from $10,000 to $450,000 • "Mini-permanent" first and second mortgage loans • Line of credit for cash flow needs	• Below market interest rates • Maximum terms up to five years	• Non-profits that serve poor communities and have limited access to conventional funding • Communities in northern California (from Monterey County north to Oregon border)	• 870 Market Street, Room 677, San Francisco, CA 94102 • 415-392-8215
One Stop Capital Shop	• Provides a variety of loan and technical assistance programs that may be applicable to child care providers			• Available to Oakland and surrounding communities • Call for more details	• 519 17th Street, Suite 600, Oakland, CA 94612 • 510-238-3707 • www.sba.gov/ onestop/
Packard Foundation/ Bank of America Community Development Banking *Child Care Financing Initiative*	• Provides development financing for child care facilities	• Maximum loan is $1 million • Guarantee is available for up to 80% of total loan amount • Interest rate buy down may also be available	• Fixed and variable interest rates	• Preferred target is non-profit centers that serve low income communities/families • Open to centers in San Mateo, Santa Cruz, Monterey and Santa Clara • Must be in operation for at least 2 years to be eligible	• Packard Foundation/Community Development Banking, 1006 4th Street, 5th Floor, Sacramento, CA 95814 • 916-373-4419 • Roxann Middleton

LOAN SOURCE / NAME	PURPOSE	LOAN AMOUNT / TYPE	TERM / INTEREST RATE	ELIGIBILITY	CONTACT
Women's Initiative for Self-Employment (WISE) **Alternativas para Latinas en Auto-Suficiencia (ALAS)**	• Offers loans for researching a business' target market, buying equipment, covering start up costs, or expanding a business	• Maximum loan amount is $10,000 for first time borrower, $25,000 for repeat borrower	• Terms and rates vary	• Businesses owned by low and moderate income women (if multiple owners, 60% must be women) • Available to women in Alameda, San Francisco, Marin, Contra Costa and San Mateo County • May be a good source of financing for family child care providers	• WISE San Francisco: (415) 247-9473 • WISE Oakland: (415) 247-9473 • ALAS: (415) 826-5090 • frontdesk@womensinitiative.org • womensinitiative.org

LOAN SOURCE / NAME	**PURPOSE**	**LOAN AMOUNT / TYPE**	**TERM / INTEREST RATE**	**ELIGIBILITY**	**CONTACT**
Cal Coastal *Microloan Program*	• Provides funds for inventory, household improvements, equipment, furniture and working capital	• Loans from $5,000 to $25,000	• 5 year maximum term • Prime plus 2.75% interest rate	• New or expanding small businesses • For-profit child care centers are ideal candidates • Serves providers in Monterey, Santa Cruz, San Benito, S. Santa Clara, San Luis Obispo, Santa Barbara and Ventura	• Monterey: 831-641-0722 • Salinas: 831-424-1099 • San Luis Obispo: 805-547-8470 • Santa Barbara: 805-962-9251 • Santa Maria: 805-349-0798 • Ventura: 805-658-7270
Career Works – Santa Cruz County *Developer Fees Child Care Loans*	• Offers loans that may be used for development that increases or maintains child care capacity in centers or family child care homes	• Loan amounts range from $300 to $75,000	• 5.6% interest rate • 1 to 5 year terms • For each month the operation provides care that month is forgiven	• Provider must provide equal access to families in unincorporated areas of Santa Cruz County	• 1040 Emeline Ave., Santa Cruz, CA 95060 • 831-454-4651 • Brenda Lane
Northern California Community Loan Fund	• Provides pre-development and development funds, including real estate acquisition, new construction, rehabilitation, working capital, equipment purchases and leasehold improvements	• Loans from $10,000 to $450,000 • "Mini-permanent" first and second mortgage loans • Line of credit for cash flow needs	• Below market interest rates • Maximum terms up to five years	• Non-profits that serve poor communities and have limited access to conventional funding • Communities in northern California (from Monterey County north to Oregon border)	• 870 Market Street, Room 677, San Francisco, CA 94102 • 415-392-8215

Packard Foundation/ Bank of America Community Development Banking *Child Care Financing Initiative*	• Provides development financing for child care facilities	• Maximum loan is $1 million • Guarantee is available for up to 80% of total loan amount • Interest rate buy down may also be available	• Fixed and variable interest rates	• Preferred target is non-profit centers that serve low income communities/families • Open to centers in San Mateo, Santa Cruz, Monterey and Santa Clara • Must be in operation for at least 2 years to be eligible	• Packard Foundation/Community Development Banking, 1006 4th Street, 5th Floor, Sacramento, CA 95814 • 916-373-4419 • Roxann Middleton
Santa Cruz Community Credit Union	• Through *Child Care Loans* and other programs the Credit Union provides financing for renovation, expansion, start-up, real estate acquisition, working capital, equipment and other fixed assets.	• *Child Care Loans:* amounts range from $5,000 to 15,000 • *Real estate secured loans:* amounts range from $5,000 to $15,000	• Below market rates • Terms of 1 to 5 years • Market rates • 20 year terms	• The Union serves people who live and work in Santa Cruz County	• 512 Front Street, Santa Cruz, CA 95060 • 831-425-7708 • Debra Crawford, Supervisor of Loans and Community Development
Valley Small Business Financial Development Corporation	• Provides a variety of loan programs, including the Child Care Facilities Financing Program and others sponsored by the Small Business Administration (see above) • Business development technical assistance geared to child care providers is also offered	• Varies per program	• Varies per program	• Programs are available for both center- and family-based operations • Please call for more details	• 7035 North Fruit Ave., Fresno, CA 93711 • 559-438-9680 • Lee Takikawa, Vice President / Senior Commercial Loan Officer • Bakersfield Branch Office, 1706 Chester Ave., Suite 200, Bakersfield, CA 93301 • 661-322-7889 • Keith Wolaridge, Commercial Loan Officer, kcwolaridge@ usa.net

LOAN SOURCE / NAME	PURPOSE	LOAN AMOUNT / TYPE	TERM / INTEREST RATE	ELIGIBILITY	CONTACT
ACCION San Diego	• Provides loans for working capital, capital improvements, or purchasing new business equipment.	• Loan amounts range from $300 to $25,000	• 1 to 3 year terms • 16% interest rate for first time borrowers; decreases for previous borrowers	• Applicant's business must be located in San Diego County	• 1250 6th Ave., Suite 500, San Diego, CA 92101 • 619-685-1380 • accionsandiego. org • Susan Lamping, VP of Lending; Patti Mason, VP of Operations
Cal Coastal <u>*Microloan Program*</u>	• Provides funds for inventory, household improvements, equipment, furniture and working capital	• Loans from $5,000 to $25,000	• 5 year maximum term • Prime plus 2.75% interest rate	• New or expanding small businesses • For-profit child care centers are ideal candidates • Serves providers in Monterey, Santa Cruz, San Benito, S. Santa Clara, San Luis Obispo, Santa Barbara and Ventura	• Monterey: 831-641-0722 • Salinas: 831-424-1099 • San Luis Obispo: 805-547-8470 • Santa Barbara: 805-962-9251 • Santa Maria: 805-349-0798 • Ventura: 805-658-7270
CDC Small Business Finance Corporation	• Offers businesses mortgages, loans, credit lines and loan guarantees for pre-development, construction, real estate and business acquisition and other uses	• Loan amounts range from $5,000 to $9 million	• Market and below market rates	• The Corporation serves communities in Imperial, Orange, Riverside and San Diego County • Services available to for-profit child care centers and family child care operations	• 5353 Mission Center Road, Suite 218, San Diego, CA 92108 • 619-291-3594
Community Development Commission, County of Los Angeles **Child Care Capacity Development Grant & Loan Program**	• *Grant funds:* to start-up or expand a facility, make minor health and safety building improvements, and for permits, equipment and fixture purchases, and other related operations cost • *Loan funds:* for new facility construction, renovation, property acquisition, leasehold improvements, working capital and debt	• Amounts range from $2,500 to $100,000 • Amounts range from $2,500 to $1,500,000	• Interest rates are negotiated • Repayment term depends upon ability to repay	• Program is in various stages of implementation. Contact the Commission for more information • Products are available to centers, large-family and small family child care operations in Los Angeles County • Applicants must: provide services in high need area, agree to be licensed or be licensed, be willing to serve CalWORK's children (along	• County of Los Angeles, Community Development Commission, 2 Coral Circle, Monterey Park, CA 91755 • Ph: 213-430-5400 • Fax: 213-895-6265

LOAN SOURCE / NAME	PURPOSE	LOAN AMOUNT / TYPE	TERM / INTEREST RATE	ELIGIBILITY	CONTACT
	restructuring • *Facility development and business technical assistance* is also available.			with other children), have site control of the facility (rent, lease, own), and agree to provide services for a minimum of three years	
Community Investment Corporation	• Provides loans for start-ups, working capital, home improvements and business expansion.	• Maximum loan amount is $25,000	• 72 month term • 10% interest rate	• Services available in Riverside County	• 4250 Brockton Ave., Suite 100, Riverside, CA 92501 • 909-786-1370
Local Initiatives Support Corporation	• For pre-development expenses • For development expenses	• "Recoverable grant" for $5,000 to $50,000 repaid when further financing is acquired • Short-term loan, minimum $50,000 • Short-term development loans	• 1 to 3 years • 0% interest rate • 1 to 3 years • 5-7% interest rate • 1 to 2 years • Affordable rates	• Provides loans and grants to community development corporations (CDCs) who are working in partnership with Head Start Centers and other child care and early childhood development facilities.	• San Diego: 450 B Street, Suite 1010, San Diego, CA 92101 • 619-239-6691 • Robert Turner, Director • Los Angeles: 1055 Wilshire Blvd., Suite 1600, Los Angeles, CA 90017 • 213-250-9550 • Austin Penny, Regional VP

Neighborhood Development Bank	• Provides pre-construction, construction and mortgage loans for real estate development, • Offers consumer loans for family child care operations and commercial loans for equipment purchases and renovations			• Child care centers or family child care providers • Available to providers located in the San Diego area • Call for more detailed information	• 303 A Street, Suite 409, San Diego, CA 92101 • 619-544-1642
One Stop Capital Shop	• Provides a variety of loan and technical assistance programs that may be applicable to child care providers			• Available to Los Angeles and surrounding communities • Call for more details	• 10221 Compton Ave., Suite 103, Los Angeles, CA 90002 • 213-473-5111 • www.sba.gov/onestop/
Valley Economic Development Center, Inc.	• Provides a variety of loan and technical assistance programs, some sponsored by the Small Business Administration (see above)	• Loans range from $1,000 to $25,000 • Loan guarantees range from $25,000 to $250,000	• Market interest rates	• Serves clients in the San Fernando Valley and the City of Los Angeles	• 4717 Van Nuys Blvd., 2nd Floor, Van Nuys, CA 91403 • 818-907-9977

Technical assistance resources can be very helpful for the general business management facility development process. Organizations can share business and facility development expertise that can significantly improve a provider's ability to access financing. What follows is a brief list of technical assistance organizations and publications, generally available statewide, that child care providers may find useful.

Please note: this is not an exhaustive list. Also, many of the financial organizations listed above provide various forms of technical assistance, some of which is specifically geared towards the child care provider. Inquire about such resources when contacting those organizations for financial support.

ORGANIZATION	DESCRIPTION	CONTACT
Alliance for Nonprofit Management	• Provides training and technical assistance to non-profits around fundraising, strategic planning, financial management, and personnel development	• Call 202-955-8406 • See appendix A
CA Child Care Health Program, CA Department of Education	• Workshop on finding the right grant sources and preparing successful grant applications	• Pam Shaw, 510-839-1243
College and University System	• Programs and internships providing assistance to businesses	• Contact your local college or university
Department of Health and Human Services-Child Care Bureau: Child Care TA Network	• Manages the National Child Care Information and Technical Assistance Center, the Child Care Technical Assistance Logistics Support Project, and the Tribal Child Care Technical Assistance Center • Maintains database of child care information • Disseminates resources through information and referral services	• Call 202-690-6782 for more information
Office of Women's Business Ownership	• Offers network of women's business owner representatives for owner-to-owner advice • Local Women's Business Centers provide links to local training and financing organizations • Online Women's Business Center provides training and information regarding financial statements, borrowing and lending, banking, capital alternatives, financing, bookkeeping and accounting, business records, budgeting, cash flow, leases and insurance • Sponsored by the SBA	• Call 202-205-6673 or 1-800-8-ASK-SBA • www.sba.gov/womeninbusiness/ • www.onlinewbc.org
SCORE (Service Corps of Retired Executives)	• Free financial management workbooks • General business advice on writing business plans, cash flow management, developing a small business advocacy board, investigating market potential for product or service and assessing capital needs to start a business. • Counselors can provide insight into how to start a business, serve a business, buy a business or franchise and sell a business • Low-cost workshops and seminars	• Call 1-800-634-0245 to find the SCORE nearest you.

Small Business Administration	• Provides a variety of management and technical assistance programs to assist both new and expanding businesses • Primarily serves for-profit businesses, so some services may be unavailable to non-profit or may not be suitable for non-profits • Manages Business Information Centers (BIC), a one stop location where current and future small business owners can receive assistance and advice, and have access to computers, a small business reference library and on-site counseling by SCORE	• Call 1-800-8-ASK-SBA • www.sba.gov/bi/ bics
Small Business Development Centers (SBDCs)	• Small business counseling and marketing seminars • Workshops for beginning business owners • Online library and information • Online listing of events • Sponsored by the SBA	• Call 1-800-303-6600 to find the SBDC nearest you • www.sba.gov/SBDC/

RESOURCE	DESCRIPTION	CONTACT
Child Development Policy Advisory Committee *The Foundation Grant Directory*	• Identifies national and in-state foundations that regularly support child care and development initiatives • Lists state agencies that offer grants to local providers to implement their programs • Includes a "how-to" section on creating a grant proposal	• Call 916-653-3725
Funding Sources for Community and Economic Development	• Guide to proposal planning and writing • Listing of grant programs, by subject or program type • Geographic index	• Lynn E. Miner, ORYX Press: Phoenix, AZ, 2000 • 602-265-2651 • www.oryxpress.com
National Association for the Education of Young Children: Fundraising for Early Childhood Programs *Fundraising for Early Childhood Programs*	• How to start fundraising; strategies for raising money • Sources of financial support • How to network and present your proposal • Bibliography/other resources	• Matia Finn Stevenson,. Washington, DC: Revised Edition 1995 • 800-424-2460
National Economic Development and Law Center *Child Care Financial Planning and Facilities Development Manual*	• A step-by-step guide to financial management and facilities development for child care providers. Topics include: • Budgeting and basic financial statements for child care centers • Determining debt capacity • Business plan development • The facilities development process	• Call 510-251-2600
The Enterprise Foundation *The Enterprise Resource Database*	• Includes more than 1,000 useful resources for affordable housing and community development practitioners • Includes "how-to" guides, model documents, and templates for implementing a variety of programs and hundreds of effective program descriptions	• Call 410-964-1230
The Foundation Center *Online resources*	• Directories of Foundations • Specialized funding directories • Indexes of recent grants	• Call 415-397-0902 • www.fdncenter.org/
U.S. Department of Health and Human Services	• Federal grant search index and directory	• www.hhs.gov/progorg/ grantsnet/

Local Affiliates of the Alliance for Nonprofit Management

The Alliance for Nonprofit Management provides training and technical assistance to non-profits for fundraising, strategic planning, financial management and personnel development. Nonprofit child care providers may find their services helpful.

Center For Nonprofit Management
315 W. 9th Street, #1100
Los Angeles, CA 90015
213-623-7080

The Getty Grant Program
1200 Getty Center Drive
Suite 800
Los Angeles, CA 90049-1685
310-440-7320

The Nonprofit Resource Center
Sacramento Public Library
828 I Street, Second Floor
Sacramento, CA 95814
916-264-2772

Support Center/ Executive Service Corps
8265 Vickers Street, Suite C
San Diego, CA 92111
858-292-5702

The Management Center
870 Market Street, Suite 800
San Francisco, CA 94102-2903
415-362-9735

Center for Excellence in Nonprofits
1515 The Alameda, Suite 302
San Jose, CA 95126
408-294-2300

Volunteer Center of Greater Orange County
1901 E. 4th Street, Suite 100
Santa Ana, CA 92705
714-953-5757

Nonprofit Support Center of Santa Barbara County
2950 State St., Suite A
Santa Barbara, CA 93105
805-687-8560

Support Center for Nonprofit Management
San Francisco Office
706 Mission Street, 5th Floor
San Francisco, CA 94103
415/541-9000

Support Center for Nonprofit Management
San Jose Office
United Way Building
1922 The Alameda, Suite 212
San Jose, CA 95126
408/248-95

ENDNOTES

[i] Child Development Policy Advisory Committee, *Child Care Facilities Financing Program, Market Outreach and Research, Preliminary Report and Findings*, April 2001.
[ii] Daniel M. Leibsohn, *Affordable Buildings for Children's Development Business Plan Executive Summary* prepared for the David and Lucile Packard Foundation by Community Development Finance, September 2001.
[iii] California Child Care Resource and Referral Network, *Child Care Portfolio, 1999*
[iv] Ibid.
[v] National Economic Development and Law Center, *The Economic Impact of the Child Care Industry in California*, June 2001.
[vi] Children Now, *California Report Card 2001: Factors for School Success*, November 2001.
[vii] Suzanne W. Helburn: editor, *Cost, Quality and Child Outcomes in Child Care Centers Technical Report*, June 1995.
[viii] Fight Crime Invest in Kids, "America's Child Care Crisis: A Crime Prevention Tragedy," April 2001.
[ix] California Child Care Resource and Referral Network, *Child Care Portfolio*, *1999*.
[x] Child Care and Head Start Facilities in California, *Facilities Survey of Subsidized Early Childhood Programs Serving California's Low Income Communities*, by Ray Collins and Jan Bogrow, Collins Management Consulting Group, September 1995 conducted for California Task Force on Financing Early Childhood Facilities in Low-Income Communities, The National Economic Development and Law Center.
[xi] The goal of the K-3 Class Size Reduction Program, California Education Code Sections 52120 - 52128.5 and 17200 - 17207, is to increase student achievement, particularly in reading and mathematics, by decreasing the size of K-3 classes to 20 or fewer students per certificated teacher.
[xii] Suzanne W. Helburn: editor, *Cost, Quality and Child Outcomes in Child Care Centers Technical Report*, June 1995.
[xiii] Carl Sussman, "Out of the Basement: Discovering the Value of Child Care Facilities." <out_of_the_basement.html>, 2000-2001.
[xiv] In fall 2000, the NCFN effort led to an appropriation of $2.5 million nationally from Health and Human Services specifically for technical assistance to the child care sector for facilities and business technical assistance. This is a precursor effort to the desired passage of the Child Care Facilities and Financing Act, legislation currently introduced in the Senate which would allocate $50 million per year over 5 years on a competitive basis with a 1 for 1 match specifically for investment in nonprofit intermediaries funding the development of early care and education facilities in low income communities.
[xv] In October 2001, NCFN received a $50,000 grant from the David and Lucile Packard Foundation to engage a consultant and conduct a feasibility analysis of such a campaign, which will be completed by June 2002.
[xvi] The California Task Force on Financing Early Childhood Facilities in Low-Income Communities, The National Economic Development and Law Center, *Financing Early Childhood Facilities Investment Strategies for California's Low-Income Communities*, January 1996.
[xvii] The Child Care Facilities Revolving Fund, Education Code Section 8278.3, initially capitalized at $25 million fund to finance the acquisition of portables by CDE funded contractors for installation on public land. And the Housing and Community Development Child Care Facilities Financing Program.
[xviii] Daniel M. Leibsohn, *Affordable Buildings for Children's Development Business Plan Executive Summary* prepared for the David and Lucile Packard Foundation by Community Development Finance, September 2001.
[xix] Ewing and Marion Kauffman Foundation, *Financing Child Care in the United States: An Expanded Catalog of Current Strategies 2001 Edition*.
[xx] Ventura County Sunday Star, Sunday February 18, 2001. "Red Tape Binds Business: Not All Cities Day Care Friendly," page 1.
[xxi] Ibid.
[xxii] Child Care Law Center, *General Plans Prove Important In Building Child Care Capacity*, Legal Update, January 2000 page 1.

[xxiii] These estimates are from, Claudia Siegman, the staff certified playground safety inspector of the Child Care Facilities Fund of the Low Income Housing Fund.
[xxiv] American Planning Association Child Care Policy Adopted 1997: *Policy Guide on the Provision of Child Care*.
[xxv] Child Care Law Center, *General Plans Prove Important In Building Child Care Capacity*, Legal Update, January 2000 page 1.
[xxvi] Child Development Policy Advisory Committee, *Community Development Finance, Draft Focus Group Report*, July 2001. Child Care Facilities Financing Program, Market Outreach and Research, Preliminary Report and Findings, May 2001, # 2, page 4.
[xxvii] Ibid
[xxviii] Ibid, # 4, page 5.
[xxix] *Spending California's Education Dollars*, April 2001. Education Data Partnership: ed-data@cde.ca.gov.