

INVESTING IN FAMILIES

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



CHILDREN, YOUTH AND FAMILIES



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Child Care Facilities Development and Financing in California

Presented by:

Building Child Care Collaborative Partners

at the

Northern Region Resource and Referral Training

Tuesday, April 29, 2003



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Building Child Care (BCC) Project

- **Purpose:** To provide a centralized clearinghouse of information and services designed to improve and increase child care providers' access to financial resources for facilities development projects in California.
- **Who:** National Economic Development and Law Center, Child Care Facilities Fund of the Low Income Investment Fund, Child Development Policy Institute Education Fund, and the California Child Care Resource and Referral Network
 - Funded by the California Department of Education, Child Development Division, and designed as the State's response to the need to bring resources together on a centralized statewide level.



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Presentation Overview

- **Part One:** What Questions About Facilities Development and Financing Do You Face From Providers?
- **Part Two:** How Can BCC Help Answer These Questions?
- **Part Three:** Where Else Can Providers Turn for Facilities Development and Financing Assistance?
- **Part Four:** Fitting the Pieces Together



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First Things First...

- How we define

Child Care Facilities Development:

- Renovation or Expansion to a child care center or family child care home
- Building or Purchase of a facility to be used as a child care center or family child care home

The focus today is on Family Child Care.



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Part One: What Questions Do You Face?

1. Where is there money for family child care home improvements? Play equipment? Meeting accreditation standards?
2. Do providers have to have a certain income or be homeowners to qualify for loans?
3. What is the best way to request small business loans?
4. Are there forms online or information websites that can prepare providers in writing a request for funds?
5. Other: Liability insurance; making a family child care environment safe



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Part Two: How Can BCC Help Answer These Questions?

Building Child Care Project

Identify Resources – Improve Access to Resources – Expand Depth and Quantity of Resources Available

How do we do this?

- Referrals to TA, Funding Sources, Publications
- Interactive Project Website: www.buildingchildcare.org
- Toll-free help line: 888-411-3535
- Trainings
- Identify and Respond to Gaps in the field of developing and financing child care facilities in California



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Part Two: How Can BCC Help Answer These Questions?

1. Where is there money for family child care home improvements? Play equipment? Meeting accreditation standards?

There are two types of facilities funding available to help family child care providers expand and or renovate their homes:

- Loans
- Grants



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Loan Resources:

Sources of Funding

- **Conventional Institutions** (e.g. local banks)
- **Alternative Lenders**
(e.g. Community Development Financial Institutions)
- **Government-Certified Small Business Lenders**
(e.g. California Trade and Commerce Agency – Small Business Development Financial Corporations)
- **Government Resources:** Federal, State, Regional/Local
(e.g. Federal Housing Administration, USDA, SBA, local housing and redevelopment agencies, etc.)



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Loan Resources:

Types of Funding for Family Child Care

- **Microloans**
- **Loan Guarantees**
- **Home Loans**



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Loan Resources:

Where to Turn for More Information

- *The Matrix of Child Care Facilities Development Financial Resources in California* (also on Website)
- *A Resource Guide: Financing Child Care Facilities Development in California*
- **Other Resources for Identifying Loans:**
 - Small Business Administration TA Resources
 - Community Development Financial Institutions - TA
 - Local Government Programs (especially for home buying)
 - Local Banks



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Grant Resources:

A Few Facts About Grants

- Typically grants are only available to nonprofit organizations and not to for-profit programs or family child care homes.
- Because grant funding is typically smaller than loan funding it is best to use grants in combination with loans for facilities development projects.
- For equipment funding (including playground) and small repairs, **First Five Commissions** sometimes provide grants to Family Child Care Home providers. Check with your local Commission to find out more.



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Grant Resources:

A Few Facts About Grants cont.

- For playground equipment, family child care providers can always check with local schools, child care centers, parks, churches, etc. to find out if they have any used materials they could donate either directly or to FCC Associations.
- There is a FCC accreditation grant listed on the NAFCC website: the Virginia Benham Scholarship Application Form.



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Grant Resources:

Sources of Funding

- **Private Foundations**
- **Corporate Foundations**
- **Community Foundations**
- **Prop 10 – Children and Families Commissions**
- **Local Government (e.g. Community Development Block Grants)**



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Grant Resources:

Where to Go for More Information

- **BCC document:** *Potential Grant Resources for Child Care Facilities Development In California*

- **Other Resources for Identifying Grants:**
 - Foundation Center www.fdncenter.org
 - Enterprise Foundation (MoneyNet)
www.enterprisefoundation.org
 - The Grantsmanship Center www.tgci.com has information on Community Foundations
 - Local CDBG Funds



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Part Two: How Can BCC Help Answer These Questions?

2. Do providers have to have a certain income or be homeowners to qualify for loans?
 - The bottom line of all qualifying criteria is: Repayment Capability
 - Lenders use a calculation called Debt Service Coverage (DSC). This calculation determines a borrower's ability to pay back the loan, based on estimated net income.
 - When applying for any financing, providers need to have an up-to-date and projected Cash Flow Statement for a lender to calculate the DSC Ratio.



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Part Two: How Can BCC Help Answer These Questions?

2. cont.

- Lenders have varying criteria for making loans, and need to be contacted directly to find out what their specific requirements are.
- Homeownership is not necessarily a requirement but in a leasehold improvement situation the borrower needs evidence that the lease lasts longer than the loan term.
- Loan Guarantees are a good option for many small businesses that cannot secure loans on their own.



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Part Two: How Can BCC Help Answer These Questions?

3. What is the best way to request small business loans?

With a well thought-out, clear, concise and financially sound **Business Plan** - developed with professional help. Including:

Cover Sheet

Executive Summary

Organizational Capacity

Description of the Proposed Project

Market Analysis

Marketing Plan

Operations Plan

Financial Analysis

Supporting Documents



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Part Two: How Can BCC Help Answer These Questions?

4. Are there forms online or information websites that can prepare providers in writing a request for funds?
 - **Building Child Care:** www.buildingchildcare.org
 - **SBA, Women's Online Business Center: Family Child Care Module**
www.onlinewbc.gov/docs/ChildCare/ccm1.htm
 - **Foundation Center Online – Grant Proposal Writing Short Course:**
<http://fdncenter.org/learn/shortcourse/prop1.html>
 - **Redleaf National Institute:** www.redleafinstitute.org



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Part Two: How Can BCC Help Answer These Questions?

5. Other questions:

- **Liability insurance**
 - P. 81 of the Business Chapter in the FCC Handbook has contact information for FCC Liability Insurance Companies.
 - Contact Child Care Law Center for more info.
- **Making a FCC environment safe**
 - See Publications for FCC on BCC website and in folder.



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Part Three: Where Else Can Providers Turn for Facilities Development and Financing Assistance?

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

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



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Part Three: Where Else Can Providers Turn for Facilities Development and Financing Assistance?

Statewide Resources:

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



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Part Four: Fitting the Pieces Together

In California, there has never been a central place linking child care facilities development and financing resources on a statewide level...

The [Building Child Care \(BCC\) Project](#) takes the first step in establishing such a place.



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Part Four: Fitting the Pieces Together

BCC is working:

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

- **First:** from BCC at the statewide level;
- **Second:** from intermediary organizations on the local and regional level;
- **Third:** from one-on-one business assistance providers, and professional consultants.



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Part Four: Fitting the Pieces Together

An Example of How it Works:

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



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Building Child Care (BCC) Project

How to Contact BCC for follow-up information:

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

