

A GUIDE FOR DEVELOPING
CHILD CARE FACILITIES
WITH AFFORDABLE HOUSING

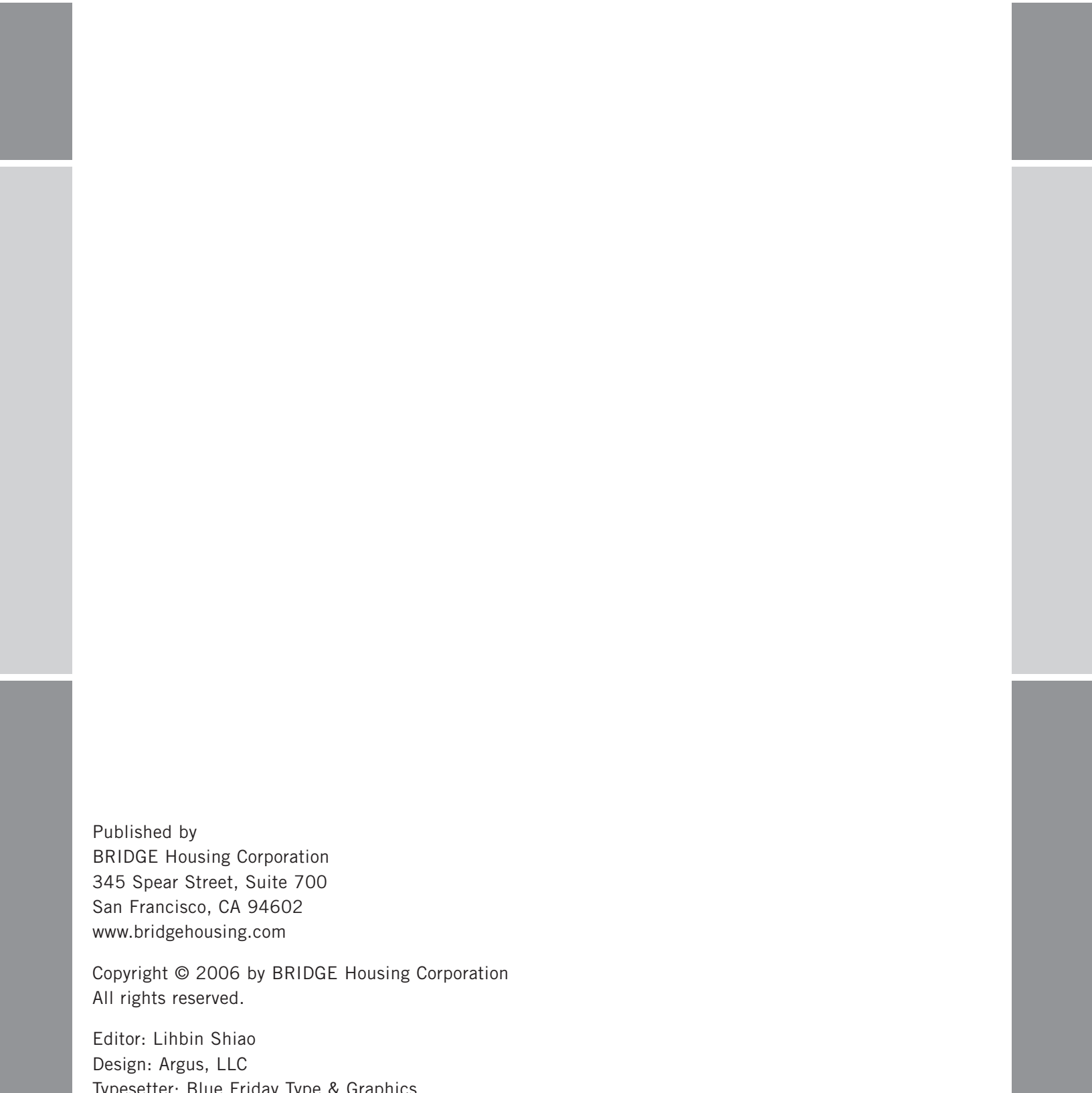
Child Care Handbook



BUILDING

SUSTAINING

LEADING



Published by
BRIDGE Housing Corporation
345 Spear Street, Suite 700
San Francisco, CA 94602
www.bridgehousing.com

Copyright © 2006 by BRIDGE Housing Corporation
All rights reserved.

Editor: Lihbin Shiao
Design: Argus, LLC
Typesetter: Blue Friday Type & Graphics

Table of Contents

Acknowledgments	4	VII. Another Child Care Option: Family Child Care Rental Units	155
Executive Summary	6	<i>The Benefits of Family Child Care</i>	157
Disclaimer	7	<i>Economics and Resources</i>	158
Introduction	8	<i>Licensing</i>	159
I. California Child Care System—A Primer	11	<i>Use, Occupancy, and Fair Housing Issues</i>	160
<i>Key Definitions</i>	13	<i>Design Considerations</i>	161
<i>California Child Care—Institutions and Public Funding Structure</i>	17	<i>Management Issues</i>	162
<i>Licensing & Accreditation</i>	26	Appendix	165
II. Assessing the Market	29	<i>Guide to the Appendix</i>	167
<i>Market Demand</i>	31	<i>Glossary of Child Care Terms</i>	168
<i>Market Supply</i>	37	<i>Resource & Contact Lists</i>	177
III. Choosing a Provider	39	<i>Resource Agencies</i>	184
<i>Methods for Identifying Providers</i>	41	<i>Choosing a Provider—Request For Proposals/Qualifications Examples</i>	189
<i>Criteria for Selecting a Provider</i>	42	<i>Partnering with a Provider— Lease & Service Agreement Example</i>	219
IV. Partnering with a Provider	47	<i>Financing—Proforma Examples</i>	258
<i>Legal and Structuring Issues during Development and Operations</i>	49	<i>Design—Sample Initial Parameters for Architects</i>	262
<i>Legal Documents</i>	50	<i>Center Case Studies</i>	265
V. Financing	63		
<i>How Child Care Facilities Have Been Financed</i>	65		
<i>Common Capital Sources</i>	66		
<i>Debt Financing—Underwriting the Provider</i>	68		
<i>Other Discretionary Funds</i>	74		
<i>Term Sheets for Capital Sources</i>	77		
1. Public Capital Sources	78		
2. Private Capital Sources	87		
VI. Designing Child Care with your Housing Development	99		
<i>General Space Requirements and Common Issues</i>	102		
<i>Child Care Considerations During the Design Process</i>	106		
<i>How Providers Can Add Value During the Overall Design Process</i>	120		
<i>Licensing Requirements and Recommended Standards</i>	121		
<i>Best Practices Design Checklist</i>	125		
<i>Child Care Facilities Design Matrix— Regulations and Developer Recommendations</i>	132		

Acknowledgements

This handbook would not have been possible without the generous contributions of many people and institutions. First and foremost, BRIDGE Housing Corporation thanks the David and Lucile Packard Foundation, the S.H. Cowell Foundation, and staff at the Low Income Investment Fund (LIIF) for providing the funding, support, and the insight and inspiration for the creation of this handbook. Many of the members of LIIF's Affordable Buildings for Children's Development (ABCD) Developer Peer Network also generously shared the resources they internally created while developing child care centers over the years which are included in the appendix and reviewed the contents of the handbook for accuracy and scope.

Thank you also to the many people and institutions that contributed generously of their perspective, passion, knowledge, and time. A list of contributors is below.

David and Lucile Packard Foundation

- Carla Dartis
- Robin Carlson
- Helen Dunlap

S.H. Cowell Foundation

- Lise Maisano
- Susan Vandiver

Low Income Investment Fund staff

- Maria Raff
- Noni Ramos
- Marie Young (formerly of the Packard Foundation)
- Claudia Siegman
- Susan Harper

ABCD developers and participants

- Vern Plaskett and Wendy Mahaney—Child Development Inc.
- Ed Bolen—Child Care Law Center
- Robin Hughes & Frances Lee Hereth—Los Angeles Community Design Center
- David Wilkinson—Mercy Housing
- Sue Reynolds—Community Housing Works

Child Care Learning Partner

- Paul Miller, Nancy O'Rourke, and Kate Breitzman—Kidango

Architectural Expertise

- Paulett Taggart—Paulett Taggart Architects
- Tara Siegel—Architect, Rose Fellow, the Pratt Institute

Expertise from other Intermediary Organizations

- Ellen Dektar—Alameda County Local Investments in Child Care
- Fran Kipnis—California Resource and Referral Network

Market Study Expertise

- Janet Smith-Heimer—Bay Area Economics

Others who also shared child care development and services experience

- Thai An—Chinatown Community Development Corporation
- Fonda Davidson—Cross Cultural Services
- Elizabeth Acosta—Unity Council

- Liisa Hale & Clair Bainer—Association of Children's Services/Blue Skies for Children

Legal

- Aaron Sobaski & Rebecca Hlebasko—Sheppard Mullin Richter & Hampton, LLP
- Michael Stern—Cooley Godward Kronish, LLP
- Scott Barshay—Gubb & Barshay, LLP
- David Kroot—Goldfarb & Lipman, LLP

Content Reviewers

- Maria Raff
- Fran Kipnis
- Ed Bolen
- Claudia Siegman
- Paul Miller
- Kate Breitzman
- Tara Siegel
- Marie Young

Handbook Layout Design

- Jeff Breidenbach—Argus, LLC

Handbook Typesetters

- Candace Creasy—Blue Friday

Consultant

- Emily Weinstein

Credits

Contributors

- Lihbin Shiao,
Editor & Principal Author
- Tripp Borstel
- Kate Breitzman
- Calvin Gladney
- Kevin Griffith
- Lillian Lew-Hailer
- Paul Miller
- Maria Raff

BRIDGE Child Care Committee, Researchers, & Editors

- Pam Anderson
- Tim Baker
- John Gildersleeve
- Kevin Griffith
- Susan Johnson
- Diane Mailey
- Lara Sao Pedro

- Lydia Tan
- Emily Weinstein
- Devon Williamson
- Jung Yun

Executive Summary

Like affordable housing, the question of what kind of opportunities we want to provide for in society is at the heart of quality affordable child care. Child care serves two primary functions: 1) Quality child care facilities provide a safe environment for the social and educational development of the next generation and 2) Child care enables parents to work and is a tool towards achieving greater economic success. Quality affordable child care is a resource that can level the economic and educational playing field for low- and moderate-income families.

As affordable housing developers, we are well acquainted with the challenges of developing affordable housing. Affordable housing developers compete to creatively stretch and utilize a limited pool of public and private financing sources to develop housing. And even though the demand for affordable housing continues to far outstrip our ability to supply housing, the affordable housing industry has changed substantially since 1987 with the inception of the low-income housing tax credit (LIHTC) program. In the last 20 years, the LIHTC program has created a dedicated source of funding for affordable housing, has changed the legal framework in which housing is developed, managed and monitored and has influenced design standards for new housing developments. Since the creation of the low income housing tax credit program, the affordable housing industry has grown and learned a great deal, and has become increasingly more financially sophisticated.

The system for child care facilities development is not as sophisticated or developed as today's affordable housing industry. There is no industry-wide source for financing the development of child care facilities. The design and construction of child care facilities continues to be a specialized and "boutique" business for architects. Development experience and capacity among child care providers is rare. Lastly, affordable housing developers have minimal experience and training with respect to special requirements for developing child care facilities.

However, many affordable housing developers recognize that quality child care facilities are an important asset to a community, enabling low- and moderate-income families the ability to work and attain a modest quality of life. Recognizing the gap between the demand and supply of affordable child care, the David and Lucile Packard Foundation, as part of their Affordable Buildings for Children's Development Initiative (ABCD), assembled a developers' consortium in 2003 to leverage the affordable housing industry as an ally and increase the amount of affordable child care within affordable housing developments.

As one of the initial members, BRIDGE Housing Corporation (BRIDGE) proposed the creation of this handbook to serve as a resource for affordable housing developers seeking to build new child care facilities and family-owned child care homes along with affordable housing. This handbook serves as a guide through the development process, providing best practices, key considerations, resources, tools, and recommendations for each stage of the development process. BRIDGE's experience developing child care facilities and the knowledge gained from our participation in the Packard Foundation funded Affordable Buildings for Children's Development Initiative form the basis for the recommendations and resources provided in this handbook. The handbook is organized into seven core chapters plus an appendix. The core chapters contain information about understanding the California child care system, assessing the market for child care in your area, choosing a child care provider, structuring the relationship with the child care provider, financing child care facilities, designing a child care facility with your housing development and the option of developing family child care units within your housing development. The appendix provides resources associated with each core chapter, a glossary of child care terms, and center case studies with summary sheets with some of the center's development and operating vitals.

Disclaimer

The information contained in this child care handbook is provided as a service to the affordable housing development community, and does not constitute legal advice or the advice of a design, construction or other professional. We have endeavored to provide quality information, but we make no claims, promises or guarantees about the accuracy, completeness, or adequacy of the information contained in this child care handbook or in any website or other resource referenced in this handbook. You should be aware that this information may have become out of date. BRIDGE cannot make a commitment, and disclaims any duty, to update any of the information provided in this handbook. The information provided in this handbook is provided “as is” and without warranties of any kind either express or implied. As legal or other professional advice must be tailored to the specific circumstances of each development, and as laws, codes, industry standards and industry best practices are constantly changing, nothing provided herein should be used as a substitute for the advice of competent counsel or the advice of design, construction or other applicable professionals.

Introduction

“Our goal is not just to develop housing, but to revitalize communities.”

—Carol Galante, President, BRIDGE Housing Corporation

Why Develop Affordable Child Care with Affordable Housing?

Although women entered the labor force in large numbers half a century ago, an adequate child care system that supports their essential contribution does not yet exist. Quality affordable child care provides children from low- and moderate-income families with an educational head start to improve their life outcomes preparing the next generation for life and school developmentally and educationally. The Lifetime Effects High/Scope Perry Preschool Study found that high-quality preschool education programs for young children living in poverty resulted in better performance in education, economic performance, and crime prevention in the short and long term at a statistically significant level. The program group outperformed the no-program group in terms of education, economic performance, crime prevention, health, and family and children.

Quality child care also has a direct impact on a child's future housing consumption when the child is an adult. The Lifetime Effects High/Scope Perry Preschool program group had significantly more stable dwelling arrangements at ages 27 and 40 than their peers of similar socioeconomic background. Rather than paying rent, receiving a subsidy, living with others, or being incarcerated, more of the program group owned their own homes and/or paid more per month for their dwelling.¹

In most California counties, child care demand far outstrips the existing supply of child care.² Overall, licensed child care is available to only 25 percent of all children ages 0–13 with parents in the labor force.³ This shortage in supply means that most California families struggle to make child care arrangements. Most parents patch together multiple child care arrangements in order to get through the day, as shown in the most recent 2000 U.S. Census. Facilities shortage is a contributing factor to the shortage of child care supply.

Housing and child care costs place the largest strain on families since these two services consume the biggest portions of household budgets.⁴ Many households in California pay more than the recommended 30 percent (30%) of their income towards housing, and some pay up to 60 percent (60%).⁵ “Child care consumes 19% of a two working parent family's basic budget and 23% of a single-parent family's basic

¹ Schweinhart, Lawrence J., Ph.D. *The High/Scope Perry Preschool Study Through Age 40*. Ypsilanti, MI. High/Scope Press. November 2004.

² See the California Resource and Referral Network's “Child Care Supply in California” for statistics. http://www.rnetwork.org/rnet/our_research/2003portfolio.php

³ California Child Care Resource & Referral Network. *The 2003 California Child Care Portfolio*.

⁴ United Way. “The Bottom Line: Setting the Real Standard for Bay Area Working Families.” 2004.

⁵ The California Budget Project. “Locked Out 2004: California's Affordable Housing Crisis.” January 2004. (2)

budget.”⁶ This means that minimum-wage families with just one preschooler cannot afford both child care and housing.⁷ A family with two working parents needs an annual income of \$58,269 (an hourly wage of \$14.01) in order to pay for child care, housing, and have a modest standard of living.⁸ Therefore for many Californians, just making ends meet is a struggle.⁹ These families choose between paying for housing, child care, utility bills, health care, and/or food.

Quality affordable housing and child care in tandem help families achieve self-sufficiency. Without placing an undue burden on the families’ finances, affordable housing provides a stable base for family life. On-site or easily accessible, affordable child care allows parents to work and to return to school while their children receive the early care and education they need for a successful future. Since over 90% of former welfare recipients do not have access to a car, child care located close to the home or the work place, or alternately along major transit lines, increases access for low-income working families.¹⁰ Also, since most parents place their children in child care arrangements (approximately 75%) closer to the home than the work place, in addition to addressing a need, co-locating child care and housing provides greater convenience to families and reduces commute time.¹¹

As developers of affordable housing, we can make a difference by building child care facilities along with our housing developments. Developing child care facilities with affordable housing makes good sense from a people, policy and business perspective. Affordable housing and child care are cornerstones for low- and moderate-income families building their way towards financial stability and eventually success for their children and their children’s families in the future.

In January 2003, BRIDGE Housing Corporation (BRIDGE) joined a consortium of developers selected by the David and Lucile Packard Foundation for the new Affordable Buildings for Children’s Development (ABCD) Initiative. The consortium was created to utilize the expertise of regional community developers to increase the construction of child care facilities within educational, health, and housing facilities statewide. The other initial partners of ABCD were: Child Development, Inc. (CDI), Los Angeles Community Design Center (LACDC), Mercy Housing California (Mercy), Low Income Investment Fund (LIIF) and Community Housing Works (CHW).

Over the last several years, BRIDGE has learned a great deal about child care facilities development from our participation in the consortium. Although BRIDGE had developed a number of child care centers over the years, as housing developers, we had not focused as diligently on how we could better develop child care facilities within our housing developments. The Packard grant, the shared experiences of members of the consortium, and our partnership with well-respected regional child care providers, has enabled us to take a step back and reconsider the impact we can have in the child care arena. As a result, BRIDGE has restructured the way we approach child care facilities development. These changes include when we consider

⁶ The California Budget Project. “The State of Working California 2004: Little Progress for California’s Workers and Their Families.” September 6, 2004 (7)

⁷ Ibid 2.

⁸ Ibid 6. (3)

⁹ The California Budget Project. “Making Ends Meet: How Much Does it Cost to Raise a Family in California?” October 2003. (1)

¹⁰ Federal Transit Act of 1998, Sec 3037, Job Access and Reverse Commute Grants as cited in “Transportation and Social Equity.” California Alliance for Transportation Choices. From Ellen Dektar, Alameda County Local Investment in Child Care Project. “Facts about Child Care and Transportation.”

¹¹ Nelson/Nygaard in association with Bay Area Economics. “Child Care Feasibility Study for BART: Issues Paper.” May 1992.

developing child care facilities with housing, how we seek provider partners and how we structure our relationships with them, the overall design of our child care facilities, the size and type of centers we develop, and the types of financing we access.

Our goal with this handbook is to share lessons BRIDGE and our partners have learned through development experience over the years and through the participation with the ABCD consortium. It is our hope that this handbook will serve as a starting place for affordable housing developers seeking to build child care facilities and that with this resource, more child care facilities will be built.

A GUIDE FOR DEVELOPING
CHILD CARE FACILITIES
WITH AFFORDABLE HOUSING

The California Child Care System— *A Primer*



BUILDING

SUSTAINING

LEADING

I. The California Child Care System—A Primer	11
<i>Key Definitions</i>	13
Child Care	13
Child Care Facility	13
Licensed Center-based Care	14
Licensed Home-based Family Child Care	14
Informal/License Exempt Care	15
Proposition 10/First 5 Program	15
Alternate Payment Program	15
CalWORKS	16
Head Start Program	16
Head Start Grantees	16
Head Start Delegates	16
Resource and Referral Agencies	17
Local Planning Councils	17
Community Care Licensing	17
<i>California Child Care—Institutions and Public Funding Structure</i>	17
Alternative Payment Program (AP Program)	20
Center-based Subsidy (CDE)	21
Head Start	23
Other Financing Programs	26
<i>Licensing and Accreditation</i>	26
Licensing	26
Accreditation	27
Beyond Accreditation	28

The California Child Care System— *A Primer*

Summary

This chapter provides a basic understanding of the child care system in California. This chapter describes what child care is, the structure of California's primary child care institutions, types of child care subsidy available to provide child care to low- and moderate-income families, licensing and accreditation, and resource agencies which support the provision of child care.

Key Definitions

Below are key definitions that are helpful in understanding the California child care system and will facilitate your understanding of the following handbook chapters. Additional terms are defined in the Glossary, as part of the Appendix.

CHILD CARE

"The National Conference of State Legislatures defines child care as 'all types of education and care for children from birth through age five and programs for school-age children before and after school and during vacations. It refers to a wide range of programs located in different types of facilities, under a variety of auspices, and with different hours of operation, from part-day to full day.'"¹²

In this handbook, the term "child care" refers to care arrangements for children from birth through age five. Child care facilities and service needs of children from birth through age five differ significantly from the after-school needs of school-age children, which are not covered by this handbook.

Infant care refers to child care for children from birth to one year. Toddler care refers to child care for children from one year to age three. Preschool refers to child care and a school preparedness learning experience for children ages three through five which are not yet attending kindergarten.

CHILD CARE FACILITY

The term "Child Care Facility" has replaced the term "Child Day Care Facility," in recent years. The Health and Safety Code Section 1596.750 states: "'Child Day Care Facility' means a facility which provides nonmedical care to children under 18 years of age in need of personal services, supervision, or assistance essential for sustaining the activities of daily living or for the protection of the individual on less than a 24-hour basis. Child Day Care Facilities include day care centers and family day care homes."¹³

¹² California Working Families Project. *Understanding Child Care: A Primer for Policy Makers*. February 1999.

¹³ Child Day Care (CCC) Act of 2004. "Evaluation Manual." April 14, 2004. Health and Safety Code, Sections 1596.750, 1596.866 and 1797.191.

LICENSED CENTER-BASED CARE

Licensed center-based child care is provided in a child care facility which is licensed and regulated by the State Department of Social Services' Community Care Licensing Division under Title 22, Division 12 of the California Code of Regulations and the California Health and Safety Code. Licensed providers must meet the minimum standards mandated under Title 22 and under the Health and Safety Code. If the provider has a contract with the state to provide subsidized care, the provider must also meet the minimum standards mandated under Title 5, Division 1, Chapter 19. Child care is commonly provided in a classroom-like setting in a commercial space such as an office building, amenities building of a residential development, or a church. Providers range in size, including operators of single centers, large regional providers with multiple centers, and a handful of statewide operators. Child care operators cater to specific clienteles, organized, for example, by neighborhoods, corporate sponsors, age group, special needs, and income.

LICENSED HOME-BASED FAMILY CHILD CARE

Licensed home-based family child care is provided in the home of an individual or family, licensed and regulated by the State Department of Social Services' Community Care Licensing Division under Title 22 of the California Code of Regulations and under the Health and Safety Code. The two types of licenses are described by Community Care Licensing below:¹⁴

1. LARGE FAMILY CHILD CARE HOME

Large family child care homes may be licensed for a capacity of either 12 or 14. If licensed for 12, no more than 4 may be infants (0 to 2 yrs). If licensed for 14, 2 children must be at least 6 years of age and no more than 3 may be infants. The licensee's and assistant provider's children under age 10 are always counted in the capacity.

2. SMALL FAMILY CHILD CARE HOME

Small family child care homes may be licensed for a capacity of either 6 or 8. If licensed for 6, a provider may care for no more than 3 or 4 infants only (0 to 2 yrs). If licensed for 8, 2 children must be at least 6 years of age and no more than 2 may be infants. The licensee and assistant provider's children under age 10 are always counted in the capacity.

¹⁴ <http://cclid.ca.gov/>.

INFORMAL/LICENSE EXEMPT CARE¹⁵

A child care facility that does not require a formal child care license. A license is not required for:

1. Any person providing care for the children of only one family, in addition to the operator's own children.
2. Any care and supervision of persons by a relative or guardian.
3. Certain public and private schools that operate a program before and/or after school for school-age children.
4. Certain public and private recreation programs.
5. Cooperative arrangements between parents that involve no payment.
6. Child care on federal lands.

PROPOSITION 10/FIRST 5 PROGRAM

Approved by voters in 1998, Proposition 10 established the California Children and Families Program and the State Commission, otherwise known as First 5 California. The ballot measure added a 50-cent-per-pack tax to cigarettes and comparable tax on other tobacco products. The Governor and the State Legislature appoint a Proposition 10 State Commission, which oversees Proposition 10 County Commissions. At the local level, Proposition 10 County Commissions develop First 5 Plans and administer Proposition 10 funds in accordance with their respective plans.

ALTERNATIVE PAYMENT PROGRAM (AP PROGRAM)

The AP Program is a form of public subsidy for child care. The AP Program works in a similar way to Section 8 vouchers for housing. An AP Agency reimburses the child care provider at the same time fees are due from non-subsidized full-fee families. The reimbursement rate is capped by a state-sponsored study called “Regional Market Rate Survey of California Child Care Providers” (RMR).¹⁶ Voucher values depend on the rate charged by the child care provider, who cannot charge more than the amount charged to a non-subsidized child. The provider must use the fee schedule issued by CDD and apply the schedule in accordance with the adjusted monthly family income and the family size. Without restriction, parents may choose to pay an additional amount for child care out of their own funds.

The AP Programs provide a number of services to low-income families including:

- Ensuring parents have a choice of providers
- Providing parents with community support information
- Offering access to toy closets and resource libraries
- Linking families directly to programs and services such as food stamp programs, nutrition programs, fingerprinting programs, health and dental programs, mental health services, and respite services.¹⁷

¹⁵ <http://cclid.ca.gov/>.

¹⁶ The Regional Market Rate is available online through the California Alternative Payment Program Association at <http://www.cappaonline.com/>.

¹⁷ Ibid 16. California Alternative Payment Program Association. The Role of Alternative Payment Programs in California.

CALWORKS

The California Work Opportunity and Responsibility to Kids (CalWORKS) is the California State welfare program also known as Temporary Assistance for Needy Families (TANF). There are three stages under the CalWORKS program: Stage 1, CalWORKS child care, is administered by county welfare departments. Stage 1 provides child care subsidies for the first six months that a recipient receives aid. Stage 1 can be extended if it takes longer for a recipient's child care or work situation to stabilize. Stage 2 and Stage 3 of CalWORKS is administered through the California Department of Education (CDE). A CDE case worker then refers the recipient to a Resource and Referral (R & R) program, which assists the recipient in identifying their Stage 2 child care provider (which can be the same as the Stage 1 provider). The R & R also connects the recipient with an AP Program (which can be the R & R) responsible for paying the chosen provider. Stage 1 serves children ages 12 or below; Stages 2 and 3 serve children up to the age of 14.¹⁸

HEAD START PROGRAM

Head Start is a federally funded, holistic child care program that addresses the emotional, social, educational, nutritional, and health needs of children from the age of three until they enter school. Head Start provides annual funding to providers through renewable grants in exchange for child care services. California is part of Region IX, which is headquartered in San Francisco. The Regional Office contracts with "Grantees" to provide Head Start programs. Region IX oversees 92 Head Start and Early Head Start Grantees serving about 125,000 pregnant women, infants, toddlers and children. At time of printing there were no new Head Start or Early Head Start grants available. Additional information about Region IX can be found on their website: <http://www.acf.hhs.gov/programs/region9/>.

HEAD START GRANTEES

Grantees are public or private, for profit or nonprofit organizations, or public school systems that provide Head Start and Early Head Start programs. Grantees are chosen by the Regional Office through competitive grant application processes. Grantees then enter into an agreement with the Regional Office to provide Head Start services in exchange for an annual, renewable grant. The Regional Office negotiates its contract with each Grantee separately, so contract grant amounts and services offered will vary. Grantees provide services themselves and can negotiate and sign sub-contracts with Delegates to provide services at additional centers.

HEAD START DELEGATES

Delegates are providers who have contracted with Grantees to provide Head Start or Early Head Start services. An organization may be a Delegate for Head Start and a Grantee for Early Head Start, or vice versa. In this case the organization would report to their Grantee as a Head Start Delegate and directly to the Regional Office as an Early Head Start Grantee. Each Delegate negotiates their contract with a Grantee independently, so contract amounts and service provision plans will vary. Delegates range in size and sophistication; some run one center while others run multiple centers, have strong relationships directly with the Regional office, and layer Head Start Funds with state funds.

¹⁸ California Working Families Project. *Understanding Child Care: A Primer for Policy Makers*. February 1999. (8)

RESOURCE AND REFERRAL AGENCIES (R&RS)

A Resource and Referral Agency is a local or regional agency that gathers and distributes information regarding community needs and local child care providers. R & Rs can release information about child care providers but cannot advocate for one provider over another. The law requires that every county must be serviced by at least one AP Agency; however, several counties have multiple AP Agencies in the form of both private and public agencies, including Resource and Referral agencies (R & R), other nonprofits, and county governments. R&Rs can also provide training to child care providers. For more information see sections, “Resource and Contact Lists” and “Resource Agencies” in the Appendix.

LOCAL CHILD CARE PLANNING COUNCILS (LPCS)

LPCs are intermediary organizations that help to determine local child care needs, produce county wide child care plans and set funding priorities for Federal Child Care and Development Block Grants. LPCs can also provide information about local demands for child care and funding resources.

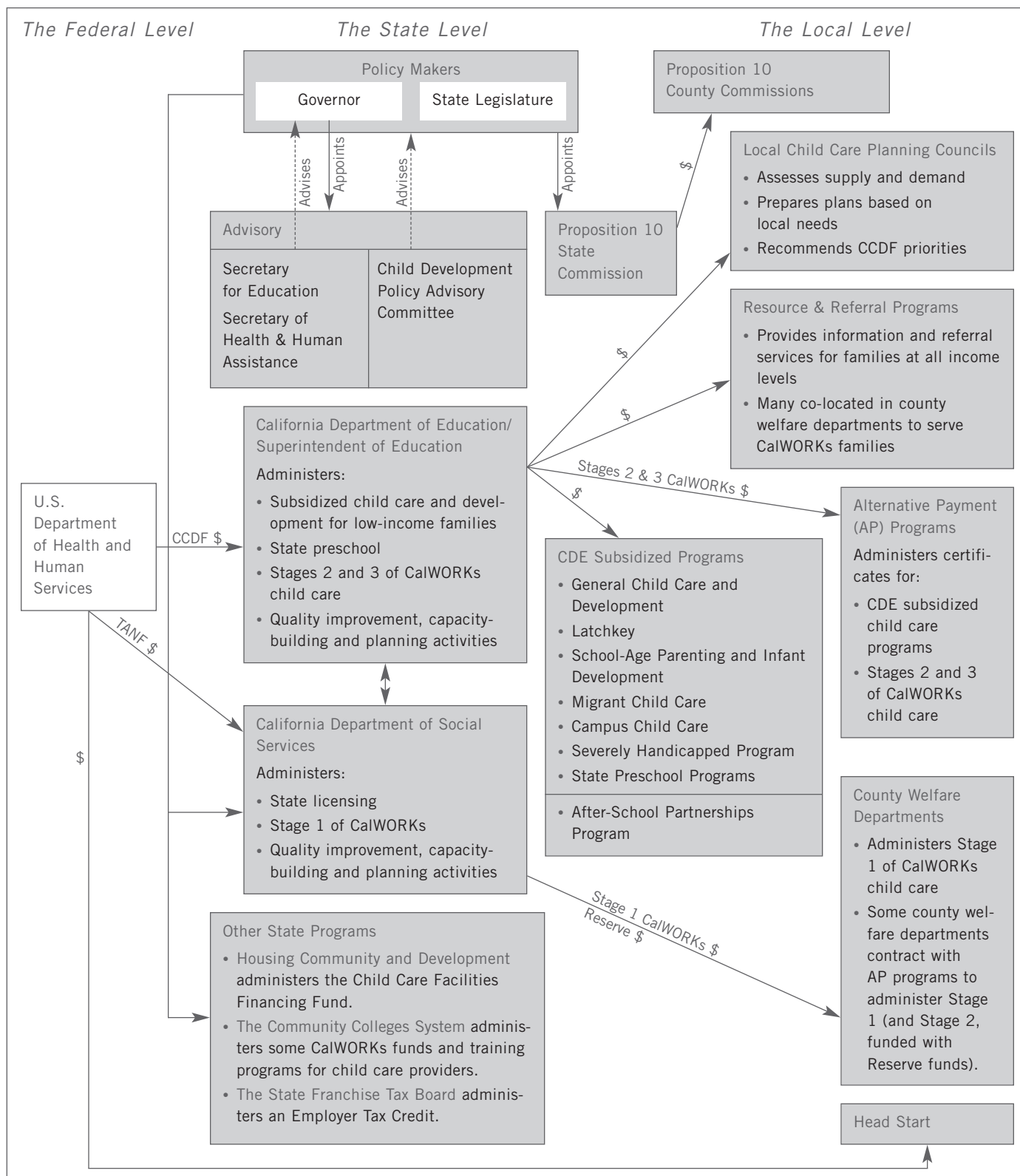
COMMUNITY CARE LICENSING

A division of the California Department of Social Services that mandates child care licensing requirements and oversees the licensing process for all child care facilities. Licensing is regulated by Title 22, Division 12 of the California Code of Regulations. Subsidized child care facilities must also meet the guidelines in Title 5, Division 1, Chapter 19.

California Child Care— Institutions and Public Funding Structure

California’s child care system, like its housing system, involves institutions on the federal, state and local level. The following chart is excerpted from the California Working Families Project’s publication, *Understanding Child Care: A Primer for Policy Makers*, and provides an overview of the way in which the federal, state and local institutions interact to provide quality child care in California.

CALIFORNIA'S CHILD CARE & DEVELOPMENT SYSTEM: PRIMARY INSTITUTIONS



Developed by the Institute for Research on Women and Families

At each level, different institutions administer child care oversight and funding to ensure consistent, quality affordable child care throughout the State. The Governor and State Legislature make child care policy with advice from the Secretary of Education, the Secretary of Health and Human Assistance and the Child Development Policy Advisory Committee.

Approved by voters in 1998, Proposition 10 established the California Children and Families Program and the State Commission, otherwise known as First 5 California, and authorized the establishment of county commissions. County First 5 Commissions are designed to provide all children prenatal to five years of age with comprehensive, integrated systems of early childhood development services. Each County First 5 Commission has established unique, specific priorities for supporting local child care services which are outlined in their First 5 Plans. In many counties this includes funding for improving and increasing child care facilities. See the Appendix for contact information for each local First 5 Commission.

California's child care sector also includes resource agencies whose mission it is to support, plan, and advocate for quality child care. These resource agencies are important partners when planning a child care facility development project.

Child Care resource agencies can provide developers with current information on the child care market in their communities, including data on supply, demand, facility licensing requirements, information on centers that are expanding or closing, sources of operating subsidies, and identifying local subsidized operators. Resource agencies understand critical attributes of successful child care operations, so they can help those searching for an appropriate child care operator. These agencies can also be important advocates for individual projects at community meetings and public hearings. Some of these agencies work statewide while others operate regionally or locally.

At the local level, local child care and development planning councils (LPC's) assist in the coordination of child care services in each of California's 58 counties. LPC's, funded by the California Department of Education (CDE), are mandated to conduct assessments of county child care needs and to prepare plans that address identified needs. The assessments must contain information on the supply and demand for child care, including the need for both subsidized and non-subsidized services. The plans are used by CDE to target subsidy dollars for subsidized centers. Contact information for the applicable LPC is available online for most counties.

To fund a child care facility, a developer must understand the financing resources that are available to them at the federal, state and local levels. The California child care system contains three publicly subsidized financing mechanisms: alternate payment vouchers, center based contracts and the Head Start Program. An overview of these financing resources is provided below. Please refer to Chapter V, "Financing a Child Care Facility," for detailed information of these financing mechanisms.

ALTERNATE PAYMENT PROGRAM (APP)

APP—HISTORY AND STRUCTURE

The Alternative Payment Program was introduced by Governor Jerry Brown's administration in the mid-1970s. The program was developed to provide low-income families with choice in their child care arrangements by allowing parents to redeem vouchers at a child care provider of their choosing. The Federal government saw the California AP Program as a model and began funding the vouchers in 1992 with Temporary Assistance for Needy Families (TANF) funds, or California Work Opportunity and Responsibility to Kids (CalWORKs) funds, as TANF is named in California. As a result, all APP funds are a mix of federal, state, and county funds.

The California funds are administered through the California Department of Education (CDE) through its Child Development Division (CDD), which contracts with AP Agencies throughout the state for Stage 2 and 3 CalWORKs recipients, and through the California Department of Social Services through each county welfare department for Stage 1 CalWORKs recipients.

The law requires that every county be serviced by at least one AP Agency; however, several counties have multiple AP Agencies in the form of both private and public agencies, including Resource and Referral agencies (R & R), other nonprofits, and county governments.

APP—ELIGIBILITY AND PROGRAMMING

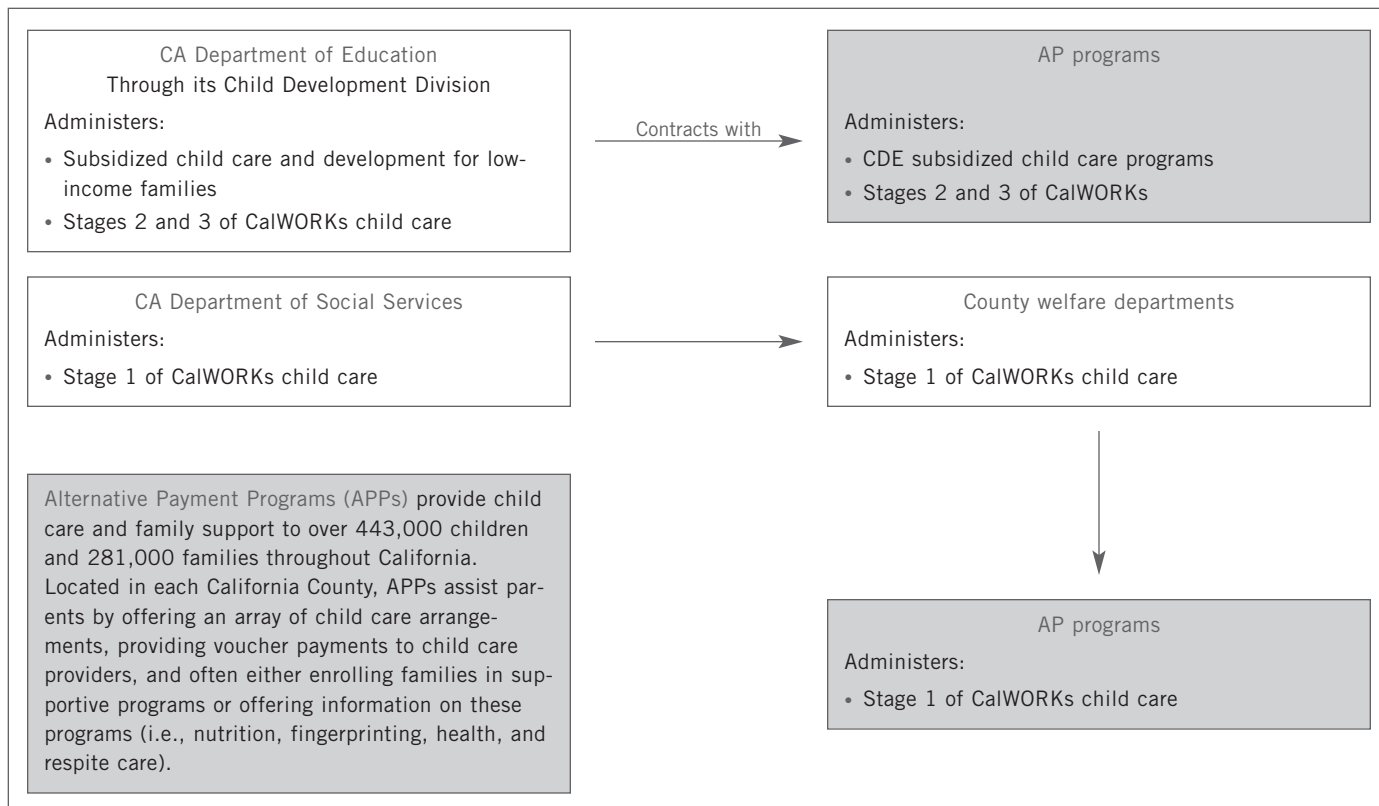
To be eligible to receive an AP voucher, a family's income must be at or below 75% of state median income¹⁹ for the family size, live in California, have a child under the age of 13 unless the family is a CalWORKs recipient, and the child must be in child protective services or the parents must be working (not including supervision of the family's children), seeking employment (including participants in the welfare-to-work CalWORKs program), in vocational training, homeless and seeking permanent housing, or incapacitated for medical or psychiatric reasons.²⁰ Since vouchers are scarce, the state prioritizes those most in need. First priority is given to children who are homeless, or at risk of abuse or neglect. For all other openings, eligible children are enrolled by family income: the child from the lowest-income family, by family size, enrolls ahead of other eligible children. If a voucher is not available, an eligible family may be referred to a Center-based contract provider.

¹⁹ Household Size-Monthly Income 2004: 1-2-\$2,730, 3-\$2,925, 4-\$3,250.

²⁰ Alternative Payment GAPP: Funding Terms and Conditions and Program Requirements for Child Development Programs, Fiscal Year 2004-5. (30-1)

The chart below illustrates the role of the alternative payment programs in California and is produced by the California Alternative Payment Programs Association (CAPPA).²¹

THE ROLE OF CALIFORNIA ALTERNATIVE PAYMENT PROGRAMS



CENTER-BASED SUBSIDY

CENTER-BASED SUBSIDY—HISTORY AND STRUCTURE

Beginning in 1943, California funded and operated child care centers as part of a federally funded child care program for low-income women assisting in the war effort. Since then, the program has grown to \$900 million a year in state and federal funds focused on providing child care and development services for low-income families with children under 13 years of age. The Child Care Division (CDD) of the California Department of Education (CDE) administers the Center-based program. Funds are for direct child care and educational development services. Corollary services such as food or enhancements are funded separately.

The center-based program works in a similar way to the project-based Section 8 program for housing. CDD advances contract funds into an interest-bearing account that is drawn by the provider as they meet attendance requirements stipulated in their contract. These contracts are structured so that providers earn funds based on services provided. Contracts specify a required number of units of service, for which the California Department of Education (CDE) will reimburse the provider up to either the maximum of the service value or the lesser value of what the slot is sold for. For example, in the case where the contract amount is \$100,000

²¹ APP Chart. <http://www.cappaonline.com/>.

to serve 14 children, if the provider serves 13 children instead, the allowable costs which the contract would reimburse the provider total \$93,000. Alternatively, if the provider over-enrolls, then the allowable costs would total the maximum contract amount of \$100,000. Also, if any household is over income, a parent fee is charged on a sliding scale, and the allowable costs are reduced by the amount of parent fees. When contracts are shared between multiple centers operated by the same provider, managing the earning of contracts can become challenging.²² Funds that are not advanced by the end of each fiscal year are returned to the state.

The center-based funds can also be distributed by a number of state programs, including:

1. General Child Care and Development Programs, which contract with local educational agencies (providers) for child development services for children up to age 12 and for children with exceptional needs over age 12;
2. State Preschool Program, which contracts for care and development programs for children age three to five from low-income families;
3. Migrant Child Care and Development Program (APP), which contracts with providers to serve the children of agricultural workers while their parents are at work;
4. Campus Child Care and Development, which contracts with student associations or college administrations to serve children of parents who are enrolled in college. CDD funds a wide range of child care services and organizations that provide child care resources.

For more program information, see <http://www.cde.ca.gov/sp/cd/op/cdprograms.asp>.

CENTER-BASED SUBSIDY—ELIGIBILITY AND PROGRAMMING

Families with incomes up to 75 percent of the State Median Income (SMI) based on the Family Fee Schedule published by CDD per Education Code Section 8263(f)²³ are eligible to participate in State programs and are charged affordable fees. The fees charged must be the lesser of the rate on the Family Fee Schedule and the actual cost of services. In all cases, the fee should be less than the Regional Market Rate. Families with income less than 50 percent of SMI are considered to be below the State poverty level for child care and development programs, and no fees are assessed to the family. Families with children in subsidized care after 1998 whose income initially or eventually exceeds 75 percent of SMI will lose eligibility and no longer be eligible for reduced fees.

Admission Priorities for a center-based subsidy facility generally state that the first priority shall be given to children who are recipients of Child Protective Services. Second priority shall be given to all income eligible families with the lowest gross monthly income in relation to family size admitted first. If families are in the same rank, priority for admission differs by the type of program and source of funding. Detailed priorities are outlined in the CDD Management Bulletin.²⁴

Please note: At the time of this writing, new center-based contracts are scarce, so developers interested in center-based funding should look for a provider who already has a center-based funding contract.

²² Paul Miller. Interview with the Executive Director of Kidango.

²³ The most recent Family Fee Schedule is published in the CDD's Management Bulletin No. 00-14, September 1, 2000. The bulletin will expire when superceded. See <http://www.cde.ca.gov/sp/cd/ci/documents/mb0014a.pdf> for more information.

HEAD START

HEAD START—HISTORY AND STRUCTURE

Head Start was established by Congress in 1965 to help break the cycle of poverty by improving the school readiness of low-income children. It serves families at or below the national poverty level and requires that its programs set aside ten percent of their slots for children with disabilities. Head Start also provides opportunities for parent involvement, education, and counseling. In 2004, Head Start programs served over 900,000 children.

In 1990 the first Head Start State Collaboration Offices were established. The California State Collaboration Office (CSCO) is charged with creating a visible presence at the state level for the nation's largest Head Start program. The CSCO brings Head Start into discussions on state policies that affect low-income families. Due to its federal-to-local funding system, Head Start might otherwise be unrepresented in such issues. The CSCO coordinates efforts to improve and integrate access to services that affect low-income families, such as health care, child care, and education. In 1999 the Head Start Bureau set collaboration priorities, which include linking Head Start with homeless and State child care services, unified child care planning, collaborative funding efforts such as equipment and supply sharing with non-Head Start programs, increased information to parents regarding supportive service availability, and broadening Grantees' ability to collect fees when engaged in partnerships.

In 1994, Congress introduced Early Head Start as part of the reauthorization of the Head Start Act. Early Head Start provides children from zero to three years old with care similar in scope to Head Start. Early Head Start (EHS) also provides health services to mothers during and after pregnancy, home visits, case management, and parent peer support groups. The administrative and funding structures of EHS mirrors those of Head Start.

Head Start and Early Head Start are overseen by the Head Start Bureau, which is run by the Administration on Children and Families (ACF), Department of Health and Human Services, U.S. Department of Health, Education, and Welfare. ACF and the Head Start Bureau are divided into ten Regional Offices, a Migrant and Seasonal Office, and a Tribal Office. More information on the Head Start Bureau and program can be found at <http://www.acf.hhs.gov/programs/hsb/>.

HEAD START—ELIGIBILITY AND PROGRAMMING

Head Start and Early Head Start are designed to be comprehensive programs providing healthy developmental environments for low-income children and their families. Head Start emphasizes parent involvement and provides more extensive supplementary services than most private providers. Programs provide part- or full-day child care that promotes positive child growth and school readiness. Part-day care tends to be more common, and some providers have both a morning and afternoon session. Head Start programs include nutritious meals, parent involvement, and parenting advice. Depending on the needs of the children, programs may provide transportation, occupational therapy, and extra training and therapy for children with disabilities. In addition, programs may provide ESL classes, counseling, home visits, case management, family advocacy, health services, nutrition, and marriage education to families.

²⁴ Child Development Division. Management Bulletin No. 00-18. Admission Priorities Chart. September 2000.

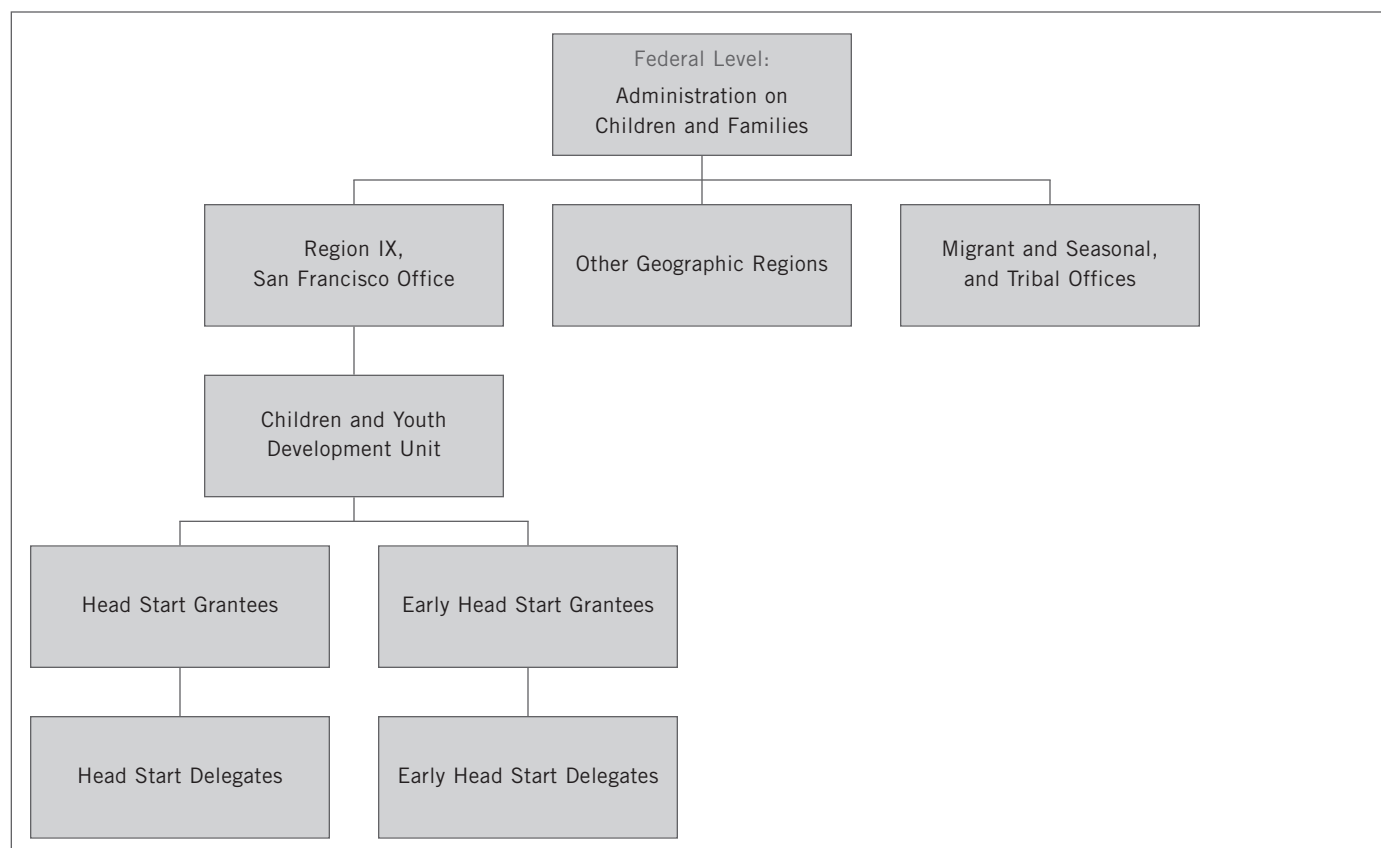
All Head Start and Early Head Start Grantees and Delegates must comply with Head Start Performance Standards. The Standards define the scope of services that programs must offer to Head Start and Early Head Start children and families, but do not prescribe how services must be carried out.

Head Start is a federal program with extensive fiscal and programmatic requirements. Head Start managers must be familiar with the myriad of compliance and reporting requirements in order to run a quality program that will continue to receive annual federal funding. The Head Start Bureau budget is appropriated annually by Congress, and though the program has historically enjoyed bipartisan support, funding has recently flat-lined, and is increased for inflation-adjustment only.

Once Head Start and Early Head Start receive annual appropriations, funds are distributed to Regional Offices for disbursement to Grantees as annual program costs and for one-time funding supplements such as facilities funds. Federal and Regional Offices retain some funds for administration, conferences, and training.

Program funds are administered as renewable grants that are initially awarded on a competitive basis to public, private, nonprofit and for-profit organizations, and school districts. See chart below for Head Start structure:

HEAD START STRUCTURE



The majority of Head Start grants renew automatically, requiring annual reporting but not reapplication. Grant amounts to Grantees and Delegates vary depending on the number of children served, program type, services offered, and negotiated contracts. Program funds, which typically include an allowance for rent, can support debt, including loans on tenant improvements and mortgages.

Federal funds, including Head Start grant monies, can make up no more than 80% of a Grantee's annual budget. The remaining 20% must come from cash or in-kind donations. Volunteer time may be counted as an in-kind donation if properly documented, and parent volunteer work is encouraged and popular. Land donations must be pre-approved by the Regional Office in order to count as an in-kind donation. The depreciation on a donated building, but not the building itself, may be considered an in-kind donation if not reimbursed as a direct or indirect cost. The full value of donated tenant improvements can be considered an in-kind donation. Delegates and Grantees who fall short of the 20% non-federal requirement will have to repay \$4 for every \$1 of shortfall. Consequently, it is recommended that Delegates and Grantees exceed the 20% non-federal match portion. This also provides a cushion in case some donations are rejected by the Regional Office for improper documentation or use.

All Head Start expenses are divided into program, administrative, and dual costs. The provider determines the cost type in their annual budget report, which is audited by the Regional Office. Administrative costs include costs such as the center director's salary, accounting staff, and audit expenses, and are limited to 15% of a Delegate or Grantee's annual budget. Program costs include any component of programs and services such as health and parent involvement services. Dual costs are both programmatic and administrative, and must be further broken down into program and administrative portions. For example, occupancy costs, such as rent and tenant improvements, are dual costs that are broken down by use on a square-footage basis (e.g., office space becomes an administrative cost while classrooms and parent conference rooms become program costs).

Information on finding and partnering with a provider can be found in subsequent chapters. To locate Head Start providers, contact your local Resource and Referral Agency and the Regional Head Start Office for information on local Grantees and Delegates.

OTHER FINANCING PROGRAMS

Additionally, there are several other subsidies for supplemental services for low-income children available. These include:

- Proposition 10 Funds. Proposition 10 (First 5) Commission Facility Funds are funds that are generated by the passage of Proposition 10, a ballot measure in 1998 that added a 50-cent-per-pack tax to cigarettes and comparable tax on other tobacco products. The Governor and the State Legislature also appoint the Proposition 10 State Commission, which oversees Proposition 10 County Commissions. At the local level, Proposition 10 County Commissions develop First 5 plans and administer Proposition 10 funds in accordance with their respective plans;
- The Department of Agriculture–funded, and the California Department of Education–administered, Child and Adult Care Food Program (CACFP), which any licensed nonprofit provider or private provider that serves at least 25% eligible children can sponsor;²⁵
- Transportation allowance funds available to Head Start programs for transporting children on a per-ride basis;²⁶
- Enhancement funds for special needs, homeless, staff compensation or development.

Licensing and Accreditation

To regulate the California child care industry, licensing and accreditation standards have been established. Although licensing is required, accreditation is voluntary but serves as a means for measuring quality and verifying professionalism. State Licensing and Accreditation systems are an effective tool to help guide the design and financing of a child care facility.

LICENSING

Licensing is intended to provide minimum health and safety standards, and is therefore not necessarily a measure of quality. State law requires that child care facilities, other than those operated by license-exempt providers as described earlier in this chapter, be licensed. All child care centers are licensed by the Community Care Licensing Division of the California Department of Social Services and are regulated by Title 22, Division 12 of the California Code of Regulations. Private child care centers, centers that do not receive subsidies, are regulated only by the Community Care Licensing Department and must comply with Title 22. Centers that receive federal and state funding are also overseen by the California Department of Education's Childhood Development Division, and hence are often referred to as Child Development Centers. Child Development Centers must meet the guidelines in the California Code of Regulations, Title 22, Division 12 and Title 5, Division 1, Chapter 19.

²⁵ Department of Education (DOE) administers and the Department of Agriculture (DOA) funds a number of food programs including Family Day Care Food and Summer Food. This is the child care version of the National School Lunch Program. The program covers six types/levels of reimbursement: breakfast, lunch, and snack at free, reduced, base/paid levels. The amount is fixed once per year and can be adjusted upward during the year but is not required to be adjusted downward. The amount is small but significant. For example, out of a \$16 million budget, \$500,000 could come from the DOE's food programs.

²⁶ Many providers do not utilize these funds due to the liability associated with transporting children.

Title 22 and Title 5 specify baseline requirements for the physical environment in which child care is operated, the qualifications and number of teachers and aides (staff), accountability, record keeping, procedures for addressing health and safety concerns, and food service if provided (see Chapter VI, “Designing Child Care with your Housing Development,” for more information on the physical space requirements of Title 22 and Title 5). Title 5 includes higher qualifications for teachers. It stipulates that providers include components such as parent involvement and education, health and social services for families, and community involvement including outreach. Continuation of a license is subject to annual inspections by Community Care Licensing, assuming no uncorrected deficiencies or other violations have occurred. If a complaint is received by Community Care Licensing, and Licensing determines that an evaluation visit is warranted, additional inspections of possible deficiencies or violations will be scheduled.²⁷

A license is facility-specific; a provider cannot shift a license from one center to another. There are two separate child care licenses based on age group: 1) Infant programs and 2) Preschool programs. An application for a “Toddler option,” to cover the ages between infant and preschool, may be added to either license. Details for how a provider applies for a license are included in Title 22 and briefly summarized in Chapter VI, “Designing Child Care with your Housing Development.” How to review the licensing record of a center is provided in Chapter IV, “Partnering with a Provider.”

ACCREDITATION²⁸

Accreditation is voluntary and intended to be a measure of quality. The National Association for the Education of Young Children (NAEYC) established its national, voluntary accreditation system in 1985 to set professional standards for early-childhood education programs, and to help families identify high-quality programs. The standards are used to raise the quality of programs for children from birth through age eight nationwide. NAEYC accreditation suggests that a level of quality has been confirmed by an independent entity. In 2002, a 10-member Commission appointed by the NAEYC Governing Board revised the NAEYC Early Childhood Program and Accreditation Criteria to make the standards more evidence-based and concurrent with the profession’s knowledge of best practices.²⁹ The new accreditation procedures and standards will be fully operational by January 2006. New self-study materials are available to providers as of December 2005.

The NAEYC’s new draft accreditation standards provide best practices for 10 areas of program standards: relationships, curriculum, teaching, assessment, health, teachers, families, community partnerships, physical environment, and leadership and management. NAEYC performance criteria are provided by age group: infant, toddlers and twos, preschool, kindergarten. NAEYC requires the submission of support documents to establish performance in each of the 10 areas. Criteria are far more detailed and extensive than licensing standards. For example, in the area of “Relationships,” one NAEYC criterion states, “Teachers evaluate and change their responses based on individual needs. Teachers vary their interactions to be sensitive and responsive to differing abilities, temperament, activity levels, and cognitive and social development.”

²⁷ California Code of Regulations, Title 22, Division 12, Chapter 1, Section 101201.

²⁸ Material is from four sources: NAEYC Draft Early Childhood Program Standards; NAEYC Draft Accreditation Performance Criteria, June 2004; <http://www.naeyc.org/>; and Kidango.

²⁹ www.naeyc.org/accreditation.

Accreditation lasts five years, subject to the submission of annual reports, annual verification visits, and payment of annual fees. NAEYC is organized regionally. California is under the jurisdiction of the western region Information Coordinator, who provides resource information on quality, policies, and procedures to providers and the interested general public; Quality Management Coordinator, who reviews the annual reports; and Validation Coordinator, who arranges validation visits.

Nationwide, approximately 9,000 programs are accredited, serving more than 800,000 children. Since accreditation standards are high and there are both initial and ongoing operating costs associated with accreditation, less than 10% of facilities in California are accredited as of December 2005. Confirming accreditation can be done through the NAEYC website at www.naeyc.org/accreditation.

BEYOND ACCREDITATION

Since many providers cannot achieve accreditation due to programmatic, physical, and/or financial reasons, developers cannot rely upon the accreditation to determine quality and must often delve more deeply into the provider's program, their long-range plan for quality improvement, and their evaluation methodology. NAEYC and the environmental rating scales by age group established by Thelma Harms and Richard Clifford provide standardized performance criteria to measure "quality," which are informative to the developer, though more detailed than most developers require. The Harms and Clifford rating scales have been used quite extensively worldwide for program improvement, government regulation, teacher training and mentoring, and research and evaluation.³⁰

A comparison of Title 22, Title 5, and NAEYC accreditation requirements in terms of design is provided in the Chapter VI, "Designing Child Care with your Housing Development."

³⁰ Harms, T., & Clifford, R. (1980). *The Early Childhood Environment Rating Scale*, New York: Teachers College Press.

Harms, T., & Clifford, R. (1989). *The Family Day Care Rating Scale*, New York: Teachers College Press.

Harms, T., & Clifford, R. (1990). *The Infant Toddler Environment Rating Scale*, New York: Teacher's College Press.

There are many similarities with NAEYC accreditation standards; Richard Clifford is a former president of the NAEYC.

A GUIDE FOR DEVELOPING
CHILD CARE FACILITIES
WITH AFFORDABLE HOUSING

Assessing *the Child Care Market*



BUILDING

SUSTAINING

LEADING

II. Assessing the Market	29
<i>Market Demand</i>	31
Demand Methodologies	31
1. Addressing Local Child Care Mitigation Requirement	33
2. Providing a Service to Property Residents—Demand from New Housing Development	33
3. Addressing an Identified Community Need—Demand from the Surrounding Area	34
4. Achieving Child Care-Housing-Jobs Balance—Demand from Businesses and Transit	36
<i>Market Supply</i>	37

Assessing *the Child Care Market*

Summary

As with the development of housing, the first step in creating a child care facility is an understanding of the surrounding market area. The success of a child care facility depends on the needs of the surrounding market, which can be determined by comparing the demand and supply of child care slots. This includes evaluating the current and projected demand as well as the existing and pipeline supply of facilities.

Determining the amount of unmet demand by the type of child care arrangement is critical to sizing the center and securing realistic financing since the amount of demand for a particular type of child care arrangement will differ from the aggregate demand for child care. Funders of the child care facilities will request market data that supports the facility's future success. Yet assessing demand for child care is at best an approximation based on qualitative and quantitative information available for the area and the nation as a whole. This section provides information and tools for an initial assessment of market demand and supply for child care.

If a market study is required by a funder, contract with a market study consultant. Make sure that you agree with the methodologies your market study analyst plans to utilize since few consultants have conducted these studies. The consultant should be able to conduct demand analysis by income group, analyze the assumptions of data sets of demand forecasts, carry out detailed trend analysis by service age group, examine enrollment by full-time or part-time basis, conduct surveys or focus groups, and look at projects in the pipeline. The Local Planning Council, Resource and Referral Agency, or the California Resource and Referral Agency may be able to assist you with finding an appropriate market study consultant. At the time of this writing, few child care facilities serving low-income families have been financed with conventional debt and public lenders, and community development financial institutions have not required formal market studies.

Market Demand

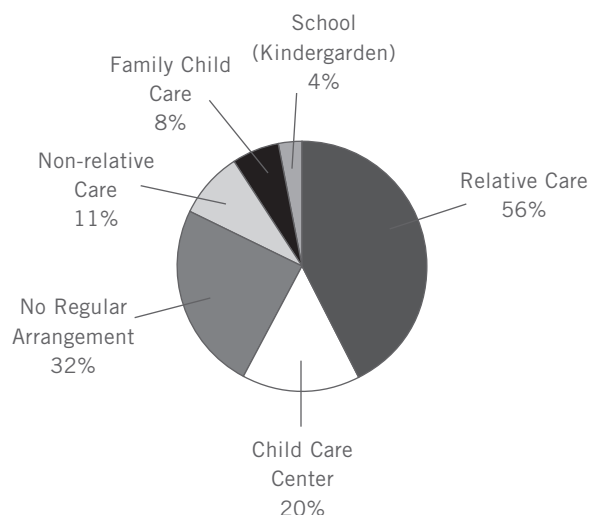
DEMAND METHODOLOGIES

There are a variety of factors that impact the demand for affordable child care. Some of the major factors that impact demand include:

- Demographics of the population in the immediate area, both present and in the future
- Proximity to major employers and/or proximity to transportation commute lines
- Pipeline for new housing, jobs, and child care facilities in the area
- Utilization rate of different types of child care in the neighborhood

Please Note: The Survey of Income and Program Participation (SIPP) collected by the U.S. Census provides child care arrangement utilization rates by family characteristics and employment status of the mother. In 1999, 7.6 million of the 18.2 million children under five years of age were in some form of regular non-relative child care arrangement during a typical week. Forty-three percent of child care arrangements were with non-relatives and 23% were with child care centers (including center, nurseries, preschools, and federal Head Start programs). Child care centers make up 20% and family child care homes make up eight percent (8%) of child care arrangements.³¹

³¹ U.S. Census. "Who's Minding the Kids? Child Care Arrangements: Spring 1999." Issued 2003. <http://www.census.gov/population/www/socdemo/child/pp1-168.html>

CHILD CARE ARRANGEMENTS OF PRESCHOOLERS OF EMPLOYED MOTHERS³²

Many families make multiple types of child care arrangements. In the pie chart, a family with multiple arrangements is counted under more than one category.

Source: U.S. Census: Who's Minding the Kids? Child Care Arrangements: Spring 1999.

There is currently no one predominantly accepted method for assessing demand for child care. Additionally, the quality and availability of information varies significantly from area to area; the availability of data may mean that only certain approaches may be used.

Since demand for child care services can come from a number of sources, it will frequently be necessary to utilize more than one approach in assessing demand. However, this could lead to an overrepresentation of demand. For example, demand data on pipeline housing developments, the surrounding neighborhood, and major employers in the area could count some of the same households multiple times. Families in the surrounding neighborhood may move into new housing in the neighborhood and may work in the neighborhood. Since data frequently does not enable multiple counting to be eliminated, it is important to apply the results conservatively when sizing your center.

This section provides methods of assessing demand depending on your primary target market for the child care facility. The different methodologies are:

- Local child care mitigation requirement
- Providing a service to property residents
- Addressing an identified community need
- Child care-housing-jobs balance

³² Since 19.5% are in multiple arrangements which tie in number of hours, the total percentage exceeds 100%.

1. ADDRESSING LOCAL CHILD CARE MITIGATION REQUIREMENT

Some localities will prescribe a methodology for determining child care demand generated by your proposed residential or commercial development. A child care impact mitigation proposal may need to be submitted prior to the Planning Commission's review of your development proposal.

Since 1988, Contra Costa County has utilized the following equation:³³

(1)		(2)		(3)		(4)
TOTAL # OF UNITS	X	GENERATION RATE	X	WOMEN'S LABOR RATE	X	50% NEED

- (1) Total number of units in the proposed development.
- (2) The current generation rates for children 0–2, 3–5 and 6–12 years of age in the area of your development. This information can be obtained from the local School District or the County Demographer.
- (3) Women's labor rate represents women's workforce participation. The labor rate is available through the U.S. Department of Labor, Bureau of Labor Statistics. The women's labor rate overall can be found in the DOL's frequently asked questions, <http://www.dol.gov/wb/faq38.htm>. If focusing on women's child-bearing years, the women's labor rate by age and sex can be found in data tables available through the general website, <http://www.bls.gov/cps/>.
- (4) Assumption that 50% of children of working mothers will need non-relative child care, outside of the home. Developers may want to more conservatively use the percentage of use for the type of child care to be provided. Refer to the pie chart on the preceding page.

2. PROVIDING A SERVICE TO PROPERTY RESIDENTS—DEMAND FROM NEW HOUSING DEVELOPMENT

Properties providing housing for working families with children generate additional demand for child care in neighborhoods where the properties are located. According to a 1992 BART commissioned study, for parents with commute distances between home and work greater than ten miles, roughly three quarters of parents with children between the ages of two and five place their children in child care arrangements closer to home despite the fact that only half prefer to do so.³⁴

A critical question in determining demand generated by new affordable housing units is:

Will property residents or neighborhood residents qualify?

- Income qualifications for affordable housing and child care subsidies can differ dramatically. Most affordable housing income restrictions in a county are based on the federally defined county income, whereas child care subsidy qualification is based upon the average federal income for Head Start centers and the state average income as of September 2000³⁵ for state subsidized centers.

³³ Contra Costa Resource and Referral Agency.

³⁴ Nelson/Nygaard and Bay Area Economics. *Child Care Feasibility Study for BART: Issues Paper*. May 1992.

³⁵ The State legislature has frozen the eligibility for subsidized child care to 75% of the 2000 state median income.

- Income Eligibility requirements differ based on revenue sources, e.g. a family of four in California must earn equal to or less than:
 - \$18,850 per year to receive Head Start services based on the Federal poverty level, which equals 22.76% AMI for Oakland in 2004 and 38.34% AMI in Imperial County.
 - \$39,000 per year to attend a subsidized center or receive vouchers for child care services based on 75% of the 2000 state median income, which equals 47% AMI for Alameda County 2004 and 79% AMI for Imperial County.
- If the property is not yet leased, will the future property residents' child care needs, in terms of age groups served, match the center you are planning—frequently years in advance?

Kidango, a well-established, successful nonprofit child care operator serving neighborhoods across the Bay Area, utilizes the following equation to determine demand generated internally from a rental housing development:

(1)	(2)	(3)	(4)	(5)
(# UNITS X (# BDRMS – 1 BDRM))	/	17	X	# AGES SERVED
			X	WOMEN'S LABOR RATE
				X
				% NEED

- (1) Number of children is equal to the total number of units in the development multiplied by the total number of bedrooms (bdrms) utilized by children assuming a household with one child per bedroom not including one adult bedroom without a child.
- (2) Seventeen years of schooling is used assuming every child in a household has equivalent chance of being in each age group.
- (3) Number of ages the center intends to serve. If a center serves preschoolers age two through five, it serves four age groups.
- (4) Women's labor rate represents women's workforce participation.
- (5) For market rate developments, assume 50% of households with children age five and below will require non-relative care. Utilization of subsidized care is higher for affordable housing developments serving low-income families. For affordable housing developments which serve 100% low-income families, assume 100% will utilize subsidized care if they qualify.³⁶ Mixed-income developments will require the calculation of demand for the market-rate component plus demand for the affordable component. Then take the applicable percentage (50% for market, 100% for affordable) and multiply it by the current utilization rate for the type of child care arrangement. For example, child care centers are 20% of child care arrangements.³⁷ Therefore, if developing market-rate units, take 20% of 50% of the number of households with children, or if developing affordable units, take 20% of 100% of the number of households with children.

3. ADDRESSING AN IDENTIFIED COMMUNITY NEED—DEMAND FROM THE SURROUNDING AREA

During the time lag between development conception and child care center completion, the demand for child care may change. If rental units turn over significantly or there are a large number of property sales, the

³⁶ The number of households with children can be calculated by totaling the number of units with two or more bedrooms.

³⁷ Ibid 2. See pie chart earlier in this chapter: Child Care Arrangements of Preschoolers of Employed Mothers.

number of families with children age five and younger may increase or decrease significantly. If there is not much turnover in a neighborhood, children in the current households, which the facility is intended to serve, could age out of the child care facility before it is completed and licensed for enrollment. Since the timeline for real estate development tends to be multiyear, trended projections for birth rates and poverty are useful to estimating future demand in a neighborhood or market area. Birth rates tend to follow a bell-shaped curve over a period of years.

There are several excellent sources of information on birth rates and poverty. The availability of information from these sources will differ from locality to locality.

Sources of demographic data:

- Demand Data—This data will provide a snapshot of demand at a particular point in time.
 - Intermediary organizations.
Overall, intermediary organizations are an excellent source of demand data, and they can also provide you with information and contacts for the providers in the area. Local Child Care Planning Councils (LPCs) and Local Resource and Referral agencies (R & Rs) receive some funding from the State to gather and make this information available. LPCs are funded in part to conduct an annual local child care needs assessment. Since R & Rs provide referral for parents on available child care and assist potential providers in the licensing process, R & Rs can tell you how many people have requested referrals, though there may be double-counting. The capacity of intermediary organizations and the availability of data will differ dramatically from county to county.
 - Planning Department.
Planning departments often utilize Regional Planning Agency (also called Association of Governments) data and projections for their child care demand analysis. Sometimes, particularly for small areas, it is less time-consuming to get information from a Planning Department than an Association of Government. The Planning Department will also provide this data free of charge; there may be a charge for Association of Governments data from the association.
 - State Department of Finance.
This is a secondary source if projections from Census data are not available from either the regional Association of Governments (Regional Planning Agency) or the local planning department. Information is more difficult to access from this source, and the County level is the smallest geographic area offered. However, you can approximate more specific numbers by multiplying the birth rate by the population in the neighborhood census tract. Go to the Department of Finance website (<http://www.dof.ca.gov/>), click on Demographic Information in the left-side bar; click on Projections; then on Historical and Projected Births By County, 1990–2013; and finally on County Birth Projections—2004 Series. Use the zip code and address of the proposed project to find the census tract and population data from the U.S. Census website at <http://www.census.gov/>. The final project can be determined by the following equation:

BIRTH RATE

X

POPULATION IN THE CENSUS TRACT

- **Trends in Birth Rates & Poverty**—This data will provide projections for the future demand based on the assumption that historical trends will hold for the future, e.g., birth rate by ethnic and/or racial group.
- **Regional Planning Agency.**
Regional Planning Agency data tends to be the easiest to utilize. To access a directory of Regional Planning Agencies in California, go to http://www.abag.ca.gov/abag/other_gov/rcg.html and click on your Regional Planning Agency. There may be a charge for up-to-date information from the Regional Planning Agency. Prior to accessing the Regional Planning Agency data, use the zip code and address of the proposed project to find the census tract from the U.S. Census website at <http://www.census.gov/>.
In the San Francisco Bay Area, the Association of Bay Area Governments (ABAG) organizes U.S. Census data, which is available by census tract. Go to <http://www.abag.ca.gov/abag/overview/datacenter/>, then click “Projections 200_,” then “Census Tract Forecasts for Bay Area Data.”
In Southern California, the Southern California Association of Governments organizes similar data by census tract. Go to <http://www.scag.ca.gov/>, then click onto “Data and Maps,” then “Census Data” or “Planning Data.”
- **ED Data.**
ED Data provides information from school demographics on utilization of the free and reduced lunch program and CalWorks participation among parents by school district for the current year and projections for prior years. The projected data is useful for determining the need for subsidized care in a school district. Students who are projected to utilize free and reduced lunch usually will qualify for subsidized care. CalWorks participants always qualify. Ancillary information is also available, such as numbers of students requiring special needs educational programs. Data is available on a state, county, district, or school basis at <http://www.ed-data.k12.ca.us/>. Select District or School, then enter the name of the district or school, select the Students tab, then Special Programs to access the report on utilization of free and reduced price meals.
- **Schools.**
The school district’s business or enrollment office (frequently the personnel in charge of welfare and attendance) will often have information on the projected enrollment since school budgets are based on the number of children enrolled. The projected enrollment may be a good estimate of the number of children in the school district. Number of children who require child care can be calculated, using the methods described earlier in this chapter, from the projected number of children that will attend school in the future. Schools can provide useful information but the quality of the data and ease of access varies by district.

4. ACHIEVING CHILD CARE-HOUSING-JOBS BALANCE: DEMAND FROM BUSINESSES AND TRANSIT

Over the last decade, housing-jobs balance has become a shorthand way of describing the Smart Growth principle of locating housing and jobs close to one another in order to decrease commutes to work and minimize impact on agricultural land and/or natural resources in the urban periphery. For working families with children, the availability of child care, like housing, represents an important determining factor to selection of housing and job location.

To determine the demand generated by new housing units, utilize the formula provided in the above section on providing a service to residents.

To determine the demand generated from major employers in the area, contact the employers' human resources departments in order to determine the number of employees that currently have children age five and under. Some workplaces already have projected the future demand for child care for the workplace based on turnover rates, company historical data, and proximity of employees to the workplace. The profile of employees, including the number with children five and under, differs by industry. Some duplication of demand may result from utilizing multiple approaches such as demand from the surrounding neighborhood and demand from significant employers. Bay Area Economics (BAE) recommends that in the absence of site-specific data, assuming a 50/50 split to avoid overestimating preferences for work-based care as a conservative approach.³⁸ If actual employers cannot be surveyed, BAE recommends using average employee density by type of employment. However, the last known average employment density study was done in 1991, and employment has changed dramatically. Refer to the BAE publication for further information on this methodology.

In the last five years, transportation/transit centers have presented an opportunity to provide child care along major commute lines. The 1991 Nelson/Nygaard/BAE BART³⁹ commissioned study asserts that 4% of morning peak-hour ridership will require child care services and can be captured by child care center located within a major transit center. Child care centers within transit hubs that are designed appropriately and co-located with some kind of destination retail center or employment center have shown a great deal of promise. However, the experience of these transit center-based child care centers varies significantly. The percentage of ridership captured seems to depend more on the type of and eligibility for services offered by the center and the center's marketing. In 1996, at their One-Year Evaluation, 17% of families at the child care center at Tamien used mass transit as compared to 3% for the county. The child care center at Fruitvale Village serves primarily neighborhood residents and few transit users, but this is probably primarily due to the type of care provided. The Fruitvale Village center houses a part-day Head Start program with very low-income eligibility requirements. Too few of these centers exist to make a recommendation of an approach to estimating demand from mass transit.

Market Supply

Supply data can be obtained by considering data from the local Resource and Referral Agency (R & R) and Community Care Licensing. Data from these sources will provide the number of licensed child care spaces that exist without accounting for vacancy rate or projects in the pipeline. For example, if the demand average for infants and preschoolers is 500 spaces and the existing supply shows 300 spaces, then the net demand would be equal to 200 multiplied by the vacancy rate. The vacancy rate and reasons for the vacancy rate will tell you if you need to adjust the demand for your planned facility or if a different type of child care arrangement will enable your facility to capture more of the market. Some R & Rs will know generally if there are many or few vacancies and may have heard the reason for the vacancy rate, e.g., quality of care, availability of type of child care arrangement, eligibility criteria, and/or hours of operation. If the R & R cannot provide vacancy data, Kidango recommends applying a 10% vacancy rate for preschoolers and higher for infants and toddlers, to be conservative.

³⁸ Bay Area Economics. "Linking Development to Child Care: Estimating Demand for Child Care." 2004.

BAE, a comprehensive real estate economic analysis and urban development services firm, found that available data regarding locational preferences, e.g., proximity to home or work, for child care vary from 50% to 81%.

³⁹ Nelson/Nygaard and Bay Area Economics. *Child Care Feasibility Study for BART: Issues Paper*. May 1992.

- Resource and Referral Agency Supply Data

The level of detail will differ from agency to agency. For R & R data, ask for information broken down by the categories of center-based, family day care and exempt care.⁴⁰ If data is in aggregate, use the percentages from the child care arrangements data, in the Survey of Income and Program Participation collected by the U.S. Census, to allocate the supply by type of care. For example, 20% of child care demand is currently met by centers; therefore you can take 20% of the aggregate supply and assume that amount of demand is being met by centers. (A contact list of Resource and Referral Agencies is in the Appendix; call the California Child Care Resource and Referral Network at (800) 543-7793 or (510) 882-0234 or search on their website by county at www.rrnetwork.org and click on “local r & r agencies” for the contact information for the agency in your area)

- Community Care Facilities Licensing Supply Data

The local offices or state office of the Community Care Facilities Licensing Division of the Department of Social Services may be willing to calculate the numbers of licensed child care center and family child care home spaces. However, providing supply data to developers is somewhat outside of their typical role as the agency which licenses, conducts compliance inspections and enforces compliance of child care facilities. Additionally, family child care homes are licensed for a variety of arrangements; therefore, the data for family child care homes cannot be relied upon. For example, a family child care home with a large license may enroll up to 12 children with eight preschoolers and four infants but the provider may decide not to enroll infants. A list of the local offices is available at <http://www.cclid.ca.gov/res/pdf/CCListingMaster.pdf>.

⁴⁰ Exempt care refers to in-house child care by relatives for two families or less.

A GUIDE FOR DEVELOPING
CHILD CARE FACILITIES
WITH AFFORDABLE HOUSING

Choosing *a Provider*



BUILDING SUSTAINING LEADING

III. Choosing a Provider	39
<i>Methods for Identifying Providers</i>	41
Referrals from Intermediary Organizations	41
Request for Qualifications or Proposals	41
Provider Selected by Local Government Entity	41
<i>Criteria for Selecting a Provider</i>	42
Programmatic Approach and Service Population	42
Financial Health and Fund-Raising	43
Licensing and Accreditation Track Record	44
Facilities Development Experience	45
Readiness to Partner	46
Visiting Provider's Centers, Checking References	46
Experience Co-Locating with Housing and Other Types of Developments	46

Choosing *a Provider*

Summary

Frequently, developers already have relationships with a child care provider who they know would be an excellent partner and whose program and services would be a good match for the anticipated demographic of the future residents and the current demographic of the surrounding neighborhood. However, a developer may want to broaden its search. This chapter provides methods for identifying new providers and suggested criteria for selecting a provider.

Methods for Identifying Providers

There are three commonly used methods for identifying providers:

1. Referrals from the Local Planning Council, Resource and Referral Agency, or City child care coordinator
2. Request for Qualifications or Proposals
3. Provider partner already selected by local government entity which is issuing a Request for Qualifications or Proposals for a housing developer

1. REFERRALS FROM INTERMEDIARY ORGANIZATIONS

The Local Planning Council (LPC), local Resource and Referral Agency (R & R) or City child care coordinator that serves the community in which the housing development will be located can supply a list of providers that serve the area and frequently will know if a provider needs space to expand and/or may have the capacity to do so. Letting the staff person at these organizations know what kind of provider you are looking for and what criteria matter most to your development will help them identify suitable partners. Since these staff are also aware of the need in the area (e.g., age groups, income, part day or full day), the referral frequently goes beyond identifying potential providers to providing information on the type of child care center that will be successful and is needed in the area. The staff may also help the developer identify qualities of an appropriate operator based on anticipated demographic of the future housing residents as well as other factors.

2. REQUESTS FOR QUALIFICATIONS OR PROPOSALS (RFQ OR RFP)

A Request for Qualifications or Proposals sent to all providers in the local area or region is a generally acceptable and fair way to select a provider. Issuing an RFP or RFQ addresses any community concerns on the fairness of how the provider was selected and paves the way for community acceptance of the provider. Like any RFQ or RFP, the request should outline all of the criteria that are important to you as a developer and/or owner. Recommended criteria are outlined below under “Criteria for Evaluating a Provider.” Samples of RFPs developed or used by Child Development, Inc., LACDC and BRIDGE are in the Appendix.

3. PROVIDER PARTNER ALREADY SELECTED BY LOCAL GOVERNMENT ENTITY

The local government entity issuing the RFP or RFQ has already selected a provider or a small group of eligible providers, or has provided specifications as to the type of child care to be included in the development.

Criteria for Selecting a Provider

Following is a list of criteria which can be used to identify the best match for you as a developer and for your development for the long term:

1. Programmatic Approach and Service Population
2. Financial Health and Fundraising Ability
3. Licensing, Accreditation, Track Record
4. Facilities Development Experience
5. Readiness to Partner
6. Visiting their Centers
7. Experience Co-locating with Housing and Other Types of Development.

Since it is frequently difficult to find a provider with strength in all of these areas, prioritizing the criteria and creating a point-ranking system can be useful. For example, an excellent service provider may not be a strong development partner, and vice versa. An RFP, RFQ, or a list of questions for initial meetings can serve as a useful tool for gathering information to compare providers. After the developer has evaluated and selected a provider partner, it can be useful to maintain records of the organization's evaluation of providers. While it is beneficial to select the provider early for the many reasons that will be described in this handbook, the developer or provider may decide the partnership does not make sense as the project is refined, e.g., demographic change in the resident population, changes in the provider's program, etc.

1. PROGRAMMATIC APPROACH AND SERVICE POPULATION

Assess whether the provider's programmatic approach is a good match for the targeted population. Providers espouse a wide range of standards and philosophies for childhood development and curriculum, utilize a variety of assessment measures and tools to gauge whether or not their program is achieving the desired results, and specialize in serving specific populations, i.e. age groups, special needs, cultural and linguistic groups. The provider's programmatic approach can be compared to the initial market demand and supply analysis results, described in Chapter II.

PROGRAMMATIC COMPATIBILITY:

- Does the provider's mission and educational philosophy match well with the population to be served?
- What kinds of corollary services and resources for families does the provider offer, e.g., onsite social service, health, and psychological personnel, bilingual services, parenting classes for single mothers, community outreach and/or neighborhood events? How often are these services offered and what staffing is provided to support these services?
- Is the provider willing to provide a preference for housing development residents?

QUALITY:

- Has the provider's programmatic approach resulted in good outcomes for a service population similar to the one your center plans to serve?
- What kinds of activities are used to teach children?
- Are there clearly articulated child care and academic standards set for teachers and students for each age group?
- Is there a system in place to measure the success of the provider's educational practices?
- Does the provider conduct regular evaluation of their program?
- Does the provider make programmatic changes to address deficiencies or maintain consistency to ensure quality is maintained?

In comparing providers, be aware of quality and cost trade-offs. Providers must balance quality and cost in their programmatic decisions since these decisions have direct and rapid implications for quality and cost in the world of child care. For example, better staff-to-child ratios increase personnel costs per child, and additional corollary services for special needs populations increase staff and other costs.

2. FINANCIAL HEALTH AND FUND-RAISING

Most child care providers who serve low-income families are in the child care business because they have a vision of providing a quality and needed service for such families. The providers who have been successful for many years have mastered juggling child care regulatory requirements, quality control, subsidy requirements, and fund-raising. Financial health for child care providers is a goal they must constantly work at with closer attention to margins than many other businesses, because frequently standard expenses exceed the types of revenues that can be relied upon. Since child care budgets tend to be marginal, many operators rely upon special event and grant fund-raising for a positive cash flow. The most fiscally sound provider tends to be one that has had a long-standing public subsidy contract and a good fund development track record. Since few operators with subsidy contracts are well capitalized, failure to meet the targeted budget means in the best scenario that nonstandard services must be cut immediately and in the worse scenario that centers with marginal income and expenses statements, frequently small centers, must be closed. For the developer, underwriting a child care business involves understanding and structuring the relationship with the provider to moderate the particular risk of child care cash flow situations.

Material needed to assess the financial health of a provider and financial viability of a new center includes:

1. Income and Expense Statements for the organization for the last two years
2. Audit for the organization
3. Copies of any California Department of Education contracts or Head Start contracts
4. Income and Expense Statements for any centers held by separate entities
5. Cash flow projection and business plan for proposed center.

Guidelines for evaluating revenue and expenses are provided in the LIIF exhibit, “A Guide to Underwriting Child Care,” in Chapter V: “Financing.” It is advisable to assess what percent of the overall organizational budget and of the new center budget depends on special event and grant fund-raising and what the provider’s track record has been in raising these funds in the past. In reviewing the length of contract and amount of subsidy contractually obligated, find out how long the provider has had the contract, since many are subject to annual renewals but can be relied upon if the provider has had the contract for a number of years. Also, clarify contractually how much of the subsidy will be obligated for the new project.

3. LICENSING AND ACCREDITATION TRACK RECORD

Ask the provider about their licensing and accreditation track record and check into it. For additional information please refer to section Licensing and Accreditation in Chapter I, “California Child Care System—A Primer.”

LICENSING:

Using the facility’s state license number, name and address, anyone can check a facility’s licensing record through Community Care Licensing. This check can be done by phone to the local Community Care Licensing office in cities with a local office or to the State for smaller areas. Community Care Licensing is organized into regional offices: a list can be found at <http://cclcd.ca.gov/res/pdf/CClistingMaster.pdf>. A more in-depth review of a facility’s licensing record can also be done in person. Community Care Licensing will make the facility’s public record file, which contains all annual field reports, deficiencies, problems, and complaints about a facility, available for review by appointment. This information can also be requested from the provider, but acquiring the material directly from Community Care Licensing is recommended. Frequently, more meaningful information may be garnered from Community Care Licensing’s explanation of the licensing record. License deficiencies are identified typically during annual inspections, and license violations are typically the result of written complaints from parents. If complaints are serious, they will be investigated by a licensing analyst. It is useful to maintain a perspective on the provider’s licensing record by balancing the record with third-party references and the developer’s own observations. Community Care Licensing categorizes deficiencies and violations into serious and less serious categories. Serious deficiencies or violations cause risk to health and life safety; a provider can lose their license for failing to address a health and life safety risk. Less serious deficiencies or violations may be areas which need improvement but do not pose any serious risk. As with building codes, determination of risk is subject to interpretation. One of the most common life safety violations for providers is exceeding state teacher-child ratio limits. Some providers do so to improve their bottom line. Some questions to consider include:

- What have been the results of the provider’s state licensing inspections for the last two years?
- Are there any deficiencies or violations? Were any of them violations of life safety issues? When did the deficiency or violation occur?
- Has the provider ever had a license revoked or are they on probation awaiting a hearing?
- Have corrections been made to address identified problems?

ACCREDITATION:

The National Association for the Education of Young Children (NAEYC) is the accreditation agency for child care centers that serve children under the age of five and is described in Chapter I, “California Child Care System—A Primer,” and in Chapter VI, “Designing Child Care with your Housing Development.” Achieving accreditation is a sign of quality, since NAEYC accreditation standards are high. NAEYC provides best practices for ten program areas: relationships, curriculum, teaching, assessment, health, teachers, families, community partnerships, physical environment, and leadership and management. However, achieving accreditation initially is costly and labor-intensive, and carries an ongoing maintenance cost as well. While many providers may follow NAEYC guidelines, few facilities in the State of California (approximately 10% at the time of this writing) are NAEYC accredited.

4. FACILITIES DEVELOPMENT EXPERIENCE

Operators’ understanding of the development process varies dramatically. Most child care programs operate in leased space at a reduced rate and make facility and site modifications only when absolutely necessary and funding is available. Few (except in some urban areas) have participated in the development of their center(s) or worked closely with a developer to co-locate their facility. However, there are a few providers who routinely develop their own facilities to suit or have developers do so for them. If the provider has development experience, they will bring many of their own expectations to the table. It is generally easier to work with a provider that has some understanding of the development process. A provider with prior development experience will have an idea of the staff capacity required to work with the developer and can plan and budget for the start-up of a new center more realistically. Many providers developing their facilities for the first time need technical assistance in order to avoid pitfalls with the start-up of a new center. Since some financing sources dictate a timeline for the opening of the center and/or there are cost considerations in terms of interest accrual, it is important to ensure that the provider gets this technical assistance whether from the developer, the architect, a child care development consultant, or from another entity. The local city child care coordinator, the Low Income Investment Fund, and/or Local Investment in Child Care are key resources (refer to the section “Resource Agencies” in the Appendix for the contact information).

When evaluating the level of development experience of a potential operator partner, ask for a list of their centers, and ascertain any involvement they may have had in developing them. To assess if you and the provider would make good development partners, follow up with a dialogue about what each of you expect from the development process, how involved each of you want to be in a new center’s development, who will be responsible for securing capital funding for each phase of the development, and how they handle communication during the development process. Also, talk with developers the provider has partnered with in the past.

5. READINESS TO PARTNER

The following factors should be considered when gauging if an operator is prepared to embark on developing a new center:

- Amount of time the development process allows for the operator to prepare;
- Quality and availability of technical assistance;
- Dedication of capable staff from the operator (not only board members and consultants) with sufficient experience, authority, and capacity to handle each aspect including design input, fundraising, center licensing, and marketing;
- Financial health and a strong fiscal and management track record over a number of years;
- Realistic assessment of the work required to expand or relocate to a new center;
- Ability to develop a realistic business plan including financial projections (five years ahead preferable) and a well thought out market study that illustrates the demand for the new or relocated services (refer to Chapter II: “Assessing the Market”);
- Commitment to give input in each phase of the development and to communicate in a timely and effective manner.

6. VISITING PROVIDER CENTERS, CHECKING REFERENCES

Visiting a provider’s main office and touring one or two facilities of comparable size and service population will give you the opportunity to see how it operates, how it is organized and whether the provider will be a conscientious tenant. A center co-located with affordable housing is an excellent choice for a tour so you can assess how the center shares resources and interacts with the resident population. Check landlord references. Also, if the landlord is willing to share information, they can be an excellent source for maintenance costs. The provider’s existing facility is not always a good gauge of the type of center they would like if they are in a space which they had to work with as opposed to a space designed to suit.

7. EXPERIENCE CO-LOCATING WITH HOUSING AND OTHER TYPES OF DEVELOPMENT.

A provider that has leased commercial space within a housing development will have knowledge and experience with property management concerns, many of which are discussed in the following section. The provider may also have experience working with a developer in the development-design process.

A GUIDE FOR DEVELOPING
CHILD CARE FACILITIES
WITH AFFORDABLE HOUSING

Partnering *with a Provider*



BUILDING SUSTAINING LEADING

IV. Partnering with a Provider	47
<i>Legal and Structuring Issues during Development and Operations</i>	<i>49</i>
<i>Legal Documents</i>	<i>50</i>
Memorandum of Understanding	50
Lease Agreement	51
Services Agreement	55
Development Services Agreement	57
Purchase and Sale Agreement	58
Covenants, Conditions and Restrictions	59

Partnering *with a Provider*

Summary

Once a child care provider has been selected, a developer must structure its relationship with the provider in a way that meets the requirements of the child care facility and the housing development while minimizing risk exposure and protecting both parties. This chapter provides an overview of the issues that may arise in negotiating contractual agreements between the developer and provider, and provides detailed information to consider for each legal document. A sample Development and License Agreement is also provided in the Appendix.

Legal and Structuring Issues during the Development and Operations

The legal agreements should detail the terms and conditions under which the provider and developer will partner for each phase of the development and management process. There are a number of legal agreements necessary when an Owner/Developer and Provider decide to partner to provide child care in a development. The scope and number of agreements vary, depending on:

- The relative ownership interests of the parties (i.e., which party owns the underlying land, improvements and personal property);
- The scope of the services to be provided by either party (e.g., whether the Owner/Developer will perform, or have someone perform on their behalf, the tenant improvement work needed by the Provider);
- The physical location of the facility (i.e., whether it is adjacent to or within the Owner/Developer's development);
- The requirements of the lenders, investors, or providers of operating subsidy.

These four overarching factors will dictate the type of contractual agreements which will be necessary to document the deal between the Owner/Developer and Provider. We describe in the exhibit beginning on the next page the agreements typically used to document the various types of scenarios, the context in which each agreement is normally used and the critical provisions which should be included in each agreement. Before entering into any legal agreements, we advise seeking professional legal assistance. The information provided in the following exhibit is intended to serve as a starting point.

Legal Documents

MEMORANDUM OF UNDERSTANDING

CONTEXT FOR USE

An Owner/Developer and Provider may enter into a memorandum of understanding (“MOU”) to ensure that each party has a preliminary understanding of each others’ objectives and expected roles and responsibilities for the potential partnership. Ideally, the parties should enter into a MOU prior to beginning schematic design documents, although most developers and providers do not finalize a MOU until during the schematic design process or very early in design development.

MOU PROVISIONS

There are no terms which absolutely must be in a MOU, but a basic discussion of each party’s commitment to working toward a partnership is important. The MOU should commit a Provider intending to offer subsidized child care to reserving subsidized slots from their existing contract during the term of the MOU. The Owner/Developer should commit to negotiating in good faith with the Provider, and the Owner/Developer and the Provider may both commit to negotiating only with the other until the MOU is terminated or expires. If the parties have an initial understanding of the following issues, they should also be included in the MOU:

- A. The ownership structure of the development (i.e., which of the parties will own the land and the child care facilities);
- B. Which party will pay for and manage the build out of the facilities;
- C. Each parties’ relative responsibilities for securing financing, providing services and maintaining the property;
- D. Initial understanding of the scope of child care services to be offered by the Provider;
- E. Any enrollment priorities of Owner/Developer, if known at the time;
- F. Any expectations with respect to payment of rent.

The MOU should contain an expiration date so that the MOU expires upon either the expiration date or the execution of an actual services and/or lease agreement, unless the parties agree otherwise. Oftentimes, each party will have the right to terminate the MOU with as little as five to thirty days’ notice. Another helpful part of an MOU can be a section which contains timelines during which each party gathers more information, secures commitments to financing or obtains necessary approvals. Milestones allow each party to understand where they are in the process and to determine whether the other party can live up to their expectations. MOUs are typically non-binding, except where the parties desire to bind each to negotiate in good faith or negotiate exclusively during the term of the MOU. Owner/Developers should also attempt to make Provider’s commitment to reserve subsidized slots a binding provision of the MOU.

LEASE AGREEMENT

CONTEXT FOR USE

A Lease is necessary when the Owner/Developer will not sell its land or improvements to the Provider but will let the Provider occupy the space in exchange for Provider's services and/or a fee. The Lease describes the Provider's and Owner/Developer's respective rights and obligations during the Provider's occupancy of the Owner/Developer's space. A Lease may also include provisions relating to the child care services the Provider is to provide to the development, as opposed to including those provisions in a separate services agreement. If the Lease will include services-related provisions, the Owner/Developer should take care to separate the occupancy-related and services-related provisions in the Lease, so as to keep the obligations distinct and clear. In addition, the Lease should also make clear that a default by the Provider under a service-related provision (e.g., the Provider does not fulfill service-related licensing requirements) could result in the termination of the Provider's occupancy rights under the Lease. Relevant services-related provisions can be found in the Services Agreement section below.

LEASE AGREEMENT PROVISIONS

Owner/Developer Entry Rights

The Lease should ensure that Owner/Developer has the right to enter the property with reasonable notice for maintenance and repairs, and without notice in emergencies. The Lease should also specify Owner/Developer's rights to enter any common area controlled by the Provider. For example, if there is a play area that the Provider uses during the business day, the Lease should describe whether the Provider's use is exclusive. Exclusive use could mean the Owner/Developer's residents can only use the area after the Provider's use of it during the business day, or it could mean that the Provider has exclusive use and control of it at all times, irrespective of whether the Provider is using the area.

Provider Access to Property

The Provider's clients and residents of the development should have separate access to their respective parts of the development. In order to minimize cross-liability for events happening on the other party's property, each party should have a different route set aside in order to get from the street to its respective part of the development, including separate corridors and entryways.

Utilities

The Lease should describe which party will arrange and pay for each of the utilities, including janitorial, trash, telephone, electric, gas and water. Identify common area utility charges for which the Provider will be responsible on a prorated basis. Separate utility hookups for the Provider, other tenants and the Owner/Developer (as applicable) are strongly recommended.

Maintenance

The Lease should distinguish between general maintenance and repairs, and describe which party will be responsible for each and which will be responsible for the costs of each. The Lease should also discuss who performs maintenance or repairs on (i) tenant improvements constructed by the Owner/Developer, (ii) Provider-installed improvements, and (iii) common space (hallways, restrooms, etc.)

Rent

Any rent to be paid should be outlined as to amount and timing of payment.

Center Opening Date

The Lease should have a date when the Provider must be prepared to open and operate the child care facility unless the Owner/Developer causes a delay.

Taxes

The Lease should detail how property taxes are being paid and how personal property taxes (if any) will be paid. If a tax exemption will be filed, the Lease should specify who will file for the exemption. The Lease should also specify that the Provider must cooperate with tax exemption filings made by Owner/Developer and that the Provider will be responsible for any taxes or penalties which result from Provider's lack of cooperation with an exemption filing.

Prohibited Uses

The Lease should describe prohibited Provider uses, including standard prohibitions against the use of hazardous materials, activities constituting a nuisance or activities which would be prohibited by standard insurance, and that the Provider's use of the child care center should comply with all laws and regulations.

Tenant Improvements and Alterations

Description—Describe tenant improvements to be completed by the Owner/Developer prior to commencement of the Lease. The Provider should state that the improvements are suitable for the Provider's intended use.

Alterations—Include language requiring prior Owner/Developer consent for post-lease commencement alterations or improvements by the Provider above a certain dollar threshold. The Provider must give advance notice of work start date and promise lien-free, diligent, first quality work, performed with appropriate permits.

Ownership—Describe which party owns improvements after the term of the Lease. The Owner/Developer typically owns all improvements after the term except for unattached, moveable trade fixtures.

Lease Expiration—The Owner/Developer should retain the right to require the Provider to remove any additions or fixtures placed on the improvements and obligate the Provider to repair any damage caused by the installation or removal of the additions or fixtures.

Parking—The Lease should specify the number of parking spaces to be provided on the property to the Provider, including the number of spaces that will be "exclusive," i.e., reserved only for the Provider, or nonexclusive. The Lease should also specify how the Provider would access the spaces and time constraints, if applicable. The parking spaces should be separated into categories, as applicable: (i) employee spaces, (ii) short-term parent drop-off spaces (ideally, the drop-off spaces should be as close as possible to the entry for each classroom), and (iii) visitor parking.

Assignment and Subletting

The Lease should describe the Provider's ability to assign its rights under the Lease or sublet the premises. Oftentimes, the Provider is absolutely barred from assignments or subletting. This prohibition is included because the Owner/Developer has a significant interest in keeping the Provider as the tenant since the Owner/Developer specifically chose the Provider for its ability to provide and finance the child care services to be provided to the property.

Indemnification

The Provider should indemnify the Owner/Developer for any claims or costs arising from the acts or omissions of the Provider, including any mechanic's liens or other encumbrances which may be placed on the property.

Damage or Condemnation

The Lease should give the Owner/Developer the absolute right to terminate the Lease if there is total or partial destruction or condemnation of the premises. The Provider should assign to the Owner/Developer any rights to awards and the Provider should have no claim against the Owner/Developer because of the destruction or condemnation.

Default

The Owner/Developer should deem any uncured default by the Provider to be a material default and possible grounds for termination of the Lease. If the Provider has a separate contract for supportive services with the Owner/Developer, the Lease and Services agreement should have cross-default provisions, i.e. a default under one of the agreements is a default under the other and either or both can be terminated by the Owner/Developer after an uncured default.

Recourse

Owner/Developers who are required by a lender or public agency to provide child care services to the property for a specific term as a condition of funding (please see the "Recourse Considerations" section of Chapter V for examples) should attempt to give the Provider financial incentives to avoid defaulting under the Lease, particularly where the Provider's default will cause the Owner/Developer to default under any loan, grant or other funding source where the Owner/Developer is the borrower. This financial incentive helps to mitigate the risk to the Owner/Developer of a Provider default causing the Owner/Developer to default under its own funding sources.

Owner/Developer should attempt to include in the Lease and/or Services Agreement a provision that provides for financial recourse against the Provider where a Provider default causes or will cause Owner/Developer to default under its funding. Examples of the type of financial recourse against Provider upon Provider default are: (1) a security deposit (separate from the typical security deposit used to fund repairs to property damage caused by Provider) or (2) a letter of credit from a reputable bank. In each case, if the Provider defaults (for example, Provider does not give sufficient notice of termination as set forth in the Lease and described in detail below), Owner/Developer can retain the secondary security deposit or draw on the letter of credit.

Termination

Providers will often demand the right to terminate the Lease and/or Services Agreement upon a certain number of days' notice to Owner/Developer. Owner/Developers who are required by a lender or public agency to provide child care services to the property for a specific term as a condition of funding (please see the "Recourse Considerations" section of Chapter V for examples) should ensure that the termination language allows for sufficient prior notice of termination from the Provider so that the Owner/Developer will have enough time to find a replacement provider. In other words, the Provider must give the Owner/Developer notice of termination on a date that is a specific number of days prior to the actual day when the Provider will cease providing services so that the Owner/Developer can avoid a gap in service which would cause the Owner/Developer to be in default under its funding sources.

The determination of what will be a sufficient number of days' notice depends on a number of factors which are particular to each child care center. The type of funding used to fund the development is one determining factor because each funding source will have different requirements and timeframes for approval of substitute providers, and the Owner/Developer may need a longer notice timeframe from the Provider in order to ensure that the Owner/Developer can find and obtain funding source approval of the new child care provider prior to the departure of the current provider. Owner/Developers should also consider the general availability of qualified providers in their area as a factor in deciding how much notice they need from the Provider. For example, if qualified providers are scarce in the Owner/Developer's area, the Lease should provide for a longer notice timeframe from the current provider. In almost all cases, the Owner/Developer should get at least 180 days prior notice of termination, in order to safely mitigate the risk of the Owner/Developer defaulting under the funding sources of their development, and to prevent a possible interruption of services to the property which may create a hardship for tenants and other clients of the child care services.

Insurance

The Lease should require the Provider to maintain standard insurance coverage and to provide the Owner/Developer evidence that affirmatively states that the Provider has all required coverage. Owner/Developer should have the right under the Lease to periodically request from the Provider confirmation of its maintenance of the coverage. Standard insurance coverages should protect owners and managers from the additional liability exposure that results from a child care use in the development. Increases in limits or additional coverages are not typically recommended except for sexual abuse and molestation coverage, as described below. Generally speaking, the Provider will typically be liable for damage or injury associated with the child care use and the Owner/Developer liable only in cases of Owner/Developer willful misconduct or negligence. Indemnification language in the Lease, Services Agreement and/or CC&Rs between the Owner/Developer and the Provider should give further protection against Owner/Developer liability.

The Lease should require the Provider to maintain liability insurance and workers' compensation insurance, with the Owner/Developer, management entity for the development and possibly the Owner/Developer's lender named as additional insureds. Limits should be no less than \$1,000,000 per occurrence, but certain Owner/Developers may want to consider higher limits.

The key coverage to be obtained by the Provider is sexual abuse and molestation coverage. This coverage is typically provided by standard liability policies unless specifically excluded, but many policies affirmatively exclude the coverage, and separate coverage must be purchased. We suggest that the Lease or Services Agreement, as applicable, mandate that the Provider obtain this coverage. Generally, separate kidnapping insurance is not necessary because the occurrence of a kidnapping is likely to be considered the result of the negligence of the Provider, and covered by insurance in that fashion. Owner/Developers should consult with their insurance advisors before mandating or accepting any of the coverages in this section, because situations and contexts may vary.

Lender Requirements

The Owner/Developer should be sure to incorporate into the Lease any requirements of its lenders that are to be passed on to the lessee. Examples may include additional insurance requirements, income restrictions, local hiring requirements, etc.

SERVICES AGREEMENT

CONTEXT FOR USE

A Services Agreement is necessary to specify the rights and obligations of the Provider and Owner/Developer with respect to the Provider's provision of child care and other services to the development. An agreement detailing these provisions is necessary whenever the Provider plans to provide services to the Owner/Developer's development, irrespective of whether the Owner/Developer or the Provider owns the land or improvements on the property. In the situation where the Owner/Developer retains ownership of the improvements, and leases the space to the Provider, service-related provisions may be included in a separate Services Agreement or could be put in a separate section of the applicable Lease. If the services-related provisions will be included in the Lease as opposed to being included in a stand-alone services agreement, the Owner/Developer should take care to separate the occupancy-related and services-related provisions in the Lease, so as to keep the obligations distinct and clear. The stand-alone Services Agreement should still be cross-defaulted with the Lease, i.e., a default under either document could be deemed, at the discretion of the Owner/Developer, as a default under the other, potentially resulting in the termination of rights under either document. For example, if the Provider does not fulfill a service-related licensing requirement under the Services Agreement (a default), a cross-default provision would mean that the Owner/Developer could terminate rights to occupy the premises under the Lease.

SERVICES AGREEMENT PROVISIONS

Number of Staff

The Agreement should provide minimum staffing requirements for the child care program for the infant/toddler and preschool age groups. The requirements should include minimum staff/child ratios that meet state licensing requirements because (i) the Owner/Developer must have a licensed child care center, or (ii) a major source of operating funds for the center is from state contracts or sources. The requirements should include minimum staff/child ratios that meet, at a minimum, the requirements of Title 22 of the California Health and Safety Code. If a Provider is providing a child care program that is funded by the California State Department of Education or the Federal Government for Head Start, then the Provider must comply with both Title 22 and Title 5 of the California Education Code.

Credentialing Requirements

The Agreement should provide that the Provider's child care staff should fulfill minimum certification and licensing requirements of the State of California for child care staff, including any relevant education requirements of the State of California or the federal government for Head Start. The Provider should be obligated on a periodic basis to provide to the Owner/Developer evidence that it has met the State's or funding program's minimum certification and licensing requirements.

Employment Opportunities for Residents

The Agreement should describe any Provider obligations relating to the hiring of qualified residents, including advertising and training requirements, if applicable.

Corollary Services for Families

The Agreement should describe any services that the Provider will provide for families in the development in addition to the Provider's child care services, such as parenting classes.

Food Service

The Agreement should describe the extent of food service to be provided by the Provider and whether the service should meet any governmental requirements or standards. The Agreement should specify what type of food area the Provider will provide to the development, particularly if it is important to the Owner/Developer (for financing reasons) that Department of Health (“DOH”) guidelines are met. For example, a “food preparation area” under DOH guidelines is defined as “space used to heat up or organize food delivered from DOH inspected facilities.” A “kitchen” is defined as a “space used to make food which has been inspected by the DOH.” If DOH or other governmental guidelines do apply, carefully draft the Lease provisions to specify the correct guidelines to be satisfied.

Program and Financial Reporting Requirements

The Agreement should contain annual financial and statistical reporting requirements for the Provider relating to the operation of the child care facility. The Owner/Developer’s lender requirements should be included. The Lease may also mandate the Provider’s delivery of financial reports which show the financial health of the Provider’s corporate entity.

Fee Schedules

The content of this section will vary based on the relative importance to the Owner/Developer of resident use of the child care facilities. If it is very important to the Owner/Developer that a certain proportion of its residents be income eligible to use the facilities, then this section should provide that the (i) Provider will provide, for Owner/Developer review, fee schedules mandated by Provider’s funding sources and (ii) that the Provider will comply with those fee schedules. If resident usage is not a priority for the Owner/Developer, a requirement that the Provider provide the Owner/Developer with the fee schedule itself should suffice.

Preferences for Residents

The Agreement should detail any enrollment priorities and order to be followed by the Provider, including preferences for residents of the property or the neighborhood, any preferences for the Owner/Developer’s employees or residents of nonprofit-owned developments. The Agreement may also contain specific advertising obligations for the Provider, including mandates for the scope and forms of advertising. If the specific hours of operation of the child care center are a significant concern for the residents of the property, minimum or maximum hours of operation should also be included in the Agreement.

Provider Obligation to Reserve Subsidized Spaces

Oftentimes, a Provider is chosen based on the financing it has secured, including contracts the Provider has obtained to provide subsidized child care spaces to different facilities. If the Owner/Developer wants to ensure that a certain number of its child care spaces are subsidized, it is advisable to obligate the Provider in the Agreement to reserve a certain number of its contractually subsidized spaces for the Owner/Developer’s project. This helps to avoid the situation where the Provider has obligated its subsidized spaces to another facility although the Owner/Developer had underwritten and analyzed the Provider based on its ability to provide subsidized spaces to the Owner/Developer’s project.

Default

The Owner/Developer should deem any uncured default by Provider to be a material default and possible grounds for termination of the Agreement. If the Provider has a separate Lease with the Owner/Developer, the Lease and Services agreement should have cross-default provisions, i.e. a default under one of the agreements is a default under the other and either or both can be terminated by the Owner/Developer after an uncured default.

DEVELOPMENT SERVICES AGREEMENT

CONTEXT FOR USE

A Development Services Agreement is necessary where the Owner/Developer expects to perform, or have its contractor perform, specific tenant improvement work to the premises for the benefit of, and pursuant to the specifications of, the Provider. This setting is in contrast to where the Owner/Developer provides the Provider with a “shell” and the Provider is responsible for any Provider-specific “tenant improvements” to that shell to create the child care center. As in the case of the Services Agreement, however, these types of provisions could be included in the Lease to the Provider, if there is a Lease. A Development Services Agreement could also be attached as an exhibit to the Lease. If the development services-related provisions will be included in the Lease as opposed to being included in a stand-alone Development Services Agreement, the Owner/Developer should take care to separate the occupancy-related and services-related provisions in the Lease, so as to keep the obligations distinct and clear. In addition, the Lease should also make clear that a default under a service-related provision (e.g., the Provider does not pay Owner/Developer for its construction of the child care center space) could result in the termination of Provider’s rights to occupy the space under the Lease. This caution with regard to cross-defaults is valid even if the Development Services Agreement is a separate document and/or is an exhibit to the Lease. The stand-alone Development Services Agreement should still be cross-defaulted with the Lease, i.e., a default under either document could be deemed, at the discretion of the Owner/Developer, a default under the other, potentially resulting in the termination of rights under either document.

DEVELOPMENT SERVICES AGREEMENT PROVISIONS

Term of Agreement

The Agreement should specify when the Agreement commences and terminates.

Scope of Work

The Agreement should contain an exhibit that specifically details the scope of work to be completed by the Developer, the timeframe for completion and the source of funding for the work. If the exhibit does not include all of the Provider’s specifications, the Agreement should include milestones for the Developer receipt of the Provider specifications. Timeframes for the Provider responses to the Developer requests for information should also be included. The Provider may want the right to terminate if Developer fails to meet the agreed to construction deadlines. *See the Section below entitled “Financing Covenants with Milestones.”*

Fees

Any fees to be paid to the Developer for the work should be detailed in the Agreement, including the timing for payment of the fees.

Mediation and Arbitration

The Agreement may specify a method of dispute resolution, such as mediation as a first step and then arbitration, to potentially minimize legal costs. The clauses should specify which dispute resolution body will host and govern the process (e.g., the American Arbitration Association or JAMS, the Judicial Arbitration and Mediation Services, Inc.) and the details of the process.

Indemnification

The Developer should be indemnified by the Provider for claims against the Developer that are not the result of the gross negligence or willful misconduct of the Developer during the buildout of the child care facilities. Certain Providers may request an affirmative indemnification by the Developer for buildout-related claims or costs, i.e., the Developer would have to indemnify the Provider against claims related to the Developer's buildout of the tenant improvements (e.g., a constructive defect claim). Ideally, the Developer's indemnity would be limited only to claims resulting from the gross negligence or willful misconduct of the Developer with respect to the buildout.

PURCHASE AND SALE AGREEMENT

CONTEXT FOR USE

A Purchase and Sale Agreement is necessary where the Provider will purchase from Owner/Developer either the raw land, improvements (e.g., the Provider is solely purchasing the building and improvements where the child care services will be provided) or both the improvements and the land upon which the improvements exist. If the Provider is purchasing just the improvements built by the Owner/Developer, a Purchase and Sale Agreement and a ground lease (to lease to the Provider the land under the improvements) will be necessary (see the leasing section above). If the Provider is only purchasing the land and will construct a child care facility which will be used by residents of the Owner/Developer's development, the Owner/Developer may need certain CC&Rs (see CC&R section below) to have authorized access and other rights to the facilities. These CC&Rs may be included as a separate exhibit to the Purchase and Sale Agreement.

PURCHASE AND SALE AGREEMENT PROVISIONS

Terms of Sale

Purchase of Entire Property or Only Tenant Improvements—The Agreement should specify what the Provider is purchasing, i.e. will the Provider own the land as well as the improvements or will they own the improvements and operate the child care facilities pursuant to a ground lease for the land?

Analysis of Necessary Easements and Other Developer Rights—The Agreement should explicitly include, for the benefit of the Developer, any easements or licenses to use or enter the Property that are necessary for the development. These rights should be contained in Covenants, Conditions and Restrictions agreements (CC&Rs) or easement agreements that are recorded at closing of the sale of the property to the Provider.

Casualty or Destruction—The Agreement should address whether the Provider who owns the child care facilities and land has any obligation to rebuild if a major casualty or destruction occurs to their property. These issues are particularly important if the Provider-owned child care facilities are attached to, or underneath, the Developer's project. For example, if the child care facilities are on the ground floor of a four-story rental project, is the Provider obligated to rebuild the child care facility to allow the Developer to rebuild the Developer's facilities?

Survival of Terms—The Agreement should explicitly provide that certain terms of the Purchase and Sale Agreement “survive” the closing of the sale, i.e., that those terms will be a continuing requirement of one or both of the parties. For example, if in the Purchase and Sale Agreement the Provider has agreed to rebuild its center with insurance proceeds from any damage or destruction, the Agreement should state that those terms “survive” the closing of the purchase and sale.

Financing Covenants with Milestones

The Agreement should contain covenants that the Provider will actively and diligently pursue the financing necessary to purchase the property from the Developer. The Agreement may provide milestones for financing hurdles to be met, so that the Developer will have some assurance that Provider will obtain financing in time to close on the purchase. The Developer should have the right to terminate the Purchase and Sale Agreement if the Provider misses financing milestones or does not perform a covenant. These covenants could also include financing covenants relating to the Provider’s service-related subsidies, i.e., if the Provider cannot show it has obtained funding to operate the facility or provide subsidized slots, the Developer can terminate the sale. In addition, the Provider may also want the ability to terminate the Purchase and Sale Agreement if the Developer, after notice and cure periods expire, does not complete in a timely manner the improvements to be constructed by the Developer. The Provider might want this termination right because the Provider’s contract with the State may provide that a minimum number of children must be served by a particular date or the State will “recapture” the funds it committed to the Provider.

COVENANTS, CONDITIONS AND RESTRICTIONS (“CC&Rs”)

CC&Rs PROVISIONS AND CONTEXT FOR USE

There are a variety of ownership structures for child care facilities in development projects. The variations stem from the different possibilities for ownership of the land itself, ownership of the child care improvements (including the building) and differences in the location of the facility. Accordingly, each possibility requires a different set of CC&Rs for dealing with the unique issues that arise based on the ownership structure and location of the particular child care facility.

Below is a list of relevant ownership structure possibilities.

1. The Developer owns the land and the child care facility and improvements. The Developer leases both the ground and the facility to the Provider.
2. The Developer owns the land but the Provider owns the child care facility and improvements. In this scenario the Developer leases just the land under the facility to the Provider.
3. The Provider owns both the land (where the Developer sold or donated the land to the Provider) and the improvements. This scenario is only relevant where there are shared access issues, including parking.

Five relevant combinations arise from the above ownership and child care facility location scenarios. There are many CC&Rs that may be necessary in each of these scenarios, and the appropriate combination will depend on the exact details of the project. However, there are a number of issues that are likely to arise in each scenario. In any of those scenarios, the location of the facility, i.e., whether it is adjacent to the Developer's project or within the Developer's project, is important to determine which CC&Rs (particularly easements) are necessary. A discussion of those typical issues follows. This list is not exhaustive, but includes the most likely combinations:

Scenario 1

The Developer owns the land, the Provider owns the improvements, and the improvements are within the Developer's project

Driveway and Parking Easements—The Provider will need an easement to use the Developer's driveway and shared parking, as applicable, since the Developer owns that land and the Provider must access the Developer's land to travel to and enter its child care facility.

Construction, Alteration and Maintenance Easements—Both the Developer and the Provider may need easements from the other party in order to construct, install or maintain its respective improvements. Advance notice of exercise of the easement is usually required, except in cases of emergency. Maintenance easements that benefit only the Developer may be required where the Developer has maintenance responsibilities for (i) certain Provider improvements, or (ii) shared resources on the Provider's property (e.g., a play area) or (iii) where emergency or other repairs must be made to the Provider's improvements in order to protect the Developer's property.

Easements for Access and Use of Utility Facilities—Depending on the location of the utility facilities for the development and the child care facility, both the Developer and Provider may need nonexclusive reciprocal easements for ingress and egress over each other's property to access and use the utility facilities.

Easements for Access and Use of Emergency Exit Facilities—Depending on the location of the child care facility within the development, both the Developer and Provider may need nonexclusive easements for the purpose of accessing and utilizing emergency exit facilities which serve both the Developer's and Provider's property.

Easements for Access to Trash Facilities—Depending on the location of trash facilities in the development and whether they are shared by the Developer and Provider, reciprocal easements may need to be granted to access the trash facilities. One of the parties may also need an easement to cross through or over the other party's land to access a trash drop-off location.

Maintenance Conditions—The CC&Rs should describe each party's obligation to maintain its improvements and whether any maintenance costs will be jointly paid. They should also describe whether the Developer will be responsible for the maintenance of certain of the Provider's improvements for efficiency or to ensure that the work gets completed. Each party may have a right to perform emergency maintenance or repairs if necessary to protect its property, after attempting to notify the other party. A budgeting and reimbursement process may be created to deal with joint expenses.

Alterations—The CC&Rs should also provide that major alterations ("major" may be defined by a certain dollar amount) by either the Provider or Developer require the approval of the other party (the approval may not be unreasonably withheld, conditioned or delayed). This provision may also be drafted mostly for the benefit of the Developer by restricting Provider's approval rights solely to alterations that materially affect the structural integrity of the Provider's improvements or which would alter its access or parking rights. Under this structure, the Developer would otherwise retain unlimited alteration approval rights for the Developer.

Use Restrictions—The CC&Rs should restrict the use of the Provider’s improvements to child care or related uses, and prohibit nuisance or illegal activities. These provisions should work in concert with the use, assignment and subletting restrictions in the ground lease. The CC&Rs should also address any constraints on signage used by the Provider and covenants and conditions relating to garbage and refuse storage and disposal. Minimum insurance requirements could be included as well.

Damage or Destruction—Since the Provider’s improvements are within the Developer’s property, the CC&Rs should detail whether Provider has an obligation to rebuild in the case of damage or destruction of the Provider’s improvements and which party will coordinate and control the rebuilding. The Developer may have the absolute right to re-build the Provider’s improvements if it cannot rebuild its property without rebuilding the Provider’s improvements (e.g., where the Provider’s improvements are the first floor of the Developer’s building). In the case of a total destruction of the Provider and Developer’s improvements, the CC&Rs should detail whether the Developer has the right or obligation to rebuild and/or the right or obligation to sell the entire property.

Scenario 2

The Developer owns the land, the Provider owns the improvements, and the improvements are adjacent to the Developer’s project.

The fact that the child care facility is adjacent to and not part of the Developer’s project may lead to more reciprocal easements in that both parties may have a greater need to cross over or through the other’s property. Although there are exceptions to the rule, the Provider will typically not need utility or emergency exit easements from the Developer where the child care facility is only adjacent to Developer’s property. This is true because the adjacent child care facility will usually be required to have separate utilities and emergency exits and will not need access to the Developer’s utilities or exits.

However, reciprocal easements are likely needed to address issues relating to each party’s (a) access to drive-ways and parking, (b) construction, alteration and maintenance of improvements, and (c) access to municipal or shared trash facilities. Covenants, conditions and restrictions relating to maintenance, alterations, uses, and damage or destruction may still be necessary under this scenario, although the restrictions or covenants on maintenance and uses may have a lesser scope, since the Provider’s property is adjacent to, and not a part of, the Developer’s property. The extent that the child care facility and the Developer’s project share resources (e.g., parking) will be an important factor in deciding the scope of the CC&Rs necessary in this scenario. For specific discussion of each of the issues, see the above discussion.

Scenario 3

The Provider owns the land (obtained from the Developer) and owns the improvements and the facility is adjacent to the Developer’s project.

This scenario may possibly require the greatest number of easements, since each party separately owns its own land and improvements. The extent of easements and CC&Rs necessary under this scenario will depend upon the scope of shared facilities used by the parties and the particulars of the site plans of the adjacent parcels. If the Provider purchased the land from the Developer, the Developer should be able to obtain many of the protections found in the easements and conditions found in Scenario #1, although the Provider’s ownership of the land and improvements may limit the rights the Developer can obtain in the CC&Rs.

Scenarios 4 and 5

The Developer owns the land and improvements, the facility is within the Developer's development, and the Developer leases the land and facility to the Provider.

The Developer owns the land and improvements, the facility is adjacent to the Developer's development, and the Developer leases the land and facility to the Provider.

Please note: Scenarios #4 and #5 arise in the leasing context, and therefore the relevant issues and solutions would usually be contained in the Lease Agreement, not in CC&Rs. Many of the issues (and the wording used to address the issues) are the same, however, so we include these two scenarios here for completeness. For specific discussion of the leasing-related issues, please refer to the Lease Agreement provisions section above.

A GUIDE FOR DEVELOPING
CHILD CARE FACILITIES
WITH AFFORDABLE HOUSING

Financing

V. Financing	63
<i>How Child Care Facilities Have Been Financed</i>	65
<i>Common Capital Sources</i>	66
<i>Debt Financing—Underwriting the Provider</i>	68
Basic Underwriting Guidelines	68
Sizing Debt and Rental Payments	70
Recourse Considerations	73
<i>Other Discretionary Funds</i>	74
Proposition 10 Funds (First 5)	74
Redevelopment Agency Tax Increment Funds	75
Local Government Funds for Child Care Facilities Development	75
Conventional Loans	75
Community Development Financial Institution Loans	76
Transportation Funds for Transit-oriented Development	76
Private Foundations	77
<i>Term Sheets for Capital Sources</i>	77
1. Public Capital Sources	78
Community Development Block Grant (CDBG)	78
Multifamily Housing Project Nonresidential Supportive Service Space	81
Head Start One-Time Supplemental Funds	84
2. Private Capital Sources	87
The Affordable Buildings for Children’s Development Fund—Low Income Investment Fund	87
Nonprofit Space Capital Fund—Northern California Community Loan Fund	93
Low Income Housing Tax Credit Program (Public/Private)	96

Financing

Summary

For all but the large for-profit child care providers, financing is the largest hurdle today to building child care facilities in California. Since 1986, the Low Income Housing Tax Credit program has become the primary source of financing for affordable rental housing development. No comparable program exists that is specifically designed to finance child care facilities development. Each new child care facility faces the challenge of cobbling together scarce funds from a number of debt, equity, and/or grant sources from the public and private sector.

To significantly increase the number of child care spaces in California, it is necessary to develop products tailored to financing child care facilities development. The financing needs and the challenges of financing child care development, particularly for child care facilities serving low- and moderate-income working families, are very similar to affordable housing. Early access to predevelopment funds for site acquisition and due diligence are needed. Low operating cash flow limits a provider and a particular facility's ability to support debt. Additionally, like project-based Section 8, public subsidies are subject to annual state or federal legislative appropriations and subsidy levels are set by the government.

This chapter provides information to assist the developer and/or owner to finance child care facilities. This chapter contains a background on how child care facilities have been and can be financed, underwriting principles, a rudimentary understanding of the income and expenses of child care operators, and term sheets for frequently used capital sources.

How Child Care Facilities Have Been Financed

At the time of the writing of this handbook, most child care facilities co-located with affordable housing were financed with grants and public soft debt and/or equity available for the provision of affordable housing and related supportive services. Child care-specific funds were then used as gap financing, except in the case of Head Start facilities where Head Start capital funds provided significant initial financing. Since funds must be cobbled together and providers and developers have access to different sources of capital, providers and developers have typically collaborated in the fundraising effort. The fundraising responsibilities are typically allocated pragmatically, according to which party can access a particular source of capital and who has the capacity to secure the financing, or they are allocated by scope of work, the developer fund raising for the warm shell and the child care provider fund raising for the tenant improvements.

Many grants for child care facilities development are available solely to the provider; therefore, the provider often secures these funds and contributes the funds to the development. Few child care operators own their facilities. Funders typically require the facility to be operated as a child care facility for a designated number of years in order to ensure their investment results in the creation of an ongoing service to the designated service population. In many cases, a Memorandum of Understanding will suffice. However, a long-term lease or evidence of some form of ownership interest is frequently required.

Use of debt as a financing tool is relatively rare among providers and developers both, but is beginning to increase. This is markedly different from affordable housing, where financing is usually approached by first analyzing the amount of debt a project can support, then adding low income housing tax credit equity and public and private gap financing sources. Child care facilities financing has been approached by first analyzing available public and private sources of funding, primarily grants, soft debt and donations, and, only after these sources are exhausted, considering debt financing. In a few cases, the provider or owner has secured a small amount of debt that is repaid through the provider's cash flow directly or through rental payments from the provider to the owner. In the field, the low utilization rate for debt financing is generally attributed to provider's fear of the recourse nature of debt financing, the limited ability of facilities to support debt, lender's lack of knowledge of how to underwrite child care providers and operations, and lender's risk aversion given the contingent nature of child care operating funding and provider's limited track record with servicing debt.

In some cases, affordable housing developers and owners have secured loans on behalf of the provider. Developers and owners have taken on this role when necessary; most providers who serve low- and moderate-income families operate on such tight margins and cannot meet lender's underwriting requirements. Few providers have a proven track record in servicing debt. Conversely, as described in the preceding paragraph, many lenders do not know how to approach understanding and managing the risks associated with underwriting child care. Also, if housing funds are used, the housing developer usually must secure the financing in association with the housing; the provider may need to assist in meeting underwriting requirements of a lender or investor. However, this structure, where the developer is essentially the borrower, may create a recourse problem if the provider decides to vacate the premises or no longer offers child care services. Please refer to Chapter IV: "Partnering with the Provider" for legal and structuring information.

The ABCD Fund, a new portfolio of financing resources tailored to child care facilities development in California for all phases of development from planning through construction, was created in 2003 by the David and Lucile Packard Foundation. The Low Income Investment Fund (LIIF), a community development financial institution, designed and now administers the ABCD Fund. The Fund consists of a planning grant and loans for all phases of development including predevelopment, construction and permanent operations. The ABCD Fund is a valuable new resource and potentially represents the first step towards a creating a sustainable financing mechanism to fund child care facilities development in the long term.

Common Capital Sources

Common equity and debt sources used by developers and providers in California are listed in the chart below. Term sheets for these sources with common and somewhat static requirements statewide are included at the end of this chapter. Debt Financing is described in greater detail in the next section below. Additional sources whose availability or requirements differ significantly from locality to locality or from year to year are described briefly under Other Discretionary Funds. When pursuing financing for a specific project, check with the Low Income Investment Fund (LIIF), local government child care facilities development staff, your local intermediary, or other sources of financing on the availability of funds and any changes to terms and requirements.

The chart below provides a list of common sources organized by type of financing. Term sheets are organized according to whether they are public or private since some sources can be structured as debt or grants.

COMMON CAPITAL SOURCES FOR CHILD CARE FACILITIES

	<i>Equity</i>	<i>Hard Debt</i>	<i>Soft Debt</i>	<i>Grant</i>
<i>Public:</i>			Community Development Block Grants	Community Development Block Grants
			Multifamily Housing Program NSSF Funds	Head Start One-Time Supplemental Funds
			Redevelopment Agency Tax Increment Funds	Proposition 10 Funds
			Local Child Care Funds	Local Child Care Funds
				Transportation Funds for Transit Oriented Development
<i>Private:</i>		Conventional Loan		
	LIHTC	ABCD Loans		ABCD Planning Grant
		Loans from Community Development Financial Institutions		Private foundations, corporations, individuals

Debt Financing—Underwriting the Provider

In a situation in which the developer will provide a guarantee for financing on behalf of the provider, the developer should underwrite the provider. Just as with any commercial rental or turnkey development services contract, the level of underwriting that should be undertaken should be based on the degree of risk exposure the developer is taking on. At minimum, the lender(s) and/or investor(s) require certain guarantees and/or that underwriting requirements specific to the child care facilities be met.

BASIC UNDERWRITING GUIDELINES

In their “Guide to Underwriting Child Care,” the Low Income Investment Fund (LIIF) has outlined the “Five C’s of Credit” principles when considering the capacity of a child care business to carry debt.



A GUIDE TO UNDERWRITING CHILD CARE

Following the “Five C’s of Credit” principles, this document is intended to be a guide when considering the capacity of a child care business to carry debt.

1. Cash Flow/Capacity to Repay

Will the child care business be able to meet its monthly payment?

This is typically determined by the debt service coverage ratio. When reviewing a child care business’ cash flow statement remember their margins are usually very thin so small fluctuations to revenue or expenses will have big implications. When determining a child care business’ capacity to carry debt, consider the following:

Revenue⁴¹

- When expanding or opening a new location, a conservative monthly phased ramp-up budget should be developed
- No more than 90% enrollment & collections should be assumed
- Remember that government reimbursements take 30–90 days
- Be sure to scrutinize sources for trends, future risks, local environment, and contingency planning
- Consider required staff/child ratios when adjusting enrollment if you’re trying increase the revenue stream

⁴¹ Revenue sources may include Parent Fees (non-subsidized tuition), Head Start/Early Head Start, California Department of Education (Child Care, State Preschool, and Alternative Payment), CalWORKs, USDA Food Program, CDBG, Corporate or Philanthropic Grants, and other locally administered subsidies.

Expense

- Public subsidies don't always cover expenses, especially in high cost areas
- Analyze expenses as fixed (rent, mortgage, insurance) and variable (staff, food) to determine a break even enrollment
- Expenses vary greatly due to several factors:
 - Location of the program and regional costs
 - Quality of child care provided
 - Age of the children being cared for (infants most costly)
 - Needs of the child (special needs children higher)
- Rules of Thumb:
 - Payroll 55%–80%, very labor intensive sector
 - Enriched programs tend to have more staff
 - Recruitment costs should be budgeted on-going
 - Occupancy 8%–25%⁴²
 - Utilities tend to be high
 - Food 4%–10%
 - Full day programs have higher costs
 - Materials/Supplies, Professional Dev. 1%–6%
 - Replacement reserves, \$0.50 to \$1.50 per sq ft, depending on property condition⁴³
 - Account for operating reserves when allowable by government funding sources

2. Character/Capacity to be a Responsible Borrower

Is this a sound child care business? Is there leadership and technical capacity to effectively operate the business?

There are many nuances to a child care business. Continual fundraising to cover the full cost of operations, compliance with facility licensing regulations, and managing public subsidy contracts to name just a few. In order to evaluate this type of business it's helpful to understand some sector-specific quality business indicators.

Evaluating the Business

- Is there evidence of lengthy child care experience, community involvement and support?
- Do they have experienced and engaged board members, management, and staff?
- Is there low staff turnover and commitment to professional development?
- Do they have experience and are in good standing with public subsidy sources?
- What is their track record with Community Care Licensing?⁴⁴
- Has there been a high rate of avoidable liability insurance claims.
- Do they have a quality child care program (environment, staff/child interaction, parent involvement)?

⁴² Child care providers who serve low income families typically pay a maximum of 8% for occupancy costs.

⁴³ \$0.50 to \$1.50 per square foot should be deposited annually.

⁴⁴ Refer to Chapter III: Choosing a Provider: Criteria for Selecting a Provider—Licensing and Accreditation Record for details on how to obtain the track record of a center or provider.

- Have they prepared a detailed market analysis with current and reliable data? An analysis should describe supply and demand and include the following:
 - Target population growth and income trends
 - The impact of housing, jobs, education, and transportation on their market, site location and business operations
 - Evaluation of competition (openings, closures, location, slots, target market)
 - Subsidy sources and availability
 - Special market niche
 - Current waiting list
 - High rate of referrals and other successful marketing strategies

3. Capital/Equity Investment

What is the business' cash investment? What other equity sources are they investing?

Child care businesses are typically debt averse, historically relying on fundraising to cover the full cost of operations and to pay for capital improvements. However, some child care businesses can actually pay up to 40% of capital development costs with debt. Yet, in order to cover the entire cost of a capital improvement project, grants and equity investments are needed.

4. Collateral

What is the value of the property being pledged for repayment? If property isn't being pledged, what form of collateral will be used?

Determine the value of the property, leasehold improvement, and other business assets to insure it will meet a lender's minimum loan to value ratio. If there isn't sufficient collateral, a third party guarantor may be necessary and there are agencies that offer loan guarantees specifically for child care businesses.

5. Credit History

What is the credit history of the business (owner, principles, or nonprofit board)?

Inquire about recent credit reports. It is not unusual, however, for child care businesses to have no credit history, especially if they are debt adverse. But, these businesses can verify their ability to pay bills and manage their finances by documenting their relationships with vendors.

The principles "Cash Flow/Capacity to Repay" and "Market Study," described in the preceding exhibit, differ enough from the knowledge base of affordable housing developers that tools for understanding these principles are provided in the section that follows entitled "Sizing Debt and Rental Payments" and in Chapter II, "Assessing the Market."

SIZING DEBT & RENTAL PAYMENTS

As described in detail in Chapter I, "California Child Care System," subsidies from the federal or state government enable child care providers to serve very low- to moderate-income families. However, these subsidies frequently do not cover the full cost of care. Due to lack of knowledge or experience with the business of child care, housing developers frequently incorrectly expect that child care businesses can

support debt or make rental payments like any commercial tenant. The business of providing affordable child care is much like the business of providing affordable housing—subsidies for child care spaces are low, and families are stretched in their ability to make up the difference if the subsidy program allows it. Older children whose care is less expensive than younger children, full-fee families, and a provider's larger centers can frequently cross-subsidize the cost of care for younger children. Providers who serve low-income families are usually looking for no or minimal rental payments and tend to be debt-adverse.

In some cases, a modest amount of debt can be supported by the center's operating budget. Modest rental payments are considered by all subsidy programs as a legitimate program services expense. The larger the center, the more likely it can achieve and maintain a positive cash flow due to the economies in staffing, marketing, and purchasing of consumables. A larger-size center is frequently difficult for developers to achieve since larger plots of land are increasingly rare in all but rural areas, and land costs are high in California. Also, the developer may have to reduce the number of affordable housing units in order to provide a child care center. Many providers say that at 48 to 62 child spaces centers begin to break even. A 48 to 62 child space center would require between 5,280 sq. ft. (if no space was allocated for use by adults for a 48-space center) and 10,850 sq. ft. (including adult offices, circulation space, etc., for a 62-space center). However, child care is an important and enabling resident and neighborhood service that can also be a great tenant for ground floor commercial space. Around and beyond this size, centers can make a rental payment or begin to support debt.

The three main subsidies, described in detail in Chapter I, "California Child Care System," are 1) Head Start (HS) and Early Head Start Program funds (EHS), 2) Alternative Payment vouchers (AP), and 3) center-based contracts. The first is administered by Head Start and the second and third are administered by the California Department of Education's (CDE) Child Development Department (CDD).

All three program subsidies may be used to support debt or pay rent as long as those expenses are characterized by the provider as program service expenses, i.e., expenses necessary to provide contracted child care services, unless the expense is specifically nonreimbursable or ineligible by regulation. Use of funds to support debt or pay rent may also be subject to approval by the administering agency. The provider will know how much of their current program subsidies are being used to support debt or pay rent and may inquire at the agency that administers their program subsidies as to the amount that could be included for a new facility. Whether the subsidies can actually support debt or pay rent, and how much, depends on the particular provider and center. Determining factors for sizing debt are 1) amount of subsidy, which may differ from provider to provider and can frequently be less than the cost of care, 2) size of the child care center and number of children served, 3) staff costs, 4) size of the provider, and 5) availability of other sources to cover the cost of care.

When margins are slim, a rent residual calculation combined with a maintenance and management cost analysis may be the best approach. Using the LIIF "Guidelines to Underwriting Child Care," compare the total revenues to the total expenses for the proposed center and those for another of that provider's centers of a similar size and service population. Look at this comparison over a two-year period, if possible. Assuming there is a positive balance, the balance may be used to size the rental payment. If any revenue or expenses seem out of proportion, discuss them with the provider. Program decisions and design decisions will have a significant impact on the income and expense statement. For example, program decisions—such as if the center director will be counted in classroom staff-child ratios—have a significant impact on the income and

expense statement. If the center director is counted towards maintaining classroom ratios, one less staff salary would be paid. Design decisions with respect to the center's insulation and heating, venting, and air conditioning system have a significant impact on the income and expense statement, since small children are especially sensitive to climate and utility costs for child care centers tend to be high. The results of the rent residual calculation should then be compared to the results of a maintenance and management cost analysis that assesses the cost for the owner to maintain and manage the child care facility space. These are the costs the owner bears for maintaining the outside of the building, major systems, etc. These costs will depend on the terms of the lease between the child care operator and the owner.

To determine supportable debt, a similar calculation can be used. The debt may be sized based on the residual cash flow less operating expenses less replacement reserves and other owner expenses for maintaining the property.

Each of the program subsidies' ability to support debt or pay rent is reviewed individually below. Some providers are able to creatively layer these subsidies and improve their centers' bottom line, e.g., using center-based contracts to subsidize the basic service and Head Start funds to subsidize ancillary services. Additional funds that appear on the balance sheet and can improve the bottom line include 1) Child Care and Adult Food Program administered by the U.S. Department of Education and funded by the U.S. Department of Agriculture to reimburse meals and snacks, 2) Head Start's Family Day Care Food and Summer Food program, which is the child care version of the National School Lunch Program, 3) Head Start Transportation allowances, and 4) other enhancements for special needs, the homeless, migrant workers, staff compensation or development. In addition, some programs also enroll full-fee families whose fees partially subsidize many overall program costs.

1. Head Start and Early Head Start Program Funds (HS or EHS)

Debt service and rental payments are eligible uses for HS or EHS Program Funds. Since HS and EHS grants are negotiated individually, payment amounts vary significantly (e.g., \$4,000 per year per child to \$9,000 per year per child). A HS Grantee may independently determine how much debt their budget can support. A HS Delegate must seek approval from their Grantee as part of the 1309.1 application for One-Time Funds. Grantees seek approval from the Regional Office for their own and their Delegates' applications. The amount of rental payment depends largely upon the size of the program, the payment amount, and the ancillary HS or EHS services funded in addition to the base payment amount.

2. Alternative Payment vouchers

AP vouchers have a very limited ability to support debt or be relied upon for rental payments, because 1) the vouchers are not contractually obligated for any set period of time to a child care provider, 2) the term of the vouchers is one year at best, and 3) the amount of subsidy per child can be low.

CDE contracts with AP Agencies, e.g., Resource and Referral Agencies, other nonprofits, or departments of county government, in every county throughout the state to administer the program. Like Section 8 vouchers for housing, low-income families take these vouchers to any provider and the AP agency reimburses the child care provider at the same market rates charged to nonsubsidized families with children of the same age group who are cared for by the provider for a similar block of time, up to a ceiling. The ceiling is set by a state-sponsored study called the "Regional Market Rate Survey of California Child Care Providers" (RMR). For example, Alameda County market rates range between \$75 and \$200 per week,

averaging \$150 per week. Additionally, parents may choose to pay an additional amount without restriction for child care out of their own funds.

Some counties have contracted directly with providers for a specific number of AP spaces, but there has been some question of the legality of this practice since the voucher program was designed to create choice for low-income families. This practice could create an opportunity for supporting debt in the future or at least to provide some comfort that rental payments can be made.

The AP Program consists of a blend of federal, state, and county funds. Federal AP funds cannot be used for acquisition of sites or buildings.

3. Center-based contracts

Center-based contracts have a very limited ability to support debt or be relied upon for rental payments. This is primarily due to the low level of subsidy per child that typically does not cover the cost of care. Center-based contract payments are typically lower than AP reimbursement rates per child. The 2006 “standard reimbursement rate” (SSR) paid to a center-based program is \$32.89 per day per child for full time care for preschool child (age 3 and older).⁴⁵ The 2006 rate or “reimbursement ceiling” paid for subsidized child care which is provided through an alternative payment agency varies by county. For example, the 2006 rate for Alameda County is \$50.81 and for Merced County is \$37.83.⁴⁶ Additionally, providers with contracts must earn their payments based on the number of days a child is in the program. The larger the center with primarily Center-based contracts, the more likely that the center can support debt or make rental payments. For example, a number of providers have found that a center with a Center-based contract, needs 48 to 64 child spaces in order to be able to support any debt or make minimal rental payments.

The Head Start and Center-based contract funds also have modest capital pools available for new facilities development, which are described in the Capital Sources: Term Sheets section of this chapter.

RECOURSE CONSIDERATIONS

If the developer is required by a lender or public agency to provide child care services in the property for a specific term as a condition of funding, the developer may want to structure the relationship with the provider so that the developer’s default and/or compliance risk is mitigated.

- Low Income Housing Tax Credit Program
 - A developer who has committed child care services as a resident service and has been awarded points for providing this service is required to provide the service for ten (10) years; compliance will be monitored by the California Tax Credit Allocation Committee (CTCAC). While CTCAC will allow the substitution of alternate services in unique circumstances, it has been challenging to acquire approval for this substitution.
 - If the developer has included the cost of constructing the child care facilities in tax credit basis as a “community facility,” the developer is required to retain the space as a community-serving facility. The requirements under this designation are described in more detail in the CTCAC term sheet towards the end of this chapter.

⁴⁵ <http://www.cde.ca.gov/ls/cg/pp/documents/formi2.pdf>. The location of this form changes each year. A search on the California Department of Education website for the “standard reimbursement rate” is an alternative method for finding the rate should the location change in the future.

⁴⁶ <http://www.cde.ca.gov/fg/aa/cd/ap/index.aspx>. This website contains an index by county of the rates for subsidized child care which is provided through an alternative payment agency. A search for the “reimbursement ceilings for subsidized child care” is an alternative method for finding the rate should the location change in the future.

- Loans and Grants
 - A developer who is the borrower or guarantor of a recourse loan for the construction of the child care improvements has assumed a true financial obligation on behalf of the provider. Larger lenders and/or the tax credit investor for the housing development may not allow the developer to provide the property as collateral for a comparably small child care improvement loan. Frequently, the child care improvements are owned outside of the tax credit partnership because of this issue or the developer is the guarantor of the loan outside of the tax credit partnership.
 - If the developer is the grantee for a grant that is non-recourse as long as the center continues to be operated as a child care facility, then the developer may have more leeway to negotiate with the foundation or community development financial institution for time to find a replacement provider. However, the developer has taken on a similar position to a borrower of a loan on behalf of the child care provider since the grant can become a recourse loan if child care services are not offered for the term of the requirement.

Recommendations: 1) ensure that there is adequate noticing time from the provider in the Termination provision of the Services or Lease Agreement to allow for transition to a replacement provider (as described in the Partnering with the Provider: Legal Agreements chapter), 2) have the provider as “borrower” for other sources of financing for the child care center, and/or 3) include some financial recourse to the provider as collateral.

Other Discretionary Funds

Other funds that have been used for child care facilities development include:

1. Proposition 10 Commission Facilities funds (First 5)
2. Redevelopment Agency Tax Increment funds
3. Local government funds for child care facilities development
4. Conventional loans & Community Development Financial Institution loans
5. Transportation funds for transit-oriented development
6. Private foundations

1. PROPOSITION 10 COMMISSION FACILITIES FUNDS (FIRST 5)

- California Voters approved Proposition 10 in the November 1998 election, resulting in a \$0.50 tax per pack of cigarettes and comparable tobacco products, to be used to create the California Children and Families Commission as well as a comprehensive and integrated system of information and services to promote early childhood development and school readiness. Further information on Proposition 10 is available at <http://www.cafc.ca.gov/prop10facts.htm>.
- Eighty percent of the projected \$700 million annually is allocated to a community trust fund established by each county commission. Allocations are based on the number of births, according to the mother's county of residence.

- The availability of these funds for center development differs from county to county, according to the county commission's strategic plan. In some counties, either out of the commission's own priority setting or lobbying a pot of funds has been created for child care facilities development. If available, funds tend to be a small amount but can be valuable for gap funding. Many counties' strategic plans are available on the Web. Contact your county's commission to determine if funds are available for development.
- A list of county commissions is available at <http://www.ccfcc.ca.gov/countyinfo.htm> and in the Appendix.

2. REDEVELOPMENT AGENCY TAX INCREMENT FUNDS

- Both Redevelopment funds set aside for affordable housing development and general tax increment funds have been used for child care facilities development.
- Requirements differ significantly locally. Payment of State prevailing wage may be required by the local Redevelopment Agency. The child care center would need to be in a redevelopment area if the project is using tax increment financing. The center would not need to be in the project area if the source is land sales proceeds or if the center is ancillary to housing and is using funds from the low-moderate income housing set-aside.
- The main challenge to accessing the housing set aside funds is that some redevelopment agencies and city councils consider child care facilities an ineligible use.
- The main challenge to accessing the general tax increment funds is that cities tend to protect these funds, and they may be allocated years in advance.

3. LOCAL GOVERNMENT FUNDS FOR CHILD CARE FACILITIES DEVELOPMENT

- Some cities, such as San Francisco, have set aside significant child care facilities funds. Check with the city child care coordinator or the local planning council or resource and referral agency for information.
- Some cities impose a child care impact fee to large housing and/or commercial developments.

4. CONVENTIONAL LOANS

- To finance the development of child care centers, banks occasionally have made construction loans to developers and permanent loans to providers. Whether a bank will originate the loan and the competitiveness of the terms will depend on their underwriting criteria, their need for Community Reinvestment Act credits, and their relationship with the borrower. An affordable housing developer can lend credibility to a provider with the bank. Some providers have accessed conventional debt through the relationship they have with their local bank.
- Typically the bank will want a security interest in terms of the land and the building. Additionally, the bank may require a guarantee. The Packard Foundation has a guarantee program for 50% of the construction and permanent loan for child care center development.
- Example: In recent years, the Bank of America has made two loans to finance child care center development. The Bank made a \$2 million construction loan to a developer for a twelve-month term at an 80% Loan to Value and a \$1 million permanent fully amortizing loan to the provider for a twenty-year term with a required 1.25 debt service coverage ratio at 75% Loan to Value.

5. COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION LOANS (CDFI)

- CDFIs will frequently make loans that are considered too risky for a traditional bank. Contact the CDFIs in your area to determine if they will consider a loan for child care center development. The Low Income Investment Fund (LIIF), described earlier, is a CDFI.

6. TRANSPORTATION FUNDS FOR TRANSIT-ORIENTED DEVELOPMENT

- Federal Transit Administration Grant (FTA)
 - Administered federally by the U.S. Department of Transportation.
 - Funding is appropriated on the basis of legislative formulas or discretionary authority.
 - The recipient is a public entity with legal authority to receive and dispense federal funds designated by the governor, local officials, or publicly owned operator of transit services.
 - The recipient may grant the funds to projects, which are considered transportation improvements under the FTA's definition of eligible purposes.
 - Talk with the local transportation authority that you are working with about fund availability.
- Intermodal Surface Transportation Efficiency Act (ISTEA)
 - Administered by the U.S. Department of Transportation.
 - Reauthorization expired in February 2004. Congress has rescheduled reauthorization consideration for ISTEA (TEA-21) multiple times.
 - Projects should address safety, continued growth of traffic and travel, and its attendant congestion, environmental concerns, and demographic changes.⁴⁷
- Metropolitan Transportation Commission (MTC)
 - The Transportation for Livable Communities' Capital Grants can be used to finance transit villages, including child care centers. Grants range from \$150,000 to \$2 million per project.
 - The Transportation for Livable Communities' Housing Incentive Program (HIP) can be used to finance affordable housing one-third mile from a major transit station or transit corridor. Projects must be a minimum density of 25 units per acre.
 - Check <http://www.mtc.ca.gov/> for funding opportunities, then select Planning, then Smart Growth, then Transportation for Livable Communities (TLC).

⁴⁷ ISTEA Reauthorization Policy Statement and Principles.

7. PRIVATE FOUNDATIONS

- There are several avenues for gathering financial support and grants:
 - Foundations
 - Corporations
 - Events
- Due to the provider-based nature of grants for child care services, these funds are not often available to the developer for facilities development and must be applied for by the provider. For this reason, the provider is an excellent source of information in terms of up-to-date priorities of foundations and corporations in terms of child care facilities.
- Some foundations choose to fund only high-profile projects with prominent media coverage in their geographical areas of focus.
- Most of these sources are relatively small, best serving as funds for gap financing.
- A listing of foundations that make applicable grants is available at the Building Child Care in California website: <http://www.buildingchildcare.org>. However, the website does not have information on projects for which grants have been made. Providers usually have more up-to-date and insider information on foundation sources.

Term Sheets for Capital Sources

The pages that follow present a series of term sheets for common capital sources. These term sheets are provided in order to provide a general overview of these sources and considerations when using them for child care facilities development with affordable housing. The information contained in these term sheets should not be relied upon; refer to the administrator of the funds directly for up-to-date terms and considerations.

PUBLIC CAPITAL SOURCES

Public Capital Source Term Sheet

NAME OF SOURCE: COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

SUMMARY/OVERVIEW/BACKGROUND:

CDBG provides metropolitan cities and counties with annual direct grants that they can use to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services. HUD's Office of Community Planning and Development administers the CDBG program and provides annual grants on a formula basis to many different types of grantees through several programs. Applicable programs include Entitlement Communities and State Administered CDBG. In the Entitlement Communities program, annual appropriations are split between and are managed by entitled cities and counties. In the State Administered CDBG, participating states award funds to units of general local government in accordance to the State's annual funding priorities and criteria. Seventy percent (70%) of funds per year must be used to benefit low- and moderate-income people. Additional information on the CDBG programs is available at <http://www.hud.gov/offices/cpd/communitydevelopment/programs/index.cfm>. The Code of Federal Regulations, Title 24, Volume 3 governs CDBG funds can be found at http://www.access.gpo.gov/nara/cfr/waisidx_04/24cfr570_04.html. Additional information on the State CDBG Program is available at <http://housing.hcd.ca.gov/fa/cdbg/GenNatAmCol.html>.

Administrator: City or County or State, whichever is appropriate for your development location. Every administrator has its own application and funding priorities with opportunities for input through a public hearing process.

Type of Financing: Can be structured as a Loan or a Grant

Who is Eligible to Use the Funds: Nonprofit developer or Provider for eligible activities. The developer does not need to be a Community Based Development Organization (CBDO) in order to utilize CDBG funds for construction costs.

Possible Structures: Nonprofit developer or provider may access funds from the City or County as a subrecipient.

How to Apply: Apply through the Administrator.

Basic Use Restrictions: The types of eligible activities that may be funded by the CDBG differs for entitlement and non-entitlement communities per the Code of Federal Regulations, Title 24, Volume 3. Child care facilities development has in practice largely been interpreted as an eligible activity under a different category (Public facilities and improvements) from affordable housing. CDBG funds may be used for child care facilities development as a basic eligible activity under the rubric of public facilities and improvements in entitlement and non-entitlement communities (Code of Federal Regulations, Title 24, Volume 3, 570.201 c) and under the rubric of housing new construction in non-entitlement cities and counties.

Public facilities and improvements. Acquisition, construction, or installation of public facilities and improvements. Current legal advice is that the funds may not be used for predevelopment or take out financing. Design features and improvements that promote energy efficiency and architectural features that enhance the aesthetic quality of facilities and improvements may be included. In certain cases, nonprofit entities and subrecipients may acquire title to public facilities as long as they are operated for use by the general public during all normal hours of operation. Additional requirements are outlined under the section on underwriting requirements below.

Housing new construction in non-entitlement cities and counties (State Administered CDBG). Construction for “a housing construction project which is assistance to a neighborhood-based nonprofit organization, . . . or nonprofit organization serving the development needs of a community in a non-entitlement area” (Section 105(a)(15) of Title 1 of the HCD Act of 1974).

TERMS AND CONDITIONS:

Minimum/Maximum Amounts (if any):	Not applicable.
Amount of Subsidy (per child):	Not applicable.
Interest Rate:	By locality if structured as a loan.
Regulatory Term:	By locality.
Repayment Terms:	By locality. (Depends on if utilizing funds as an eligible activity under housing or public facilities and improvements)
Guarantees:	Generally not applicable.
Limits on amount that can go towards debt service or rental payments:	Not applicable.

REQUIREMENTS:

1. Affordability:
At least 51% of the children served must come from low-income households. Low-income means 80% of area median income or below.
2. Underwriting requirements:
Public Facilities and Improvements (570.200 b)
 - a. Facilities containing both eligible and ineligible uses. A public facility in a multipurpose building is eligible for assistance under the CDBG program if:
 1. The facility, which is otherwise eligible and proposed for assistance as a public facility, will occupy a designated and discrete area within the larger facility; and
 2. Costs attributable to the facility proposed for assistance must be accounted for separately and distinct from the overall costs of the multiple-use building and/or facility. Allowable costs are limited to those attributable to the eligible portion of the building or facility.

- b. Reasonable fees for use of facilities. Reasonable fees may be charged for the use of the facilities assisted with CDBG funds, but charges such as excessive membership fees, which will have the effect of precluding low- and moderate-income persons from using the facilities, are not permitted.
- 3. Prevailing wage or Davis Bacon: Davis Bacon wages must be paid for construction. If funds can be used for predevelopment or take out financing, this requirement may no longer apply. Current legal advice is that the funds may not be used for predevelopment or take out financing.
- 4. Lease or ownership: No requirements.
- 5. MOU or Services contract: No requirements.
- 6. Mandated design: No requirements.
- 7. Reporting: By locality.
- 8. Other: NEPA requirements.

CONSIDERATIONS FOR USING WITH AFFORDABLE HOUSING:

- 1. CDBG funds require a fairly arduous application, and funds come with significant requirements. Funds should be of a significant amount to warrant the labor required to secure the funds and comply with the requirements.
- 2. If used for child care facilities development with affordable housing, the requirement that Davis Bacon prevailing wages be paid might be transmitted to the entire development. Developers should seek advice from legal counsel with regard to how best to manage this requirement.

CHALLENGES TO UTILIZING:

In most cities and counties, the application is labor intensive and highly competitive. In rural areas, the funds may be less competitive and administered in a more discretionary manner. Cycles tend to be only once a year and there tends to be a long wait for the award. National Environmental Protection Act clearance is required prior to accessing funds.

Recommended Lenders: Not applicable.

Public Capital Source Term Sheet

NAME OF SOURCE: MHP NONRESIDENTIAL SUPPORTIVE SERVICE SPACE (NSSS)

SUMMARY/OVERVIEW/BACKGROUND:

In 2002 California voters passed a bond measure that resulted in \$2.1 billion of funding for the California Department of Housing and Community Development's affordable, supportive, and farm worker housing programs. Almost \$1 billion of the \$2.1 billion was allocated to the MHP program. At time of printing, nearly all of those funds had been encumbered. The Multifamily Housing Program's recent NOFAs have averaged about \$70 million per round. It is unclear at the time of this publication if the program will be renewed. In addition, the California Department of Housing and Community Development has made about \$8 million available in each round for Nonresidential Supportive Services Space. NSSS funds provide permanent financing for resident services space, including child care. They are awarded as an addition to MHP General Funds (residential) loans and, as such, are subject to MHP requirements and regulations. Regulations, NOFAs, and applications can be found at <http://www.hcd.ca.gov/ca/mhp/>.

Type of Financing: Permanent Soft Debt

Who is Eligible to Use the Funds: Affordable housing developers who apply for and are awarded MHP General Funds. A supplemental application for NSSS funds must be submitted with the application for General Funds. General Funds and NSSS funds are issued under the same loan.

Possible Structures: Developer as borrower; Provider as lessee. Rent is allowable for NSS space. If rent is charged, MHP will view the NSS space as commercial space, with a 50% vacancy rate, in operating budgets.

How to Apply: The NSSS application is a compact addition to the MHP General Fund application. MHP General Funds can be awarded without NSSS funds, but NSSS funds can only be awarded to successful MHP applicants.

Basic Use Restrictions: MHP General Fund restrictions apply. MHP NSSS funds provide permanent financing for new construction and rehabilitation of, and conversion to, space for supportive services for MHP project residents. The NSS space must be within, adjacent to, or directly across the street from the residential project. Changes to the use of the space must be approved in writing by the California Department of Housing and Community Development.

NSSS funds cannot be used for supportive services operations. Services must be appropriate for residents, who have priority, but they can be made available to the greater community. Not all of the child care spaces are required to match the income levels of the housing development. MHP loan officers are available for consultation on specific projects. See <http://www.hcd.ca.gov/ca/mhp/> for contact information.

TERMS AND CONDITIONS:

Maximum:	The lesser of \$25,000 per restricted residential unit or \$500,000 <i>in addition to</i> MHP General Funds.
Amount of Subsidy (per child):	Not applicable.
Interest Rate:	3%
Regulatory Term:	55 years. Subject to MHP General Funds Regulatory Agreement.
Repayment Terms:	55 years; 0.42% of outstanding principal balance required annually for debt service payment for the first 30 years. Debt service will be adjusted after year 30. After year 55, remaining principal and interest will be forgiven (if in compliance with the MHP Regulatory Agreement).
Guarantees:	MHP General Funds guarantee requirements apply.
Limits on amount that can go towards debt service or rental payments:	Not applicable.

REQUIREMENTS:

1. Affordability: MHP income and rent restrictions apply.
2. Underwriting requirements: MHP General Funds requirements apply. Applicant must demonstrate control of the NSSS site.
3. Prevailing wage.
4. Lease or ownership: Developer-owned or long term-leased (90 years; 65 if lessor is a public entity). Providers may lease space from developer.
5. MOU or services contract: Required if provider is leasing the space. If the provider will not lease the space, no MOU is required.
6. Mandated design: No design requirements by lender.
7. Reporting: MHP reporting requirements apply.
8. Other:
 - a. At time of application, developer must indicate whether or not the space will be built if NSSS funds are not received.
 - b. An interim financing source is needed to bridge the construction period since the MHP funds are a permanent source.

CONSIDERATIONS FOR USING WITH AFFORDABLE HOUSING:

CHALLENGES TO UTILIZING:

Since NSSS funds are accessible only in conjunction with MHP funds, they will be increasingly difficult to access as MHP funds become more competitive or are exhausted. At the time of publication, it is unclear if this program will be available in the future.

Recommended Lenders: The State Department of Housing and Community Development is the sole provider of MHP NSSS money.

Public Capital Source Term Sheet

NAME OF SOURCE: HEAD START ONE-TIME SUPPLEMENTAL FUNDS

SUMMARY/OVERVIEW/BACKGROUND:

Head Start One-Time Supplemental Funds, also referred to as Facilities Funds or Quality Funds, are awarded as one-time grants from recaptured program monies. Each year, Head Start programs that are under-subscribed must return the excess program funds to the Regional Head Start Office, which then redistributes them to Head Start and Early Head Start Grantees for capital uses. Head Start One-Time Funds prioritize expenditures that maintain or prevent disruption of service to children, such as replacing a lost facility. The Code of Federal Regulations, Title 45, Subtitle B, Chapter XIII, Part 1309 details the regulations and application requirements for Head Start One Time Funds (<http://www.acf.hhs.gov/programs/hsb/performance>). Since Congressional approval in 1987, One-Time Funds can be used to purchase land and/or a facility.

Type of Financing: Grant

Who is Eligible to Use the Funds: Head Start Grantees. Head Start Delegates must apply through their grantee.

Possible Structures: Grantee receives funds. Grantees either use funds themselves or administer funds to a delegate.

How to Apply: The regulations and application requirements are listed in the Code of Federal Regulations, Title 45, Subtitle B, Chapter XIII, Part 1309.1, which can be found at <http://www.headstartinfo.org/pdf/1309.PDF>.

Applications are due annually to the Region IX Office. Program providers should initiate discussions about their application with the Regional Office as soon as possible.

Basic Use Restrictions: Funds can be used for “major renovations,” including tenant improvements, the purchase of a facility, equipment, transportation needs, and program improvements. Grantees must indicate how they intend to use the funds when applying for the grant. In some cases, a Grantee may be permitted to use the funds in alternate ways after the grant has been approved. The purchase of modular units is an acceptable use but requires additional documentation, listed in the Code of Federal Regulations, Title 45, Subtitle B, Chapter XIII, Part 1309.3. Head Start New Facility Funds cover the purchase or construction of a new center related to program expansion (not program relocation) and are applied for separately from the National Head Start Office.

TERMS AND CONDITIONS:

Maximum:	Capped at 25% of total project costs. Region IX gives the guideline of 20% of costs but has historically been flexible. Shell and equipment can be included in total project budget. Funds must also meet the 15% limit on administrative costs. See narrative for details.
Minimum:	At least \$200,000 or 25% of the annual direct, approved costs of the Grantee
Amount of Subsidy (per child):	Not applicable.
Interest Rate:	Not applicable.
Regulatory Term:	For the term of the contract.
Repayment Terms:	If the Grantee gives up or loses their Head Start Contract, they must either repay the Head Start One-Time Funds or turn the facility over to Head Start.
Guarantees:	Not applicable.
Limits on amount that can go towards debt service or rental payments:	Subject to approval.

REQUIREMENTS:

1. Affordability: Head Start income levels apply.
2. Underwriting requirements: The Federal Government has an interest in all One-Time Funds work and purchases. This must be recorded as a Notice of Federal Interest. Federal interest can be subordinated to the project lender. The Code of Federal Regulations, Title 45, Subtitle B, Chapter XIII, Part 1309.1 lists the specific requirements related to underwriting included in the application.
3. Davis Bacon wages apply. Head Start funds are federal funds.
4. Lease or ownership acceptable. See Federal Register Title 45, Subtitle B, Chapter XIII, Part 1309.10 for lease requirements. Generally the Region IX Office expects a 15–20 year lease.
5. MOU or Services contract: Grantee must have a Head Start Program contract. Federal Register Title 45, Subtitle B, Chapter XIII, Part 1309.1 does not require a services agreement or MOU between the developer and provider. It does, however, require evidence of a long-term lease. An MOU may be submitted in addition to a lease, or, in some cases when a lease has not yet been executed, in place of a lease. Acceptance of an MOU instead of a lease is at the discretion of the Regional Office.
6. Mandated design: Must meet Head Start design requirements.
7. Reporting: No reporting is required during construction. A report must be filed at completion of the project, and the Regional Office may do a site visit. Accounting must carefully track how the One-Time Funds are used. The One-Time Funds acts as a mini-grant within the Grantee's overall budget, and its accounting and timeline must be included in the Grantee's annual report.
8. Other

CONSIDERATIONS FOR USING WITH AFFORDABLE HOUSING:

Head Start funds are federal funds. As such, the Low Income Housing Tax Credit eligible basis must be reduced if Head Start funds are used for shell construction, or for build-out costs included in the housing project contract, if the project is not owned by the provider. If used for tenant-owned tenant improvements, under separate contract, they may not need to be subtracted out of tax credit basis. Keep in mind that Head Start Funds trigger Davis Bacon requirements, so they may be best used for tenant improvements if the entire project does not already have Davis Bacon requirements. Seek legal advice on this matter for your specific project.

CHALLENGES TO UTILIZING:

Competitive, and political. The application process is extensive, and the amount of funds and distribution of funds can be unpredictable. There is an annual, floating deadline, usually in late spring or the summer, which is set in early spring, shortly before the deadline. Grantees who are able to leverage other sources and have a good relationship with the Regional Office will be more likely to succeed.

Recommended Lenders: Available only through Head Start Regional Offices.

PRIVATE CAPITAL SOURCES

Private Capital Source Term Sheet

NAME OF SOURCE: THE AFFORDABLE BUILDINGS FOR CHILDREN'S
DEVELOPMENT FUND (ABCD)

SUMMARY/OVERVIEW/BACKGROUND:

The ABCD Fund is the financing component of the ABCD Initiative, a program that provides a system of capital delivery for California child care centers. The ABCD Fund offers a continuum of three financial products for providers, taking into account today's current environment yet building toward an ultimate goal of an efficient delivery system of capital for the child care sector. Products include: planning grants, predevelopment loans, and flexible loans for acquisition, construction, and permanent uses. The ABCD Fund enables child care centers in California to meet the costs of facilities development and assists them with their long-term real estate financing needs. The ABCD Fund also provides technical assistance during each phase of the development process, helping borrowers navigate the financing market and providing referrals to facilities development resources. LIIF officially launched the ABCD Fund in January 2003. As of 2005, it committed 16 loans totaling \$6.9 million from the Fund and 20 planning grants for \$371,500. This financing will support over 2,710 quality child care spaces. The Packard Foundation has already committed \$14.5 million to LIIF in grants and Program Related Investments to launch the Fund. An encouraging number of foundations and financial institutions have also expressed interest and in some cases made preliminary commitments to invest in the ABCD Fund. In total, the ABCD Fund envisions assembling \$30-\$40 million in a combination of private capital and philanthropic investments to finance nearly 10,000 spaces of child care in California over ten years.

Administrator: Low Income Investment Fund (formerly the Low Income Housing Fund)
100 Pine St., Suite 1800, San Francisco, CA 94111
415-772-9094
<http://www.liifund.org>

Type of Financing:

1. Planning Grant
2. Predevelopment, Acquisition, Construction, & Permanent Loans

Who is Eligible to Use the Funds: Developer or Provider with projects that will provide child care services within the state of California. Information is needed from both Developer and Provider.

Possible Structures: Flexible. Developer or Provider may be borrower.

How to Apply: Contact the ABCD Fund. Contact information available at <http://www.liifund.org/>. Select Program Areas, Child care, Loans or Grants.

Basic Use Restrictions: ABCD funds must be used for the development or preservation of child care facilities. Eligible costs are indicated under each grant or loan product type below.

1. PLANNING GRANT

TERMS AND CONDITIONS:

Minimum/Maximum Amounts (if any):	\$10,000/\$20,000
Amount of Subsidy (per child):	Not applicable.
Interest Rate:	Not applicable.
Regulatory Term:	Not applicable.
Repayment Terms:	No repayment.
Guarantees:	Not applicable.
Limits on amount that can go towards debt service or rental payments:	Not applicable.

REQUIREMENTS:

1. Affordability: Grant must be used to develop new or preserve existing child care spaces serving at least 20% low-income households at or below 80% of Area Median Income.
2. Underwriting requirements:

The grant review will evaluate:

 - an applicant’s organizational capacity;
 - the long-term viability of the proposed project;
 - ability to obtain additional financing for the proposed project;
 - the borrower’s financial position and track record.
3. Prevailing wage or Davis Bacon: Not required.
4. Lease or ownership: Both OK.
5. MOU or Services contract: MOU or Services agreement with provider or developer, whichever applicable, required.
6. Mandated design: No requirements.
7. Reporting: Use of Funds reports are due when the funds have been spent and a one-time final report.
8. Other:
 - a. Eligible costs—Early stage project feasibility analysis. Grants may be used to cover expenses such as:
 - Architectural and development consulting services
 - Engineering analyses and other third party work to determine project feasibility and/or to develop proforma budgets and financing plans
 - b. Match—The applicant must match some or all of the requested grant amount with funds from their own or other sources. The match requirement may be met by the applicant’s allocation of staff resources committed to the project.

2. PREDEVELOPMENT LOANS

TERMS AND CONDITIONS:

Minimum/Maximum Amounts (if any):	\$100,000 maximum
Amount of Subsidy (per child):	Not applicable.
Interest Rate:	3% deferred interest
Fees:	Origination Fee: \$2,000, plus \$375 legal and closing fee. Fees may be financed from the loan.
Regulatory Term:	Not applicable.
Repayment Terms:	Up to 3 years. Principal plus accrued interest is due in full at maturity.
Guarantees/Collateral:	Unsecured with recourse to Borrower. The Borrower is fully responsible for repayment of the loan, even if the project does not go forward.
Limits on amount that can go towards debt service or rental payments:	Not applicable.

REQUIREMENTS:

1. Affordability: Serve at least 20% low-income households at or below 80% of Area Median Income.
2. Underwriting requirements: Underwriting requirements are similar to traditional lenders, but more consideration is given to the reputation of the borrower. Readiness to proceed is critical to a successful grant or loan application.
3. Prevailing wage or Davis Bacon: Not required.
4. Lease or ownership: Both OK.
5. MOU or Services contract: MOU or Services agreement with provider or developer, whichever applicable, required.
6. Mandated design: No requirements.
7. Reporting: Ongoing project progress reports are due for the term of the loan.
8. Other: Eligible costs—Typical predevelopment costs, including Phase I and II environmental assessment, inspections, architectural and consultant services, permits, loan and legal fees, as well as acquisition costs in some cases.

3. INTEREST-ONLY LOANS

TERMS AND CONDITIONS:

Minimum/Maximum Amounts (if any):	\$1 million maximum based on the borrower and project's ability to repay.
Amount of Subsidy (per child):	Not applicable.
Interest Rate:	6%–8%, nonamortizing
Fees:	Origination Fee: Up to 2% of loan amount. Borrower is responsible for legal costs, appraisal, environmental report, etc. Fees may be financed from the loan.
LTV:	Up to 90% if secured by real estate.
Regulatory Term:	Not applicable.
Repayment Terms:	Up to two years, considered interim loans while a project seeks permanent financing. Interest only during term, full principal repayment at loan maturity.
Guarantees/Collateral:	Loan guarantee may be required in some cases. Real estate, pledges, assignment of construction-related collateral, assignment of specific repayment sources, etc. Unsecured loans will be considered.
Limits on amount that can go towards debt service or rental payments:	Not applicable.

REQUIREMENTS:

1. Affordability: Serve at least 20% low-income households at or below 80% of Area Median Income.
2. Underwriting requirements: Requirements are similar to those of traditional lenders, but more consideration is given to the reputation of the mortgagee. Readiness to proceed is critical to a successful grant or loan application.
3. Prevailing wage or Davis Bacon: Not required.
4. Lease or ownership: Both OK.
5. MOU or Services contract: MOU or Services agreement required.
6. Mandated design: No requirements.
7. Reporting: Ongoing project progress reports are due for the term of the loan. The frequency of reporting depends on the type of loan.

8. Other:

- a. Eligible costs—Acquisition, construction, renovation, and bridge financing.
- b. Submit property appraisal, Phase I environmental report, property evaluation, and/or construction inspections.
- c. Conditions of financing may include
 - phased disbursement of the loan
 - pledge of identified repayment sources
 - periodic project, organization and financial reporting
 - provision of updated development budget
 - limits on additional borrowing
 - other covenants appropriate for the transaction

4. AMORTIZING LOANS

TERMS AND CONDITIONS:

Minimum/Maximum Amounts (if any):	\$1 million maximum.
Amount of Subsidy (per child):	Not applicable.
Interest Rate:	Average interest rate of 5.5%.
Fees:	Origination Fee: up to 2% of loan amount. Borrower is responsible for legal costs, appraisal, environmental report, etc. Fees may be financed from the loan.
LTV:	Up to 90% if secured by real estate, may be lower for land acquisition.
DSCR:	Will vary by project, but typically 1.15:1.00 net of replacement reserves.
Regulatory Term:	Not applicable.
Repayment Terms:	Up to 10 years, with up to 40-year amortization. Repayment terms will be based on the ability of the borrower to repay the loan.
Guarantees/Collateral:	Loan guarantee may be required in some cases. Real estate, pledges, assignment of construction-related collateral, assignment of specific repayment sources, etc. Unsecured loans will be considered.
Limits on amount that can go towards debt service or rental payments:	Not applicable. Subordination negotiable.

REQUIREMENTS:

1. Affordability: Serve at least 20% low-income households.
2. Underwriting requirements: Requirements are similar to those of traditional lenders, but more consideration is given to the reputation of the mortgagee. Readiness to proceed is critical to a successful grant or loan application.
3. Prevailing wage or Davis Bacon: Not required.
4. Lease or ownership: Both OK.
5. MOU or Services contract: MOU or Services agreement required.
6. Mandated design: No requirements.
7. Reporting: Annual project and borrower reporting.
8. Other:
 - a. Eligible costs—Refinancing of existing debt and other permanent financing. Conditions of financing may include:
 1. Phased disbursement of the loan
 2. Pledge of identified repayment sources
 3. Periodic project, organization and financial reporting
 4. Provision of updated development budget
 5. Limits on additional borrowing
 6. Other covenants appropriate for the transaction

CONSIDERATIONS FOR USING WITH AFFORDABLE HOUSING:

No conflicts.

CHALLENGES TO UTILIZING:

1. Meeting project readiness criteria for loans may be challenging for some providers.
2. Fewer planning-grant funds available outside of the San Francisco Bay Area.

Recommended Lenders: Not applicable.

Private Capital Sources Term Sheet

NAME OF SOURCE: NONPROFIT SPACE CAPITAL FUND—
SAN FRANCISCO/ALAMEDA COUNTY PROGRAMS

SUMMARY/OVERVIEW/BACKGROUND:

Provides technical assistance, planning and capital grants to San Francisco- and Alameda-based nonprofits seeking to establish new permanently affordable nonprofit office or program space through capital expansion projects or the acquisition or long-term leasing of real estate. Preference is given to projects providing co-location opportunities to other nonprofits.

The Fund provides a portion of the equity needed. Applicants are expected to leverage these grants with other resources. The 2005 round of funding is made possible by a matching grant from the Evelyn & Walter Haas, Jr. Fund for the contributions received from The William and Flora Hewlett Foundation.

Since its inception, the Nonprofit Space Capital Fund has awarded 22 capital grants totaling over \$3 million. Nine of these grants, totaling nearly \$800,000 have been awarded to developers to fund community or nonprofit spaces.

Although this term sheet focuses on the capital grants, there are planning grants available for costs that might be incurred before buying, renovating, or building property, from feasibility studies and appraisals to environmental testing.

Administrator: Northern California Community Loan Fund (NCCLF)

870 Market Street, Suite 677

San Francisco, CA 94102

phone: (415) 392-8215

<http://www.ncclf.org/>

Contact: Sarah Abbe Taylor, Program Associate

Joshua Simon, Director of Consulting & Grants Program

Type of Financing: Grant

Who is Eligible to Use the Funds: Incorporated 501(c)(3) in good standing, or a sponsored project of a tax-exempt corporation that is operating for purposes consistent with Section 501(c)(3) status. Entity must demonstrate financial stability, technical capacity, experience, and ability to significantly leverage NCCLF's contribution with additional financing. Entity must also be located and serve citizens in San Francisco or Alameda Counties.

Possible Structures: Owner (developer) of property as grantee, and subsequently lease space to non-profit.

Basic Use Restrictions:

- Funds can be used only to fund the permanently affordable nonprofit office or program space component of proposed project.
- Project must provide affordable nonprofit space for at least fifty-five (55) years.
- Preference will be given to projects that result in co-location by nonprofits working in partnership with other community projects. In the case of co-location, 51% of the space must be used by nonprofit organizations.
- Preference will be given to projects that provide benefits to the neighborhood in which they are located.
- Preference given to projects that guarantee affordability beyond 55 years.

TERMS AND CONDITIONS:

Maximum Amounts (if any):	15% of the nonprofit space component of total project costs OR \$500,000 per project, whichever is less. Most grants are between \$50,000 and \$100,000.
Amount of Subsidy (per child):	Not applicable.
Interest Rate:	Not applicable.
Regulatory Term:	55 years
Repayment Terms:	This is a revocable grant if the affordability requirement is not met, or if the space is no longer used by a non-profit. The grant is secured by a Deed of Trust (or equivalent). If the nonprofit moves to another space, the nonprofit may take the grant with them or repay the grant. A new nonprofit utilizing the space may also take over the grant.
Guarantees:	All capital grants must be secured by a Deed of Trust, or other acceptable alternative instrument, to guarantee compliance with grant terms and conditions. In the case of funding projects on leased property, the grantee must record a Leasehold Deed of Trust and show evidence of a recorded lease. The Deed of Trust is typically subordinated to all other sources.
Limits on amount that can go towards debt service or rental payments:	Grant funds cannot be used for payment of back taxes, penalties, late charges, interest on late payments, or the repayment of existing loans.

REQUIREMENTS:

1. Affordability: No specific definitions of what constitutes affordability, however 51% of space must be used by nonprofits.
2. Underwriting requirements: NCCLF will evaluate both the project itself, and the experience, financial stability, and capacity of the entity executing the project.
3. Prevailing wage or Davis Bacon: None.
4. Lease or ownership: Most projects are expected to be ownership projects; however, if funds are used for capital improvements to leased space, the term of the lease will be considered in determining amount of grant. Minimum lease requirement is 55 years, and the longer the lease term, the larger the potential grant.
5. MOU or Services contract There are no restrictions on an owner/grantee leasing the space to a nonprofit.
6. Mandated design None.
7. Reporting:
At project completion: Certificate of Occupancy and documentation that there are no mechanic liens on the property.
For operations: Annual financial statements and statement that at least 51% of space is occupied by nonprofits.
8. Other: None.

CONSIDERATIONS FOR USING WITH AFFORDABLE HOUSING:

1. For a project financed with tax credits, the General Partner may be the grantee and characterize the grant as a capital contribution to the project. However, the partnership (owner) must secure the General Partner's obligation through a Deed of Trust.
2. May be included in basis since no federal funds are used through the fund.

CHALLENGES TO UTILIZING

Source—The fund does not have a perennial source and requires fund raising for each round. The fact that this fund was started in 2001 in response to Bay Area rents driving out many local nonprofits and that office rents have since declined, has led many funders to perceive a lesser need for this grant program. As of January 2006, the fund had no funds available. NCCLF recommends that nonprofits check their websites for a updates at http://www.ncclf.org/nsclf_sub.html?Id=236.

Highly Competitive—The application process starts with a letter of inquiry (LOI) which is reviewed by NCCLF program staff, who contact the applicant. If the project looks feasible and is within the program guidelines, the applicant will be asked to submit a formal application. In the December 2005 round, 15% of applicants who sent an LOI were asked to submit an application and are eligible for funding.

Recommended Lenders: Not applicable.

Private/Public Capital Sources Term Sheet

NAME OF SOURCE: LOW INCOME HOUSING TAX CREDIT PROGRAM (LIHTC)

SUMMARY/OVERVIEW/BACKGROUND:

Congress authorized the Federal Low Income Housing Tax Credit Program in 1986. The program is structured to raise project equity for affordable rental housing through the “sale” of tax benefits to investors. The LIHTC program, contained in Section 42 of the Internal Revenue Code, has become the primary source of financing for affordable rental housing. Each year, the amount of annual housing credit ceiling is set on a per-state-resident basis. Additionally, states may qualify for a prorated share of credits available annually in a national pool comprised of unused credits. Credits are allocated through a competitive point-based application, which is designed to award higher scores to projects that match the state’s housing priorities and is based on assessment of eligible project costs. In terms of federal credits, the housing sponsor has available ten times the annual allocation amount, since investors can take the annual credit each year for a ten-year period. In terms of state credits, the full four-year state credit allocated to a project is deducted from the annual state credit ceiling.

Administrator: The IRS administers the federal LIHTC program. In California, responsibility for administering the federal tax credit program was assigned to the California Tax Credit Allocation Committee (CTCAC). Additionally, CTCAC administers a state low income housing tax credit program that supplements the federal tax credit program.

Type of Financing: Private equity leveraged by federal and/or state tax credits.

Who is Eligible to Use the Funds: Developer through a partnership entity comprised of an investor as limited partner and a developer as managing general partner. Developer secures an allocation of LIHTC to finance an affordable housing development and selects a tax credit investor as the equity partner. Can only be used in conjunction with an affordable housing development.

Possible Structures:

1. Developer utilizes LIHTC for development of child care facility as a community service facility, or
2. Developer utilizes LIHTC for development costs associated with the shell of the child care facility if housing units above are structurally supported by the shell.

How to Apply: Submit an application to CTCAC during one of the application rounds. Confer with a tax attorney for an opinion on the basis eligibility of child care facility development costs. Utilize the written opinion and IRS ruling 2003-77 to ensure auditors recognize the child care facility costs as basis eligible. Application and regulations are available at <http://www.treasurer.ca.gov/ctcac/ctcac.htm>. The IRS ruling can be accessed from the IRS website at http://www.irs.gov/irb/2003-29_IRB/ar05.html.

Basic Use Restrictions: Eligible project costs.

TERMS AND CONDITIONS:

Maximum Amount:	\$2 million in federal credits on an annual basis per project for entire project (2006 regulations).
Amount of Subsidy (per child):	Not applicable.
Interest Rate:	Not applicable.
Regulatory Term:	Child care facility space must remain a community service facility for a minimum of ten years. The space can be converted to another community service use during the ten years with permission from CTCAC.
Repayment Terms:	Tax credits subject to recapture if use is ineligible.
Guarantees:	Probably, depending on the investor. If the child care facility supports debt, investor will likely impose additional guarantee requirements, beyond their standard requirements for the housing, on the developer.
Limits on amount that can go towards debt service or rental payments:	Not applicable.

REQUIREMENTS:

1. Affordability: Refer to Considerations for Using with Affordable Housing, Note 3.
2. Underwriting requirements: Depends on the investor.
3. Prevailing wage or Davis Bacon: At the time of this writing, the current interpretation of Senate Bill 975 by the Department of Industrial Relations is that some projects with LIHTC financing must pay prevailing wage. However, whether a project is subject to prevailing wage depends on the facts of the particular transaction.
4. Lease or ownership: Child care facility will be leased if LIHTC financing is utilized for the space.
5. MOU or services contract: Depends on the investor. Investor will probably require approval rights.
6. Mandated design: Investor usually has approval rights.
7. Reporting: Depends on the investor. Typically nothing beyond the requirements for the housing, unless rental income from a child care facility supports debt.
8. Other: None.

CONSIDERATIONS FOR USING WITH AFFORDABLE HOUSING:

1. If the total project costs exceed the 221(d)(3) limits, no additional funds may be requested for the child care facility.
2. If the housing project costs are below the 221(d)(3) limits, the child care facility costs can increase eligible basis.

3. If including the child care facility costs in basis under the community service facility allowance, the space must be retained as a community service facility for a minimum of ten years. To be considered a community service facility, the facility must be designed to serve primarily individuals whose income is 60% or less of area median income. There has been no clarification of the definition of “primarily.” However, it has been opined by some tax attorneys that the term “substantially,” which has been clarified to mean 85% or more, is stronger wording than “primarily.” The following conditions must be met to satisfy this requirement:
 - a. Provide services that improve the quality of life of community residents.
 - b. Demonstrate that the services provided at the facility will be appropriate and helpful to individuals in the area of the project whose income is 60% or less of area median income. The required market study or a similar study can be used to demonstrate that this requirement will be met.
 - c. Facility must be located on the same tract of land as one of the buildings that comprise the qualified low-income housing project.
 - d. Fees must be affordable to individuals whose income is 60% or less of area median income. There is no definition of “affordable.”
4. Child care can count as a service amenity if licensed child care services are provided to residents and all TCAC service amenity requirements are met. Child care should only be submitted in the TCAC application as a service amenity if:
 - a. The service will be offered for a minimum of ten years, 20 hours or more per week, Monday through Friday.
 - b. Child care services are appropriate for the housing population.
 - c. The physical space can be available when the development is placed-in-service.
 - d. The service is made available within 6-months of the placed-in-service date.
 - e. The service will be provided on site unless the project is applying as a Small Development or within ½ mile of the development if providing the service on-site can be shown to be duplicative.

The applicant must submit contracts with service providers, service provider experience, evidence that the physical space will be provided, and a budget reflecting how the services will be paid for in the application. [Section 10325, 5(B)]

CHALLENGES TO UTILIZING:

1. Beyond Ruling 2003-77, the IRS has not made any rulings on inclusion of child care facilities in eligible basis.
2. Ensuring all tax credit requirements for the child care facility as a community service facility or as a service amenity or as commercial space are met.
3. Ensuring the child care facility is completed at the same time that the affordable housing is placed in service and that the child care provider will offer the service within six months of the placed-in-service date.

Recommended Lenders: Not applicable.

A GUIDE FOR DEVELOPING
CHILD CARE FACILITIES
WITH AFFORDABLE HOUSING

Designing Child Care

with your Housing Development



BUILDING SUSTAINING LEADING

VI. Designing Child Care with your Housing Development	99
<i>General Space Requirements and Common Issues</i>	102
<i>Child Care Considerations During the Design Process</i>	106
1. Conceptual Stage	106
a. Site Selection	106
b. Architect Selection Criteria	106
2. Programming and Schematic Design	108
3. Design Development	113
4. Value Engineering and Cost Control	114
a. Value Engineering Checklist	114
5. Construction Documents	116
6. Schedule of Values	117
7. Construction Administration	118
8. Inspections	119
<i>How Providers Can Add Value During the Overall Design Process</i>	120
<i>Licensing Requirements and Recommended Standards</i>	121
<i>Best Practices Design Checklist</i>	125
<i>Child Care Facilities Design Matrix—Regulations and Developer Recommendations</i>	132

Designing Child Care

with your Housing Development

Summary

The design of a child care center is an important component of creating a quality program. Children's ability to learn and grow is strongly influenced by the physical space and environment in which they spend the majority of their day. In their day-to-day work, affordable housing developers are focused on developing housing which meets the needs of low- and moderate-income families. Children and child care operators are a different population with differing needs. Understanding the developmental needs of children and the programmatic and operating needs of a provider are essential to developing a functional child care facility and quality program. A knowledgeable child care provider and an architect with experience designing with young children in mind can fill this knowledge gap. In partnering, the child care operator brings their understanding of the developmental needs of children and the needs of their program, and the developer brings their project management experience and design professionals to the table.

There are two common approaches to child care facilities developed in conjunction with affordable housing:

1. Developer provides project management services for the child care facilities, including the warm or cold shell and the tenant improvements.
2. Developer provides the project management services for just the shell for the child care facilities, and the child care provider project manages the design and construction of the tenant improvements themselves.

The information and advice provided in this chapter generally apply to both situations. The main difference will be the scope of coordination work that will be necessary between the developer and the provider and their design and construction consultants. BRIDGE has found that in cases where the developer is only providing the warm or cold shell that coordination is highly intensive in terms of scope of work and timing. Frequently, the housing development and child care facility have financing or operating issues that demand different decision-making timelines in terms of design and construction. The developer will need to ensure that their design professionals are coordinating all aspects of design and engineering.

This chapter is intended to provide best practices, resource information, and recommendations for design to affordable housing developers seeking to partner with a child care provider to develop child care center facilities with housing. Common issues that arise in the co-location of housing and child care are discussed and recommendations are made on how to best address these issues.

General Space Requirements and Common Issues

SPACE REQUIREMENTS

At minimum, providers need space in which to operate their programs, which must meet licensing and building standards. Licensing and building standards are minimum requirements and do not ensure a quality program. However, minimum parameters are provided below for your information and to provide to your architect. A list of upgrades also follows.

INTERIOR REQUIREMENTS

- Shell
- Walls subdividing the space with 35 square feet per child in each classroom, including tables, chairs, and other furniture to be used by children (except areas that must be excluded, e.g., areas not used by children, crib sleeping areas, areas made unusable by children due to built-in or moveable furniture, low shelves or cabinets)
- Adult and child bathrooms
 - Preschool
 - Water closets: one for 1–15 children
 - Sinks: one for 1–15 children
 - Lavatories: one for every 15 children
 - ADA accessible fixtures: one per bathroom
 - Infant/Toddler
 - Water closets: one for every five potty-training toddlers
 - Adult staff: number dependent on number of staff and interpretation of gender requirement by local plan checker
- HVAC, including cooling and heating with zoned control for classrooms as opposed to the rest of the center
- Natural light with operable windows
- Storage units for program materials
- Storage and janitorial closets
- Two exits per classroom
- Food preparation areas accessible from every classroom, including a refrigerator and sink with hot water (food-preparation sinks must be separate from diapering sink), counter space for a microwave, a toaster and a blender, storage areas for formula, baby food in jars, bottles, utensils, snack and breakfast foods, plates, napkins, cups, plastic utensils, serving utensils and dishes
- If program will be cooking food and not just unwrapping and heating food, the kitchen must meet the requirements of the U.S. Department of Food and Drug Administration.
- Hand washing sink adjacent to diapering area

- Drinking water access for children
- Dishwasher if the center serves infants
- All signs, equipment, doors, fixtures to meet ADA requirements, regardless of local regulations or Department of Human Services, Office of Regulatory Services regulations
- Work areas for staff to do paperwork
- Attention to ensuring wall and floor colors are not over-stimulating for children

(NOTE: Many of the following items are necessary in order to make the center functional.)

INTERIOR UPGRADES

- Space: Workable sq. ft. is 62 sq. ft./child in classrooms; 100 sq. ft./child in center.
- Durable finishes:
 - Stain and heat resistant counters
 - 15-year warranty wood floors
 - Higher-grade carpeting
 - Increased natural lighting beyond that required by code (with safety glass).
- Pressure-assisted toilets to reduce backup from children flushing toys, paper towels, etc.
- Separate sewer connection if provider and property management have experienced stoppage problems
- Separate staff room and offices for private consultations and work
- Staff lockers or coat closet
- Automatic HVAC with set-back thermostat for time control
- More energy-efficient heating and cooling system
- Intercom system for separate classrooms (if a large site)
- Laundry room
- Larger separate food preparation area:
 - Accommodate storage of bulk food in accordance with the Department of Health standards
 - A large refrigerator for bottles of milk and medication
 - Counter space for food preparation
- Extra storage
- Attention to indoor air quality when selecting construction materials and finishes such as pressure-treated wood, carpet, etc. Pressure-treated woods without arsenic are preferred. As children spend a lot of time on the floor, flooring materials are particularly important.

OUTDOOR PLAY SPACE & EXTERIOR REQUIREMENTS (GROUP IN CATEGORIES)

- 75 square feet per child. Since areas occupied by fences and posts must be subtracted out, 75 sq. ft. is recommended if using the minimum. (In urban settings where space is at a premium, the 75-sq. ft. area per child based on all children is preferable, but an alternative is to calculate space based on the maximum number of children who will be outside at any one time and obtain a waiver from Licensing. Refer to the licensing section of this chapter.)
- Dedicated play space for the child care center during its hours of operation
- Separated infant and preschool play areas
- 4' chain link fence or picket fence with openings no more than 3" in width between pickets and from the ground
- Shade from canopy or similar element attached to the building or from umbrellas and trees
- Areas of both sun and shade
- Entry/Parking within a safe distance for drop-off and pick-up
- Playgrounds must meet Consumer Product Safety Commission (CPSC), American Society for Testing and Materials (ASTM), Americans with Disabilities Act (ADA) and all local and state regulations.

OUTDOOR PLAY SPACE & EXTERIOR UPGRADES

- Entry
 - Staff parking with one space for each teacher plus the center director
 - Parent drop-off areas accommodating 12% of all clients at one time and with 15-minute limit
- Outdoor Play
 - 100 square feet per child to accommodate storage and tricycle path
 - Climbing structure
 - Tenting the play structure with a fire-retardant canopy in addition to umbrellas and/or trees
 - Tricycle path
 - Dedicated storage unit for outside play equipment
 - 6' fence of upgraded quality with adequate number of posts to ensure no curling of fence and to increase durability to withstand vandalism
- Service
 - Dedicated lockable dumpster conveniently located near exit.

COMMON ISSUES

PLAY AREAS

Licensing requires dedicated, secure play areas for the child care center during operating hours. Child care is a significant consumer of open space since licensing requires a minimum of 75 square feet of usable outdoor play space per child. Therefore, a compromise frequently must be made between the allocation of open space for the housing residents and for the child care clients, the type and quality of play structures

and equipment, and the security of the open space for each user group. In terms of security, the height of perimeter fences must be a minimum of 4' and a maximum of 6' so that no adult can reach over a fence easily and lift a child out of the outdoor play area. Pickets must be no greater than 3" apart. However, in combination, these specifications can reduce visibility for nighttime security for the property. Additionally, attention should be given to the proximity of child care play areas to residential units. Play areas located in close proximity to residential units can cause a noise nuisance, and toys can also fall into residential private yards and balconies.

COMMON SPACE

If the child care center shares common entries, uses any common adult restrooms, and shares any community facilities, the use of the space must be worked out from a security, liability, and basic operating standpoint.

UTILITIES

Separate metering of all utilities, including electricity, gas, and hot water (which requires a separate water heater), is recommended for simplicity in terms of cost allocation and management. There is an additional cost to providing separate utility services. For the gas, electric, and water meters, this cost includes the cost of the additional meters and the run from the meter to the child care facility. The separate water service also requires a separate water heater, the location of the appliance on an exterior wall, a flue that extends to the roof, and a run to the gas meter. For a small child care center located within a building with housing, a separate water heater may not be necessary since the amount of hot and cold water used may be quite small and the daytime peak use for the child care facility does not compete with the early morning and evening peak use for housing residents. Typically, in this situation hot and cold water piping loops are close to the child care area, and there is little cost to tapping into them.

TRASH

Child care centers produce large amounts of trash and may require more frequent pickup than the housing development; therefore, separated trash bins and separate service is recommended.

FACILITY COORDINATION

Key areas to coordinate include locations for structural supports, stub outs for utilities, window types, height entry, exiting routes, and proximity to trash storage. The location of structural supports and plumbing and vent lines impacts square footage of classrooms and the layout of the classrooms, which can significantly affect the number of children for which a facility may be licensed. Since each toddler and preschool classroom must have a certain number of fixtures per child, the layout of the child care center must be largely determined before utility stub outs may be located. Window type and height ideally should be arranged at a level so that children can see outside, but at the same time, if the child care is within a building containing housing, consistency of design may be important to the design professional. Entry and exiting is important to child care from the standpoint of marketing and convenience for families with diaper bags, car seats, children's toys and food, and for the more stringent fire-exiting requirements for facilities that serve children. Child care uses produce significant trash, and close proximity to a trash enclosure is helpful from an operating standpoint.

Also, if the child care provider project manages the design and construction of the tenant improvements, the developer should make sure that the child care provider either has in-house expertise or hires a qualified project manager. The provider may not realize the extent of the project management job.

Child Care Considerations During the Design Process

CONCEPTUAL STAGE

A. SITE SELECTION

The considerations for determining whether a site is appropriate for child care are similar to considerations for housing. These include:

- Market demand (see Chapter II)
- Affordability vis-à-vis the purchase price (see Chapter V)
- Zoning and general plan designation
- Environmental considerations
- Compatibility with other planned uses for the site
- Surrounding uses offsite: presence and proximity to incompatible uses
- Balance between visibility and security, for marketing purposes
- Financial feasibility: ability of site to accommodate a center with enough economy of scale to maintain a positive cash flow.

B. ARCHITECT SELECTION CRITERIA

Contracting with an architect experienced in child care facility design is recommended. However, the developer may wish to use the same architect for the child care facilities tenant improvements as for the housing development. A housing architect who does not have child care facilities design experience may face a sharp learning curve and need more time to get up to speed. One benefit of this route is that the design coordination for the entire project is handled by one entity. If another architect is chosen, coordination between the architect of the housing and the child care facility is necessary if the facility is located within the shell of the housing development or if the parcels of land on which the housing and child care are located are contiguous.

In order to determine an architect's experience and suitability for the project:

1. Review the architect's child care facilities design portfolio, including design aesthetics and budget figures.
2. Find out what licensing codes and design requirements the architect is familiar with.
3. Visit facilities that have been constructed.
4. Ask how the architect has worked with providers and developers in the past.
5. Request both developer and provider references.

The above information will help the developer assess the following:

1. Experience Designing Child Care Facilities

Children are a unique population in that they are smaller and more vulnerable than adults, more sensitive to their surroundings than adults, and are developing mentally and physically at a rapid rate. Architects who have experience designing with small children in mind can add significant value to the development team in terms of knowledge of applicable licensing and building codes and experience with design which is

space-efficient and cost-effective, functional in terms of addressing the needs of the child care program, and has children and safety in mind.

There is a broad range of experience among architects who have designed child care facilities, from architects who specialize in high-end to cost-efficient child care facilities design, and from architects who specialize in child care center design to those who have designed one or two facilities or none at all. Architectural firms that have reviewed how well their design has held up over time bring that valuable knowledge to the next facility design process.

2. Firm's Design Principles

With child care space it is particularly important to balance aesthetics and programmatic functionality. A facility's design has a strong impact on the future success of a facility's operations. It must serve a number of purposes:

- **Marketing:** Be aesthetically pleasing to parents so that they will want their children to be cared for and taught in the space.
- **Programmatic:** Provide multiple types of positive developmental opportunities for children in an aesthetically pleasing and safe environment.
- **Aesthetics:** Good design—that is, good space and good light, and careful choice of materials and color—can make a difference in the lives of children and in how they feel about and view themselves in the world.
- **Operational:** Make it easy for staff to complete the myriad of tasks necessary to operate the center from the center director (e.g., paperwork, staff training, parent conferences) to the teachers (e.g., food preparation, diaper changing, developmental activities) while maintaining ratio.

3. Knowledge of Licensing Code, Building Code, the Americans with Disabilities Act and Common Conflicts among the Three

Experience in designing to meet these requirements and awareness of the potential for conflicts between these requirements will make the design process time- and cost-efficient. Otherwise, the architect will need to spend significant time doing code analysis prior to beginning design. Additionally, experience with the typical interpretation of building officials in the locality can be helpful in negotiating these conflicts. This knowledge will also help the team avoid costly change orders and potential conflicts after the building and/or licensing inspection.

4. Ability to Work with Providers

The architect should be able to facilitate the visualization process in discussion with the developer and the provider, who may not have a design background. An architect who speaks the language of the provider will gain the provider's confidence more quickly and more fully.

5. Scope and Fee

Child care facilities funds tend to be sparse. It is important to agree upon a fee range before the architectural contract is negotiated, since preliminary concept work may precede the contract, and to ensure the full scope of design for the child care facility is covered in the architectural contract(s). The full scope of work will usually include more meetings than the architect would anticipate for a housing project. Design contingency for additional services requests and change orders generally helps in these situations.

A resource for finding an architect is: Building Child Care (BCC), a California organization overseen by the Low Income Investment Fund, which provides a list of experienced child care architects in California at its website: www.buildingchildcare.org. However, no endorsement is intended by the inclusion of architects in this list, and each architect's experience and suitability should be reviewed by the developer and provider.

PROGRAMMING AND SCHEMATIC DESIGN (SD)

Ideally, select the provider prior to the Schematic Design Phase for the housing development, preferably during Concept Design for the housing development. During the Schematic Design Phase for the child care facilities, the overall concept of the center, the provider's program and economies of scale vis-à-vis their program, and considerations for other planned uses onsite should drive the development of potential locations, orientation, access, size, preliminary layout of the interior space and allocation of exterior space. Several possible design alternatives should be developed in order to facilitate discussion and visualization, particularly since few providers have a design background.

A detailed program from the provider can provide a starting place for discussion between the developer and provider. (Many providers will need some education and assistance in order to provide this information: see "Educate the Provider" in the Best Practices Checklist at the end of this chapter.) A chart providing the overall functions which will take place in the center, a detailed breakdown of the uses for each function and the amount of space needed for each function is a useful tool. This information can be translated into design implications for the architect. A diagram can help the visualization process in establishing the desired relationship between functions. Samples of these tools are provided below. With this base information, the architect can develop two or more possible center layouts to which the provider can respond more concretely.

As described in the previous section, a center will need to serve a number of programmatic functions, including center operation, indoor and outdoor children's activities, parent check-in/drop-off and consultation, food preparation, bathroom and diaper changing, laundry and cleaning, and storage for the center, staff, parents and children. Taking children's activities as an example of a function, the amount of space required by the program can be derived from the age groups served, the number of children being served in each age group and the staffing required to maintain or exceed licensing ratio. (Licensing requirements are described in the section "Licensing Requirements and Recommended Standards," later in this chapter.) For example, a provider's programming for an infant/toddler classroom may include areas of active and quiet baby and/or toddler play; diapering; sleeping; food preparation; parent drop-off and pick-up; storage for children's clothes, toys, and other supplies brought by parents; and for center-owned toys, mats, etc.

SAMPLE PROGRAMMING CHART

<i>Age Groups</i>	<i># of Children and/or Staff</i>	<i>Types of Activities</i>	<i>Square Feet Required</i>	<i>Important Adjacencies</i>
Infant/Toddler		Drop-off/Pick-up Cubby area Baby play areas: active and quiet Toddler play area: active and quiet Sleep area Diaper-changing stations Food preparation Storage		
Preschool		Drop-off/Pick-up Cubby area Dramatic play Motor-Skill development Quiet Activities Bathrooms Food preparation Sleep area Storage		
Parents		Information board Daily logs Permission forms Payment		
Staff		Center Director Office Assistant Director Office Staff paperwork Storage Kitchen		
Misc. Support		Janitor, laundry, trash		

SAMPLE DIAGRAM OF RELATIONSHIP BETWEEN FUNCTIONS



After the baseline program needs have been established, providers should be asked a series of programmatic questions in order to translate the program into information which the architect can use to develop the schematic design. A provider with a number of child care centers can easily identify the assets and risks of a location and/or orientation, describe their program and how they intend to utilize the space, and describe their ideal center. A provider who may not have developed a center previously will need to be assisted in determining how a space can meet their needs. Working with an experienced provider is like planning a space for a retail tenant with several facilities, whereas a less experienced provider needs the kind of technical assistance a small business or even start-up business requires. A variety of sample floor plans for centers that can be a resource to the developer and design professional are included in the Appendix case studies. These sample floor plans were selected for their diversity and because providers either were integrally involved in the design or advised that they worked well.

<i>Basic Questions & Considerations</i>	<i>Design Implications for Schematic Design</i>
Site Restrictions: Square Footage, Location & Orientation Available	<ul style="list-style-type: none"> • Size of center • Location on site • Presentation to the street • Entry/Drop-off location and adjacencies • Exiting issues • Outdoor space adjacency parking
Number of Children to Be Served	<ul style="list-style-type: none"> • Size of center • Parking
Age Groups & Number in Each Age Group	<ul style="list-style-type: none"> • Classroom size • Bathroom size derived from number of child toilets and sinks • Changing and food preparation areas
Number of Staff	<ul style="list-style-type: none"> • Offices for Center Director and/or Assistant Director • Parent consultation area • Staff room and/or semiprivate work area • Adult bathrooms • Parking <p>(Number varies with age group to be served, and requirements vary. Different providers run programs differently.)</p>
Number of Classrooms	<ul style="list-style-type: none"> • Doors between classrooms and outside activity area • Window locations • Location of structural supports
Types of Activities for Interior & Exterior Space	<ul style="list-style-type: none"> • Sizing of activity areas • Orientation of classrooms • Interior and exterior circulation • Location of HVAC equipment • Water fountain locations • Need for a kitchen or food preparation area • Access to exterior space from classrooms and from outside
Check-In Route/Procedure	<ul style="list-style-type: none"> • Access to the center: travel route from parking or drop-off, location of main entrance • Space allocation for reception • Attention to security
Desired Relationship Between Activities	<ul style="list-style-type: none"> • Circulation and desired adjacencies for ease of operation • Interior design • Ability to share certain areas (e.g. food prep, etc.)

Be sure the architect understands the details of the programming and discussions with the provider in writing, and make sure that the architect understands the design implications of these details vis-à-vis licensing. By the completion of Schematic Design, the center location, orientation, access, security, parking layout, size, and location of interior walls and allocation of the exterior space should be finalized. The provider should sign off on the center's Schematic Design plans.

Licensing requirements should be reviewed by the architect, provider, and the developer prior to investing any significant time in the design. Since the provider is submitting the application for a license, it should be familiar with the licensing requirements and able to assist the architect and developer to interpret the requirements into a physical design. Depending on the type of operating subsidies to be utilized and the program planned, licensing requirements will include Guidelines in Community Care Licensing's Manual of Policies and Procedures (Title 22), Title 5, and/or Head Start guidelines. Title 22 and Title 5 guidelines are minimal requirements and should be expanded to adequately meet the needs of a center. Additionally, if the developer/owner desires a provider and center which is NAEYC accredited or if the provider intends to apply for NAEYC accreditation, the center will need to be designed to meet the physical requirements of NAEYC. See the Child Care Facilities Design Matrix in this chapter for a more detailed summary.

At the end of the Schematic Design, the plans should be reviewed with licensing and with the building department for compliance with the applicable codes and ADA. This early review ensures that most issues are raised and resolved early. Once the developer and provider are satisfied with the Schematic Design, including the plans and an outline specification, the contractor should develop a cost estimate. At that point, budget and scope should be brought into alignment before proceeding with Design Development. However, it is important that the provider understand that since the design is at an early stage and therefore lacks detail, cost estimates will be rough and cannot be relied upon.

If it is not possible to select the provider prior to or during the Schematic Design, the developer should provide the architect with baseline design requirements for the warm shell, including where the center will be located on the site; its interior and exterior size; a rough subdivision of the space between classrooms; bathrooms, office, kitchen, etc.; rough-in for future HVAC and utility services; and the location for trash. The HVAC and plumbing are challenging. Ideally, the provider should be able to control the HVAC by classroom or activity zone, which would require finalizing the layout. The number of plumbing fixtures can limit the licensed capacity of the center since a certain ratio of fixtures to the number of children age two and up is mandated by licensing. Plumbing fixtures such as hand-washing sinks for diaper-changing areas, child toilets and water fountains should be located so that teachers can provide oversight and maintain the required teacher-to-child ratio at all times.

We do not advise designing tenant improvements prior to provider selection. However, if it is absolutely necessary to proceed with designing the tenant improvements, the best practices and design recommendations in this chapter can be used to approximate their needs to some extent. Without provider input early on, greater than usual change orders should be anticipated, so include a greater amount of construction contingency in your development budget.

DESIGN DEVELOPMENT (DD)

The provider should be selected no later than the commencement of Design Development. If the provider must be selected after this phase or if the provider changes, significant redesign may be necessary and could be costly. When designing child care facilities with housing, the timeline is frequently longer since the child care facilities are part of a larger housing development which requires more design time. Circumstances may change for the provider during this time period, rendering their participation in the development infeasible. In these circumstances, the developer may need to select a new provider whose program may not have the same space needs as the original provider.

During the Design Development Phase, the architect will add details to the approved schematic design. Details will include dimensions for the interior and exterior; ceiling height; location of doors, windows, plumbing and lighting fixtures; and built-in furnishings. Specification of materials will also be included. The architectural plans which emerge serve as the base for the development of structural, mechanical, and electrical drawings. The engineers will review the architectural plans to develop an approach to making the design buildable. In this iterative process, the engineer, architect, and developer will devise solutions for a series of issues as they arise, which will require that the architect and/or engineers revise or add additional detail to their design.

The developer and architect should meet regularly with the provider to review the evolving Design Development plans. This will ensure that the plans represent the agreed-upon concept, that materials being specified are not beyond the projected budget for the center, and that the details match the negotiated relationship between the housing and child care facility in terms of utilities, trash, etc. Recommendations for the operational relationship between the housing and child care are detailed earlier in this chapter. The developer should solicit feedback from the provider for any questions requiring substantive changes and inform the provider of all other changes. Provider comments at this stage should be specific as the design becomes more developed, allowing anticipation and avoidance of operating issues that the provider has experienced with other centers. For example, if the architect has not allocated adequate internal wall space for plumbing, the interior space of the child care center could be reduced, which can reduce the number of children who can be served.

Once both the developer and provider are satisfied with the Design Development plans, the developer should request that the contractor generate an initial cost estimate based upon the Design Development plans. It is both useful to the decision-making process and time-efficient to have additive and deductive alternatives to materials in the specifications. Additionally, the developer should discuss with the contractor what assumptions they have made in the cost estimate due to incomplete information in the plans and specifications. Value engineering is appropriate during this phase if the cost estimate is over budget.

Once completed, the Design Development plans may be attached to the appropriate legal documents as a representation of the deliverables. At this point, clarity is needed between the housing developer and the child care provider on: 1) what is included in the base building scope, 2) what is included in the child care tenant improvements scope and 3) who will pay for what. Sometimes it makes sense to include certain items in the base building scope even though the provider may pay for all or part of those items. Refer to the section “Legal and Structuring” of Chapter IV.

VALUE ENGINEERING & COST CONTROL

Discuss expectations with the provider regarding the quality and required durability of the center construction early on and throughout the development of the plans, specifications and construction. Establish an adequate budget with appropriate contingencies early on and strive for adequate funding and an efficient, cost-effective design. Most of the cost of children's centers is in the required systems and cannot be value engineered without great hardship to the center. The places where you can really save involve early planning and good coordination with the building developer's team (the architect and developer). The areas you can value engineer at the end of the design process have to do with reducing durability, quality of space and air quality, and the cost savings to be gained from these reductions are not large.

The art of value engineering, determining what the best product is for the best value, is particularly critical for child care facilities. Value engineering decisions should strive to strike a balance between choosing the product best suited for the facility for the long term and for the development budget in the short term. This balance will typically be in a different place than for affordable housing since child care center clients are tougher on a center's classrooms and play areas than children in housing units and children playing on play equipment provided for resident use. Child care students use the classrooms and play areas for many more hours during the day. Capital improvement funds for child care are limited, making durable finishes and equipment all the more essential. These high-cost needs must be balanced by efficient use of the sparse funding for child care center development, meaning at times a compromise between budget constraints and high expectations on the provider's part.

The durability ratings for finishes and equipment for the child care facility will often need to be higher than typical housing finishes and equipment. The provider can be a valuable resource in terms of knowledge of which areas get the most wear and tear and possibly how different products have stood up over time in their other facilities. Look for areas where the needed durability rating for finishes and equipment matches for the child care facility and housing, to maximize savings by ordering larger quantities through the contractor. Additionally, when a product is not being purchased for the housing project and does not require significant expertise, e.g., washers and dryers, it may be more cost effective to have the provider purchase these items separately and avoid the contractor's mark up.

A value engineering checklist is provided below.

VALUE ENGINEERING CHECKLIST

The largest cost items for child care facilities are typically utilities, plumbing, and HVAC.

1. Efficient space planning

- Let outdoor play areas be shared by classrooms that house the same age group and use the play area at different times of the day.
- Minimize circulation space.
- Locate shared food-preparation space between two classrooms.

2. Utilities

- Provide separate meters to make operations easier. Sharing a meter and sub-metering can reduce cost but requires more ongoing coordination between property management and the provider.

- Minimize distance between the gas meter and water heater.
- Eliminate separate water heaters. This removes not only the cost of the water heater but also the flue to the roof and the run to the gas meter. Elimination of a separate water heater is not recommended except in unique circumstances. While eliminating a separate water heater will reduce the upfront development budget, in the long term it will mean additional management time to allocate and collect utility payments from the provider.
- Separate trash is strongly recommended since child care centers produce large quantities of trash, and allocation of shared trash is not as straightforward as other utilities.

3. Plumbing and Bathrooms

- Group plumbing efficiently with as much of it centralized as possible. This needs to be balanced with the additional cost of operation of the center (more staff) if the toilet rooms are not located in classrooms. Grouping bathrooms in the center of a facility can be efficient and can enable access from multiple classrooms.
- Disable hot water to child sinks rather than using a mixing valve unless the geographic area gets very cold. Most faucets are provided with disabling features. Note: Some licensing inspectors will not allow the disabling of hot water.
- Combine one child sink with a bubbler to meet the required number of sinks and to ensure that children have direct access to drinking water.
- Replace ceramic tile with fiberglass-resistive panel (FRP).

4. Cost-Efficient Heating, Ventilation and Air Conditioning (HVAC)

- Balance short-term capital cost with long-term operating cost
- Most efficient:
 - Small facility: Split system heat pump, zoned by system with each zone having its own thermostat. A split system heat pump is highly efficient in comparison to other small systems. Zone the classrooms separately from the rest of the space since children are closer to the ground and will require more heat. Use ceiling fans for cooling if geographic area does not get very hot. One detractor is that split system heat pumps require more maintenance than other systems.
 - Large facility: Explore other options for larger facilities where the cost per square foot can be spread across the facility: radiant heat, hot water fan coils with a boiler, cooling towers. Multiple split system heat pumps are not efficient since there is a fixed cost per heat pump, and larger facilities would require multiple heat pumps.

5. Reduce Contractor Markups

- Purchase items such as cubbies, washers and dryers (if being purchased only for the child care facility), staff lockers, etc., outside of the contract.

6. Flooring

- Use vinyl composition tile or linoleum tile rather than laminate wood flooring or hardwood floors.

7. Lighting

- Utilize natural light from windows to full advantage for classrooms.

- Look for inexpensive but durable light fixtures.
- Utilize residential windows rather than storefront. Large storefront-type glass frequently requires a more complicated structural system and is expensive.

8. Play Area

- Prefabricated play structures which arrive in one piece are less expensive than play structures with components which can be added and subtracted.
- Play structures may also be eliminated to create a more flexible play area (requires more storage).
- Use large durable umbrellas and trees instead of play structure canopies to fulfill shade requirement.
- Chain link fencing is less expensive than almost any other type.
- Generally, material cost for resilient tile safety matting is less than for poured in place safety surfacing. However, tile matting systems require an asphalt or concrete surface. Most poured in place surfacing can be installed directly on compacted subgrade with only a perimeter concrete band required. Also, tile matting is generally not as smooth as poured in place and can be a tripping hazard in infant/toddler play areas.

9. Shared Use

- The idea of shared use of space between child care and housing requires a clear understanding of access, restrictions by all and good management. However, shared use can make better use of available space and make sense in an area where space (and money) are at a premium. Some possibilities:
 - Community rooms in housing are often left empty from 9:00–3:00 and can be used by child care for gross motor activities on rainy days.
 - Provide common bathrooms for adults if building department requires one per gender. Bathrooms must be in close proximity to classrooms.
 - Outdoor play areas dedicated to the child care facility during the day may be used by residents in the evenings and on weekends. However, we recommend separate play spaces for resident children and the child care center. If the only play space is dedicated to the child care facility during the day, and open for residents only during the evenings or weekends, use during and after school hours can become a significant source of conflict between housing residents and child care clients.

10. Input from Contractor

- Early input from the contractor on the team is always beneficial.
- The contractor can often provide input about particular cost/constructability issues that can help the project be designed more economically.

CONSTRUCTION DOCUMENTS (CD)

The construction documents, including the Construction Document plans and specifications, are the “final” directions to the contractor on how to construct the child care center. Additional direction is provided in addenda, architect and owner clarifications, and approval of submittals. The Construction Document plans should detail and specify the foundation, framing, heating, venting and air conditioning, electrical,

landscaping, play equipment, etc., needed by the provider. Specifications should detail the interior and exterior finishes, play equipment, landscaping, and other details needed by the provider. Providers who have developed centers previously can assist by lending expertise on which manufacturers and suppliers provide the needed child care finish or play equipment that will be most durable for daily use. This is particularly important with child care since minor changes in plans and specifications tend to cost more per square foot and per change order than changes for housing. Include value engineering ideas and/or upgrades as an alternate during the bid process so the price is set ahead of time.

Some providers can also provide expertise on how common interpretations of licensing requirements differ from, and in some cases conflict with, common interpretations of the California Building Code, as discussed later in this chapter. However, most providers know licensing but not building codes. The architect needs to uncover and resolve conflicts. The architect should also review plans again with the building department, local authority on ADA (if different from the building department) and with the fire inspector for child care during the Construction Documents phase, for general agreement with the authorities before submitting for building permit.

In the legal agreements, either allow for subsequent approval of revised architectural plans or amend the legal agreements to replace the Design Development plans with the Construction Documents so that the representation of deliverables is up to date.

SCHEDULE OF VALUES

After the construction documents are finalized, the contractor will provide a schedule of values (project budget) which will be attached to the construction contract. It is useful to have the contractor either keep the child care center schedule of values separate from the rest of the contract or have a separate construction contract for the child care center. Considerations when deciding whether to use the same construction contract and a separate schedule of values or a separate construction contract entirely are outlined under each bullet point below.

SEPARATE SCHEDULE OF VALUES, SAME CONSTRUCTION CONTRACT

Benefits:

1. Helps focus the value engineering for the center;
2. Makes reporting to child care center development funding sources easier;
3. Is essential for cost certification of tax credit basis if the child care facility is included in basis, depending on the design and the service population (refer to the Low Income Housing Tax Credit term sheet in Chapter V for more information on inclusion of child care facility costs in tax credit basis);
4. Reduces coordination risk, particularly if the same contractor is not providing the shell and the tenant improvements.

Challenges: Separating out the center is work-intensive for the contractor, particularly when bidding out the job to several subcontractors, but will save time during later stages when they would have to pull apart combined housing and child care development numbers for financing and cost certification purposes.

SEPARATE CONSTRUCTION CONTRACT

Benefits:

1. Clarity. Negotiating a separate contract (including a separate schedule of values) for the construction of the child care center, which is physically separate from the housing development, is straightforward.
2. Coordination risk increases. Particularly, if negotiating a separate contract for the construction of a child care center which shares structural systems with the housing development, it is important to make sure that all aspects of the center design which are excluded from the housing construction contract are included in the child care construction contract. This clarity is particularly important if a different contractor is engaged for the child care tenant improvements.
3. Retention release: If the timelines for the construction of the housing and the child care center differ significantly, it would make more sense to have a separate contract so that the retention for the larger housing development, particularly retention for subcontractors who are not involved in the tenant improvement work, will not be held up by the child care tenant improvements. While this may be negotiated with each lender for the housing development in a combined contract, having a separate contract saves having to go through this negotiation;
4. A separate critical path schedule for the construction of the tenant improvements enables the project manager to more accurately monitor the completion of major systems in accordance with the scheduled benchmarks on the schedule;
5. If the financing sources for the child care facilities require prevailing wage and the financing sources for the housing development do not, a separate contract and staggered timing may make sense to avoid any confusion about the prevailing wage requirement.

Challenges:

1. Under a separate contract, there are potentially different subcontractors for the housing development and the child care facility, which can result in additional cost for the child care center contract since the subcontracts are small both in terms of time and materials;
2. Coordination risk in terms of scope of work and the execution of the work is greater, particularly if the contractor for the tenant improvements is different from the contractor for the housing development.

CONSTRUCTION ADMINISTRATION (CA)

If child care facilities are being developed with affordable housing, the developer or owner representative with input from the child care provider's representative will typically oversee the development process and manage the architect and contractor during construction. The level of involvement of the provider will depend on the relationship structured.

The developer may want to include the child care provider in a portion of the preconstruction meeting or schedule a separate preconstruction meeting at the site closer to the time that tenant improvements will be constructed. The preconstruction meeting should clarify the communication channels and decision-making process between the contractor, architect, developer and child care provider, plus the critical path schedule and how the child care facility fits within the overall schedule. A separate notice to proceed is frequently

advisable since the housing and child care facility development may be on differing schedules in terms of financing, design, or permits.

The developer should discuss submittals for finishes and other specified materials, change order requests, and change orders and relevant requests for information with the provider. Having the provider at the construction coordination and/or draw meetings for the housing construction is not time-effective and will expose the provider to more information than they need to know. The developer can review the center's percent complete as well as any construction issues. However, if the architect for the child care facility differs from the architect for the housing, or if the child care facility is under a separate construction contract, it may be necessary to dedicate a portion of the construction coordination and/or draw meetings to the child care facility or to have separate meetings which include the provider. During construction of the center, contractors frequently need responses within one to four days in order for the required action to be taken on schedule. Providers should be prepared to answer questions within the required time frame.

After the developer and architect(s) deal with initial punch list items, have the provider walk through and put together its own punch list. If inexperienced in facilities development, the provider may identify operating issues which it previously missed, so it will be necessary for the developer to review the provider's punch list with the contractor and provider for cost implications. If the child care facility is being rented, operating manuals need to be provided to both the management agent and the child care provider. The contractor should arrange a review of how the major systems work with management and maintenance staff. This review should include the provider if the provider is maintaining any of the major systems. If the provider is just operating the systems, it is more time-efficient to have the maintenance staff review the operation with the provider's staff. In either case, the review should take place before the inspections, because frequently State licensing inspectors will ask the provider to demonstrate how a system functions as part of the licensing inspection. Warranty binders, plans and specifications should be transferred to the management agent. In the case of ownership of the child care facility, all materials should be transferred to the child care provider/owner. The provider should sign off that they received the materials and accept the improvements. Prior to release of retention, the developer should check in again with the provider.

INSPECTIONS

Preliminary Inspection: Schedule a preliminary inspection of the child care facility by both the licensing inspector and the fire inspector (if possible) as early as possible after rough plumbing and electrical but before finishes to avoid having to make changes once all of the finishes are in place.

Final Inspection: After the building inspector signs off on the certificate of occupancy, the provider schedules a licensing inspection through Community Care Licensing and a fire inspection through the fire department in the Department of Building Services by submitting an application for a license. The cost of the licensing application is listed on the Community Care Licensing website at <http://cclid.ca.gov/res/pdf/AllFeesCCP.pdf>. There is no additional fee for the licensing inspection, and whether or not there is a charge from the Department of Building Services for the fire department inspection varies by jurisdiction. Depending on whether the jurisdiction has its own Community Care Licensing office and how busy the particular office is, the inspection can take from one week to one month to schedule. A list of the regional Community Care Licensing inspection offices is available at http://cclid.ca.gov/ChildCareL_1728.htm, then click on

“Regional Offices,” or by contacting the State Community Care Licensing office in Sacramento for the contact information at (916) 229-4500.

The licensing inspector and fire inspector review the facility for its compliance with Title 22 and Title 5, if applicable. If there are any violations, the inspector(s) will ask that corrections be made and that a follow-up inspection be scheduled. Like building inspectors, but more so, the licensing and fire inspectors interpret the licensing code; therefore, different inspectors have differing interpretations of compliance with the code. After any corrections to the facilities have been made, the inspectors will sign off on the facilities license and send a report to the State Community Care Licensing office indicating that the facility is licensed. See the section “Licensing Requirements and Recommended Standards” later in this chapter for common reasons that licensing or fire inspectors order corrections.

Since the provider must answer detailed questions on the operations of the facilities from the licensing and fire inspectors, it is important for the developer and/or contractor to review with the provider how the major systems work prior to the inspection. Post Construction, be sure that the on site property management and provider are introduced and have established a way of communicating and working together.

How Providers Can Add Value to the Overall Design Process⁴⁸

Solicit the provider’s involvement as early in the design process as possible whether the center is a stand-alone facility or physically and financially integrated with housing.

Early involvement has many benefits:

1. Time for the developer and provider to structure a positive and effective working relationship.

Since most providers rarely build new facilities, the provider may not be familiar with the development process and/or timeline. Clarifying expectations on the part of the developer and provider by reviewing the overall design process, the anticipated timeline for each stage, and needed involvement of the provider will help the development process to run more smoothly for everyone involved. For example, it is important that the provider understand the long-term patience necessary for negotiating land acquisition and licenses during the planning stage and be prepared for the speedy communication required to maintain budget and schedule during the design and construction phases. Additionally, if the developer is also in an ownership position, the long-term relationship will also need to be structured. Recommendations in this area are discussed in Chapter IV.

2. Provider feedback on the size and design of the center enabling the architect and developer to be efficient and cost-effective in terms of design.

Just as with any other retail tenant, the provider as the end user can inform the developer of the various functions and users for which the space will be designed and the necessary relationship and separation between these functions. In a broad stroke, a provider will need to plan for center operation, indoor and outdoor children’s activities, parent check-in/drop-off and consultation, food preparation, bathroom and diaper changing, laundry and cleaning, and storage for the center, staff, parents, and children.

Considerations for each of these functions is discussed in more detail in the Child Care Facilities Design Matrix at the end of this chapter.

⁴⁸ Developers are thoroughly knowledgeable of the work involved in each design phase. The basic description of each phase is provided as a possible resource in describing the scope of work and decisions that need to be made in each phase with the provider.

3. Time for the provider to begin applying for new funding or rearrange existing operating funds and plan/prepare organizationally for the added capacity of the new center.

A new center represents a significant long-term organizational commitment for the provider. The provider will need to determine the population they can serve, apply for new operating funding or reallocate existing funding, prepare budget and cash-flow projections, dedicate staff for the short-term development phase, and plan to increase staff capacity for the long-term operation of the center.

4. An opportunity for the developer and provider to utilize more development financing opportunities.

Unlike the Low Income Housing Tax Credit Program (LIHTC) for affordable housing, there is currently no one primary source of capital financing available for child care center development. Financing a child care center requires creativity and time. Several sources are described in Chapter V.

5. An opportunity for the developer and provider to work out how the child care and housing development will relate to one another from a programmatic and physical operating standpoint.

The developer and provider need to determine if the child care center will have a preference for the residents of the housing development and/or for residents of the neighborhood. Secondly, how the housing and child care center relate to one another physically will impact how housing residents and child care clients interact with one another. Efficiency and ease of day-to-day operations for the child care operator and the housing development manager, liability, maintenance, code requirements all must be balanced. We recommend the separation of these uses to the greatest extent possible to minimize potential conflicts. However, if space is at a premium, which is frequently the case in urban locations, sharing some space can be workable as long as there is clear agreement on how space will be shared, including hours of use, cost sharing for maintenance and janitorial, etc.

Licensing Requirements and Recommended Standards

All child care centers must be licensed by the State Community Care Licensing Division of the Department of Social Services. In order to receive a license, a center must comply with Title 22, Division 12, Chapter 1, “Child Care Center General Licensing Requirements.” Centers which have a direct contract with the California Department of Education (DOE) to provide subsidized care to children of low-income families must also comply with Title 5, Division 1, Chapter 19. All centers with subsidized contracts are overseen by the DOE’s Childhood Development Division.

In terms of age group definition and staff to child ratio, a comparison is provided in the chart below. This can assist in understanding programmatic space needs to meet licensing and accreditation requirements.

COMPARISON OF AGE GROUP DEFINITIONS

	<i>Infant</i>	<i>Toddler</i>	<i>Preschool</i>
Title 22	Birth–2 (or 3) yrs	18–30 months	2 yrs–Kindergarten
Title 5	Birth–18 months	18–36 months	36 months–Kindergarten
NAEYC	Birth–1 yr.	1–2 yrs	2–3 yrs & 3–5 yrs

COMPARISON OF RATIOS AND GROUP SIZE

	<i>Infant</i>		<i>Toddler</i>		<i>Preschool</i>	
	<i>Staff</i>	<i>Teacher</i>	<i>Staff</i>	<i>Teacher</i>	<i>Staff</i>	<i>Teacher</i>
Title 22	1:4	1:12	1:6	1:12	1:12	1:15 or 18
Title 5	1:3	1:18	1:4	1:16	1:8	1:24
	<i>Staff</i>	<i>Group Size</i>	<i>Staff</i>	<i>Group Size</i>	<i>Staff</i>	<i>Group Size</i>
NAEYC	1:4	6–9	1:4	12	1:6 & 1:10	12 & 20

Both Title 22 and Title 5 provide minimum requirements for facilities design that are primarily aimed at ensuring the health and safety of children. Neither Title 22 nor Title 5 design requirements describe what kind of environment would best promote children's development from a programmatic standpoint. The National Association for the Education of Young Children accreditation standards provide useful guidelines in this area. Additionally, we have provided recommendations in the comparison table at the end of this chapter.

Some common reasons for state licensing inspectors to order corrections and thus delay occupancy (refer back to “Inspections,” earlier in this chapter, for information on the inspection process) include:

- Inadequate setup. The center must be set up as if child care will be provided the day of the inspection, including all furniture and supplies.
- The provider cannot answer the inspector's questions about how certain systems operate, such as HVAC or plumbing.
- Sinks in the children's bathroom are not temperature-controlled to eliminate hot water and the danger of scalding. A mixing valve may be installed to regulate temperature, or a specification that no hot water be piped to the children's bathroom can also work (only acceptable in some localities).
- Differing interpretations of shade requirements. Shade requirements for the exterior play area are not clearly defined in the regulations and instead largely depend on the discretion of the inspector. Providing shade for a teacher and a number of children to sit under on a grassy area, or providing shade over the play structure, are two possible solutions.
- The HVAC condensation line cannot be located in an interior child activity area, unless in a corner where it will not drip on any child.
- Food preparation and changing areas for infants are not adequately separated.
- Food preparation areas are not adequately secured from access by young children, e.g., children could access cutting boards, sinks containing knives, or drawers containing sharp utensils.
- Food preparation area does not meet ADA requirements.

In order to contact the regional Community Care Licensing Office for an inspection, refer to <http://cclid.ca.gov/res/pdf/CClistingMaster.pdf> for a listing of the appropriate regional office, or call the State Community Care Licensing office in Sacramento for the contact information at (916) 229-4500.

NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN (NAEYC) ACCREDITATION

The NAEYC established its national, voluntary accreditation system in 1985 to set professional standards for early childhood education programs and to help families identify high-quality programs. The standards are used to raise the quality of programs for children from birth through age eight nationwide. NAEYC accreditation implies a level of quality that has been confirmed by an independent entity; therefore, parent demand for NAEYC-accredited centers is usually greater than for other centers. In 2002, a ten-member Commission appointed by the NAEYC Governing Board revised the NAEYC Early Childhood Program and Accreditation Criteria to make the standards more evidence-based and concurrent with the profession's knowledge of best practices.⁴⁹

The NAEYC accreditation standards provide best practices for ten areas of program standards: relationships, curriculum, teaching, assessment, health, teachers, families, community partnerships, physical environment, and leadership and management. The physical environment standards are listed in the licensing regulations and accreditation requirements comparison table at the end of this chapter.

Few facilities in the State of California are NAEYC accredited, approximately 10% at the time of this writing. The accreditation standards are extensive, and both the standards and accreditation process have costs associated with them. Whether your facility plans to seek accreditation or not, the NAEYC standards provide useful guidelines for designing a facility equipped to offer a quality program.

HEAD START REQUIREMENTS

In addition to licensing requirements, Head Start-funded centers must comply with Head Start design requirements. The Head Start Center Design Guidelines manual describes these requirements and guidelines for centers with a Head Start-funded program. Synopsis of the Head Start Center Design Guidelines summarizes these requirements and indicates which items are mandatory and which are recommended. The licensing comparison table at the end of this chapter provides a quick reference of these guidelines. Head Start mandates not only design requirements but also the process through which contracts should be initiated, the membership of the committees that make decisions, forms which should be used for recording decisions and communicating information, and how and by whom the space may be utilized. Head Start guidelines are extensive and detailed; it is important that they be reviewed thoroughly. From the viewpoint of affordable housing developers, HUD is to affordable housing as Head Start is to child care.

Head Start grantees can access resources through the National Head Start Facilities Assistance Desk in the Administration for Children and Families under the U.S. Department of Health and Human Services: <http://hsnrc.org/Facilities/Index.cfm>.

⁴⁹ www.naeyc.org/accreditation

LICENSING REGULATIONS AND ACCREDITATION REQUIREMENTS COMPARISON TABLE

The table at the end of this chapter includes code and accreditation criteria which are relevant to the design of the physical space, and recommendations for various functions. The table is for comparison purposes for the developer's considerations. Before designing a space, the architect should do their own code analysis. The items in the "Recommendations" column do not cover compliance with all codes and accreditation criteria. Programmatic criteria are not included unless the section has a direct design implication.

COMMON CONFLICTS BETWEEN BUILDING CODE, LICENSING CODE, AND ADA

New facilities must comply with California Building Code (UBC), Title 22, and the Americans with Disabilities Act (ADA). There are a few common direct conflicts, depending on the interpretation of the local building department. In addition, there are areas where the requirements of one code do not best serve a child care use. Although Title 22 and the California Building Code are derived from the same authority—the State Legislature—there is no clear mandate for plan checkers and inspectors to follow the direction of one code over another. Since few plan checkers and inspectors are familiar with Title 22 and Title 5, most need to be educated about these codes and the special needs of children in order to argue the case for waivers.

Potential areas of conflict among codes include:

- Combined lavatories and water fountains: California Building Code Section 1115B-1 suggests mounting heights for lavatories which conflict with their suggested water fountain heights, and bubbler heights which a child can access only if using a stool. The maximum knee clearance for a lavatory serving preschool and kindergarten ages is 19". Water fountain minimum knee clearance is 22". Suggested heights for bubblers is 30", which can be accessed only by children if using a stool. The two functions can be separated with cost implications. Although combination lavatory-fountains are prohibited by plumbing code, many building department plan checkers will allow their use to meet the one-to-one ratio requirement for toilets and lavatories in child bathrooms.
- For commercial uses, UBC⁵⁰ requires one adult bathroom per gender for work places with four or more employees. UBC assumes that 50% of the staff are of each gender. Since most child care workers are female, a men's bathroom is usually viewed by the provider as a waste of valuable space. Building plan checkers may allow common-area bathrooms nearby to be used to meet this requirement. UBC requires one water closet for every 1–15 adults of each gender, 2 for every 16–35 adults of each gender and one lavatory per 40 adults of each gender.

⁵⁰ UBC, Section 2905: Minimum Plumbing Fixtures, Group E: Schools, Day care.

- The required number of plumbing fixtures per child and per adult for diapering and food-preparation functions under State licensing is generally stricter than under building code.
- Wheelchair-accessible entries for the center are extremely beneficial for children and parents who require the accessibility features, but they also make it easier for children to run out of the center into parking areas or onto the street.
- Children must be able to exit from outdoor play areas unassisted by adults, but outdoor play areas must at the same time be secure.

Best Practices Design Checklist

Below is an overview of best design practices throughout the development process. It is intended to serve as a quick reference. All of the best practices are described in further detail in this chapter or in other chapters of the handbook.

ASSEMBLING THE CORRECT TEAM

- Contract with a licensed architect experienced in child care facility design or hire a child care consultant and schedule additional time for the building architect to develop an understanding of designing for children and familiarize themselves with licensing code and other requirements. The architect and/or child care consultant should be able to facilitate understanding between the developer and the provider. The developer should be helped to understand how the design of the facility impacts the functioning of the program; the provider, who may not have a design background, should be helped to visualize and plan for the new facility and to understand cost concerns.
- Select a provider partner during concept design, but no later than the beginning of design development, in order to obtain essential program information that will impact site location, orientation, and space needs.
- Designate consistent developer and provider representatives through whom all communication will flow.

COMMITMENT TO COMMUNICATION, RESPONSIBILITIES, TIMELINE

- Articulate roles and responsibilities of each partner early on and document them in the Memorandum of Understanding and later in the License Agreement and other pertinent legal documents.
- Discuss the project's projected timeline with the provider, each major benchmark in the timeline, and potential causes of delay or acceleration.
- Engage the provider in a series of discussions about the programmatic space needs of the facility in order to develop and later refine the design. Most providers are used to working with what they get; they are not accustomed to envisioning what a center could be. Visits to a few successful centers and using those centers as examples with regard to developing the program can help facilitate the process.
- Meet with the child care architect and provider on a regular basis as they develop the design of the center. Many issues will come up which will require the building developer's input, involvement and direction.
- Meet with building architect (if different from the child care architect) as required throughout the design process to resolve overlapping issues and conflicts. When looked at early, the challenges are often resolved.
- Organize a preconstruction meeting with the provider prior to the construction of the tenant improvements to clarify with the provider the communication path among the contractor, the architect and the provider, and the decision-making process.
- Organize on-site meetings to review progress on tenant improvements throughout construction to make needed changes. Changes may be minimized with early planning since it is expensive to make changes during the course of construction.
- Coordinate the punch list with the provider so that licensing issues are given due attention.
- Obtain provider sign-off at each critical juncture point in the design and cost estimating.
- Attach the agreed-upon plans to the appropriate legal documents as an agreed-upon representation of the deliverables.

EDUCATE YOURSELF

- Discuss with the provider the needs of their program and the developmental needs of children, and how those can be addressed through the design.
- Visit the provider's existing centers and solicit comments on what is working and what is not working as well. Solicit feedback not only from the Executive Director and but also from center staff.
- Know licensing code requirements: Licensing requirements should be reviewed by both the architect and the developer prior to investing significant time in the design. An overview of the licensing requirements is provided at the end of this chapter.
- Review NAEYC Accreditation design standards as a guide for design, which are considered by child care professionals to result in quality programs.

EDUCATE THE PROVIDER

- Educate the provider on the process of design from programming through construction administration.
- Educate the provider on how to define the program: needs and desires. Many providers will need help defining their spatial needs; viewing existing centers with successful layouts can help the provider understand the opportunities.
- Educate the provider about schedule: providers will need to understand the schedule of design and construction and what decisions need to be made and finalized at each step in the process.

SITE SELECTION & PLANNING

- Child care is highly sensitive to other uses from a safety and security standpoint. For example, child care cannot be located on a block adjacent to places which serve alcohol, produce toxics, etc. Also, protection or security from high-traffic streets is preferred by most providers and many parents, particularly if the outdoor play space is not directly accessible from each classroom or is not along a secured route.
- Child care should not be located on sites with significant environmental hazards.
- If combined with housing or another use, dedicated and secure access should be close to parent drop-off and parking (if available).
- A separated entry to the facility is desirable for security purposes.
- The outside perimeter of outdoor play space should be secure so that children cannot be lifted over fences by adults.
- Access routes should reflect the programmatic desires of the provider when feasible. Some providers prefer that all children be signed into the facility, and others prefer that children be signed into each classroom directly.
- Ensure that the center will be able to meet the strict exiting standards as defined in Sections 305 and 1007 of the Building Code under E-3 Occupancies, e.g., exits must enable direct egress to the exterior.

INTERIOR DESIGN PHILOSOPHY

- Typically, child care centers in affordable housing tend to have more of a classroom- or school-style arrangement since the center is frequently located in commercial space. Some early childhood education experts believe that young children thrive more in settings that resemble the home. Integrating elements of home into the design—such as warmer-feeling finishes, subdividing areas into smaller settings for active and quiet play, arranging the space layout so that the kitchen and a “living area” are central—can assist children to feel more familiar and comfortable in the environment; this is therefore recommended.

ADEQUATE SPACE FOR CHILDREN AND STAFF

- Plan initially for 100 square feet per child for the interior square footage of the center (75 sq. ft. is minimal). Ideally, add 15–30 more sq. ft. per child or 130 sq. ft./child total. Refer to the table below from the Child Care Design Guide for details.⁵¹
- Draft multiple layouts with the required activities and furnishings to ensure that the space is adequate and flexible for all functions.
- Provide adequate storage for all equipment and materials.

TABLE 4.1 DETERMINING BUILDING SIZE

<i>Space Standard (Quality)</i>	<i>Primary Activity Space in Each Group Room</i>	<i>Secondary Activity Space in Each Group Room* **</i>	<i>Adult & Common Space (Outside the Group Rooms)</i>	<i>Tertiary (Non-assignable) Space</i>	<i>Total Building Square Footage</i>
Minimum (Insufficient)	35 sq ft/ch	20 sq ft/ch	15 sq ft/ch	17.5 sq ft/ch (25%)	88 sq ft/ch
Workable	42 sq ft/ch	20 sq ft/ch	18 sq ft/ch	20 sq ft/ch (25%)	100 sq ft/ch
Better	46 sq ft/ch	20 sq ft/ch	22 sq ft/ch	26 sq ft/ch (30%)	115 sq ft/ch
Recommended	50 sq ft/ch	22 sq ft/ch	24 sq ft/ch	29 sq ft/ch (30%)	125 sq ft/ch

*In infant rooms, an additional 30 sq ft/child is needed for each crib and the 2–3-foot clearance required between adjacent cribs.

**Because toddlers need both diapering and toileting, an additional 3 sq ft/child is desirable.

⁵¹ Olds, Anita Rui. Child Care Design Guide. McGraw-Hill, 2001(67).

EFFICIENT USE OF SPACE AND STAFF

- Staff-to-child ratio: licensing code, NAEYC accreditation, and Head Start requirements mandate specific staff-to-child ratios, which vary. NAEYC requires a ratio of one staff per three infants; therefore, an efficient classroom would be sized to be licensed for some multiple of three infants. Refer to the Child Care Facilities Design Matrix at the end of this chapter for specific ratios.
- Group size: The shape and size of classrooms should enable them to be subdivided for smaller group activities in accordance with the programmatic needs.
- Minimize unnecessary circulation space.
- Create food-preparation spaces which can be accessed by more than one classroom while still maintaining a line of sight for staff supervising children.

CLEAR LINES OF SIGHT AND SOUND

- Entry should be visible from staffed offices or classroom. A back up of intercom with video connecting the entry to classrooms is a possibility if the office is not always staffed.
- Enable staff in diaper changing, food preparation, and napping areas to supervise children in the primary activity areas.
- Classroom activities should be visible from any central circulation space.
- Toilet rooms should be visible to staff.

PARKING

- Parent drop-off areas should be close to the entry.
- Parent drop-off should accommodate 12% of all clients at one time and have a 15-minute limit. (This is ideal but not often achievable in urban centers. Green painted loading zones on public streets can be designated in urban areas to add more drop-off parking.)
- One parking spot per staff person, located in close proximity or along a secure route from the center. (This is ideal but not often achievable in urban centers.)

LIGHTING

- Look for opportunities to bring in natural light.
- Low windows enable small children direct access to natural light.
- Use soft lighting with a residential feel.
- Use dual switching to allow flexibility in controlling light levels.
- Use uplighting for some percentage of the lighting.

SOUND

- The most important acoustical issue in child care facilities is keeping the noise level within each classroom space to a moderate level.
- Pay attention to acoustical engineering between classrooms and other spaces, particularly general assembly spaces and napping areas.

HVAC

- Locate HVAC equipment away from or isolate from children inside and outside.

OUTDOOR PLAY AREA

- Ideally, have direct access from each classroom to outdoor space. If this is not possible, try to avoid having to go through another classroom to access outdoor space.
- Adequate space for children and staff:
 1. 75.01 square feet per child minimum of usable open space; 100 sq. ft. preferred. The additional 0.01 sq. ft. is to allow space for fencing.
 2. Storage for outdoor play equipment (space must be subtracted from the required 75 sq. ft.)
- Outdoor play area must be dedicated to the child care center during its hours of operation.
- Separate infant and preschool play areas. In some funding situations, toddlers must also be separated.
- Design for a variety of activities, e.g., tricycle path, play structure, quiet reading, water play, sand box, etc.
- Design flexible space: the less space you have, the more flexible it should be.
- Incorporate natural elements into the landscape.
- Design exterior fences with 5' heights at minimum to prevent adults from reaching over to access children.
- Design interior fences with 3'–4' heights so that staff can reach between infant and preschool play areas if necessary.
- Incorporate nontoxic plants and exclude plants with seeds that could present a choking hazard.

SHARED USE

- Consider sharing uses between housing and the child care center when space is at a premium. With careful planning, good management, and clear understandings between building management, tenants and child care, shared use can benefit all. Examples include sharing housing's community room with the child care center and sharing adult restrooms in common corridors to minimize the number of restrooms necessary for adults in the child care center. (There should be one adult restroom in the child care center at minimum.) However, it is not recommended to share outdoor play areas since child care operators require dedicated use of the outdoor play space during specific hours, which precludes simultaneous resident usage. The Kai Ming Development Center featured in the Appendix has an example of shared uses.

COST CONTROL & VALUE ENGINEERING

- Early planning is the best cost control.
- Planning can save significantly more money than reducing the quality of finishes or eliminating the scope of landscaping at the end.
- Start by establishing an adequate budget. Obtain cost estimates from the contractor at the end of each phase and make adjustments as necessary to keep scope and budget in alignment. Encourage the contractor to solicit input from the major subcontractors.
- Have an agreed upon budget up front and determine which party is paying for what.
- Early planning allows for time for fundraising for the child care.
- On finishes, balance durability with cost.
- Refer to the value engineering checklist towards the end of this chapter.

WORK WITH PROPERTY MANAGEMENT AND ASSET MANAGEMENT TO ANTICIPATE OPERATING ISSUES

- Meter utilities for the child care facility separately whenever possible.
- Separate trash storage and service.
- Separate entries and entry systems.
- Locate and secure HVAC equipment away from areas where children will be.
- Separate the play area and equipment for resident children in order to ensure residents have access to a play space during the hours of operation of the center and to reduce disagreement between property management and the provider with regard to wear and tear of the equipment.
- If sharing any space with housing uses, talk through operational, maintenance, janitorial, and liability issues, and describe how these issues will be handled in the legal agreements.

Child Care Facilities Design Matrix

REGULATIONS AND DEVELOPER RECOMMENDATIONS

INDOOR ACTIVITY SPACE

SPACE FOR CHILDREN

DESIGNING CHILD CARE
WITH YOUR HOUSING DEVELOPMENT

TITLE 22 REQUIREMENT	TITLE 5 REQUIREMENT
1. 35 sq ft./child excluding 1) bath-rooms, halls, offices, isolation areas, food preparation areas, and storage space; 2) floor space occupied by shelves, permanent built-in cabinets, and office equipment; 3) floor space under tables, desks, chairs, and other equipment (101238.3)	No regulations.

NAEYC ACCREDITATION PERFORMANCE CRITERIA	HEAD START DESIGN GUIDELINES*	RECOMMENDATIONS
<ol style="list-style-type: none"> 1. Minimum of 35 usable sq ft./child in each of the primary indoor activity areas. Specialty areas such as computer rooms, reading rooms, and lunchrooms, where children are expected to remain seated for short periods of time, may be excluded from the minimum space requirement. 2. Primary activity area does not include diaper stations, cribs, large structures that cannot be removed or moved aside easily, toilets, sick-child area, staff rooms, corridors, hallways, stairways, closets, lockers/cubbies, laundry rooms, custodian's rooms, furnace rooms, storage areas, and built-in shelving. (9.23) 3. Environment should be welcoming and accessible including: <ul style="list-style-type: none"> • clearly defined places where families can gather information regarding the daily schedule and upcoming events • clearly defined places where families sign in and sign out and gather info about their child's day • places for displaying children's work • features that moderate visual and auditory stimulation. (9.3) 4. Indoor space is designed and arranged to accommodate children individually, in small groups, and in a large group: <ul style="list-style-type: none"> • Space divided into areas to support children's play and learning • Semiprivate areas where children can play or work alone or with a friend. (9.11) 5. Program staff arrange the physical space so that staff can supervise children by sight and sound at all times without reliance on artificial monitoring devices. In semiprivate areas, it is always possible for both children and adults to be observed by an adult from outside the area. (9.13) 	<ol style="list-style-type: none"> 1. Minimum of 35 sq ft. of usable classroom space per child. See Head Start Center Design Guidelines (HSCDG) for definition of usable space. Excludes bathrooms, halls, storage. 2. Visibility panels in interior doors, except adult toilets. 3. Windows to equal minimum of 8% of floor area. Windows must be operable. No low awnings. No hopper windows (hinging at the bottom and opening inwards), due to safety concerns. 	<ol style="list-style-type: none"> 1. Initially use 100 sq ft./child as a rough space planning standard for the total interior space required of the center, in order to ensure there is adequate space for those types of uses excluded from calculation by Title 22 regulations. 2. As the classrooms are laid out, work with architect to ensure each classroom size is adequate for the number of children to be served in the classroom and for the planned furnishings, equipment, and activities. 3. Space is designed to facilitate the programmatic needs of the provider and accommodate a variety of activities for children. Direct access to outdoor play space from each classroom is preferred. 4. Staff should be able to supervise children by sight and sound throughout the classrooms.

* This list is not exhaustive. Only mandatory Head Start criteria from the Synopsis of the Head Start Center Design Guidelines have been included. Extensive recommendations for Head Start Centers are made in the Synopsis of the Head Start Center Design Guidelines (<http://hsnrc.org/Facilities/Index.cfm>) and The Head Start Center Design Guide (<http://www.headstartinfo.org/pdf/hscenterdesignguide.pdf>). These two resources should be referenced in the design of any Head Start Center.

INDOOR ACTIVITY SPACE (CONTINUED)

DESIGNING CHILD CARE WITH YOUR HOUSING DEVELOPMENT	SPACE FOR STAFF	TITLE 22 REQUIREMENT	TITLE 5 REQUIREMENT
	STORAGE	<p>No regulations.</p> <p>1. Individual storage (permanent or portable) for each child for clothing, personal belongings, and/or bedding.</p> <p>2. For play materials and equipment.</p> <p>3. For napping equipment.</p> <p>4. Combustibles, cleaning equipment and cleaning agents stored in locked area or inaccessible to children. (101238.4)</p>	<p>No regulations.</p> <p>No regulations.</p>

NAEYC ACCREDITATION PERFORMANCE CRITERIA	HEAD START DESIGN GUIDELINES*	RECOMMENDATIONS
<ol style="list-style-type: none"> 1. Place for adults to take a break or work away from children. 2. An adult sized bathroom. 3. Secure place for staff to store their personal belongings. 4. An administrative area for planning or preparing materials that is separated from the children's area. (9.24) All entrances and exits to be secured. 	All entrances and exits to be secured.	<ol style="list-style-type: none"> 1. A central space for check-in provides more security for the facility. 2. A staff break room with lockers can also be used for private work away from children and parent-teacher conferences.
<ol style="list-style-type: none"> 1. Individual space is provided for each child's belongings. (9.7) 2. Toxic substances (used only as directed by the manufacturer) are kept in a locked room or cabinet, inaccessible to children, and away from medications/foods; matches/lighters shall not be accessible and gasoline and other flammable materials should be stored in a separate building. (9.50) 	No regulations.	<ol style="list-style-type: none"> 1. Cubbies with hooks below for hanging jackets for each child is an efficient use of space. Size of the cubbies should relate to the space needs of the program, e.g., crib sheets, food container, diapers, extra change of clothes. Cubbies should be accessible to children to encourage self-reliance. 2. Storage for play materials and equipment should be provided both inside and outside. Most of this inside storage should be provided in the classroom, though often there is a need for additional, generally accessible storage outside the classroom. Safety and security should be considered. 3. Napping equipment ideally should be accessible from each classroom so that teachers do not have to leave the room. Alternatively, it can be stored in a closet serving the entire center. 4. Provide storage for office supplies, toilet room supplies, canned dry food, etc.

* This list is not exhaustive. Only mandatory Head Start criteria from the Synopsis of the Head Start Center Design Guidelines have been included. Extensive recommendations for Head Start Centers are made in the Synopsis of the Head Start Center Design Guidelines (<http://hsnrc.org/Facilities/Index.cfm>) and The Head Start Center Design Guide (<http://www.headstartinfo.org/pdf/hscenterdesignguide.pdf>). These two resources should be referenced in the design of any Head Start Center.

INDOOR ACTIVITY SPACE (CONTINUED)

DESIGNING CHILD CARE
WITH YOUR HOUSING DEVELOPMENT

		TITLE 22 REQUIREMENT	TITLE 5 REQUIREMENT
CIRCULATION & FIRE		Minimum of 2 exits per classroom	No regulations.
	HVAC AND LIGHTING EQUIPMENT	<ol style="list-style-type: none">1. Heating and cooling must be able to be maintained at required levels.2. Window screens required—no insects, dirt or debris.3. Fireplaces and open space heaters must be inaccessible (fire screens or similar barrier will meet this requirement).4. Lighting in all rooms and other areas for comfort and safety. (101239)	No regulations.

NAEYC ACCREDITATION PERFORMANCE CRITERIA	HEAD START DESIGN GUIDELINES*	RECOMMENDATIONS
<ol style="list-style-type: none"> 1. Unobstructed and visible paths for entering and exiting, and clearly marked regular and emergency exits. (9.32) 2. Clear pathways are available for children to move from one area to another without disturbing other children's work and play (9.14) 3. Fully working fire extinguishers and fire alarms are accessible to each classroom and are tagged and serviced annually. 4. Working smoke detectors and carbon monoxide detectors are installed in each classroom. (9.34) 	<ol style="list-style-type: none"> 1. Maximum 30% of Occupiable Area for circulation and service, including circulation in classrooms. See HSCDG for definition of Occupiable Area. 2. Multipurpose room(s) should not be used for circulation. 	NAEYC standards recommended.
<ol style="list-style-type: none"> 1. All rooms that children use are heated, cooled, and ventilated to maintain room temperature and humidity level. The maintenance contractor certifies that facility systems are maintained in compliance with national standards for facility use by children. (9.45) 2. Natural light in at least some of the indoor areas occupied in the course of the day for children who attend for more than 2 hours at a time. (9.26) 3. Stairwells and corridors are well-lighted. 4. There is emergency lighting in all areas. (9.32) 	No regulations.	<ol style="list-style-type: none"> 1. Separate HVAC controls recommended for each classroom. Location of the condensate lines should be specified, as inspectors may require relocation of condensate lines which have their release valves above any child activity area. 2. Fans are acceptable for cooling in some cities and towns—check with your local state licensing inspector. 3. Automatic time- and/or temperature-controlled thermostat preferred by many providers. 4. Provide natural light in every classroom with windows low to the ground so that children can look outside. 5. Warm, soft light with commercial fixtures with a residential feel. 6. Dual switching is useful in controlling light levels and saving energy. Uplights are useful in allowing napping and other activity. 7. There is emergency lighting in all areas.

* This list is not exhaustive. Only mandatory Head Start criteria from the Synopsis of the Head Start Center Design Guidelines have been included. Extensive recommendations for Head Start Centers are made in the Synopsis of the Head Start Center Design Guidelines (<http://hsnrc.org/Facilities/Index.cfm>) and The Head Start Center Design Guide (<http://www.headstartinfo.org/pdf/hscenterdesignguide.pdf>). These two resources should be referenced in the design of any Head Start Center.

INDOOR ACTIVITY SPACE (CONTINUED)

	TITLE 22 REQUIREMENT	TITLE 5 REQUIREMENT
AIR QUALITY: VENTILATION AND MATERIALS	No regulations.	No regulations.
FLOORING	Non-skid surfaces and non-slip material on rugs.	No regulations.
FINISHES	No regulations.	No regulations.
FIXTURES	<ol style="list-style-type: none"> 1. If water faucets deliver hot water for use by children for personal care, hot water should be delivered between 105 and 120 degrees F. Faucets which deliver water at or above 125 degrees F must be prominently labeled. For centers that serve children with physical disabilities, additional equipment, aids, and/or conveniences shall be provided as needed. 2. Provide a location for storage of solid waste. 3. 1 toilet & 1 hand-washing fixture per 15 children or fraction thereof (urinals can be used but there shall be at least two toilets for every urinal counted.) 4. 1 toilet & 1 hand-washing fixture, separate from and in addition to ones for children, designed for children who are ill, for staff or for emergency use. Should be located in general use area or isolation area or in a separate bath. (101239) 	No regulations.

NAEYC ACCREDITATION PERFORMANCE CRITERIA	HEAD START DESIGN GUIDELINES*	RECOMMENDATIONS
No regulations.	No regulations.	Air quality is of particular concern with children. It is important to provide good ventilation and to locate fresh air intake with care—away from all possible sources of contamination. Off gassing from materials inside the center, particularly the flooring, is of special concern as children spend so much time on the floor.
1. Floor coverings are secured to prevent tripping or slipping. (9.30)	No regulations.	<ol style="list-style-type: none"> 1. Vinyl Composition Tile (VCT) is an inexpensive durable flooring. Linoleum is slightly more costly. Durable plastic laminate wood flooring provides a warmer, homelike feel, but carries a greater cost than linoleum: 15-year warranty available. 2. Secure all floor coverings.
No regulations.	No regulations.	<p>Some type of waterproof wall finish is required for lower feet of bathroom walls:</p> <ol style="list-style-type: none"> 1. Fiberglass Resilient Panel (FRP) is an inexpensive, durable, waterproof finish; 2. Ceramic tile provides a warmer, homelike feel but is more costly.
1. Toilets, drinking water, and hand-washing facilities are w/in 40 ft. of the indoor areas that children use. Hand-washing sinks are accessible to staff and children, and those used by children have step stools if needed for children to reach them. (9.27)	<ol style="list-style-type: none"> 1. Fixtures, including feeding components, must be shown, with dimensions, on drawings. 2. Partitions at sides of child's toilet, 3.5 feet maximum height. 3. Minimum of 1 toilet and 2 child-height hand-washing sinks in each classroom. 4. 1 lavatory and 1 drinking fountain per every 10 children. 5. In toddler classrooms, minimum of 2 adult sinks, 1 diapering station, and 1 food preparation area. 6. In preschool classrooms, minimum of 1 adult sink, and 1–2 hand washing sinks for every 10–20 children. 	<ol style="list-style-type: none"> 1. Low-flow toilets are required by building code. Pressure-assisted toilets are beneficial when the budget permits; since children put paper towels in toilets, tend to flush rolls of toilet paper and toys. 2. Child bathrooms easily accessible from indoors and outdoors, so that children track dirt the shortest distance and staff can monitor children inside using the restroom and outside playing at the same time. 3. Provide number of fixtures required by code. 4. Provide fountains that children can access. For cost efficiency, one hand-washing sink with a bubbler can be placed just outside the child bathroom and be counted as a hand-washing fixture for ratio. 5. Hand washing sinks toddlers and preschool age children can reach without use of a stepping stool are recommended.

* This list is not exhaustive. Only mandatory Head Start criteria from the Synopsis of the Head Start Center Design Guidelines have been included. Extensive recommendations for Head Start Centers are made in the Synopsis of the Head Start Center Design Guidelines (<http://hsnrc.org/Facilities/Index.cfm>) and The Head Start Center Design Guide (<http://www.headstartinfo.org/pdf/hscenterdesignguide.pdf>). These two resources should be referenced in the design of any Head Start Center.

INDOOR ACTIVITY SPACE (CONTINUED)

DESIGNING CHILD CARE WITH YOUR HOUSING DEVELOPMENT	FURNISHINGS	<div>TITLE 22 REQUIREMENT</div> <div>1. Tables & chairs scaled to size of children. 2. Cot, couch or bed for health related issues. 3. Play equipment & materials should be age appropriate. (101239)</div>	<div>TITLE 5 REQUIREMENT</div> <div>No regulations.</div>
	PLAY EQUIPMENT	<div>1. Securely anchored to ground unless portable by design. 2. All materials and surfaces accessible to children free of toxic substances.</div>	<div>No regulations.</div>

NAEYC ACCREDITATION PERFORMANCE CRITERIA	HEAD START DESIGN GUIDELINES*	RECOMMENDATIONS
<ol style="list-style-type: none"> 1. Staff organize and group materials on low, open shelves to encourage children to use them independently. (9.6) 2. Furnishings are available for the following functions: <ul style="list-style-type: none"> • Diaper changing and changing soiled underwear or other clothing located away from food preparation areas. Hand-washing sinks within arm's length of diaper changing tables • For each child over the age of 1, a chair with a back and a seating height that allows the child to sit with his/her feet on the floor or ground • One cot, crib, mat, sleeping bag, or pad for each child who spends more than 4 hrs a day in the program. At least 3 ft. of spacing or a solid barrier separates sleeping children. • At least one cot/mat with a blanket for an ill child. 3. Adaptations that allow children with disabilities and other special needs to fully participate in the program's activities. (9.8) 	Furnishings must be included, with dimensions, in design drawings.	<p>Do furniture layouts to ensure all furnishings can be accommodated.</p> <p>Furnishings should meet programmatic needs of the provider.</p>
<ol style="list-style-type: none"> 1. A variety of age- and developmentally appropriate materials and equipment indoors and outdoors. This includes dramatic play equipment and sensory materials such as sand, water, play-dough, paint, blocks. Equipment is available for, for example, pulling up; walking; climbing in, on, and over; moving through, around, and under; pushing; pulling; and riding. (9.3) 2. Indoor safety surfacing rated by the manufacturer for fall height when lofts, climbers, climbing gyms, slides, and other play units are present. (9.12) 	Equipment must be included, with dimensions, on drawings.	No regulations.

* This list is not exhaustive. Only mandatory Head Start criteria from the Synopsis of the Head Start Center Design Guidelines have been included. Extensive recommendations for Head Start Centers are made in the Synopsis of the Head Start Center Design Guidelines (<http://hsnrc.org/Facilities/Index.cfm>) and The Head Start Center Design Guide (<http://www.headstartinfo.org/pdf/hscenterdesignguide.pdf>). These two resources should be referenced in the design of any Head Start Center.

INDOOR ACTIVITY SPACE (CONTINUED)

DESIGNING CHILD CARE WITH YOUR HOUSING DEVELOPMENT	NAPPING EQUIPMENT	TITLE 22 REQUIREMENT	TITLE 5 REQUIREMENT
		1. Room should have enough space for circulation. Children should not have to walk on or over the cots or mats of other children.	No regulations.
	DURABILITY	No regulations.	No regulations.
	DRINKING WATER	1. Non-contaminating fixture or container, readily available both indoors and in the outdoor activity area. 2. Children's access to water (anchored steps or a broad based platform when a drinking fountain is too high for children). 3. Bottled water containers secured to prevent tipping and breaking.	No regulations.
	ADA	No regulations.	No regulations.
	ENVIRONMENTAL	No regulations.	No regulations.

NAEYC ACCREDITATION PERFORMANCE CRITERIA	HEAD START DESIGN GUIDELINES*	RECOMMENDATIONS
No regulations.	Napping equipment must be shown, with dimensions, on drawings.	Create designated napping areas within each classroom. Be sure to separate and designate infant napping area. Other ages may nap in the activity area if nap time is simultaneous with infants.
Non-disposable materials are durable and in good repair. (9.4)	No regulations.	Durability ratings should be able to withstand hard use by children.
No regulations.	1 drinking fountain for every 10 children.	No regulations.
<ol style="list-style-type: none"> 1. Facilities meet Americans with Disabilities Act (ADA) accessibility requirements, including access to buildings, toilets, sinks, drinking fountains, outdoor play space, and all classroom and therapy areas. (9.25) 2. Equipment, materials, and furnishings are available that provide access to the program's curriculum and activities for children with disabilities. (9.4) 	No regulations.	Comply with ADA, except when permitted by the building department in order to better meet the needs of children.
<ol style="list-style-type: none"> 1. Documentary evidence, available on-site, indicates that the building has been assessed for lead, radon, radiation, asbestos, fiberglass, or any other hazard from friable material. Evidence exists that the program has taken remedial or containment action to prevent exposure to children and adults if warranted by the assessment. (9.41) 2. When the water supply source is a well or other private source (i.e., not served by a public supply), on-site documentary evidence verifies that the local regulatory health authority has determined the water to be safe for human consumption. (9.42) 	Soils required to be free of contaminants before design. See Head Start Center Design Guidelines for details on contaminants.	<ol style="list-style-type: none"> 1. Assess environmental hazards during site selection and ensure remediation level is appropriate for child care. 2. Comply with California state law in terms of posting notice of possible environmental risk.

* This list is not exhaustive. Only mandatory Head Start criteria from the Synopsis of the Head Start Center Design Guidelines have been included. Extensive recommendations for Head Start Centers are made in the Synopsis of the Head Start Center Design Guidelines (<http://hsnrc.org/Facilities/Index.cfm>) and The Head Start Center Design Guide (<http://www.headstartinfo.org/pdf/hscenterdesignguide.pdf>). These two resources should be referenced in the design of any Head Start Center.

INDOOR ACTIVITY SPACE (CONTINUED)

ACOUSTICAL

INFANT
STAFFING

INFANTS =
BIRTH TO 18 MONTHS

TODDLERS =
18 MONTHS TO
36 MONTHS

PRESCHOOL
STAFFING

PRESCHOOL =
36 MONTHS TO
ENROLLMENT IN
KINDERGARTEN

TITLE 22 REQUIREMENT	TITLE 5 REQUIREMENT
No regulations.	No regulations.
<ol style="list-style-type: none"> 1:4 teacher-infant ratio (an aide may be substituted for a teacher if a) a fully qualified teacher is directly supervising no more than 12 infants and b) each aide is responsible for a group of less than 4 infants). Director & Asst Director may be counted when directly working with infants. 1 teacher to visually observe over 12 sleeping infants. An aide may visually observe as long as conditions under #1 are met. (101416.5) 	<p>Infants: 1:3 adult-child ratio 1:18 teacher-child ratio</p> <p>Toddlers: 1:4 adult-child ratio 1:16 teacher-child ratio (see footnotes below)</p> <p>*Compliance determined by actual attendance. **Teacher child ratios may be exceeded by 15% for a period of time not to exceed 120 minutes per day.</p>
<ol style="list-style-type: none"> 1:12 teacher-child ratio except for Title 5 centers & except for child development programs funded by the Department of Education The licensee may use teacher aides in a teacher-child ratio of 1 teacher and 1 aide for every 15 children in attendance. (1 qualified teacher and 1 aide per 18 children in attendance in a preschool program is allowed as long as the aide meets the qualifications in section 101216.2(d).) (101216.3) 	<p>Preschool: 1:8 adult-child ratio 1:24 teacher-child ratio (see footnotes below)</p> <p>*Compliance determined by actual attendance. **Teacher child ratios may be exceeded by 15% for a period of time not to exceed 120 minutes per day.</p>

NAEYC ACCREDITATION PERFORMANCE CRITERIA	HEAD START DESIGN GUIDELINES*	RECOMMENDATIONS
Program has taken measures in all rooms occupied by children to control noise levels so that normal conversations can be heard without raising one's voice. (9.44)	No regulations.	<ol style="list-style-type: none"> 1. Have an acoustical analysis done for the interior. Use doors and glass which reduce sound. 2. Use care in locating loud and quiet functions in proximity to one another—separate noisy and quiet functions (i.e., HVAC and nap spaces). 3. Provide surfaces as needed to reduce the noise level within each classroom.
No regulations.	No regulations.	Apply appropriate ratio depending on provider and financing sources.
No regulations.	No regulations.	Apply appropriate ratio depending on provider and financing sources.

* This list is not exhaustive. Only mandatory Head Start criteria from the Synopsis of the Head Start Center Design Guidelines have been included. Extensive recommendations for Head Start Centers are made in the Synopsis of the Head Start Center Design Guidelines (<http://hsnrc.org/Facilities/Index.cfm>) and The Head Start Center Design Guide (<http://www.headstartinfo.org/pdf/hscenterdesignguide.pdf>). These two resources should be referenced in the design of any Head Start Center.

OUTDOOR ACTIVITY SPACE

DESIGNING CHILD CARE WITH YOUR HOUSING DEVELOPMENT	SPACE	<div>TITLE 22 REQUIREMENT</div> <div>1. 75 sq ft./child excluding swimming pools and adjacent decking and natural or man-made hazards. 2. Infant and preschool play areas must be separated. 3. Adequate shading—vague language usually subject to local licensing inspector’s interpretation.</div>	<div>TITLE 5 REQUIREMENT</div> <div>No regulations.</div>
	CIRCULATION	<div>1. Permit children to reach the outdoor activity space safely—no hazards from conflicting activities.</div>	<div>No regulations.</div>
	MAINTENANCE	<div>1. Maintain in good condition.</div>	<div>No regulations.</div>

NAEYC ACCREDITATION PERFORMANCE CRITERIA	HEAD START DESIGN GUIDELINES*	RECOMMENDATIONS
<ol style="list-style-type: none"> 1. At least 75 sq ft./child playing outside at one time. A minimum of 75 sq ft. times one-third the total enrollment of the center. (9.19) 2. Shaded areas should accommodate multiple children at play. (9.21) 3. Designed with a variety of natural and manufactured surfaces, age and developmentally appropriate equipment to accommodate motor experiences. 4. Clearly defined areas which indicate their intended use. 5. Non-poisonous plants, shrubs, trees. 6. Semi-private spaces where children can play alone or with a friend. (9.16) 7. Arranged so that staff can supervise children by sight and sound. (9.18) 8. Protection from excessive wind. 	<ol style="list-style-type: none"> 1. 75 sq ft. of outside play space per child times one-half of the total possible center enrollment. No dimension should be less than 8'2 in., and there should be at least 1,205 sq ft. total. 2. Early Head Start and Head Start must be separated. Visual contact is desirable. 3. At least 50% of outdoor area should be exposed to sunlight. 4. Shaded areas such as porches, plantings, gazebos, and umbrellas should measure no less than 6' in any direction. 	<ol style="list-style-type: none"> 1. Provide 100 sq ft./child plus additional space for pathway and storage of outdoor play equipment, fencing, and shade structure. 2. Areas for active and quiet play should be provided. Play structures, bike paths, and swings provide a variety of interesting activity areas for children. 3. Quiet shade area should provide enough spaces for teachers and children to sit. The number of groups of teachers and children depends upon the size of the center and programs of the provider. Shade is also useful to have over the play structure if the property is in an area that is seasonally hot. 4. Trees and shrubs should be non-poisonous and non-suckering to reduce maintenance costs with concrete replacement. Trees and shrubs should not shed fruit of a size which could constitute a choking hazard for a small child. 5. For sites where outdoor space is limited, design ample flexible space.
No regulations.	Play areas should be accessible to disabled children.	Ideal: outdoor activity space accessible from every classroom.
No regulations.	No regulations.	Ensure legal agreement specifies who will maintain and quality of maintenance.

* This list is not exhaustive. Only mandatory Head Start criteria from the Synopsis of the Head Start Center Design Guidelines have been included. Extensive recommendations for Head Start Centers are made in the Synopsis of the Head Start Center Design Guidelines (<http://hsnrc.org/Facilities/Index.cfm>) and The Head Start Center Design Guide (<http://www.headstartinfo.org/pdf/hscenterdesignguide.pdf>). These two resources should be referenced in the design of any Head Start Center.

OUTDOOR ACTIVITY SPACE (CONTINUED)

DESIGNING CHILD CARE
WITH YOUR HOUSING DEVELOPMENT

		TITLE 22 REQUIREMENT	TITLE 5 REQUIREMENT
PLAY STRUCTURE SURFACING		1. Areas around high climbing equipment, swings, slides, etc., must be cushioned with material that absorbs falls. Acceptable materials include: sand, wood chips, pea gravel or commercially produced rubber mats for this purpose. Other material may be approved by Department of Social Services, Health & Human Services Agency prior to installation.	No regulations.
	PLAY EQUIPMENT	No regulations.	No regulations.

NAEYC ACCREDITATION PERFORMANCE CRITERIA	HEAD START DESIGN GUIDELINES*	RECOMMENDATIONS
No regulations.	<ol style="list-style-type: none"> 1. Provide fall zones around play equipment. See U.S. Consumer Product Safety Commission's Handbook for Public Playground Safety (HPPS) for more information. 2. Surfaces to comply with HPPS. 3. No gravel, loose stones or artificial turf. 	<p>Recommendations for surfaces in order of preference:</p> <ol style="list-style-type: none"> 1. Poured-in-place rubberized surface: easy to install and meet ADA. 2. Rubberized tiles: more difficult to install to meet ADA but can be less expensive maintenance-wise since individual tiles may be replaced. Can create tripping hazard for smaller children due to tile crevices. 3. Wood chips: attention to size and texture to prevent choking hazard and splinters. Playground fiber quality of wood chips recommended. 4. Sand: depends on where the property is located and population served. Sand tends to be a great place for neighborhood cats to use the bathroom, and can be a hazard for hidden sharp objects. Please note: Sand not acceptable in some locations for fall zones.
1. Sandboxes constructed to allow for drainage and should be able to be covered when not in use. (9.20)	<ol style="list-style-type: none"> 1. All multi-level equipment must have space for children to change direction safely. 2. Platforms must have handrails and/or guardrails. 	<ol style="list-style-type: none"> 1. Sand should be considered depending on where the property is located and what population is served. Sand is a good play vehicle for children but tends to be a great place for neighborhood cats to use the bathroom, and can be hazard for hidden sharp objects. 2. Provide cover for sand boxes when not in use.

* This list is not exhaustive. Only mandatory Head Start criteria from the Synopsis of the Head Start Center Design Guidelines have been included. Extensive recommendations for Head Start Centers are made in the Synopsis of the Head Start Center Design Guidelines (<http://hsnrc.org/Facilities/Index.cfm>) and The Head Start Center Design Guide (<http://www.headstartinfo.org/pdf/hscenterdesignguide.pdf>). These two resources should be referenced in the design of any Head Start Center.

OUTDOOR ACTIVITY SPACE (CONTINUED)

DESIGNING CHILD CARE WITH YOUR HOUSING DEVELOPMENT	FENCING	<div>TITLE 22 REQUIREMENT</div> <div>1. Playground must be surrounded by a fence with a minimum height of 4 ft. The purpose of the fence is to prevent children from leaving the area. Split-rail and barbed-wire fences are inappropriate.</div> <div>2. Any bodies of water must be inaccessible: a pool cover or 5-ft. minimum fence may be used as a barrier.</div>	<div>TITLE 5 REQUIREMENT</div> <div>No regulations.</div>
	SAFETY	<div>No regulations.</div>	<div>No regulations.</div>

NAEYC ACCREDITATION PERFORMANCE CRITERIA	HEAD START DESIGN GUIDELINES*	RECOMMENDATIONS
<ol style="list-style-type: none"> 1. Play area should be protected by fences or natural barriers from access to streets and other dangers, such as pits, water hazards, or wells. (9.17) 2. Any body of water, including swimming pools, built-in wading pools, ponds, and irrigation ditches, is enclosed by a fence at least 4 ft. in height with any gates childproofed to prevent entry by unattended children. (9.35) 	<ol style="list-style-type: none"> 1. Perimeter fence to be a minimum of 6 ft. high. 2. Fence bottom to be a maximum of 3 in. above grade. 3. Interior fences between infant and toddler yards to be 3 ft. 4 in. high. 4. Spaces between pickets should be 3 ft. 4 in. by 9 in. wide. 5. No spaces between 0.3 in. and 1 in. 6. No climbable, ladder-like elements. 7. Wood fences must be smooth and splinter-free. 8. Gates should be self-closing and self-latching. 9. Provide two access points to outdoor space. One from classroom and one from the street. Gate at street access point should be vehicle sized for service. 	<ol style="list-style-type: none"> 1. Security—In order to minimize the risk of abduction, 5-ft. fences recommended since they are more difficult to reach over to pick up a child. 2. Head entrapment: pickets must be less than 3 inches apart. 3. Chain link is acceptable and cost-efficient. However, other types of fence are more secure as chain-link fence is easy to pull apart.
<ol style="list-style-type: none"> 1. Findings of a Certified Playground Safety Inspector documented and available on site. Assessment should include: <ul style="list-style-type: none"> • All outdoor play equipment designed to guard against entrapment or situations that may cause strangulation • Program has corrected any unsafe conditions • Toxic materials not used in manufacture of playground equipment • Safety surfacing in areas where climbing, sliding, swinging, or other equipment from which a child might fall is located • Safety surfacing beneath play equipment and extends 6 ft. in each direction around it. • Accommodates abilities, needs, and interests of infants and toddlers. (9.22) 	<p>Play area should have no drainage ditches, pools, drop-offs, etc.</p>	<p>NAEYC standards recommended.</p>

* This list is not exhaustive. Only mandatory Head Start criteria from the Synopsis of the Head Start Center Design Guidelines have been included. Extensive recommendations for Head Start Centers are made in the Synopsis of the Head Start Center Design Guidelines (<http://hsnrc.org/Facilities/Index.cfm>) and The Head Start Center Design Guide (<http://www.headstartinfo.org/pdf/hscenterdesignguide.pdf>). These two resources should be referenced in the design of any Head Start Center.

OUTDOOR ACTIVITY SPACE (CONTINUED)

EQUIPMENT	TITLE 22 REQUIREMENT	TITLE 5 REQUIREMENT
	HVAC equipment, water heaters, fuse boxes should be inaccessible to children.	No regulations.
TRASH	Fire retardant trash cans with lids.	No regulations.

NAEYC ACCREDITATION PERFORMANCE CRITERIA	HEAD START DESIGN GUIDELINES*	RECOMMENDATIONS
No regulations.	No regulations.	If equipment intrudes into play area, that space may not be counted.
No regulations.	No regulations.	<ol style="list-style-type: none"> 1. Fire marshal prefers galvanized, not plastic, trash cans with lids. 2. Dumpster should be conveniently located.

* This list is not exhaustive. Only mandatory Head Start criteria from the Synopsis of the Head Start Center Design Guidelines have been included. Extensive recommendations for Head Start Centers are made in the Synopsis of the Head Start Center Design Guidelines (<http://hsnrc.org/Facilities/Index.cfm>) and The Head Start Center Design Guide (<http://www.headstartinfo.org/pdf/hscenterdesignguide.pdf>). These two resources should be referenced in the design of any Head Start Center.

This page is intentionally blank.

A GUIDE FOR DEVELOPING
CHILD CARE FACILITIES
WITH AFFORDABLE HOUSING

Another Child Care Option— *Family Child Care Rental Units*



BUILDING SUSTAINING LEADING

VII. Another Child Care Option—Family Child Care Rental Units	155
<i>The Benefits of Family Child Care</i>	157
<i>Economics and Resources</i>	158
<i>Licensing</i>	159
<i>Use, Occupancy, and Fair Housing Issues</i>	160
<i>Design Considerations</i>	161
<i>Management Issues</i>	162

Another Child Care Option— *Family Child Care Rental Units*

Summary

Family child care is care that takes place within the home of the caregiver, and historically has been the most commonly used form of child care available in lower-income communities. Family child care is by its nature a less formal arrangement than center-based care, and has different standards for licensing. Since family child care is a well-used service in lower-income communities, and is also a source of income for the families served by affordable housing, developers of affordable housing have become more interested in incorporating or facilitating family child care in their developments of late. It is estimated that approximately one-third of children in licensed child care are in a family child care setting.

Family child care is more informal and typically more flexible than center-based care. Although licensing is required for caregivers who serve more than 6 children in their home, many caregivers are not licensed (see the Licensing section of this chapter for more detail). Additionally, family child care is typically provided in the home of the provider and his/her family and is frequently not designed with child care in mind. Family child care providers often provide child care without a formal educational component. Therefore, many families utilize family child care for infants and toddlers, then move children to a preschool/child care center at age three or four. However, depending on the locality, many resource and referral agencies offer educational classes to family child care providers that count for Early Childhood Education Credits (ECE). Providers commonly obtain six to eight credits in topics such as first aid for young children, how to run a family child care business, children's development by age, etc.

Family child care in a multifamily setting can offer many benefits to all parties, including the caregiver, the families in a housing development, and the community at large. However the developer must keep in mind certain issues when considering the appropriateness of family child care in a housing development. The sections below will focus primarily on the considerations and challenges of incorporating family child care into affordable housing and offer some recommendations. At the time of this writing, there is little development experience with incorporating family child care into affordable housing.

The Benefits of Family Child Care

There are several benefits to family child care in low-income communities:

- **Good Outcomes for Children**
Family child care can provide a safe, culturally appropriate, home-like setting with a great deal of personal attention that supports early childhood development. Many parents favor family child care environments over larger centers because of the smaller scale, higher degree of personal interaction, and home-like setting.
- **Support for Working Families**
Access to child care is the largest barrier to workforce participation in lower-income communities. The additional flexibility of family child care relative to center-based programs can be important in allowing a parent to work.

- **Economic Development**
Family child care can also be an important economic development tool for the caregiver. As indicated below, family child care is not a high-wage profession, but it can provide an important source of income for a family. In addition, formalizing a child care arrangement can have benefits in providing access to mainstream institutions and experience in operating a business that can be very important for the personal development of the provider.
- **Community Building**
Family child care can facilitate community building within a development, and between a development and the neighborhood surrounding the development by fostering relationships among resident families. Some communities prefer family child care to the more classroom-like environment of a child care center. Awareness of and responsiveness to this preference is important to maintaining a positive relationship with the neighborhood. The presence of an active day business in the neighborhood can also have the additional benefit of discouraging criminal activities in some neighborhoods.

Economics and Resources

A LOW-WAGE ENDEAVOR

Family child care is generally a low-wage endeavor. For most providers, it does not produce a large income for the provider. Typically revenues of family-based providers in lower income neighborhoods range from \$15,000 to \$45,000 per year, and after taxes and expenses are considered, most providers alone would be considered low-income if family child care is their primary means of support.

RENTAL

For providers who have another significant source of family income, the provider's family income may exceed income restrictions for the affordable housing units over time as the child care business becomes more established. Income qualification issues include how to qualify a family provider for tenancy in a development and how to manage compliance with affordability restrictions for provider families that become over income over time. It may be difficult for family providers to demonstrate that they have adequate income to qualify for housing. A provider who is relocating to the development from their home may lose a large portion of their existing client base, as family child care is extremely sensitive to location. Even a move of a short distance can result in the loss of most clients.

The owner of a housing development must assess whether a proposed family-based provider will be able to maintain adequate income to pay the rent, and should think ahead about how they will manage the situation should the child care function generate income inadequate to pay the rent. The owner may want to request that the provider provide statements from their clients stating their intention to continue as clients after the provider moves into the development. The owner may also want to assess if the family provider has adequate funds to allow for a start-up and "marketing" period of six months to a year. Community-based organizations that offer incubator or small-business assistance can assist the provider in developing a business plan for the transition.

OWNERSHIP

Since child care is typically a low-wage endeavor, the provider's family income may not be high enough and/or stable enough to enable them to purchase a home. In many localities, Housing Authorities have allowed Section 8 Voucher holders to utilize their vouchers for mortgage payments rather than rental payments.

PROVIDES ECONOMIC AND PERSONAL DEVELOPMENT

Family child care can be an economic and personal development vehicle for the provider's family. It is certainly a venture that has a very low barrier to entry and provides a critical community need. The additional support provided by living in subsidized housing can assist the family in developing a more informal function into a business that can grow the family's income and opportunities. Developing a family child care business can develop business skills and provide the family with new access to financial institutions as well as educational and other supporting opportunities. For some families, however, trying to formalize a previously informal arrangement can lead to difficulties. For instance, often provider families depend on barter or unreported income, and the provider may be resistant to changing this arrangement.

NO DIRECT SUBSIDY

Unlike center-based care, family child care providers cannot receive direct subsidy on a contract basis for caring for children of low-income families. Family providers may accept vouchers from an income-qualified family. These vouchers are primarily distributed to families served through CalWorks. CalWorks families are eligible for vouchers after leaving the cash aid program if their income is below 75% of state median income. (Refer to Chapters I and IV for more detail on CalWorks eligibility and how the vouchers work.) However, as of this writing vouchers for families who have left the program were in danger of being cut in the state budget negotiations.

SUPPORT FOR PROVIDERS

In many localities, Resource and Referral networks provide education, training, support and referrals to family child care providers. This can be a crucial ingredient in ensuring that family child care not only provides a service to the client families but also an opportunity for advancement to provider families. The scope of services offered by and the staffing level of the resource and referral networks tend to be stronger and to have greater capacity in the more urban areas of the state and less so in rural areas.

Licensing

In California, a family provider is allowed to care for up to 6 children without a requirement to be licensed. Further, a family in an existing development who starts a family child care operation in their apartment cannot be compelled to obtain a license by the owner or manager of a development. There are two licensing categories. The license for a "Small Family Child Care Home" allows up to eight children, including children under ten years of age who reside in the home. A "Large Family Child Care Home" allow up to 14 children, again including children under ten years of age who reside in the home. A Large Family Child Care Home must include an adult assistant.

Licensing for a family child care home involves an application, background check, and inspection. For licensing materials and details, refer to the Community Care Licensing website for up-to-date information, <http://cclid.ca.gov/>.

For new developments where family child care is part of the program from the beginning, it is strongly recommended that licensure be a priority in selection of residents. As long as it is a clear eligibility criterion, requiring licensing is allowable and advised in planning for family child care.

Use, Occupancy, and Fair Housing Issues

In California family child care is defined as a residential use, and therefore no land use permits are required as would be for a business establishment. Family child care is also considered a residential use in Section 42 of the Internal Revenue Code, which governs low-income housing tax credits as well as in the HOME and CDBG program regulations.

The question often arises whether it is allowable to reserve units for family child care providers and how this can be accomplished without running afoul of Fair Housing Law. The short answer is that it is possible to reserve units for this purpose as long as there is no violation of fair housing concepts within that class of applicant. The owner/manager should establish a separate application and interest list process for any units designated for family child care. We recommend consulting with an attorney familiar with fair housing law when creating a marketing plan for a development with family child care.

One note of caution: an owner cannot change the income or family-size criteria to accommodate family child care. For instance it is not allowable to rent a three-bedroom unit to a one- or two-person household because the tenant will be providing family child care. Other design modifications are acceptable: see the Design Considerations section, below. Therefore, some thought should be given to the likely household size of family child care providers in the area so that the size of the unit made available does not preclude occupancy by qualified providers.

In tax credit-financed projects, it is also unacceptable for a family child care provider to have exclusive use over any common area such as a play area or community room, unless these areas are removed from tax credit basis. The child care provider and children may use these areas but may not reserve them exclusively for family child care use.

For projects financed with other sources, the tax basis issues are not relevant. However we advise that you work with an attorney to ensure that your selection process is consistent with fair housing law. Also be sure that both the selection procedure and intended use of the property for family child care is consistent with the requirements of all other funders.

Design Considerations

The strict physical design standards associated with center-based care do not apply to family child care settings. If a family child care use is planned for specific units in a new development, the units may be designed and sited to facilitate their use as child care and to minimize disturbance for other residents.

UNITS

As mentioned above, in a tax credit–financed development a family must qualify for a unit in terms of income and family size, independent of their child care business. For example, a two-person household cannot be leased a three-bedroom unit. However, it is permissible to create different access, larger or more flexible floor plans, or more durable finishes in a unit so it can better accommodate family based care.

Following are some specific design recommendations:

- A large living/dining area should be designed to allow flexibility for various activities and adequate space for the number of children that will be served. Design the living/dining area to be larger than the typical unit which accommodates only the resident family. A flexible living/dining area of between 300 and 400 square feet is recommended rather than the typical family unit design of 200 to 250 square feet.
- There should be good sight lines throughout the living area, including from the kitchen and from the bathroom and/or diaper changing station.
- Although there is no outdoor play area requirement, access to a usable outdoor area is desirable. The door should be easily monitored from the living area.
- Additional storage is crucial. Remember that storage outside the unit dedicated for use by the family provider could be construed as a commercial use and possibly ineligible for housing funding, including tax credits.
- It is recommended that the area of the apartment used for child care be fully handicapped accessible, including a ground-floor bathroom.
- A ground-floor bathroom with a bathtub is preferred since children may need to be bathed.
- More durable and easy-to-clean finishes should be considered.
- Provide enough space to place a changing table in the bathroom.
- Maximize natural light to the child care area.
- If there will be more than one family child care unit, locate them adjacent to one another to simplify access and isolate noise. Greater acoustical treatments may be warranted between units as well, e.g., limitation of party walls, increased insulation.

COMMON AREAS

Outside the unit, common issues such as noise, access, and safety should be addressed in the design. Since typically a family child care situation will not lend itself to complete separation of uses as commonly seen in center-based care, more thought needs to go into the blending of uses. A design that minimizes the access and use of common areas by clients of the family child care provider is recommended in order to minimize conflict with the needs of the residents and clarify liability issues should they arise, e.g., if a provider's client is hurt in a property common area.

ACCESS

The developer will need to consider how clients from outside the development will get to the provider family's apartment. Developers should involve property management staff in deciding how access should work. Property management should consider how clients from outside the development will access the child care location, whether the access will be difficult for people to navigate, and if access will compromise the security of the building, or be a nuisance to other residents. Also, special consideration should be given to a pick-up/drop-off area if clients from outside the development are expected.

Many developers like to have a single controlled access point for the entire development for security reasons, but this might prove difficult for the clients of family child care who have car seats, diaper bags, and other equipment to transport daily. Ideal family child care units are located on the ground floor, either with their own entries or close to major entries, parking or areas that may be used for drop-off. Parking/drop-off space is another concern if vehicular traffic is anticipated. Frequently, affordable housing developments do not plan for drop-off areas for family child care units, and in developments guest parking is minimal or nonexistent due to the high construction cost of parking structures as well as security and liability issues. Traffic concerns can become a neighborhood issue as well, even if they are more perceived than "real." Designating a drop-off area close to the family child care units but separate from resident parking is recommended. This issue is a lesser concern for an ownership project. With ownership housing, whether or not extra parking spaces are necessary will depend on the availability of street parking.

Management Issues

RESIDENT/PROVIDER SELECTION

PROCEDURES FOR SELECTING FAMILY CHILD CARE PROVIDERS

As mentioned previously, fair housing laws allow for a separate applicant pool for family child care units as long as there is no discrimination within that pool. For new developments anticipating a family child care use, developing a separate set of criteria for family child care providers is highly recommended. The criteria should include any licensure requirements, and that the owner/property manager fully investigate the provider, including a visit to their current home and speaking to references. Having held a license for two years at minimum is recommended, because compliance issues usually do not arise until at least the second year. At the time of this writing, family child care homes are inspected only once a year.

Verification of a provider's income can be problematic; owners and managers should be aware of this. Also be aware that income from family child care can be quite variable, and a family changing location to move into your development may lose many of their clients: even a short move can create difficulty for client families. As a result a provider's income could fall precipitously upon relocating. In general, and as might be expected, well-established, stable operations have a higher probability of success following relocation. Therefore, it makes sense to carefully assess the stability of the operation and the likelihood for success after moving. Also, it is a good idea to require a relocating provider to have a transition plan, including some financial reserves to ensure they will be able to stay solvent when relocating. Six months to a year of reserves is recommended unless a provider is able to show that their existing clientele will continue to place their children with them at the new location.

SECURITY DEPOSITS

The property owner may collect a larger security deposit for a family child care provider than for a comparable unit based on the additional expected wear and tear from the more intensive use. The owner should consider what impact a higher deposit would have on the finances of the operator but also be sure to have an adequate security deposit to allow for repairs when the unit turns over. The owner may also wish to increase the replacement reserve for the whole development where family child care is part of the program. Typical repairs include more frequent painting, cabinet replacement in bathrooms and kitchens, carpet and other flooring replacement, and toilet/sanitary sewer service due to children's toys and other items falling into the toilet.

INSURANCE

Under current California law, a landlord cannot require a family child care provider to have liability insurance. However, in the process of selecting a family child care operator for a new development it is recommended that possession of a liability insurance policy be a clear priority for renting a unit with the intent of providing family child care.

CONTINUING EDUCATION

The property owner may want to encourage the provider to seek continuing education. Resource and Referral agencies frequently offer continuing education classes which count for Early Childhood Education credits for providers.

CONTINUING OPERATION

The owner must consider the remedy if a selected child care operator does not comply with property house rules, and especially if the operator does not provide the child care service that was anticipated. We recommend executing a use agreement that delineates the conditions for occupying a unit designated for family child care. Following are several areas of concern:

PROVISION OF CHILD CARE SERVICES

If the provider family no longer provides care for the minimum number of children (if specified in a use agreement) or does not maintain their state license as a child care provider, the owner may wish to have the option of terminating occupancy of the unit. The next available unit in the development for which the family qualifies (if they continue to meet minimum standards for tenancy in any unit) may be offered to the family. The more the child care units are made physically different from others in the development, the

more important it will be to be able to move a family that is not providing the child care service that was expected. A use agreement can also delineate other rules and standards that must be maintained by the provider in addition to those that apply to all tenants generally. Please note that you cannot require that child care spaces be reserved for residents of the development.

NOISE

The use of an apartment for family child care can create noise issues for other residents. If specific units are designed for child care use, acoustic impacts should be considered in the design phase. For instance, making sure that there are as few adjacent units as possible and minimizing party walls at the living area of the child care unit would be wise. It would also be wise to inform other residents of the child care use and as much as possible locate more compatible families adjacent to the child care unit (for instance a family where members are at work or school during the day rather than a senior who might be home during the day). If there is more than one family child care unit in the development, it makes sense to place them adjacent to one another.

ACCESS

Reassessment of the access plan and comparison to the actual practice of clients and the provider should be periodically reviewed by management staff. If the access route is inconvenient, the clients will likely abandon it. If the access route causes an unanticipated nuisance to other tenants, the property manager will need to work out another route with the operator or some other solution.

WEAR AND TEAR

A family child care unit will be used much more intensively than a regular apartment. You may want to consider adjusting the replacement reserves for the entire project to account for more frequent replacement of carpets, repainting, etc. Frequent unit inspections are also suggested.

DON'T BE AN 'OPERATOR'

The building owner and manager must avoid giving special treatment that could be interpreted as co-operation with the child care. Examples might include dedicated use of common areas or forgiveness of rent. This could open the door to some liability on the owner's part for the activities of the child care. So long as a family child care operation is independent of the ownership and management of the development, there should be no additional owner or manager liability associated with the activity. It is permissible to provide technical or other assistance so long as there is a clear agreement in place that states the limits of the assistance and reiterates that the landlord has no management authority.

A GUIDE FOR DEVELOPING
CHILD CARE FACILITIES
WITH AFFORDABLE HOUSING

Appendix

Appendix Contents

Appendix	165
A. Guide to the Appendix	167
B. Glossary of Child Care Terms	168
C. Resource & Contact Lists	177
Online Child Care Resources	177
D. Resource Agencies	184
E. Choosing a Provider—Request For Proposals/Qualifications Examples	189
ABCD—RFP Examples	189
Early Child Care and Education Program—	
Request for Proposal Sample Format for Use by California School Districts	189
ABCD RFP Example	199
BRIDGE—RFQ Example	203
Solicitation of Interest, Child Care Center Provider	203
Draft Outline of Criteria for RFQ for Child Care Provider	204
Chinatown Community Development Center and Child Care Facilities Fund RFQ Example	205
Solicitation of Interest for Child Care Provider	205
Sample Provider Assessment	206
Thoughts on Child Care Providers Tour	209
Broadway Family Apartments Child Care Timeline	210
LACDC—RFQ Example	211
Scope of Services for Child Care Facilities Development	217
F. Partnering with a Provider—Lease & Service Agreement Example	219
Child Care Center License	219
G. Financing—Proforma Examples	258
Kidango—Break Even Analysis of Toddler and Preschool Care	258
LACDC—Facilities Development Proforma	259
H. Design—Sample Initial Parameters for Architects	262
Kidango Specifications for New Construction/Remodel	262
I. Center Case Studies	265
Mary Lane Infant and Toddler Center at Church Street Apartments	265
Kai Ming Child Development Center at Broadway Family Apartments	274
Kidango Sharon Jones Center	281
Fruitvale Village Head Start	287
Kidango Rix Center	291
Treasure Island Child Development Center	297

Guide to the Appendix

Guide to the Appendix

The majority of the appendix provides supplemental resources in conjunction with each of the handbook chapters. Utilization of these sections is fairly straightforward. Each section of the appendix lists the chapter(s) to which they correspond in their titles. Sections F and I require some further explanation, which is provided below.

Section F. Partnering with a Provider—Lease & Service Agreement Example

This License Agreement includes lease, service, and development provisions. The handbook chapter, Partnering with a Provider, describes the essential issues for development, lease, and services agreements as separate agreements. This form license is most applicable for child care facilities which are developed within an affordable housing development where the real estate developer and owner are the same party. The license provides several options to address a number of specific deal structures within the document and in a rider which is attached as the last exhibit to the license agreement. This form license is intended solely as an example. The expertise of legal counsel should be retained before utilizing any part of the form license.

Section I. Center Case Studies

The primary case study features and the project statistics at the beginning of each of the six (6) case studies are intended to assist the developer to identify those case studies that will be most comparable to their prospective project. The center case studies were selected from numerous tours of child care centers and discussions with developers and providers about what information and lessons learned would be most useful. The center case studies represent a range of construction scopes, e.g. new construction, modular construction, or rehabilitation of existing building(s); a variety of approaches to financing or design; lessons learned from developer-provider partnerships; or location in urban centers or in suburban settings. The case studies included were limited by the developer and/or operator's willingness to share the challenges they faced in the development process and operations and availability of baseline information from the developer and provider. Although three rural child care centers were toured, unfortunately, the information available was insufficient for full center case studies.

Glossary of Child Care Terms

ABCD Initiative (Affordable Buildings for Children's Development)

Created in 2003 by the David and Lucile Packard Foundation to build a financing, facilities development, and technical support system for quality child care facility development in California. Includes the ABCD Fund, ABCD Connections, the ABCD Campaign to Sustain Child Care, and ABCD Development Assistance. The ABCD Fund offers a continuum of three financial products for providers, taking into account today's current environment yet building toward an ultimate goal of an efficient delivery system of capital for the child care sector. Products include: planning grants, predevelopment loans, and flexible loans for acquisition, construction, and permanent uses. The ABCD Fund also provides technical assistance during each phase of the development process, helping borrowers navigate the financing market and providing referrals to facilities development resources. http://www.liifund.org/programs/childcare/childcare_services.htm

Accreditation

The NAEYC established its national, voluntary accreditation system in 1985 to set professional standards for early childhood education programs and to help families identify high-quality programs. The standards are used to raise the quality of programs for children from birth through age eight nationwide. The NAEYC accreditation standards provide best practices for ten areas of program standards: relationships, curriculum, teaching, assessment, health, teachers, families, community partnerships, physical environment, and leadership and management. Standards beyond licensing requirements that are verified by an accrediting body. National Association for the Education of Young Children Accreditation is discussed in Chapter I: California Child Care System—A Primer.

ADA (Americans with Disabilities Act)

Public Law 336 of the 101st Congress, enacted July 26, 1990. Prohibits discrimination against and ensures equal opportunity for persons with disabilities in employment, State and local government services, public accommodations, commercial facilities, and transportation.

Affordable Child Care

Child care that requires no more than 10% of a family's income to be spent on child care costs.

Affordable Housing

Housing that consumes no more than 30–35% of a household's income. The term “affordable housing,” as used in this handbook, refers to housing that targets households earning no more than 80% of the Area Median Income (AMI).

Alternative Payment Program (AP Program)

Administered by the California Department of Education's Child Development Division (CDD) and AP Agencies. AP funds are administered to parents as vouchers that are redeemable at a child care provider of their choice (center or family child care).

AMI (Area Median Income)	Calculated annually by HUD for each state and county. Used to determine income limits for Affordable Housing. Annual listings and calculation formula available at http://www.huduser.org/datasets/il.html .
AP Agency	An AP Agency is a department of county government, a Resource and Referral Agency or a non-profit organization that is contracted by the State to administer the Alternative Payment voucher program, which is described in Chapter V, “Financing.”
California Building Code	Also called California Code of Regulations (CCR), Title 24, and the California Building Standards Code. The California Building Code is a compilation of national model codes, national model codes adapted to meet California conditions, and codes authorized by the California legislature that together constitute extensive additions not covered by adopted national codes to address building concerns particular to California.
California Department of Education (CDE)	“The mission of the California Department of Education is to provide leadership, assistance, oversight and resources so that every Californian has access to an education that meets world-class standards.” The CDE administers direct subsidy contracts to child care centers serving low income children, and licenses subsidized child care centers. www.cde.ca.gov .
California Department of Social Services	“The mission of the California Department of Social Services is to serve, aid, and protect needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence.” The Community Care Licensing department in the California Department of Social Services licenses and oversees private, unsubsidized child care centers. www.dss.cahwnet.gov/cdssweb/default.htm .
California’s Building Child Care Collaborative (BCC)	The BCC acts as a clearinghouse of information and services for child care providers, including financial resources for facilities development projects in California. www.buildingchildcare.org .
CalWORKS	CalWORKS (California Work Opportunity and Responsibility to Kids) offers immediate aid to families that lack cash for basic needs (Stage 1). Families can also apply for ongoing assistance and child care subsidy if they are in job training or employed (Stages 2 and 3). More information is available at http://www.dss.cahwnet.gov/cdssweb/california_169.htm .

CDBG (Community Development Block Grant) Program	A federal program, administered by HUD (US Department of Housing and Urban Development), that “provides eligible metropolitan cities and urban counties (called ‘entitlement communities’) with annual direct grants that they can use to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low- and moderate-income persons.” (HUD)
Center-based contracts	Refers to subsidy that is paid directly to the contracted child care center and reserves spaces for low income children. If a child receiving center-based subsidy leaves a center, the contract remains with the center and does not transfer with the child. Head Start and CDE contracts are examples of center-based contracts.
Child Care Advocate Program (CCAP)	The CCAP promotes the delivery of quality child care in California. The program works as a liaison and mediator between parents, providers, and government agencies, as well as disseminating information between these groups.
Child Care and Adult Food Program (CCAFFP)	Administered by US Department of Agriculture. Provides reimbursement for meals and snacks meeting USDA nutritional standards.
Child Care Center	A facility providing child care that is not a family child care home. This handbook discusses child care centers that provide care for infants, toddlers, and preschoolers. After school program facilities may also be considered child care centers. After school programs are not covered in this handbook.
Child Care Development Fund	Funds administered by the U.S. Department of Health and Human Services.
Child Care Facility	A facility providing non-medical care to children. Includes both child care centers and family child care homes.
Child Care Provider (Provider)	A licensed individual, organization, or company that cares for and provides services for children.
Child Protective Services	CPS is the emergency response division of the State Department of Social Services’ Child and Family Welfare Division. Local county CPS offices receive, evaluate, and respond to calls regarding child abuse, neglect, and exploitation.

Community Development Financial Institution (CDFI)	CDFIs are private sector financial institutions focused on community development. They provide nonprofits and low income communities with financial services and capital that is often unavailable from traditional lenders. LIIF, described in Chapter V, “Financing,” is a CDFI.
Community Redevelopment Act	Enacted by the Congress in 1977 (12 U.S.C. 2901) and revised in May 1995 to “encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound banking operations.” (http://www.ffiec.gov/cra/history.htm)
Community service facility	A facility included in eligible basis for low income tax credits and designed to primarily serve individuals whose income is 60 percent or less of area median income. Uses may include child care, literacy training, career counseling, and outpatient health care.
Construction Administration (CA)	The service of overseeing the construction process on behalf of the owner and managing the architect and contractor during construction, including handling requests for information and submittals.
Construction Contract	An agreement between owner and contractor whereby the contractor agrees to construct the owner’s project in accordance with the contract documents, within a specified amount of time, and for consideration to be paid by the owner as mutually agreed. (Means Illustrated Construction Dictionary, 2000)
Construction Documents (CDs)	Documents that serve as the contractual basis of the relationship between client and contractor and provide the final direction to the contractor on how to construct the child care center. CDs usually include drawn plans and written documents that detail and specify the foundation, framing, heating, venting and air conditioning, electrical, landscaping, play equipment, interior and exterior finishes, play equipment, and landscaping.
Contracts (Center Based Subsidies)	Granted by the state or federal government to a child care provider to subsidize child care for low income families. Renewable for terms of one to three years. Administered by the California Department of Education.
Cross Subsidization	The use of subsidies from one center or age group to cover the costs of another center or age group.
Davis Bacon Wages	Wage rate mandated for all Federal Government construction contracts and the contracts for federally assisted construction over \$2000. Rates can be found online at http://www.access.gpo.gov/davisbacon/index.html .

Design Development (DD)	The pre-construction phase during which the architect will refine the schematic design, finalize the center's location and orientation on the site, and lay out basic design parameters.
Development services agreement	An agreement between the developer and the provider outlining the services that a developer will provide to manage the development of the child care center.
ESL (English as a Second Language)	Refers to instruction of students (youth or adult) in English as a second language. Also referred to as ELL (English Language Learners).
Family Child Care Home	The private home of a provider where child care is regularly provided for children, sometimes in addition to the provider's own children.
First 5	Refer to definition for "Proposition 10."
Food preparation area	An area that is separated from the diaper changing area and inaccessible to children and is used for preparing food. Under Title 24, a food preparation area is distinct from a kitchen: food may be heated but may not be cooked in a food preparation area. Food preparation areas cannot be included in the center's calculations for space per child.
Group size	A recommended group size, in addition to the recommended child-staff ratio as established by National Association for the Education of Young Children (NAEYC).
Head Start, Early Head Start	According to the U.S. Administration for Children and Families, "Head Start and Early Head Start are comprehensive child development programs that serve children from birth to age 5, pregnant women, and their families. They are child-focused programs and have the overall goal of increasing the school readiness of young children in low-income families." Income eligibility is set at poverty level, based on the federal median income guidelines. Capital dollars are available on a competitive basis.
Head Start Delegate	A provider that has contracted with a Head Start Grantee to provide Head Start programming in exchange for federal Head Start funds.
Head Start Grantee	An organization or local government agency that has contracted with Head Start to provide Head Start programming themselves or by sub-contracting with Delegates.

Income Qualifications	A minimum, maximum, or range of incomes that a family must meet to be eligible for a particular service. Most affordable housing income restrictions are based on the federally defined county income (see AMI), whereas Head Start qualification is based upon the federal poverty level and state subsidized qualifications are based on the state median income.
Interior Activity Space	Indoor space dedicated to children's activities such as play. Licensing requires that each child have 35 sq. ft. of space to move freely through; furniture, hallways, low shelving units, and adult spaces do not count toward space requirements. Interior activity space can be subdivided by the provider into areas for developmentally appropriate activities, such as a dramatic play area, an art area, seating for table work, rug space for group activities, and napping space.
Intermediary Organizations	Organizations that house information on market demographics and existing providers, such as Resource and Referral Agencies (R&Rs) and Local Child Care Planning Councils (LPCs). See Chapter I, California Child Care System—A Primer.
Isolation area	A separated area, such as an office, where children who become sick during the day can wait for a parent to remove them from the center.
ISTEA (Intermodal Surface Transportation Efficiency Act)	Administered by the U.S. Department of Transportation. Funds projects that address safety, continued growth of traffic and travel and its attendant congestion, environmental concerns, and demographic changes.
Lease	"A contract in which, for a payment called rent, the one entitled to the possession of real property (lessor) transfers those rights to another (lessee) for a specified period of time." Barron's Dictionary of Real Estate Terms, Fifth Edition.
LIIF (Low Income Investment Fund)	A national, non-profit Community Development Financial Institution (CDFI) and a source of child care funding and technical assistance. LIIF houses many of the new resources for financing child care facilities and has taken on the role of advocate for child care and child care center development. www.liifund.org .
Local Child Care Planning Councils (LPCs)	Intermediary organizations that help to determine local child care needs, produce county wide child care plans, and set funding priorities for Federal Child Care and Development Block Grants. LPCs can also provide information about local demands for child care and funding resources. See Chapter I, California Child Care System—A Primer.

Low income	Low income is a term used to describe households with an annual household income between 50–80% of the area median income (AMI). 0–30% of AMI is considered very, very low income; 30–50% is very low income; and 80–120% is considered moderate income.
Low Income Housing Tax Credit Program	Created by the Tax Reform Act of 1986, the LIHTC program gives States the authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to households earning 60% AMI or less.
MTC (Metropolitan Transportation Commission)	A State of California Commission that administers various Transportation for Livable Communities (TLC) funds. See Chapter V, “Financing.”
National Association for the Education of Young Children (NAEYC)	A national association working to improve the quality of programs for children from birth to third grade and offering nationwide child care accreditation. See the definition for “Accreditation.”
Non-traditional lenders	Financial institutions, such as a CDFI, that are alternatives to commercial banks.
Operator (child care operator)	Can be interchanged with “child care provider.”
Packard Foundation	The David and Lucile Packard Foundation, founded by David and Lucile Packard to provide grants to “nonprofit organizations in the following program areas: Conservation and Science; Population; and Children, Families, and Communities.” In 2003, the David and Lucile Packard Foundation launched the Affordable Buildings for Children’s Development (ABCD) Initiative.
Private child care centers	Child care centers that do not receive government subsidy. Licensed and overseen by the California Department of Social Services.
Prop 10 (First 5) Commission Facility Funds	Prop 10 was approved by voters in November 1998 to add a 50 cent-per-pack tax to cigarettes and a comparable tax to other tobacco products. Prop 10 funds are distributed through First 5 Programs.
Purchase and sale agreements	“A written agreement between seller and purchaser in which the purchaser agrees to buy certain real estate and the seller agrees to sell upon terms of the agreement.” It establishes terms under which land and any improvements are bought and sold. Barron’s Dictionary of Real Estate Terms, Fifth Edition.
Regional Resource Centers (RRCs)	Intermediary organizations that gather information about the particular need for child care services in that area, including neighborhood specific data. See Chapter I, California Child Care System—A Primer.

Resource and Referral Agencies	Agencies that gather and distribute information regarding a community's needs and local providers. R and R's may release information about the services providers offer, but cannot recommend one provider over another. See Chapter I, California Child Care System—A Primer.
RFP (Request for Proposals)	A formal request for proposals issued by an agency or organization seeking to parcel out a portion of or entire project. Examples include Redevelopment Agencies' request for housing development proposals for a specific area or parcel and a housing developer's request for child care provider proposals for a specific center.
RFQ (Request for Qualifications)	A formal request for qualifications issued by an agency or organization seeking a partner to develop a project with. Responses require less information than RFPs since the issuing entity is evaluating only the qualifications of the applying organizations, not the organizations' specific proposals.
Schedule of Values	A break down of the construction contract components and their costs. Attached to the construction contract.
Schematic Design (SD)	The initial phase of design for a development. During schematic design, the architect will site the buildings and uses on the site. More than one schematic design may be developed.
Section 8	Section 8 refers to vouchers that are funded by HUD and administered by local Housing Authorities. Vouchers typically cover the difference between 30% of a household's income and market rate rent. The most common Section 8 vouchers are tenant-based and project-based vouchers.
Services agreement	An agreement that specifies the rights and obligations of the Provider and Owner/Developer with respect to Provider's provision of child care and other services to a development.
Slot (child care slot)	A licensed space available for a child in a child care program. For example, if a center is licensed for 24 children, it has 24 slots. Also referred to as a space.
Space (child care space)	A licensed space available for a child in a child care program. For example, if a center is licensed for 24 children, it has 24 spaces. Also referred to as a slot.
State licensing	Requirements pertaining to state standards. See Chapter I, California Child Care System—A Primer.
State Preschool Program	Funded by the State of California to provide preschool to children ages three to five from low income families. Can be a half or full day program.

SMI (State Median Income)	The median income for households in California. Used to determine the eligibility of families for state subsidized center-based care. The U.S. Department of Health and Human Services, Administration for Children and Families publishes the California State Median Income online. Refer to http://www.liheap.ncat.org/profiles/provertytables/FY2007/casmi.htm .
Subsidized child care centers	Programs that receive federal and/or state funding.
Subsidized slot	A slot or space in a child care center that receives federal and/or state funding. The funding is attached to the slot, not the child, similar to project-based Section 8 funding.
TANF (Temporary Assistance for Needy Families)	Established by the Welfare Reform Law of 1996 to replace previous welfare programs (AFDC and JOBS). According to the U.S. Office of Family Services, TANF “provides assistance and work opportunities to needy families by granting [to] states the federal funds and wide flexibility to develop and implement their own welfare programs.”
Title 5	The portion of the California Code of Regulations that outlines the licensing requirements for child care centers receiving subsidy from the California Department of Education, in addition to Title 22 requirements. This handbook uses “Title 5” generally to specifically refer to Title 5, Division 1, Chapter 19. These centers are referred to as “child development centers” in the child care field.
Title 22	The portion of the California Code of Regulations that outlines the licensing requirements for all child care centers. This handbook uses “Title 22” generally to specifically refer to Title 22, Division 12, Chapter 1, Child Care Center General Licensing Requirements.
Turn-key developer	“A developer who completes the entire project on behalf of a buyer; the developer turns over the keys to the buyer at completion.” Used when a provider intends to own the center, and the developer provides a service for a fee. Barron’s Dictionary of Real Estate Terms, Sixth Edition.
Value Engineering (VE)	Value engineering is a systematic analysis of facilities, services, and supplies performed by the development team to identify potential cost reductions while maintaining the performance, quality, and safety of the development’s structures and systems.
Voucher (Parent Based Subsidies)	Vendor payment to provider, provided on a reimbursement basis. Voucher amounts differ by age and can be used for all types of care (exempt, family, center). The majority of welfare to work dollars are allocated to vouchers.

Resource & Contact Lists

Online Child Care Resources

MARKET STUDY RESOURCES (DEMOGRAPHIC INFORMATION)

- America's Children 2003—Child Stats.gov** <http://www.childstats.gov/americaschildren>
Provides statistics for indicators of children's well-being. The information on child care arrangements and poverty is useful for market demand analysis.
- Association of Bay Area Governments** <http://www.abag.ca.gov>
ABAG Provides demographic projections for San Francisco Bay Area census tracts that are useful for child care demand analysis, e.g., birth rates and poverty by racial and/or ethnic group. For projections based on the U.S. Census, click on "Planning," then "Census data and projections." A link to a directory of Regional Planning Agencies in California is available on the ABAG website.
- ChildTrends Databank** <http://www.childtrends.databank.org/indicators/8EarlyChildhoodProgramEnrollment.cfm>
Primary website provides 60 indicators of children's well-being. Second website provides statistics on the demographic of and trend in center-based care usage. These statistics are useful for demand analysis.
- ED Data** <http://www.ed-data.k12.ca.us>
ED Data Reports by state, county, district, and school level providing a wealth of financial, demographic, and performance data for CA's public K-12 school system. Includes projections that are useful for determining the need for subsidized care by school district. The school district projects the need for subsidized care which can then be used to project the same cohort's need for subsidized care for infant, toddler, and preschool age groups in earlier years.
- KIDS COUNT Census Data Online** <http://www.aecf.org/kidscount/census/>
Statistical profiles for children by nation, individual states, congressional districts. Allows user to create ranking table from 1 of over 21 population indicators. Website also allows user to download delimited text files containing raw data for any/all regions for offline use. This can be useful for demand analysis.

Southern California Association of Governments

<http://www.scag.ca.gov>

SCAG

Provides demographic projections for Southern California census tracts that are useful for child care demand analysis, e.g., birth rates and poverty by racial and/or ethnic group.

U.S. Census Bureau

<http://www.census.gov/>

Statistics for child care cost and arrangements by income and type of child care.

This data is useful for calculating demand for a child care center or another type of child care arrangement.

**U.S. Department of Labor,
Bureau of Labor Statistics**

<http://www.dol.gov/wb/>

<http://www.bls.gov/cps/>

DOL

Women's labor rate statistics which are a measure of women's workforce participation.

Data on women of child bearing age may be extracted using the second website listed.

GRANT AND CDFI FINANCING

Affordable Buildings for

Children's Development Initiative

http://www.liifund.org/programs/childcare/childcare_services.htm

ABCD

The initiative was created in 2003 by the David and Lucile Packard Foundation to build a financing system for quality child care facility development in California. The ABCD Fund offers a continuum of three financial products to support facilities development and the long term real estate financing needs of child care providers and/or child care center developers. Financial products include planning grants, predevelopment loans, and flexible loans for acquisition, construction, and permanent uses. Refer to the LIIF listing for administrator information.

Building Child Care in California

<http://www.buildingchildcare.org>

BCC

Lists financial resources for facilities development statewide. Includes a statewide resource list for resource centers, referral agencies, local child care planning councils, child care advocate program contacts, includes child care links, architect referral list, and facilities and program case studies.

Lenders for Community Development<http://www.l4cd.com>

In 2005, LCD launched its Building Blocks child care loan program, working in conjunction with the eBay Foundation and local referral agencies. The Building Blocks program offers loans, grants, and technical assistance to child care centers and home providers to finance licensing costs, purchase furniture, toys and equipment, perform renovation and repairs, and make upgrades to meet health and safety requirements. The goal of the program is to increase the quantity and quality of child care spaces in Santa Clara and San Mateo counties. Lenders for Community Development works in a number of California communities; contact LCD to find out if they finance child care in your county. This website provides program details and contact information for the administrator.

Local Initiatives Support Network<http://www.liscnet.org/resources/links/childcare.shtml>**LISC**

Grants, loans, and equity resource for child care facilities.

Low Income Investment Fund<http://www.liifund.org/>**LIIF**

LIIF is the administrator of the ABCD Fund. See description above.

National Children's Facilities Network<http://www.ncfn.org>**NCFN**

Provides links to Community Development Financial Institutions (CDFIs) by state that have child care facilities financing resources. The list includes their members and is not exhaustive. Additionally, the website offers design links to child care and educational facilities and has case studies of child care centers.

State Department of Finance<http://www.dof.ca.gov/>**DOF**

Historical and projected birth information by county. This is a secondary source of projections based on census data if this information is not available from the regional Association of Government or the local planning department.

The Finance Project<http://www.financeproject.org>

Links to a report by the Finance Project titled: "A Guide to Calculating the Cost of Quality Early Care and Education." This report is a useful resource for the provider in that it provides a step by step guide to calculating the cost of providing quality care, including facilities development.

The Foundation Center<http://www.fdncenter.org>**FDN**

Resource for finding foundations that support child care and any endeavour.

The Nonprofit Finance Fund

<http://www.nonprofitfinancefund.org>

NIFF

Provides a buildings systems survey or Systems Replacement Plan for facilities owned by nonprofits that are in need of rehabilitation. This plan is similar to a Physical or Capital Needs Assessment for housing. Loans are also available for property acquisition and facilities development or rehabilitation. The Nonprofit Finance Fund operates in numerous regions nationwide, including Northern California.

GOVERNMENT FINANCING

California Alternative Payment Associations

<http://www.cappaonline.com>

CAPPA

CAPPA advocates to facilitate family access to quality child care. The website provides links to key issues, legislative news, and the most recent Regional Market Rate for AP contracts.

<http://www.cde.ca.gov/>

[http:// www.cde.ca.gov/ls/cg/pp/documents/formi2.pdf](http://www.cde.ca.gov/ls/cg/pp/documents/formi2.pdf)

California Department of Education

<http://www.cde.ca.gov/fg/aa/cd/ap/index.aspx>

CDE

First web address accesses the general CDE material including current Notices of Fund Availability and program regulations. Second web address provides the Standard Reimbursement Rate (SRR) for a center-based program. Third web address provides “reimbursement ceiling” paid for subsidized child care which is provided through an alternative payment agency by county. General description in State Government section below.

Community Development

Block Grant Program

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/index.cfm>

CDBG

Provides program information and regulations for the overall federal program. The program is administered on the local level by the applicable city, county, or state. For specific information on fund availability and requirements locally, contact the applicable government agency.

Every Child Counts (Alameda County)<http://www.ackids.org>**ECC**

Information on funding opportunities for facilities improvement. Proposition 10 funds are the primary source of financing at the time of this writing.

Metropolitan Transportation Commission<http://www.mtc.ca.gov/>**MTC**

Information on Transportation for Liveable Communities' Capital Grants which can be used to finance transit villages, including child care centers. Trip generation data may be used by market study analysts for calculating demand from transit and other modes of transportation.

Proposition 10 (California Children and Families Commission)<http://www.cafc.ca.gov/prop10facts.htm>**Prop 10**

Provides links to the County First 5 Commissions which were established to administer the Proposition 10 funds. The California Children and Families Commission, which was created by Proposition 10, allocates 80% of the approximately \$700 million in annual revenues from the tobacco tax, to County (First 5) Commissions. Each Commission sets its own funding priorities for children and families. Several have allocated funds for child care facilities development.

STATE GOVERNMENT DEPARTMENTS**California Department of Education**<http://www.cde.ca.gov>**CDE**

State department that funds state subsidized child care. Website provides many resources for understanding the programs. Most of these resources are geared towards the provider.

California Department of Social Services<http://www.dss.cahwnet.gov/cdssweb/default.htm>**CDSS**

State department that licenses child care facilities. Has a directory of child care facilities by location.

Community Care Licensing Division<http://cclid.ca.gov>**CCLD**

Provides resources for providers to apply for a license, for checking a provider's license history, and lists of regional community care licensing offices, etc. Title 22, Division 12 of the California Code of Regulations is available on this website.

RESOURCES FROM INTERMEDIARY ORGANIZATIONS (ACCREDITATION, LEGAL, POLICY)

California Association for the Education of Young Children		http://www.caeyc.org
CAEYC	Offers opportunities for professional growth and training for early care professionals around the state. This is the state counterpart of the NAEYC.	
California Budget Project		http://www.cbp.org
CBP	Website serves as a resource to media policymakers, and state and local constituency groups. Provides information and analysis of state child care policy issues. These resources are useful for understanding the need for child care and crafting a need argument for fundraising purposes.	
California Child Care Resource and Referral Network		http://www.rrnetwork.org
CCCRR	Agency can refer developers directly to child care providers or to local resource and referral agencies that can identify providers interested in rehabilitating an existing or opening a new facility.	
Child Care Law Center (works with LINCC in CA)		http://www.childcarelaw.org
CCLC	Has links to publications which are useful for crafting an argument for the need for low income child care. Website also provides a link for pro bono legal assistance which may be useful to the child care provider partner.	
National Association for the Education of Young Children		http://www.naeyc.org
NAEYC	NAEYC is the accreditation agency for child care centers that serve children under the age of five. This website contains programmatic quality standards that may be a useful resource for the child care provider. Physical environment is one of the ten (10) areas covered and is a useful guide for the developer and architect.	
National Economic Development and Law Center		http://www.nedlc.org
NEDLC	NEDLC is a national research and consulting organization dedicated to building economic health and opportunity in vulnerable communities. NEDLC has partnered with a diverse range of colleagues to develop innovative strategies and programs that result in systemic change and help people become—and remain—economically secure. The second website contains links to several child care development publications which are resources for developers such as “A Planning Guide: Linking Child Care to Economic Development” and “Linking Child Care to Housing Development.”	http://www.nedlc.org/Publications/publications_childcare.htm

Public Counsel Law Center, Child Care Law Project

www.publiccounsel.org

Provides pro bono legal services to community organizations and individuals. Useful referral for child care providers.

Quality in Linking Together Early Education Partnerships

<http://www.quilt.org>

QUILT

Purpose is to create early childhood education partnerships to foster development of quality child care. This is a useful resource for Head Start Grantees.

Soho Center—Child 2000 Project

<http://www.child2000.org>

Information on child literacy, quality child care, and school success. Publications that may be useful include: “The Business of Family Child Care” and the “National Child Care Resource Directory.”

The Enterprise Foundation

<http://www.enterprisefoundation.org>

<http://www.enterprisefoundation.org/resources/ccl/index.asp>

The second website links to the Child Care Library Online which provides national resources for child care facilities development and creation of family child care. For example, publications include: “Introduction to Child Care for Community Based Organizations” and “Financing Family Child Care.” Some of these publications provide workbooks that are helpful analytical tools.

Resource Agencies

Child Care resource agencies can provide developers with current information on the child care market in their communities including data on supply, demand, facility licensing requirements, information on centers that are expanding or closing, and sources of operating subsidies. They can also help identify local subsidized operators. Resource agencies understand critical attributes of successful child care operations in the local area so they can help those searching for an appropriate child care operator. These agencies can also be important advocates for individual projects at community meetings and public hearings. Some of these agencies work statewide while others operate regionally or locally. Listed below are the different types of child care resource agencies, the services they provide, their geographic focus, and contact information.

CALIFORNIA CHILD CARE RESOURCE AND REFERRAL NETWORK

(415) 882-0234

www.rrnetwork.org

111 New Montgomery Street

7th Floor

San Francisco, CA 94105

The Network plays a lead role in supporting state-funded, community-based child care resource and referral programs throughout California through:

- Statewide child care data collection, analysis, and dissemination
- Education of local and state policy makers
- Administration of programs that help promote quality child care services

The 61 state-funded, community-based child care resource and referral programs the Network supports all work to improve and expand the supply of appropriate, quality child care in their communities with the following activities:

- Collect data on local child care supply and demand
- Advise on child care operations (start up, needs assessments)
- Host workshops (licensing, quality care, developmentally appropriate education, financial management, and other topics)
- Work collaboratively with other child care organizations and local policy makers to improve and expand the supply of child care

Refer to the website listed above for a list of all 61 local resource agencies.

LOCAL CHILD CARE AND DEVELOPMENT PLANNING COUNCILS

Local child care and development planning councils (LPC's) assist in the coordination of child care services in each of California's 58 counties. LPC's, funded by the California Department of Education (CDE), are mandated to conduct assessments of county child care needs and to prepare plans that address identified needs. The assessments must contain information on the supply and demand for child care, including the need for both subsidized and non-subsidized services. The plans are used by the CDE to target subsidy dollars for subsidized centers. There is no comprehensive list with the contact information for all 58 LPC's; however, an online search for "local child care planning council" and the county name is useful in finding the appropriate contact information.

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES, COMMUNITY CARE LICENSING DIVISION, CHILD CARE PROGRAM OFFICE

(916) 229-4500
www.cclld.ca.gov
 744 P Street, M.S. 19-48
 Sacramento, CA 95814

The California Department of Social Services (CDSS), Community Care Licensing Division (CCLD), is responsible for licensing child care facilities under authority of the California Health and Safety Code. CCLD also enforces the minimum standards contained in Title 22, Div. 12, California Code of Regulations.

CCLD's Child Care Advocate Program supports the delivery of quality child care through communication, knowledge and advocacy, and is a link between licensing and the community. Advocates operate regionally with one in Northern California, Betsy Rutana (510/622-2623) and one in Southern California, Dana Lovelace (619/767-2212).

Developers should contact an Advocate when planning to develop or renovate a child care facility. Advocates can play a vital role in helping to determine preliminary site and building feasibility. They may suggest modifications to building and site plans to help avoid construction delays and cost overruns. Advocates can also be helpful when explaining to building and planning officials the specialized design feature of a child care facility. Refer to <http://cclld.ca.gov/res/pdf/CCListingmaster.pdf> or <http://cclld.ca.gov> for a list of all local CCLD offices.

FIRST 5 CALIFORNIA (PROPOSITION 10)

(916) 323-0056
www.ccfc.ca.gov
 501 J Street, Suite 530
 Sacramento, CA 95814

Approved by voters in 1998, Proposition 10 established the California Children and Families Program and the State Commission, otherwise known as First 5 California, and authorized the establishment of county commissions. County First 5 Commissions are designed to provide all children prenatal to five years of age with

comprehensive, integrated systems of early childhood development services. Each County First 5 Commission has established unique, specific priorities for supporting local child care services. In many counties this includes funding for improving and increasing child care facilities. Refer to <http://www.f5ac.org> for contact information for each local First 5 Commission.

Local Investment in Child Care Initiative

Local Investment in Child Care (LINCC) is an innovative project designed to build an infrastructure that supports child care facilities development, renovation, and expansion in California. Acknowledging that child care is an essential part of the California economy, LINCC exists to stimulate public and private investment policies to meet the child care needs of all children and families in California. LINCC conducts leading-edge work in the fields of child care and economic development. Innovative nonprofits have collaborated within seven California counties to address the child care needs of their communities by ensuring that the appropriate economic resources, policies and expertise are generated to support the growth of a sustainable and vibrant child care sector. LINCC is currently active in Alameda, Kern, Monterey, San Mateo, Santa Clara, Santa Cruz, and Ventura counties. See Appendix for a list of local LINCC contacts.

PUBLIC COUNSEL LAW CENTER, CHILD CARE LAW PROJECT

(213) 385 2977, extension 300

www.publiccounsel.org

601 South Ardmore Avenue,
Los Angeles CA 90005

Public Counsel is the largest *pro bono* law office in the nation, and is the *pro bono* arm of the Los Angeles County and Beverly Hills Bar Associations. They are the Southern California affiliate of the Lawyers' Committee for Civil Rights Under Law. Public Counsel's Child Care Law Project (CCLP) was established in 1986 to increase the quantity of child care spaces, as well as to improve the quality of care. With the help of volunteer law students and *pro bono* attorneys, CCLP provides free legal assistance to existing and/or potential state licensed family child care providers and nonprofit child care centers on the legal issues they face. Working toward this goal, CCLP staff and volunteers reach out to the child care community in a variety of ways:

- Direct Legal Services and Advocacy
- Transactional Legal Services
- CCLP Publications
- Capacity Building
- Preschool for All
- Presentations/Workshops
- Policy

CHILD CARE LAW CENTER

(415) 394-7144
www.childcarelaw.org
 221 Pine St., 3rd Floor
 San Francisco, California 94104

The Child Care Law Center is a national nonprofit organization that works to expand child care options, particularly for low-income families, and uses legal tools to foster the development of quality, affordable child care—for every child, every parent, every community.

Developers will find the Child Care Law Center a useful resource on the law as it relates land use and child care. They work with developers to ensure that the law is being followed when it is supportive of child care, and offer strategies on how the law can be changed when it is unfavorable to child care. The Child Care Law Center provides information and resources on how to identify local planning and zoning laws that are illegal (due simply to poor policies or more egregious illegal practices), how to use facts to garner support for a development project, and possible changes local policies to support future projects.

LOW INCOME INVESTMENT FUND, AFFORDABLE BUILDINGS FOR CHILDREN'S DEVELOPMENT INITIATIVE (ABCD)

(415) 772-9094
www.liifund.org
 100 Pine Street, Suite 1800
 San Francisco, CA 94104

ABCD is designed to build a comprehensive and sustainable system for child care facility financing and development in California. ABCD has four strategies:

ABCD Fund provides grants and low-cost loans for the planning and development of child care facilities;

ABCD Development Assistance strategy is designed to increase quality child care spaces throughout California in partnership with agencies that support the development of affordable housing and community facilities (education, health care, family resource, libraries, etc.) in low income communities;

ABCD Constructing Connections brings community development and child care sector representatives together in 10 communities throughout the state to develop sustainable systems locally that support the financing and development of quality child care facilities;

ABCD Campaign to Sustain Child Care catalyzes new coalitions of representatives from a variety of sectors to advocate for increased child care program operating subsidies from state and local governments.

BUILDING CHILD CARE

(888) 411-3535
www.buildingchildcare.org
2201 Broadway, Ste. 815
Oakland, CA 94612

The Building Child Care (BCC) Project exists to provide a centralized clearinghouse of information and services designed to improve child care providers' access to financial resources for facilities development projects in California.

With the assistance and input of many others across the state, the four collaborative partners, 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 Investment Fund, have combined their experience, resources and expertise to build a network of information and resources for child care providers interested in acquiring, building, renovating, or expanding child care facilities, and financial and technical resource agencies who help support these activities. This project is funded by the California Department of Education.

Choosing a Provider— *Request for Proposals/Qualifications Examples*

ABCD—RFP Examples

EARLY CHILD CARE AND EDUCATION PROGRAM—REQUEST FOR PROPOSAL SAMPLE FORMAT FOR USE BY CALIFORNIA SCHOOL DISTRICTS

The Affordable Buildings for Child Development (ABCD) Project is sponsored by the David and Lucile Packard Foundation. One goal of this project is to assist school districts that may be interested in providing school age child care and school readiness programs on their elementary school campuses. The documents herein comprise a sample request for proposals (RFP) that can be used by a school district to select a qualified child care agency to provide these services. The RFP is intended to be comprehensive as a means of identifying those agencies who have the experience and resources to provide high quality, developmentally appropriate early child care and education programs.

The RFP documents include:

I. Notice to Qualified Child Care Providers (pink)

This notice is intended to be mailed to child care agencies operating in the vicinity of the District and to provide information for newspaper publication of this bid opportunity.

II. Application Cover Letter (green)

This letter would be addressed to each agency requesting copies of the RFP. It explains the program desired by the District and provides summary terms of the relationship between the school district and the child care provider along with the schedule for the RFP process.

III. Application (yellow/white)

The yellow page contains the directions for completion of the application. The application forms and the RFP content are provided in the white pages.

IV. District Program Standards (blue)

The expectations of the District are spelled out in two sections; the first stating general program requirements including administrative, personnel, and programmatic policies and procedures. Section two of the standards discusses expected content of the school readiness program.

I. NOTICE TO QUALIFIED CHILD CARE PROVIDERS

The ABCD Unified School District is inviting qualified child care agencies to submit proposals to provide early child care and education services onsite at Sunrise Elementary School, 500 Sunrise Boulevard, Paradise, California 95000. The provider selected shall supply the facility to be located on District property. As an option, offsite services may be provided with transportation arranged to and from the school site.

Submission deadline: 5:00 p.m. of the 28th day of January, 2005. Location for submission of proposals:

Business Services Department
ABCD Unified School District
100 Starlight Avenue
Paradise, CA 95000

Request for Proposal (RFP) Instructions and Child Care Program Standards: Proposal instructions and program standards will be available for pick-up on January 7, 2005 at 100 Starlight Avenue, Paradise, CA 95000.

Site Inspection: An orientation tour of the Sunrise Elementary School will be conducted on January 11, 2005 to identify potential sites for the installation of a building to be installed by provider.

Project Notice:

NOTICE IS HEREBY GIVEN that the DISTRICT, acting by and through its Governing Board, will receive up to, but not later than the above-stated time, sealed proposals for the award of a Contract for the above referenced project.

All facility development work must be completed by August 15, 2005. Notice to Proceed shall not be issued prior to five (5) days after award of the Contract, and shall not require that work be commenced less than five (5) days from the date of issuance of said Notice. Time is of the essence.

The DISTRICT reserves the right to reject any or all proposals or to waive any irregularities or informalities in any proposal.

No proposal may be withdrawn for a period of sixty (60) days after the date set for the opening of proposals.

II. APPLICATION COVER LETTER

A. Introduction and Site Information

The ABCD Unified School District's child care/school readiness program will provide before and after services for school age children in kindergarten through sixth grade. This program will provide full day services on days when the elementary school is closed. In addition, there will be a school readiness program operating at least three hours per day on days when the elementary school is open. The school readiness program will serve four year old children who plan to enroll in kindergarten at Sunrise in September, 2006. It is the intent of the District that the program will begin on September 1, 2005, the first day of the fall term at Sunrise Elementary School.

A walk-through will be arranged with interested providers on January 11, 2005. The walk-through will begin at Sunrise Elementary School, 500 Sunrise Boulevard at 10:00 a.m. Providers selected for final evaluation will be requested to schedule a District visit to one of their existing facilities after making an oral presentation of their proposal and programs. Such presentations provide an opportunity for the provider to clarify the proposal to insure mutual understanding. The issuing office will schedule the time and location for these presentations/visitations.

The District contemplates the selected provider will install a building and provide services on the school site. As an option, the provider may provide services at existing facilities off-site. On-site facility plans will be subject to review by District architects/facilities planners who may recommend design options for mutual review and agreement.

The District may want child care/school readiness programs at additional schools in the future. The District reserves the right to award future contracts to an existing provider or reissue an RFP.

A committee selected by the Superintendent will evaluate proposals and may include parents, teachers, school administrators and community members.

A provider must submit an original and five copies of the application. Applications deemed to have significant omissions of requested information will not be reviewed.

B. Provider Eligibility

The District is seeking a child care provider with broad experience in the development of high-quality early child care and education programming and experience in the provision of school age services along with a developmental program for preschool aged children.

For a provider installing buildings onsite, prior experience in such an installation would be desirable. If services are to be provided offsite, facilities should exist that are capable of being licensed by the Department of Social Services, Community Care Licensing. Offsite providers should demonstrate their ability to arrange appropriate transportation to and from the school site for school age children.

Qualified providers will currently operate a licensed child care center that may be visited by the District Evaluation Committee. Providers whose school age and/or school readiness programs do not require licensing will also identify a program site for visitation.

Additional qualifications of a successful provider will include evidence of financial stability, adequate insurance, and business/program references as stated in the RFP.

C. Program Requirements

The major features of the program are as follows:

- A before and after school program for school age children approximately 180 days per year
- A full day program offering care for school age children approximately 70 days per year (school vacations, inservice days and some minor holidays)
- A school age program that offers homework support as well as academic enrichment, recreational and nutrition components
- A school readiness program operating approximately 180 days per year, offering three hours of high quality, developmentally appropriate activities for children entering kindergarten
- A school readiness program that is compatible with the Prekindergarten Learning and Development Guidelines and prepares children for successful achievement of the California Kindergarten Standards
- A program that offers a safe, well-equipped and well-supervised environment that is responsive to the needs of the different age groups served
- A program that provides qualified staff and coordinates appropriately with the District, school site administrators, and teachers
- A program that provides family involvement
- A program that meets the needs of all children and is inclusive of those with special needs, as appropriate.

D. Contract Requirements

The selected provider will enter into an agreement with the District that governs both land use and program requirements. The contract will be for a term of five (5) years and, for an onsite provider, will require an annual payment to the District for land use/administrative costs. The onsite provider will be required to meet District requirements to assure that the proposed child care center fits into the District's master plan for Sunrise Elementary School. The building exterior and immediate grounds will blend with the existing school buildings.

Site Development Responsibilities of the Provider

- Financing and managing the construction
- Specifying a construction time line consistent with District construction activity that may be ongoing at this site
- Obtaining approval of plans by the District, cognizant fire departments, and the Division of the State Architect (DSA)
- Employment of licensed contractors and/or employee/agents of Provider covered by adequate insurance.

Operational Responsibilities of the Child Care Provider

- Managing the center autonomously and without District subsidy
- Providing high quality ongoing services and meeting agreed upon standards as a condition of contract renewal
- As a priority, serving children enrolled (or to be enrolled) at Sunrise Elementary School
- Participating in school site meetings as agreed upon with school administrators
- Submitting program quality reviews

A fee will be charged for land use and District administrative costs. The fee for this site shall be \$2,400 annually, paid on a quarterly basis. The details of these agreement terms and others, as necessary, will be finalized during contract negotiations.

E. Instructions for Submission of Applications

Providers will be required to submit applications at the place and time indicated below. Late applications will not be evaluated. Providers may coordinate to submit a joint proposal and/or may submit proposals to offer selected portions of the program. Both onsite and offsite proposals will be subject to program and facility reviews. Offsite proposals will, additionally, provide detailed transportation plans. For onsite proposals, separate, relocatable facilities are requested. All installation costs including development of the building pad and connections with utilities must be paid by the provider. Program offerings listed in the RFP may be subject to modification with District approval.

The original application and five (5) copies must be submitted in a sealed envelope, clearly marked “Child Care Proposal.”

Please submit the completed application by: 5:00 p.m. on January 28, 2005 to:

John Doe, Assistant Superintendent
Business Services
ABCD Unified School District
100 Starlight Avenue
Paradise, CA 95000

F. Schedule

- | | |
|---------------------------------------|----------------------|
| 1. Proposals received by District | January 28, 2005 |
| 2. Paper screening | February 1–9, 2005 |
| 3. Oral presentations by providers | February 10, 2005 |
| 4. Finalists selected for site visits | February 11, 2005 |
| 5. Site visits | February 14–18, 2005 |
| 6. Award announcement | February 25, 2005 |
| 7. Contract execution | March 11, 2005 |

III. APPLICATION

Directions for Completion of Application

Please provide applicant information using the standard form provided (**A. Agency Information**). The only signature required is the signature at the bottom of the form and should be in blue ink. Please note that, should you become the selected program provider, this application will become an attachment to the contract you will be required to sign. The District's expectation is that the overall quality of the program described in this application will be maintained throughout the term of the agreement.

Please respond to the following items in the sequence provided. Beginning with **B. Management Information**, list each subheading followed by your response. Review the *Early Child Care and Education Program Standards* (attached) before completing the application. Do not use marketing materials as you respond to questions. Limit your total response to fifteen (15) or less typed, single-spaced pages, excluding attachments.

Sunrise Elementary School Child Care Proposal Applicant Information

A. Agency Information

Name of Organization: _____

Address: _____

Street

City

Zip

Contact Person: _____

Phone: _____

Legal Status: Nonprofit Corporation ☐ For Profit Corporation ☐ Public Agency ☐ Sole Proprietorship ☐
Other (including partnerships) ☐ _____

List Names of Corporate Officers and Governing Board:

_____	_____
_____	_____
_____	_____

Center Name and Address available for visit by District: _____

Center Contact Person and Telephone Number: _____

() _____

Name (printed): _____

Signature: _____

Title: _____

Date: _____

IV. SECTION ONE

ABCD UNIFIED SCHOOL DISTRICT EARLY CHILD CARE AND EDUCATION PROGRAM STANDARDS

Introduction

The intent of the Early Child Care and Education Program Standards is to ensure that quality and uniformity of programs are available to the students of the ABCD Unified School District. Parents have requested that facilities and services be available for child care, extended day enrichment, academic support and recreational programs. In response to their requests, the District has developed minimum standards for child care programs (when provided by other than District personnel) which will assist the academic programs at each school site.

Applications of standards for school aged children apply to both public and private providers and agencies who provide students with extended day/student care, including academic support, enrichment, and recreational programs. Preschool programs for four year olds will meet these standards and, in addition, will provide instructional services whose content prepares children to meet the California Department of Education Kindergarten Standards (see Section Two).

Standards:

I. Administration

A. Assurances

1. Equal access shall be provided to students of the ABCD Unified School District. Students enrolled in the ABCD District have priority for child care programs.
2. Four year olds residing within the District attendance boundaries have priority for enrollment in a School Readiness program.
3. Providers shall ensure a safe environment for all students with adequate supervision at all times.

B. Ratio of Qualified Adults to Children

It is expected that the program have reasonable staff/student ratios set forth in the plan in detail. The ratios must conform to all legal guidelines.

C. Selection Procedures and Terms

The District shall select providers based upon a uniform procedure that includes the following steps.

1. As part of the selection process, the District shall assess the child care needs of specific school sites, as necessary.
2. A Request for Proposal (RFP) application shall be advertised. This open competitive process will allow a variety of proposals and ensure that a quality program will be offered.
3. Authorized providers shall be approved for five (5) years after which provider agreements may be renewed. Nonrenewal may result in a repeat of the RFP process. Failure to have a successful District evaluation will result in a 90-day termination notice.
4. Providers may elect to submit a joint proposal for child care programs or may elect to offer selected portions of the program described in the RFP.

5. The provider will clearly state that neither the program's employees nor parents shall look to the District to provide transportation, staffing, telephone message or answering services, or other clerical or direct program support.
6. The program shall be operated solely by the provider as an independent contractor and not as an agent of the District.
7. The provider may not assign or otherwise transfer this agreement to another party, nor permit use of the premises by another party without prior written permission of the District. Any transfer, sublease or permission without the consent of the District shall be void.

D. Hours of Operation

Hours of operation can vary by site, school schedules and family needs. Basic hours will be from 7:00 a.m. to 6:00 p.m.

E. Facilities

1. Separate facilities shall be required at each site.
 - a. The provider shall install a relocatable building that meets requirements of the California Division of State Architect, local governmental and regulatory jurisdictions and District standards. The provider shall pay all costs associated with installation. The building shall be placed in a manner that does not detract from the permanent campus, and the placement of the building and improvements shall be subject to District approval.
 - b. All operational costs of the building shall be the responsibility of the provider.
 - c. Providers shall furnish their own continuous interior and exterior maintenance of the building and will be subject to an annual review.
2. If services are provided off-site, facility and transportation plans must be submitted for District approval.

F. Insurance

District policy and state law require that all non-District users of District facilities maintain adequate liability insurance which is generally defined as a minimum of \$1,000,000 per occurrence and \$2,000,000 aggregate. This coverage must be documented by means of a Certificate of Insurance from the user's liability insurance carrier. The user must arrange for the insurance carrier to designate ABCD Unified School District on the policy as an "additional named insured" for the purposes of utilizing District property. This is an ongoing requirement. New certificates shall be issued every year when the old insurance policy expires and shall continue to be renewed so long as the outside party continues using District property. The outside party shall also provide ongoing proof that all employees are covered by workers' compensation insurance.

G. District Fees

Annual fees shall be charged (fee, charges, reimbursable expenses, etc.) to all non-profit, for profit, or civic center organizations offering child care programs and shall be paid to the District on a quarterly basis.

II. Programs To Be Provided

- Early Child Care and Education for school aged children is defined as full day care, off-track, and before and after school programs operating approximately 250 days per year.
- School readiness programs may be offered on a part-day basis on days when school is in session (approximately 180 days per year).
- Programs shall offer academic support and a well-rounded program that meets individual children's needs as well as promoting the growth of the whole child. A nutritious snack or meal shall be provided for children as necessary.
- Programs may offer (depending on school site needs), computer skills, enrichment (academic, music, drama, dance, socialization, etc.), and recreational programs.
- The physical environment shall be safe and appropriate to the ages of the children and meets applicable licensing standards.
- Program activities and services shall be age appropriate and meet the developmental needs of each child, including but not limited to, activities for social, emotional, cognitive, and physical development
- Program activities and services shall meet the cultural, linguistic, and other special needs of the children and families being served.
- Family and community involvement activities shall be provided.
- Local program administration shall be efficient and effective.
- Staff shall possess appropriate and required qualifications and experience. The staff shall also reflect the linguistic and cultural make-up of children and families in the program.

III. Providers' Personnel Qualifications and Development

A. Provider's Administration

1. Administrators shall be experienced and qualified to manage and operate the program.
2. Administrators shall maintain a budget, based on reasonable parent fees, that allocates resources supporting a high quality program.
3. Administrators shall provide academically, developmentally and culturally appropriate children's programs as evidenced by:
 - a. Written program goals and objectives that relate to the vision and philosophy of the District and the school site.
 - b. A professional development plan.
 - c. Adequate referral sources to local health or social services.

B. Program Staff

1. Program staff providing academic support or enrichment programs shall be experienced and qualified to operate the program.
2. Program staff providing recreational activities shall have adequate preparation in recreation, physical education, or general education.

C. Health and Safety Requirements

1. All personnel shall be given on-the-job training or shall have related experience that provides:
 - a. Knowledge of emergency procedures
 - b. Assistance with prescribed medications which are self- or site-administered, and
 - c. Knowledge of and skill in the recognition of early signs of illness.
2. The provider shall maintain an operable telephone for access by the public during operational hours.
3. All personnel shall have emergency response training.
4. All providers shall maintain the following documentation on each site person:
 - a. TB test results
 - b. Fingerprinting clearance
 - c. Child Abuse Index Check
 - d. Health clearance.
5. All providers shall ensure that at least one person on site has CPR/first aid training at all times.

IV. Policies and Procedures

- All providers shall have policies consistent with the District's policies governing children and staff who are ill, and shall inform parents of these policies.
- Nutritious snacks or meals, which adhere to State and Federal food service requirements, shall be provided for children who are enrolled in child care programs. All food shall be selected, stored, prepared and served in a safe and healthful manner. Students with specific health and/or dietary requirements must be accommodated.
- Providers shall have a current Emergency Information Card on file for each child listing an emergency contact name and telephone number, any health problems, and directions for care in case of an emergency.
- Providers shall adhere to District's Medication Administration Release Policy and Procedures.
- Providers shall have supervision of students from drop-off to pick-up times.
- Providers shall establish procedures to ensure that confidentiality procedures are followed at all times.
- Providers shall have sign in/sign out procedures that ensure the safety of all children. These procedures shall be communicated to all parents or guardians. Only those persons authorized on the provider's Emergency Information Card shall be permitted to sign in/sign out children.

V. Family Involvement and Communications

The engagement of family members shall be emphasized in child care programs.

- Providers shall work with parents as partners, serving the best interests of their children.
- Providers shall routinely discuss children's programs, activities and progress with parents, and encourage parents to become involved with their children's education through reading, homework help and projects.
- Providers shall offer parent education opportunities to help parents understand their children's learning and development.
- Providers shall inform parents about their programs through periodic newsletters.
- Providers shall be encouraged to offer parents a sliding fee schedule.

VI. Evaluation

District personnel shall conduct annual evaluations of each program site. An annually scheduled audit review shall be conducted to verify adherence to the standards as set forth in this document. Providers shall make available to District personnel the documentation needed for the evaluation. As an option, providers may conduct a self-review or other review associated with mutually approved accreditation standards and results of this review shall be subject to District evaluation. Failure to achieve a stated accreditation goal within the time frame proposed may be cause for contract termination.

ABCD RFP EXAMPLE

A. MANAGEMENT INFORMATION

Description of Organization and Related Experience

Describe your organization. Include background, experience, and description of existing school age and pre-school services provided, site locations of administrative offices and individual child care programs. Describe administrative support available to your child care programs. List contracts with funding agencies, school districts, or other agencies that relate to this proposed program. If a contract or agreement has been terminated, please explain.

Program Supervision

List the personnel responsible for the management and supervision of this program. Include personnel resumes in Section K, Attachments. Briefly describe how organization policies and procedure are developed and approved. Show the relationship of this proposed program to the existing supervisory/management structure in the organization. Describe the center-level staff in terms of numbers and job titles along with a plan for children's supervision.

Facility Plan

If your proposal includes the installation of a portable building on the school site, describe how you would coordinate with school district facility personnel in developing a plan for building installation. Provide key tasks to be accomplished and agency approvals involved. Provide a schedule that shows building occupancy at least two (2) weeks prior to the program start date. If you have installed such facilities in the past, provide in Section K, a floor plan and elevation of your proposed child care portable building.

If you propose to provide services offsite, include a description of the facility in which you intend to provide services. Submit a sketch of the facility floor plan and outside play area in Section K. Describe in detail your proposed transportation system including before and after school pick-up/delivery that accommodates both kindergarten and primary grade schedules.

Financial Plan and Fiscal Controls

Please provide a proposed budget in Section K that includes revenue from all sources, i.e., parent fees, contract revenue, food program revenue, fund raising and grants. Describe your financing plan for the child care portable installed onsite. At a minimum, the budget items should include: a) revenue, b) staff salaries, c) benefits, d) food, supplies, and equipment, e) rent/other operating expenses. Within each category, provide detail showing appropriate allocation of resources to support a high-quality program.

Describe your accounting system including fiscal controls and audit experience. Please attach a certificate of insurance identifying your liability insurance and workers compensation carriers. Liability insurance coverage must be at a minimum of \$1 million per occurrence and property insurance should be provided covering provider's building and contents. District will be named as "additional named insured" on provider's liability policy. The latest audit of your organization, along with required insurance certificates should be included as attachments in Section K of this proposal.

Parent Fees

Provide a proposed fee schedule for the 2005–06 school year beginning September 1, 2005. Include both school age program fees and school readiness fees. Specify the fees for full day enrollment of school age children as well as fees for academic support/enrichment activities. If you contemplate a summer program that would be on a separate fee schedule, please state the fees for that program. Describe revenue sources other than parent fees including plans for submission of proposals for grants and contracts. If you plan to provide scholarships for children, state the revenue source for such scholarships. Describe your plans for local fund raising including parent involvement. Please do not include the District in fund raising activities.

B. PROGRAM TO BE PROVIDED

Program Philosophy, Goals and Objectives

Discuss your philosophy of the children's learning process. Describe the goals for the children in your proposed program. State sample objectives you hope to achieve in observable and measurable terms.

Program Components

Describe your plan to enhance, enrich and support the children's total learning experience through the following program components. Include both descriptions of activities and examples of adult/child interaction for each component.

- School age program (for K–6 students including care during vacations)
- Academic support for school agers
- Enrichment and recreation activities for school agers
- School readiness program for preschoolers

Program Narrative

• Developmental Needs of Children

1. Describe how your program will meet the following needs:

Social/emotional

What are your plans to support the emotional and social needs of the children? Describe your approach to child guidance.

Cognitive development

How will your program enhance the cognitive development of the children?

Language development

How will your program enhance language development? If children speak languages other than English, how will you help develop English language competencies?

Physical development

What types of activities will be provided to assist the development of both gross and fine motor skills of children?

2. Assessment of Children's Needs

Identify assessment tools that would be used for each of the school age and school readiness programs. How will program planning address individual needs from the assessment? In the school readiness program, describe how children's individual developmental plans will be shared with District kindergarten staff.

3. Program Activities

For both school age and school readiness programs please explain how children's activities are planned. Give examples of a typical week.

C. ROOM ENVIRONMENT

Describe the physical organization of the proposed room environment for your program. Include a floor plan showing proposed interest/activity areas and location of furniture and equipment.

D. NUTRITION

State which meals you will provide, taking into account the elementary school's food program. How will your meal program change when the elementary school is not in session? What is the nutrition plan for the school readiness program? Do you intend that children enrolled in your program will participate in the Child Care Food Program?

E. SCHEDULE

State the days and hours of operation for the 180 days that the elementary school is in session. What hours will be set for the school readiness program? When the elementary school closes early (e.g., inservice days), what changes will be made in the child care program schedule? Provide a program schedule for days when the elementary school is closed. State the holidays that the child care program will be closed.

F. HEALTH AND SAFETY

Describe your plans to provide for children's safety including sign-in and sign-out procedures. Address at least the following:

- Telephone services
- Ill children/medication policy
- Emergency procedures
- Confidentiality
- Supervision

G. PROGRAM EVALUATION

State your objective in terms of achieving nationally recognized accreditation status. Acceptable examples include the National School Age Care Alliance or the National Association for the Education of Young Children for school readiness. State your proposed schedule for achievement of such accreditation status. Describe your plan for program review and evaluation, including parent and District involvement in the process.

H. STAFF QUALIFICATIONS AND TRAINING

State the criteria you will be using for minimum qualifications of staff, e.g., Community Care Licensing standards or Title 5 of the Education Code. State the ratio of qualified teachers to children and total adult/child ratio for your program. Describe your hiring process. Describe your training program, including training resources utilized, preservice training plan and inservice training plan.

I. FAMILY AND COMMUNITY INVOLVEMENT

- Family Involvement
Please address your plan to develop staff/family partnerships. How will families be involved in program planning? What types of family education do you plan to offer and how do you propose to handle family concerns?
- Community Involvement
Describe your plans for creating community awareness. How will you market the services you provide? State how you will involve the community in your program. Give examples of community agencies to which you may refer families and who may provide resources for your program.

J. ATTACHMENTS

- Personnel Resumes
- Facility Floor Plan and Elevations
- Projected Budget
- References (Letters/Names, Addresses for Professional/Business References)
- Certificate of Insurance
- Organization Financial Audit

BRIDGE—RFQ Example

SOLICITATION OF INTEREST, CHILD CARE CENTER PROVIDER

SOLICITATION OF INTEREST
CHILD CARE CENTER PROVIDER
CHURCH STREET HOUSING

Housing Project:

Church Street Housing will be an affordable development at 1 Church Street in San Francisco, developed and owned by BRIDGE Housing Corporation, a non-profit corporation. The development will consist of 93 multi-family rental units, with a 2,800 square foot child care center on site. The property will have an enclosed outdoor play space directly connected to the child care facility. The child care center will have exclusive use of the outdoor play space during dedicated hours; at other times it will be shared with the residents of Church Street Housing.

Child Care Space/Center:

BRIDGE will lease the child care space to a private operator. This center will have the capacity to serve up to 35 children ages 0–5 years. It will be open to residents and the public, with an expected mix of subsidized and private pay enrollments. Construction is scheduled to begin in August 2000 and completed by January 2002. BRIDGE will lease the child care space at nominal rent with water, laundry and garbage included. Site amenities also include radiant floor heating. The provider will be responsible for electric and gas costs.

Preliminary Meeting:

BRIDGE Housing is looking for interested providers to attend a preliminary meeting to discuss the selection of a provider for this project. Representatives from BRIDGE, the Child Care Facilities Fund, the Department of Children, Youth and the Families and the Department of Human Services will be present to answer questions and discuss available capital and operating funding for the project.

The meeting will be held on Thursday, July 13 from 3:00 to 4:00 p.m. at:

Department of Children, Youth and their Families
1390 Market Street (Fox Plaza)
9th Floor

To RSVP and for more information, please contact either:

Ruthy Talansky
Project Manager
BRIDGE Housing Corporation
415-989-1111
rtalansky@bridgehousing.com

or

Claudia Siegman
Facilities Developer
Child Care Facilities Fund
415-772-9094 ext. 301
csiegman@lihf.org

DRAFT OUTLINE OF CRITERIA FOR RFQ FOR CHILD CARE PROVIDER

DRAFT OUTLINE OF CRITERIA FOR RFQ FOR CHILD CARE PROVIDER FOR ONE CHURCH STREET DEVELOPMENT

BRIDGE Housing Corporation is developing a housing project at One Church Street in San Francisco. This project will be comprised of affordable rental family apartments, including 12 units for HOPWA (Housing Opportunities for Persons with AIDS), 19 units with project based Section 8 certificates and the remainder of the units for households at 50% and 60% of Area Median Income, (a family of four earning \$34,300–\$41,160). The City and County of San Francisco and the Redevelopment Agency of San Francisco are funding a portion of this development. This property is scheduled for occupancy in early 2001. A licensed child care center will operate on this property.

BRIDGE is requesting qualifications from interested day care providers to set up and manage the licensed on-site child care at One Church Street. The child care should serve a mixed income population and a mix of children from the development and from the City. Preferably, a percentage of the slots will be subsidized and a portion will be at a reasonable fee. The development will tentatively have space for 36 children, ranging in ages from infant to toddler. The ages of the children in the day care has not been finalized and interested providers are encouraged to submit suggestions for age and number of children per age to be served. The tentative schedule for review is as follows:

Send out RFQ to all interested providers.	Early December, 1998
Receive responses to RFQ.	February, 1999
Select a short list and conduct interviews.	March, 1999
Refine proposals and resubmit.	April, 1999
Select provider.	May, 1999

BRIDGE will make initial selections based upon the following criteria:

1. Experience working with state child care provider contracts.
2. Access to capital to build out the day care space at the property. (BRIDGE will build the shell, and the provider will build out the tenant improvements.)
3. Ability to pay rent and utilities at the property.
4. Experience and track record in providing healthy, safe and supportive child care.
5. Experience with child care program startup and implementation.
6. Commitment to and experience in working with an economically and ethnically diverse community of children.
7. Commitment to and experience in effective parental involves in various aspects of program development and operations.
8. Provider's approach to child education.

Please direct all questions and submit four (4) copies of the qualifications to:

Ruthy Talansky

BRIDGE Housing Corporation

Phone: 415-989-1111 Fax: 415-495-5680

Chinatown Community Development Center and Child Care Facilities Fund RFQ Example

SOLICITATION OF INTEREST FOR CHILD CARE PROVIDER

CHINATOWN COMMUNITY DEVELOPMENT CENTER AND CHILD CARE FACILITIES FUND SOLICITATION OF INTEREST FOR CHILD CARE PROVIDER

Broadway Family Apartments

190 Broadway (at Battery)

The Chinatown Community Development Center (CCDC) is developing Broadway Family Apartments, a 75–100 unit multi-family affordable housing project. This development will include ground-floor commercial spaces, open space, parking and an on-site child care center for use by residents and the community. The child care center will be approximately 4,000 square feet, with an estimated capacity of up to 40 children. Construction is expected to begin in late 2002, and be completed in mid 2004.

We are seeking to identify a non-profit child care provider to develop and operate the center. Early selection of a provider will ensure that the child care and housing designs are fully coordinated. All interested providers are encouraged to attend this informational session to learn more about the project. Capital funding sources will also be discussed at the meeting.

Informational Meeting:

Tuesday, May 15, 2001

10:00 a.m.

Chinatown Community Development Center (CCDC)

1525 Grant Avenue

Please R.S.V.P. to Thai-An Ngo

(415) 984-1464

CHINATOWN COMMUNITY DEVELOPMENT CENTER

SAMPLE PROVIDER ASSESSMENT

ORGANIZATIONAL CAPACITY, PROGRAM DESCRIPTION & EXPERIENCE (20 POINTS)

Strengths of Provider 1: strong infant/toddler experience; strong “extras” (health, etc.) in program; strong overall experience; good diversity; expertise at funding streams; variety of centers

Weaknesses of Provider 1: possible capacity issues (recent growth, change of E.D.s); lesser emphasis on program than on everything else (no evidence that program is not good, however); lesser numbers served for same space (hard to criticize this as a policy, however)

Score: 18

Strengths of Provider 2: strong child care experience; Board participation; commitment to reduce costs; some extras (cook, social worker); affordable even to private payers

Weaknesses of Provider 2: lack of diversity; lack of infant toddler; de-emphasis on program; have only run one center ever

Score: 15

Strengths of Provider 3: Head Start experience; strong child care experience; good extras (counseling, etc.); variety of centers

Weaknesses of Provider 3: lack of infant toddler; weak Board; least diversified funding

Score: 12

Strengths of Provider 4: strong program emphasis; strong diversity; infant/toddler experience; strong Board; some good extras

Weaknesses of Provider 4: not very diversified funding; have only run 1–2 centers ever; Provider 4 approach may be limiting

Score: 16

FINANCIAL PLAN (20 POINTS)

Strengths of Provider 1: Strong experience with “wrap-around” financing; flexibility to choose any of a variety of options; Early Head Start contractor

Weaknesses of Provider 1: more government dependent than some

Score: tbd

Strengths of Provider 2: Variety of funding mechanisms; good Board support

Weaknesses of Provider 2: no Head Start

Score: tbd

Strengths of Provider 3: Head Start

Weaknesses of Provider 3: not really very experienced otherwise; no Board leadership

Score: tbd

Strengths of Provider 4: Variety of funding mechanisms; good Board support

Weaknesses of Provider 4: no Head Start

Score: tbd

BUILDING RENOVATION & MAINTENANCE EXPERIENCE (15 POINTS)

Strengths of Provider 1: Strong experience; most savvy; Board strength in fundraising; Head Start experience; 108 loan experience

Weaknesses of Provider 1: Possible bad experience; lead person over-extended?; little housing project experience

Score: 14

Strengths of Provider 2: Ongoing experience working with architects, builders, funding sources; good volunteer cadre to help

Weaknesses of Provider 2: experience pretty small-scale; lead person over-extended? (less than Provider 1); no actual Board capital experience; quasi-housing project experience

Score: 12

Strengths of Provider 3: some build-out background (but not under current staff); housing project experience; Head Start experience

Weaknesses of Provider 3: no Board role; no 108 loan experience (under current head); no comparable build out

Score: 12

Strengths of Provider 4: comparable build out in housing development; architect, contractor work; Board funding role

Weaknesses of Provider 4: no recent experience; no Head Start or 108 experience

Score: 13

COLLABORATION EXPERIENCE (25 POINTS)

Strengths of Provider 1: experience with a variety of centers, and a variety of community roles; familiar with community players

Weaknesses of Provider 1:

Score: 22

Strengths of Provider 2: good long local history; collaboration with Home Depot, CCC; good community support

Weaknesses of Provider 2: hasn't had a varied history

Score: 20

Strengths of Provider 3: experience with a variety of centers, and collaborators; long community history

Weaknesses of Provider 3: single funding source lessens collaborative effort

Score: 20

Strengths of Provider 4: good broad-based support; at least one very “connected” Board member
Weaknesses of Provider 4: not familiar with local community; slim history of need for collaboration

Score: 18

COMMITMENT TO PROJECT (10 POINTS)

Strengths of Provider 1: proven track record, in field and neighborhood

Weaknesses of Provider 1: possibly over-extended; least interested

Score: 6

Strengths of Provider 2: threat of loss of current space is real, thus commitment serious; Board commitment

Weaknesses of Provider 2: may be too much for them to undertake; may not have long-term focus needed

Score: 9

Strengths of Provider 3: threat of loss of current space is real, thus commitment serious; funding available

Weaknesses of Provider 3: haven’t seemed very focused on this project

Score: 7

Strengths of Provider 4: threat of loss of current space is real, thus commitment serious; Board commitment

Weaknesses of Provider 4: new location, new neighborhood, big fundraising project: will they still be interested in 4 years?

Score: 9

COMMUNITY (10 POINTS)

Strengths of Provider 1: long CT community history; connected throughout CT community, and perhaps outside

Weaknesses of Provider 1: success may mean less “grass-roots”

Score: 8

Strengths of Provider 2: deep and broad CT community support

Weaknesses of Provider 2: not well known in broader community

Score: 8

Strengths of Provider 3: well-known in community

Weaknesses of Provider 3: didn’t demonstrate deep or broad community support

Score: 7

Strengths of Provider 4: some strong community connections

Weaknesses of Provider 4: new neighborhood with new community

Score: 6

THOUGHTS ON CHILD CARE PROVIDERS TOUR

	<i>Org Capacity (20 pts.)</i>	<i>Financial Plan (20 pts)</i>	<i>Bldg reno exp (15)</i>	<i>Collabo- ration (25 pts)</i>	<i>Commit- ment (10 pts)</i>	<i>Community (10 pts)</i>	<i>Total (100 max)</i>
Provider 1	Org trying to catch up w/past growth. Questions about future. Good programs. Would have lmt private pay 14 pts	Good exp w/subsidies/ contracts	Excellent, facilities devt person on staff 15 pts	Well connected, work w/almost everyone in City 23 pts	Not sure—real strategic point for org 5 pts	V.G but not sure if they have exp w/bldg prefs. Family resource Ctr—excellent. 8 pts	65 pts
Provider 2	No exp w/infants. Not clear if program would expand or just move Exp beyond Chinese-Am population? 15 pts	Good exp w/subsidies/ contracts	Limited but familiar w/city procurement process 10 pts	Well connected w/funding, community 20 pts	Strong Board, staff, lots of fundraising exp 10 pts	Lmt special needs kids, well connected to community but Chinese Am community—others? 8 pts	63
Provider 3	Okay but desire not demonstrated. Not much desc of plan for Bwy 12 pts	Good exp w/subsidies/ contracts	Limited to date beyond portables 10 pts	Familiar with funding, have own Home Base Pgm to supplement, Private Pay a question? 17 pts	Not clear. No Board experience w/fundraising 7 pts	NB Place, not sure re: private pay experience 7 pts	53
Provider 4	How many infants can they really take? Real low-income experience? 15 pts	Not a lot of exp w/multiple funders though fundraising exp	Good exp working with SFRA and bldg architect, own janitorial. 12 pts	Florence Crittendon and Head Start, Board experience w/collaboration but otherwise ltd. 18 pts	Motivated staff and Board, know how to fundraise 10 pts	Familiar with bldg and neighborhood preferences, bilingual staff, questions re: low income exp, lmt special needs kids 6 pts	61

Other notes:

- Provider 1: Concerns over timing and desire to do project. Is the Board willing to take on another project right now? Seemed to waffle on commitment to project.
- Provider 2: No experience with infants. Board is strong/committed, experienced fundraisers. Very motivated to take on project. Some concerns about ability to serve diverse population—not a lot of experience beyond Chinese-American population.
- Provider 3: Board does not seem strong enough to support major fundraising effort or expansion program. Thin SOQ—not a lot of enthusiasm demonstrated.
- Provider 4: Not a lot of experience with different funding sources—can they really serve the low-income population? Have strong Board and experience with annual giving campaigns. Not clear if they are well connected to community programs to supplement their own i.e. health, education, etc.

BROADWAY FAMILY APARTMENTS CHILD CARE TIMELINE

Background:	MOH issues NOFA for multifamily housing including requirement that proposals specifically address need for child care services for residents. Chinatown CDC consults with Child Care Facilities Fund for needs assessment. Highest need is for subsidized infant/toddler care, with moderate/less determinate need for preschool care. Site location suggests potential use by Downtown business community as well as service workers and residents of Chinatown. Decision is made to attempt to identify a provider who can offer blended funding care, and serve at least some infants/toddlers.
May/June 2001	Solicitation of Interest meeting held by CCDC and CCFF. RFQ issued. Four providers respond. Responses reviewed by CCDC with input from CCFF; site visits conducted; interviews with Boards.
August 2001	Provider 1 selected. Proposed infant/toddler center with blended Early Head Start, CDE contracted slots and Private Pay.
November 2001	Architectural services grant of 20 hours made by CCFF. Paulett Taggart Architects (PTA) engaged to meet with housing architect, do initial architectural programming, prepare preliminary schematics and cost estimates.
Dec 2001	Initial design meetings held with developer, housing architects, provider, CCFF.
Feb 2002	Provider enters into architectural services contract with PTA. CCFF Planning grant of \$20,000 awarded to provider.
Feb–Aug 2002	Design Development. Coordination with housing and landscape architects. Schematics submitted to Mayor's Office of Disability (MOD) 8/02
Oct–Nov 2002	Provider rethinks organizational capacity. Asks to withdraw from project.
Dec 2002	Reassessment of initial proposals. Project is offered to Provider 3 and accepted.
Jan 2003	MOU between CCDC and Provider 3 drafted.
Jan 2003	PTA enters into arch services agreement with Provider 3, begins redesign for preschool-age children. Provider 3 brings \$100,000 in committed HS funding. Owners rep for housing development agrees to provide services to child care operator.
Jan–July 2003	Redesign of center. 50% progress set submitted to MOD 7/03.
May 2003	Chinatown CDC applies for \$500,000 MHP NSSF funding.
Aug 2003	50% CD cost estimate prepared by GC (Roberts Obayashi). Development budget revised accordingly.
Feb 2004	Construction Drawings substantially complete. Project on hold pending CCDC funding.
Jan 2005	Revisiting 3rd classroom design/operating options for possible toddler care.
April 2005	Meet to update development budget, determine need for additional Head Start funding.
Housing construction expected to begin Summer '05. Child care build out will begin in month 14, expected 120 day construction period.	

LACDC—RFQ Example

September 2, 2003

Dear Child Care Provider:

The Los Angeles Community Design Center (LACDC) invites you to respond to the attached Request for Qualifications (RFQ). LACDC is offering financial and technical help to center-based child care providers in Los Angeles County to expand their current program into new or renovated facilities.

Providers selected through this RFQ process may be eligible to receive:

- Up to \$25,000 in child care facility planning grants,
- Up to 40 hours of pro bono predevelopment and development services, and
- Low interest loan financing through the Low Income Investment Fund.

These services are made available through the Affordable Buildings for Children's Development (ABCD) Program, sponsored by the David and Lucile Packard Foundation. As an ABCD development partner, LACDC is working to help build more child care centers in Los Angeles County by providing design and development services to licensed center-based providers.

LACDC is one of the largest nonprofit developers of affordable housing and community facilities in Southern California, and has extensive experience in the design and development of child care centers. Recently, LACDC has built three child care centers as part of affordable housing projects, and has designed and provided construction management for two stand-alone centers.

If your organization is interested in expanding your current child care program and receiving technical and financial assistance from LACDC, please take the time to prepare a response to this RFQ and submit it to LACDC by the deadline of September 30, 2003.

Sincerely,

Robin Hughes
Executive Director

REQUEST FOR QUALIFICATIONS (RFQ)

Los Angeles Community Design Center (LACDC)

Invites your application to participate in the

Affordable Buildings for Children's Development (ABCD) Program

Responses Due by Tuesday, September 30, 2003

1. PURPOSE OF THE REQUEST FOR QUALIFICATIONS (RFQ)

The Los Angeles Community Design Center (LACDC) is offering financial and technical help to center-based child care providers in Los Angeles County to expand their current program into new or renovated facilities. This RFQ is the process by which LACDC will select the several providers that it can assist.

Providers selected through this RFQ process may be eligible to receive some or all of the following services to support their child care expansion programs:

- Up to \$25,000 in child care facility planning grants, which can be used for business plan development, market studies, environmental assessments, and other typical project planning needs through the ABCD Program.
- Up to 40 hours of pro bono predevelopment and development services.
- Low interest loan financing through the Low Income Investment Fund.

The RFQ application process is designed to be simple for applicants. Eligible providers will prepare brief responses to the questions in Section 5 of this RFQ and submit them to LACDC by the deadline of September 30, 2003. LACDC will review the submitted responses, and contact several providers to schedule interviews and site visits. Contractual negotiations with the selected providers would begin shortly thereafter.

LACDC Overview

LACDC is one of the largest nonprofit developers of affordable housing and community facilities in Southern California. Since 1968, LACDC has provided architectural and development services to over 500 community groups, and has assisted in the construction of over 2,500 units of permanent affordable housing. LACDC also has extensive experience in the design and development of community facilities, including child care centers. Recently, LACDC has built three child care centers as part of affordable housing projects, and has designed and provided construction management for two stand-alone centers.

LACDC Child Care Center Development Services

As a full service professional real estate development and architectural firm, LACDC can provide comprehensive design and development services to a client, or can provide individual services as part of the overall development process. These services may include assistance with:

- Defining the program of the building,
- Finding and controlling appropriate real estate to build the center upon,
- Analyzing the economic feasibility of the project,
- Researching the zoning, environmental, building code, and other regulatory requirements,

- Identifying and negotiating with funding sources for the project,
- Providing architectural and design services, and
- Providing construction management.

A full list of child care center development services offered by LACDC is attached.

ABCD Program Overview

LACDC is a partner in California's Affordable Buildings for Children's Development (ABCD) Program, sponsored by the David and Lucile Packard Foundation. As an ABCD development partner, LACDC is working to help build more child care centers in Los Angeles County by providing design and development services to licensed center-based providers. The ABCD Program includes:

1. The **ABCD Fund**, which provides grants and loans for planning, acquisition and construction costs for child care centers, as well as low cost long-term real estate financing;
2. **ABCD Development Assistance**, which helps community developers increase the statewide construction of child care facilities within educational, health, and housing facilities;
3. **ABCD CONNECTIONS**, which helps strengthen the facilities development expertise of child care providers and intermediaries through trainings and resource sharing; and
4. **ABCD Campaign to Sustain Child Care**, which builds coalitions to advocate for increased child care program operating subsidies from state and local governments.

2. SUBMISSION GUIDELINES

All responses must be received in the office of the Los Angeles Community Design Center on or before 5:00 p.m., September 30, 2003. Send or deliver to:

Los Angeles Community Design Center
Attn: Fran Hereth
315 West Ninth Street, Suite 410
Los Angeles, CA 90015

Need Assistance?

If you have questions about preparing your response to the RFQ, please contact:

Catherine Pedrosa
Child Development Regional Resource Center
Tel: (323) 421-1489
Email: cpedrosa@crystalstairs.org

Laura Escobedo
LA County Child Care Planning Committee
Tel: (213) 974-4102
Email: lescobed@cao.co.la.ca.us

3. ELIGIBLE APPLICANTS

Applicants to the RFQ must be licensed, center-based child care providers planning to expand their program through the development of new or rehabilitated child care centers. Eligible types of providers include:

- Non-profit organizations,
- Limited partnerships and/or single-asset entities controlled by non-profit organizations,
- For-profit organizations, and
- School districts.

To be considered as a recipient of LACDC's services through the ABCD Program, an applicant must:

- Be a licensed center-based child care provider,
- Have a proven track record in successfully providing high-quality child care services,
- Have strong financial systems and excellent management of its program,
- Have an excellent reputation in the child care funding community,
- Serve children and families in Los Angeles County, and
- Target at least 50% of the spaces to be created to children from low-income families. Children from low-income families are identified as:
 - Those whose care is subsidized by:
 - California Department of Education
 - The State Preschool program
 - CalWORKS Stage 1
 - HeadStart
 - A voucher program
 - Or, those whose household income is at or below 60% of area median income as defined by the U.S. Department of Housing and Urban Development (HUD).

4. ELIGIBLE PROJECTS

Eligible projects can be either new construction or spaces to be renovated/rehabilitated. The projects can serve infants through school-age children.

The projects can be funded in a variety of ways, including State and/or local funds, HeadStart funds, and market-rate fees (market-rate centers must target at least 50% of the spaces to be created to children from low-income families, as defined above.)

5. RFQ QUESTIONS

Please identify each of your answers using the numbering system used in the RFQ, and answer every question. Limit narrative responses to 3–4 sentences. Please feel free to attach organizational or program materials if applicable.

I. Organizational Information

- A. Name of organization.
- B. Contact information.
- C. Mission statement of organization.
- D. Brief description of management structure (or attach organizational chart).
- E. Brief description of organization's history.
- F. Brief description of child care center(s) currently operated by organization.
 - Current licensed capacity and enrollment at each center.
 - Are there wait lists at your centers?
 - Number and type of staff at each center.
 - Ages of children served at each center.
 - How are operating costs covered at each center?
 - Percent of organizational administrative costs allocated to each center.

II. Expansion Potential

- A. Do you have a business plan for expansion? (If yes, please attach.)
- B. Why are you expanding?
- C. Who is involved with overseeing and making decisions regarding the expansion plans?
- D. Do you have a site identified or under control for your proposed center? If so, please provide:
 - Size of lot and/or building.
 - Location (at least the zip code).
 - Other characteristics, if known (zoning, etc.).

III. Financing/Fundraising

- A. Provide your current organizational operating budget or financial statements (audited statements preferred).
- B. Describe how the organization's existing child care centers are funded.
- C. Describe any capital funds that the organization has available to support expansion.
- D. Describe any operating funds that the organization has available to support expansion.
- E. Describe the organization's experience and success with fundraising efforts.

IV. Program Staffing Description

A. Please briefly describe the following staff-related components of your child care program:

- Ratios by age group.
- Qualifications (please attach job descriptions and salary ranges).
- Training or professional development plan(s).
- Average staff turnover.

6. EVALUATION CRITERIA

The primary consideration in selecting several providers to participate in the ABCD Program will be an evaluation of the applicant's past experience in providing quality child care services. Key factors in this evaluation will include:

- Organizational readiness (available site, available operating and/or capital funds funds, demand for existing program, etc.);
- Licensing, accreditation;
- Financial health;
- Fundraising capacity;
- Staff qualifications and staff turnover;
- No significant and/or continuing operating deficits; and
- Quality of administration and program.

Key quality indicators for early childhood programs include:

- Developmentally appropriate environment (e.g., supports learning with equipment and activities suitable for targeted age groups);
- Staff with education, experience and appropriate training;
- Higher staff-child ratios that promote maximum interaction and attention;
- Small group size in classrooms;
- Adequate teacher wages;
- Low staff turnover;
- Opportunities for parent involvement; and
- Programming that helps families gain access to comprehensive services.

7. SELECTION PROCESS AND SCHEDULE

LACDC will be reviewing responses individually to identify potential providers who are ready to develop new or renovated facilities for their child care program. Submittal of a response does not guarantee selection as a qualified provider by LACDC, and LACDC reserves the right to not select any providers from the submittals that are received. LACDC may request additional information or documentation from providers, or may wish to verify information submitted in a provider's response to the RFQ.

LACDC will begin to review responses after the submittal deadline of September 30, and will seek to contact candidates within 30 days of this deadline to schedule interviews and site visits. Contractual negotiations with the several selected providers would begin shortly thereafter.

LOS ANGELES COMMUNITY DESIGN CENTER SCOPE OF SERVICES FOR CHILD CARE FACILITIES DEVELOPMENT

The Los Angeles Community Design Center works with child care providers and other community stakeholders to develop new child care facilities throughout the Southern California region. Services offered include:

PROGRAM DEVELOPMENT

- Determine early child development program including number of children served, age range and group, and staff pattern.
- Identify design objectives, limitations and criteria.
- Determine space relations, flexibility, expandability and adjacencies.
- Estimate the square footage requirements for interior and exterior space, other programs and parking.

SITE IDENTIFICATION AND CONTROL

- Identify available and appropriate sites within the service area.
- Identify owner(s) and assess interest in selling or leasing the property.
- Conduct market comparable analysis to determine the appropriate lease payment or purchase price for the property.
- Negotiate letter of intent to enter into a lease or purchase and sale agreement.
- Enter into contract for site control.

FEASIBILITY ANALYSIS

- Analyze physical characteristics of the property to ensure compatibility with project concept.
- Conduct zoning, land use and building code, and community care licensing analysis.
- Conduct building/site evaluation to assess development potentials and limitations.
- Coordinate preparation of conceptual design diagrams with architect.

PROPERTY DUE DILIGENCE

- Conduct title inspection.
- Order and review the following reports if required: soils, geological and environmental investigation.

DEVELOPMENT ANALYSIS

- Work with child care provider to prepare an operating statement which analyzes gross potential income and operating expenses as well as debt capacity of the proposed child care facility.
- Prepare development budget that identifies acquisition costs, construction or rehabilitation costs, construction related costs and other development costs.

- Identify potential sources of funding including private debt financing, public subsidies, grants, donations, and other equity.
- Identify and select other development team members and outline roles and responsibilities.
- Prepare a design and development timeline with key decision making points and milestones identified.

REAL ESTATE DEVELOPMENT/PROJECT MANAGEMENT

- Manage the site identification, selection and acquisition process.
- Secure acquisition, predevelopment, construction and permanent financing.
- Manage the development team members, including the architect and the contractor.
- Manage the development timeline and process including all predevelopment, design, construction and initial occupancy phases.
- Secure entitlement and land use approvals.
- Oversee the community outreach and engagement process.

ARCHITECTURAL AND DESIGN

- Analyze and document overall building requirements.
- Prepare space facility program.
- Prepare Schematic Design Documents.
- Prepare Design Development Documents.
- Prepare Construction Documents.
- Develop Preliminary Construction Budget.
- Participate in value engineering.
- Assist client in obtaining bids or negotiated proposals and in awarding and preparing contracts for construction.
- Provide Construction Administration services.

CONSTRUCTION MANAGEMENT/OWNER'S REPRESENTATIVE

- Provide budget, bid, contract documents and value engineer reviews prior to the beginning of construction.
- Review and monitor contractor's construction schedule and schedule of values.
- Review and monitor all claims and lien releases.
- Conduct weekly progress meetings.
- Review all change order requests.
- Review and approve monthly draw requests.
- Prepare monthly construction status report.

Partnering with a Provider— *Lease & Service Agreement Example*

Child Care Center License **[Name of Development]** **[City, State]**

LICENSOR: [LICENSOR NAME]
LICENSEE: [LICENSEE NAME]

Date: [DATE]

TABLE OF CONTENTS

	Page
1. LICENSE OF PREMISES	221
2. LICENSE TO OPERATE	222
3. DELIVERY OF PREMISES AND TERM	224
4. RENT	225
5. TAXES PAYABLE BY LICENSEE	226
6. USE	227
7. SERVICES	231
8. MAINTENANCE AND REPAIRS	233
9. ALTERATIONS	234
10. INDEMNIFICATION AND RELEASE OF LICENSOR	236
11. INSURANCE	237
12. COMPLIANCE WITH LEGAL REQUIREMENTS	239
13. PROHIBITION AGAINST ASSIGNMENT OR SUBLICENSE	239
14. RIGHTS RESERVED BY LICENSOR	239
15. EVENTS OF DEFAULT AND REMEDIES	240
16. DAMAGE, DESTRUCTION OR CONDEMNATION	241
17. SUBORDINATION, MERGER AND SALES	242
18. ESTOPPEL CERTIFICATE	243
19. RETURN OF POSSESSION	244
20. SECURITY DEPOSIT	244
21. WAIVER	245
22. NOTICES	245
23. MISCELLANEOUS	246
Exhibit A - Floor Plan Outlining the Premises and Outdoor Play Area	
Exhibit B - Development Rules and Regulations for Nonresidential Licensees	
Exhibit C - Form of Licensee Quarterly Report	
Rent Rider	

CHILD CARE CENTER LICENSE
[DEVELOPMENT NAME]
[CITY, STATE]

THIS CHILD CARE CENTER LICENSE (this “License”), is made as of [DATE], by and between [_____, a(n) _____], (“Licensor”) and [_____, a(n) _____], (“Licensee”).

1. LICENSE OF PREMISES

1.1 Premises. Licensor hereby licenses to Licensee, and Licensee hereby licenses from Licensor, for the term and subject to the covenants hereinafter set forth, to all of which Licensor and Licensee hereby agree, certain space containing approximately [SQUARE FOOTAGE] square feet of interior floor space (the “Premises”) as shown by the cross hatching on the site plan attached hereto as Exhibit A. The Premises is part of the building located at [ADDRESS OF DEVELOPMENT] (the “Building”). The Building is part of the mixed use and residential project commonly known as [DEVELOPMENT NAME] (the “Development”). [Licensor owns a ground leasehold interest in the real property on which the Premises are located, pursuant to that certain Ground Lease Agreement (Residential) (the “Ground Lease”) dated [DATE OF AGREEMENT] between Licensor and the [GROUND LESSOR] (“Ground Lessor”), and this License is subject to the terms and conditions of such Ground Lease. ONLY IF APPLICABLE].

1.2 The Outdoor Play Area (SECTION OPTIONAL). Throughout the term of this License, Licensee shall have the exclusive use, during Licensee’s hours of operation, of the outdoor play area comprising approximately [SQUARE FOOTAGE] square feet immediately adjacent to the Premises as shown on Exhibit A, including the playground improvements thereon (the “Playground Equipment”) (the “Outdoor Play Area”). Licensee may not use the Outdoor Play Area at any time other than during Licensee’s hours of operation established pursuant to [SECTION OF AGREEMENT RE” OPERATING HOURS] (“Licensee’s Operating Hours”) and Licensor shall have the right to use, or grant to any persons or entity(ies) the right to use, the Outdoor Play Area at any time other than during Licensee’s Operating Hours. Licensor and/or its management company shall have the right to access the Outdoor Play Area for maintenance purposes between the hours of [HOURS OF OPERATION], or at other agreed upon times arranged with Licensee.

1.3 Child Care Improvements/Center. The term “Child Care Improvements” shall mean the Premises and the Outdoor Play Area (if applicable). The child care services operation and program conducted by Licensee on the Premises and the Outdoor Play Area shall be referred to herein as the “Child Care Center”.

2. LICENSE TO OPERATE

2.1 Occupancy of Child Care Improvements. On the terms and conditions set forth in this License Agreement, Licensors grants to Licensee, and Licensee accepts from Licensors, a license to occupy and use Child Care Improvements. The Child Care Improvements includes [INSERT NUMBER] parking spaces located as shown on Exhibit A. The Child Care Improvements do not include any other space within the Development such as the residential units, any other occupied or reserved parking spaces, operated and used by Licensors exclusively for the benefit of the tenants of Licensors. During the business hours of the Child Care Center, Licensee may allow the children to use, on an exclusive basis, the fenced Outdoor Play Area. Licensee shall not use other play areas in the courtyard that are reserved for the tenants, guests and invitees of Licensors. The Licensors and/or its property management company shall have the right to access the Outdoor Play Area for maintenance purposes in the morning between the hours of 7 am and 8 am or at another agreed upon time as arranged with the Licensee.

2.2 Reservation of Right to Use. Licensors reserves the right to use the Child Care Improvements any evening after 6:00 P.M. on weekdays and all day on weekends and holidays when the Child Care Center is closed with 24-hours advance notice and the consent of Licensee, which consent shall not be unreasonably withheld. Licensors shall name Licensee as additionally insured on Licensors's liability insurance policies. After each use, Licensors shall leave the Child Care Improvements in the same condition in which the Child Care Improvements were found.

2.3 Use of Child Care Improvements During the term of this License, Licensee shall use the Child Care Improvements to provide child care services. The duties and responsibilities of Licensee with respect to its operation of the Child Care Center and use of the Child Care Improvements are set forth in this Section 2.3 as well as other sections of this License.

2.3.1 Licensee shall develop, administer, supervise, and operate the Child Care Center on the Child Care Improvements. Licensee shall obtain and maintain all licenses, permits and approval required by the State and required by those public agencies having jurisdiction over the operation of a Child Care Center on the Child Care Improvements. Licensee shall deliver to Licensors copies of all such licenses, permits, and approvals prior to the time that any children use or occupy the Child Care Improvements. Following the initial provision of these licenses, permits and approvals, the Licensee shall provide these licenses, permits and approvals annually following the State Community Care Licensing Annual Visit. Licensee shall be solely responsible for the recruitment, screening, hiring, training and supervising of all child care staff.

2.3.2 Licensee shall follow the following terms in implementing and operating the Child Care Center:

- (a) Licensee agrees to follow the following minimum staffing guidelines:
 - (i) Infants/Toddlers [INSERT REQUIREMENT, e.g. 1:4]
 - (ii) Pre-schoolers [INSERT REQUIREMENT, e.g. 1:12]
- (b) Age group configurations will change with changing demands. Age groups are defined as follows:
 - (i) Infants/Toddlers Up to age 24 months
 - (ii) Pre-schoolers 24 months and up
- (c) License will comply with all licensing requirements, including capacity.
- (d) Licensee shall require staff certifications. As a minimum, all staff will have and maintain the necessary current certifications, including, without limitation, any new infant/toddler and continuing education requirements as required by the State of California for licensing purposes.

2.3.3 It shall be the duty of the Licensee, at Licensee's sole cost and expense, to purchase or procure furniture, equipment and supplies for the operation of the Child Care Center.

2.3.4 Licensee shall provide for janitorial, telephone, electric, gas and water services for the Child Care Improvements, and shall pay all monthly telephone, electric, gas and water charges.

2.3.5 [OPTIONAL: If providing meals] Licensee shall provide a minimum of lunch and two (2) snacks per day that meet the requirements of the USDA Child Care Food Program.

2.3.6 Licensee shall submit a statistical and financial report regarding the operations of the Child Care Center to Licensur or its agent on an annual basis by [INSERT DATE] for the preceding fiscal year ended [INSERT DATE].

2.3.7 Licensee will comply with fee schedules, if any, mandated by Licensee's funding sources, and shall make good faith efforts to ensure the fee schedules provide the greatest possible eligibility for low and very low income residents of the Development.

2.3.8 Licensee will be prepared to operate the Child Care Center no later than [DATE], unless delay in occupancy is caused by the Licensur or by licensing approvals. If delay is caused by the Licensur, the Licensur shall notify the Licensee no less than thirty (30) days prior to the mutually agreed upon occupancy date. The Licensur and the Licensee will cooperate to determine a new occupancy date.

2.3.9 Licensee shall establish regular business hours, which shall be subject to approval by Licensur and which shall reasonably accommodate the needs of working parents. The approved business hours shall be posted in the Child Care Center.

3. DELIVERY OF PREMISES AND TERM

3.1 Term. The term of this License shall begin on [COMMENCEMENT DATE] (“Commencement Date”) and shall end on [END OF TERM DATE]. Licensors shall deliver the Child Care Improvements to Licensee on the Commencement Date.

3.2 Termination Right. Licensors and Licensee shall each have the right to terminate this License at any time upon at least one hundred eighty (180) days prior written notice to the other, which notice shall specify the date of termination. Notwithstanding the foregoing, Licensee shall not have the right to terminate this License prior to payment in full of the Initial Improvement Rent (if any) in the amount and as defined in the Rent Rider attached hereto. Additionally, subject to the approval of Licensors, which approval shall not be unreasonably withheld, conditioned or delayed, Licensee may terminate this License by giving ninety (90) days prior written notice to Licensors only when Licensee demonstrates that operating funds from the federal or state governments or any other funding source will be or have been terminated, reduced or withheld so that such actions materially impact Licensee’s ability to provide child care services at the Premises.

3.3 Condition of Premises. LICENSEE AGREES THAT THE CHILD CARE IMPROVEMENTS ARE BEING LICENSED BY LICENSOR, AND ARE ACCEPTED BY LICENSEE, IN THEIR EXISTING STATE AND CONDITION, “AS IS, WITH ALL FAULTS,” AND LICENSEE ACKNOWLEDGES AND AGREES THAT NEITHER LICENSOR NOR ITS REPRESENTATIVES HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, OF ANY KIND, WITH RESPECT TO THE CONDITION OF THE CHILD CARE IMPROVEMENTS, THE SUITABILITY OR FITNESS OF THE CHILD CARE IMPROVEMENTS, THE BUILDING OR THE DEVELOPMENT OR ANY APPURTENANCES THERETO FOR THE DEVELOPMENT, USE OR OPERATION OF THE CHILD CARE CENTER, THE COMPLIANCE OF THE CHILD CARE IMPROVEMENTS, THE BUILDING OR THE DEVELOPMENT WITH ANY LAWS, ANY MATTER AFFECTING THE USE, VALUE, OCCUPANCY OR ENJOYMENT OF THE CHILD CARE IMPROVEMENTS, OR, EXCEPT AS MAY BE SPECIFICALLY PROVIDED IN THIS LEASE, WITH RESPECT TO ANY OTHER MATTER PERTAINING TO THE CHILD CARE IMPROVEMENTS OR ANY APPURTENANCES THERETO. LICENSEE HAS INSPECTED OR HAD AN OPPORTUNITY TO INSPECT THE CHILD CARE IMPROVEMENTS FOR CODE AND SAFETY MATTERS, AND HAS SATISFIED ITSELF THAT THE CHILD CARE IMPROVEMENTS ARE SUITABLE AND SAFE FOR ITS USE.

LICENSEE (initial)

3.4 Release and Waiver. As part of its agreement to accept the Child Care Improvements in its “As Is, With All Faults” condition, effective upon delivery, Licensee, on behalf of itself and its successors and assigns, is deemed to waive any right to recover from, and forever releases, acquits and discharges Licensors, its successors and assigns, of and from any and all claims, liability, damage or loss, whether direct or indirect, known or unknown, foreseen or unforeseen, that Licensee may now have or that may arise on account of or in any way be connected with (i) the physical, geotechnical or environmental condition of the Child Care Improvements, including, without limitation, any hazardous materials in, on, under or above the Child Care Improvements (including, but not limited to, soils and groundwater conditions), and (ii) any laws applicable thereto, including, without limitation, laws relating to hazardous materials. If Licensors shall have made available any reports or other documents concerning the Child Care Improvements, including the

physical condition, Licensee acknowledges such reports or other documentation have been provided as an accommodation to Licensee, without representation or warranty, express or implied, regarding their accuracy. Licensee hereby waives and agrees never to assert any claim against Licenser based in whole or in part on any inaccuracy or incompleteness of any such reports or documents.

3.5 Unknown Claims. In connection with the foregoing release, Licensee acknowledges that it is familiar with statutory and common law principles, which provide that a general release does not extend to claims which the creditor does not know or expect to exist in his or her favor at the time of executing the release, which if known to him or her must have materially affected the settlement with the debtor. Licensee agrees that the release contemplated by this Section 3 includes unknown claims. Accordingly, Licensee hereby waives the benefits of any statute or common law principle contrary to the provisions and releases contained in this Section 3. Notwithstanding anything to the contrary in this Lease, the foregoing release shall survive any termination of this Lease.

LICENSEE (initial)

4. RENT

4.1 Base Rent. Subject to the terms of the Rent Rider attached hereto, beginning on the Commencement Date, Licensee shall pay Licenser, in advance, on or before the first day of each calendar month of the term of this License, a monthly base rental equal to \$_____ (the “Base Rent”). If the Commencement Date occurs on any day other than the first day of a calendar month, the monthly installment of Base Rent for the period from the Commencement Date through the end of said calendar month shall be due and payable on the Commencement Date, and the Base Rent installment payable upon execution of this License shall be credited against the Base Rent due for the first full calendar month of the term.

[OPTIONAL]

The Base Rent due hereunder shall increase on [DATE] to \$_____ per month.

[OPTIONAL]

The Base Rent due hereunder shall be subject to annual increases on each anniversary of the Commencement Date (each a “Base Rent Adjustment Date”), such increases equal to _____% of the Base Rent payable during the month immediately prior to such Base Rent Adjustment Date.

4.2 Rent and Other Charges. Initial Improvement Rent (if any), Market Rent (if any), Base Rent and any other amounts which Licensee is or becomes obligated to pay Licenser under this License, including, without limitation, payments for certain utilities pursuant to Section 7.1, reimbursement for maintenance and repair expenses pursuant to Section 8.1, and reimbursement for insurance expense pursuant to Section 11.5, are sometimes collectively referred to herein as “Rent” and all remedies applicable to non-payment of Rent hereunder, at law or in equity shall be applicable thereto. Licensee shall pay all Rent to Licenser without notice, demand, deduction or offset, in lawful money of the United States of

America, at the address of Licensor specified in next to Licensor's signature hereto, or to such other person or at such other place as Licensor may from time to time designate in writing.

4.3 Late Payments. Licensee acknowledges that the late payment by Licensee of any Rent will cause Licensor to incur costs and expenses, the exact amount of which is extremely difficult and impractical to fix. Such costs and expenses will include administration and collection costs and processing and accounting expenses. Therefore, if any Rent is not received by Licensor within five (5) days after such Rent is due, Licensee shall immediately pay to Licensor a late charge equal to four percent (4%) of such delinquent payment. Licensor and Licensee agree that such late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Licensor for the loss suffered by Licensee's failure to make timely payment. In no event shall such late charge be deemed to grant to Licensee a grace period or extension of time within which to pay any Rent or prevent Licensor from exercising any right or enforcing any remedy available to Licensor upon Licensee's failure to pay any Rent due under this License in a timely fashion, including the right to terminate this License. All amounts of money payable to Licensee to Licensor hereunder, if not paid when due, shall bear interest from the due date until paid at the maximum annual interest rate allowed by law for business loans (not primarily for personal, family or household purposes) not exempt from the usury law at such due date or, if there is no such maximum annual interest rate, at the rate of eighteen percent (18%) per annum.

5. TAXES PAYABLE BY LICENSEE

Licensee shall pay prior to delinquency all taxes, assessments, license fees, charges or other governmental impositions assessed against or levied or imposed upon Licensee's business operations, or upon Licensee's interest herein granted, or Licensee's fixtures, furnishings, equipment and personal property located in the Premises, or otherwise on the Child Care Improvements, and any improvements to the Child Care Improvements that may be made by Licensee in accordance with the terms herein. Whenever possible, Licensee shall cause all such items to be assessed and billed separately from the property of Licensor. In the event any such items shall be assessed and billed with the property of Licensor, Licensee shall pay Licensor its share of such taxes, charges or other governmental impositions within thirty (30) days after Licensor delivers a statement and a copy of the assessment or other documentation showing the amount of such impositions applicable to Licensee's property. Licensee shall pay any rent tax or sales tax, service tax, transfer tax or value added tax, or any other applicable tax on the Rent or services herein or otherwise respecting this License.

[FOR NON-PROFIT CORPORATIONS AS OPPOSED TO GOVERNMENT AGENCIES, ADD THE PARAGRAPH BELOW.]

[Additionally, as a material covenant of this License, Licensee shall annually complete and file an application for a welfare exemption from real property taxes, and shall submit a copy of the complete application to Licensor not later than February 15 of each year, and Licensee shall at all times during the term hereof maintain its designation as a charitable organization under Section 501(c)(3) of the Internal Revenue Code.]

6. USE

6.1 Permitted Use. The Premises shall be used solely for the purposes of operating the Child Care Center as provided herein (the **“Permitted Use”**). Licensee shall not use or permit the Child Care Improvements to be used for any purpose other than the Permitted Use.

6.2 Continuous Operation. Licensee, at its sole cost and expense, shall keep and maintain the Premises fully fixtured, furnished, supplied and staffed for the efficient serving of its customers and shall operate the Child Care Center in a first class manner, diligently and continually throughout the term of this License. Licensee shall keep the Child Care Center to be operated during the hours from [OPERATING HOURS] (“Licensee’s Operating Hours”) without interruption, provided that Licensee may, at its option, operate during shorter hours or not at all on New Year’s Day, Martin Luther King Day, Chinese Lunar New Year, Presidents’ Day, Memorial Day, Independence Day, Labor Day, Veteran’s Day, Thanksgiving, the day after Thanksgiving, Christmas, and such other holidays as are generally recognized in [CITY, STATE]. In addition, Licensee may, at its option, operate during shorter hours or not at all during the Summer Break Recess, Winter Break Recess and Spring Break Recess for the [CITY, STATE] Public School System. Any change in Licensee’s Operating Hours shall be subject to Licensors’ prior written approval, which approval shall not unreasonably be withheld or delayed, provided that such operating hours shall be at least six (6) hours per day Monday through Friday and shall be established to reasonably accommodate the needs of working parents, if possible. Licensee’s Operating Hours shall be posted in the Premises.

6.3 Specific Operating Covenants.

6.3.1 Licensee shall obtain and maintain all licenses, permits and approval required by the State of California and required by those public agencies having jurisdiction over the operation of a Child Care Center on the Child Care Improvements and Licensee shall continuously comply with all requirements of such licenses, permits and approvals. Without limiting the foregoing, Licensee shall comply with California Code of Regulations, Title 22, Division 12, Chapter 1. Licensee shall obtain the initial licenses, permits and approval within sixty (60) days of execution of this License. If Licensee fails to secure such permits, the License will terminate immediately. Licensee shall deliver to Licensors copies of all such licenses, permits, and approvals prior to the time that any children use or occupy the Child Care Improvements. Following the initial provision of these licenses, permits and approvals, the Licensee shall provide these licenses, permits and approvals annually within thirty (30) days following the State Community Care Licensing Annual Visit; provided that any temporary permits issued by the State on such inspection date shall meet this criteria so long as final license and permit(s) are provided within sixty (60) days following the annual visit. Licensee shall be solely responsible for the recruitment, screening, hiring, training and supervising of all child care staff. Licensors makes no representations or warranties that Licensee will be able to obtain any licenses, permits or other authorizations necessary or required to conduct the uses permitted herein on the Child Care Improvements.

6.3.2 Licensee shall provide child care services for not less than [INSERT NUMBER (#)] children and up to the maximum capacity as permitted by the State’s Community Care Licensing. Such services shall target children between the ages of [INSERT AGE RANGE] years old. Licensee shall use its

best efforts to provide such child care services for [INSERT NUMBER] children at all times throughout the term of this License.

6.3.3 Licensee shall comply with the enrollment priority set forth below when enrolling children in the Child Care Center program. Licensee will be informed of changes by Licensor in the enrollment priority and be given a reasonable time to implement the changes. The Licensee shall collect and maintain a waiting list, if necessary, assigning preferences according to the below mentioned enrollment system.

First priority: Residents and employees of the Development and employees of the Licensee;

Second Priority: Residents of the [ADDRESS] homeownership units (OPTIONAL IF PART OF THE DEVELOPMENT ARE HOMEOWNERSHIP UNITS);

Third priority: Residents of other properties developed by [DEVELOPER] (“NAME OF DEVELOPER”) and owned by an affiliate of [DEVELOPER] or by a limited partnership in which [DEVELOPER] or an affiliate of [DEVELOPER] is the general partner (collectively, “[DEVELOPER] Properties”) and residents of public housing in the City of [CITY OF DEVELOPMENT];

Fourth priority: Residents of the [NEIGHBORHOOD IN WHICH DEVELOPMENT IS LOCATED];

Fifth priority: Residents of other apartment complexes owned by nonprofit organizations or entities whose managing general partner is a 501(c)(3) organization; (OPTIONAL FOR NON-PROFITS) and

Sixth priority: Other children.

Licensee will actively market all openings for child care services to residents of the Development. Licensee will cooperate with Licensor to publicize the process for being placed on the priority list. All enrollment vacancies will be filled from the priority list using the priorities established above.

6.3.4 Licensee shall provide parenting education classes (OPTIONAL), which shall be open to all residents of the Development.

6.3.5 Licensee shall submit statistical and financial reports regarding the operations of the Child Care Center covered by this License to Licensor or its agent on a quarterly basis no later than thirty (30) days after the end of each quarter of the calendar year using Exhibit C - Form of Licensee Quarterly Report.

6.3.6 One copy of all keys and security system access codes necessary for access to and operation of the Premises and the Outdoor Play Area (OPTIONAL) will be provided to Licensee, who will be solely responsible for their replication, allocation, control, and replacement, if necessary. Should rekeying of the Premises or the Outdoor Play Area (OPTIONAL) become necessary due to a factor within Licensee’s control and outside Licensor’s control, Licensee shall pay such rekeying costs. Security procedures, such as fire exits, earthquake, etc., will be developed by Licensee staff and submitted to Licensor for its review prior to implementation.

6.3.7 Licensee shall make diligent, good faith efforts to find and maintain adequate funding to provide child care services at an affordability target level which matches the income level of residents of

the Development. Without limiting the foregoing, Licensee shall comply with fee schedules, if any, mandated by Licensee's funding sources, and shall make good faith efforts to ensure the fee schedules provide the greatest possible eligibility for low and very low income residents of the Development.

6.3.8 Licensee will be prepared to operate the Child Care Center on the Child Care Improvements by no later than [DATE], unless delay in operation is caused by licensing approvals. Licensee shall use diligent efforts to obtain all licensing approvals necessary to operate the Child Care Center by [DATE].

6.4 General Operating Covenants. As further consideration to Licensors to enter into this License, Licensee covenants and agrees as follows: (i) Licensee shall not conduct or permit to be conducted on the Child Care Improvements any sale by auction, or any fire, distress or bankruptcy sale; (ii) Licensee shall not place or install on the Child Care Improvements or permit the use on the Child Care Improvements of any video games, pinball machines, vending machines, newspaper racks, cigarette vending machines or other coin-operated devices; (iii) Licensee shall not store any items outside the boundaries of the Premises, nor shall Licensee place or permit portable signs or any other objects or devices to be stored or to remain outside such boundaries; (iv) the visual appearance of the interior of the Premises from the surrounding exterior area shall be clean, visually attractive and open, and in keeping with operation of a first-class child care establishment; and (v) Licensee shall conduct its business to minimize noise in and about the Child Care Improvements. In addition, Licensee shall not operate or license (or permit to be operated or licensed) any portion of the Child Care Improvements for adult entertainment or the sale of alcoholic beverages, firearms, adult books or adult videos. Licensee shall not do or permit to be done in, on or about the Child Care Improvements, nor bring or keep or permit to be brought or kept therein, anything which is prohibited by or will in any way conflict with any law, ordinance, rule, regulation or order now in force or which may hereafter be enacted, or which is prohibited by any insurance policy carried by Licensors for the Building or the Development, or which will in any way increase the existing rate of, or cause a cancellation of, or affect any insurance for the Building or the Development. Licensee shall comply with all applicable federal, state and local reporting and disclosure requirements applicable to its operations on the Child Care Improvements. Licensee shall not do or permit anything to be done in or about the Child Care Improvements which will in any way obstruct or interfere with the rights of Licensors or other authorized occupants of the Development, or injure or annoy them. Licensee shall not cause, maintain or permit any nuisance in, on or about the Child Care Improvements or commit or suffer to be committed any waste in, on or about the Child Care Improvements.

6.5 Hazardous Substances.

6.5.1 Licensee shall not bring, keep, discharge or release or permit to be brought, kept, discharged or released, in or from the Child Care Improvements, the Building or the Development any toxic or hazardous substance, material or waste or any other contaminant or pollutant, other than non-reportable quantities of such substances when found in commonly used household cleansers and office supplies, and any such substances shall be used, kept, stored and disposed of in strict accordance with all applicable federal, state and local laws. Licensee shall notify Licensors immediately upon discovery of the presence, discharge or release of any hazardous or toxic substance in or around the Child Care Improvements, the Building or the Development (other than the substances expressly permitted above). Upon the written request of Licensors, Licensee shall provide periodic written reports of the type and quantities of hazardous substances, materials, waste and contaminants used, stored or being disposed of by Licensee in the

Premises. If Licensors in good faith determines that such substances create a risk to the health and safety of the Licensee's employees and invitees or to any other authorized occupants or invitee of the Development, Licensee shall, upon demand by Licensors, take such remedial action, at the sole cost and expense of Licensee (including, without limitation, elimination or removal of any hazardous substances from the Child Care Improvements brought, kept, discharged or released by Licensee or any contractor, agent, invitee or employee of Licensee), as Licensors deems necessary or advisable or as required by any applicable law.

6.5.2 Licensee shall promptly notify Licensors of: (i) any enforcement, cleanup or other regulatory action taken or threatened by any governmental or regulatory authority with respect to the presence of any Hazardous Material on the Child Care Improvements or the migration thereof from or to other property, (ii) any demands or claims made or threatened by any party against Licensee or the Child Care Improvements relating to any loss or injury resulting from any Hazardous Material on or from the Child Care Improvements, and (iii) any matters where Licensee is required by applicable law to give a notice to any governmental or regulatory authority respecting any hazardous material on the Child Care Improvements. Licensors shall have the right (but not the obligation) to join and participate, as a party, in any legal proceedings or actions affecting the Child Care Improvements initiated in connection with any environmental, health or safety law. The term "Hazardous Material" for purposes hereof shall mean any chemical, substance, material or waste or component thereof which is now or hereafter listed, defined or regulated as a hazardous or toxic chemical, substance, material or waste or component thereof by any federal, state or local governing or regulatory body having jurisdiction, or which would trigger any employee or community "right-to-know" requirements adopted by any such body, or for which any such body has adopted any requirements for the preparation or distribution of a material safety data sheet.

6.5.3 If any Hazardous Material is released, discharged or disposed of by Licensee or any other occupant or guest of the Child Care Improvements, or their employees, agents or contractors, on or about the Child Care Improvements, or the Development in violation of the foregoing provisions, Licensee shall immediately, properly and in compliance with applicable laws clean up and remove the Hazardous Material from the Child Care Improvements, and the Development and any other affected property and clean or replace any affected personal property (whether or not owned by Licensors, Licensee or any third party), at Licensee's expense. Such clean up and removal work shall be subject to Licensors's prior written approval and direction (except in emergencies), and shall include, without limitation, any testing, investigation, and the preparation and implementation of any remedial action plan required by any governmental body having jurisdiction or reasonably required by Licensors. If Licensee shall fail to comply with the provisions of this Section within five (5) days after written notice by Licensors, or such shorter time as may be required by applicable law or in order to minimize any hazard to persons or property, Licensors may (but shall not be obligated to) arrange for such compliance directly or as Licensee's agent through contractors or other parties selected by Licensors, at Licensee's expense (without limiting Licensors's other remedies under this Lease or applicable law).

6.5.4 Notwithstanding anything to the contrary, Licensors shall not be obligated to request, review, approve, act upon or provide any information or precautions referred to in this Section and any failure by Licensors to do so shall not be deemed approval or authorization by Licensors of the actions of Licensee.

6.5.5 [Pursuant to California Health and Safety Code Section 25359.7, Licensee acknowledges the presence of hazardous substances beneath the Child Care Improvements, Building and/or Development. Environmental studies conducted in connection with the redevelopment of the Development have indicated that residual concentrations of various chemicals are present in subsurface soils and groundwater at the Development. These chemicals are believed to have been associated with historical uses of the site. Copies of the environmental documents listed above are available for review at the Development's management offices located at [ADDRESS]. ONLY IF APPLICABLE]

6.6 Compliance with Rules. Licensee shall comply with the Development Rules and Regulations for Nonresidential Licensees ("Rules") as they may be promulgated or amended by Licensor from time to time. The initial Rules are attached hereto as Exhibit B and incorporated herein by reference. Licensor shall not be liable to Licensee for any violation of the Rules by other occupants of the Development.

6.7 Nondiscrimination. Licensee covenants by and for Licensee and Licensee's heirs, personal representatives and assigns and all persons claiming under Licensee or through Licensee that this License is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Child Care Improvements herein licensed nor shall Licensee or any person claiming under or through Licensee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Child Care Improvements herein licensed.

6.8 Resident Hiring. [OPTIONAL: If there is a resident hiring requirement for the Development site] Licensee acknowledges that subject to [INSERT REGULATORY AGREEMENT], that Licensor must encourage employment of qualified residents of the Development. Although Licensee shall have no obligation to hire any one or more individuals (specifically including residents of the Development), Licensee agrees to notify the [INSERT REGULATORY AGENCY] of all openings in entry-level positions at the Child Care Center. Any such notice shall be given concurrently with placing advertisements in local advertising media or posting notices at the Premises. The notices will contain a job description and will state the qualifications for employment, such as education or training, needed skills and other requirements. Licensee will interview qualified applicants according to its standard procedures. Licensee reserves the right to promptly select or reject any or all applicants, based on Licensee's needs and the applicants' qualifications.

7. SERVICES

7.1 Utilities. Licensee shall pay for all water, sewer, gas, electricity, telephone, and other utility-type services furnished to Licensee or the Child Care Improvements, together with all related installation or connection charges or deposits. The Child Care Improvements shall be separately metered or charged, and the Licensee shall contract with and pay directly the provider, for gas, electricity and telephone. Licensor shall provide water, sewer and refuse collection, and Licensee shall reimburse Licensor for all costs incurred by Licensor in connection with the provision of such services based on Licensor's reasonable estimate of the level of Licensee's use or consumption of such services. As additional Rent Licensor shall bill Licensee on

a monthly or other periodic basis for such services and payment shall be made by Licensee within ten (10) days after submittal of Licensors statement. Licensors may, at any time, at Licensors sole discretion, elect to have water, sewer or refuse collection separately metered or charged to the Child Care Improvements, in which event Licensee shall pay the provider thereof directly. If at any time a utility serving the Child Care Improvements is not separately metered or charged, then, as additional Rent, Licensors shall bill Licensee on a monthly or other periodic basis for such services and payment shall be made by Licensee within ten (10) days after submittal of Licensors statement.

7.2 Interruption in Services. Licensors shall not be liable in damages for (i) any interruption whatsoever in utility services which is due to fire, accident, strike, governmental authority, acts of God, or other causes beyond the reasonable control of Licensors, (ii) the limitation, curtailment, rationing or restriction on use of water, electricity, gas or any form of energy serving the Child Care Improvements, the Building or the Development, whether such results from mandatory governmental restrictions or voluntary compliance with governmental guidelines, or (iii) any temporary interruption in such service which is necessary to the making of alterations, repairs, or improvements to the Building or the Development or any part of either, nor shall Licensors be liable under any circumstances for consequential damages, however occurring, arising in connection with or incidental to any of the foregoing, nor, shall any such failure, interruption or curtailment relieve Licensee from the duty to pay the full amount of rent herein reserved, or constitute or be construed as a constructive or other eviction of Licensee. Licensee hereby waives the provisions of California Civil Code Section 1932(1) or any other applicable existing or future law with respect to such occurrence. Whenever it is reasonably possible to do so, Licensors shall give prior notice to Licensee of any interruption in service for which Licensors is responsible and shall use its best efforts to schedule such interruption in such a manner as to minimize the impact on Licensees business.

7.3 Electrical Energy Use in the Premises. Licensees use of electrical energy on the Child Care Improvements shall not at any time exceed the capacity of any of the electrical panel boards, risers, transformers and other equipment serving the Child Care Improvements. In order to insure that such capacity is not exceeded and to avoid any possible adverse effect upon the Building's or Development's distribution of electricity via the Building's or Developments' electrical system, Licensee shall not, without Licensors prior consent (not to be unreasonably withheld) connect any trade fixtures, appliances, lighting or equipment (other than such items which do not increase Licensees overall electrical consumption) to the electrical system serving the Child Care Improvements, other than as existing on the commencement of the term of this License.

7.4 Security, Safety Systems and Programs. Any security system installed by Licensee in the Premises must be compatible with any Building-wide or Development-wide security system and shall be subject to Licensors prior written approval and all other provisions of this License. The risk that any safety or security device, service or program may not be effective, or may malfunction or be circumvented by a criminal, is assumed by Licensee with respect to Licensees property and interests, and Licensee shall obtain insurance coverage to the extent Licensee desires protection against such criminal acts and other losses. Licensee agrees to cooperate in any reasonable safety or security program developed by Licensors or required by applicable law. The parties acknowledge that safety and security devices, services and programs provided by Licensors, if any, while intended to deter crime and ensure safety, may not in given instances prevent theft of other criminal acts, or ensure safety of persons or property.

8. MAINTENANCE AND REPAIRS

8.1 Licensor's Maintenance Obligations. Licensor shall maintain and repair the roof of the Building and the structural elements of the Premises including outside walls, (but excluding windows, any awnings, the entry or entry doors and Licensee's signs or fascia attached to the front of the Premises); any Building systems or equipment serving the Premises in common with other leasable space in the Building, and the Building foundations. If applicable, Licensor shall also maintain the Outdoor Play Area and Playground Equipment in good condition and repair, subject to Licensee's cleaning obligations with respect thereto set forth in Section 8.2. As additional Rent, Licensee shall reimburse Licensor for ____% of the cost of Licensor's repairs and maintenance; provided Licensee shall be required to reimburse Licensor for 50% of the expense incurred by Licensor to maintain and repair the Outdoor Play Area (OPTIONAL) and Playground Equipment. Licensor shall bill Licensee on a monthly or other periodic basis for such costs, and payments shall be made by Licensee within ten (10) days after submittal of Licensor's statement. Any damage in or to any such areas, elements or systems or any other portion of the Building or the Development, caused by Licensee or any agent, officer, employee, contractor, licensee or invitee of Licensee shall be repaired by Licensor at Licensee's expense and Licensee shall pay to Licensor, upon billing by Licensor, as additional Rent, the cost of such repairs incurred by Licensor. Any damage in or to any such areas, elements or systems or any other portion of the Building or the Development, caused by Licensor or any agent, officer, employee, contractor, resident or invitee of Licensor shall be repaired by Licensor at Licensor's expense.

8.2 Licensee's Maintenance Obligation. Licensee shall, at all times during the term of this License and at Licensee's sole cost and expense, maintain and repair the Premises and every part thereof and all equipment, fixtures and improvements therein and keep all of the foregoing clean and in good order and operating condition, ordinary wear and tear and damage thereto by fire or other casualty excepted. Licensee shall also be responsible for cleaning maintenance of the Outdoor Play Area (OPTIONAL). All repairs and replacements made by or on behalf of Licensee shall be made and performed at Licensee's cost and expense, by contractors or mechanics reasonably approved by Licensor and so that the same shall be at least equal in quality, value, character and utility to the original work or installation being repaired or replaced. Licensee hereby waives all rights under California Civil Code Section 1941 and all rights to make repairs at the expense of Licensor or in lieu thereof to vacate the Premises as provided by California Civil Code Section 1942 or any other law, statute or ordinance now or hereafter in effect. Subject to Section 19 hereof, Licensee shall, at the end of the term of this License, surrender to Licensor the Child Care Improvements and all alterations, additions, fixtures and improvements therein or thereto in the same condition as when received, ordinary wear and tear and damage thereto by fire or other casualty excepted. Without limiting the generality of the foregoing:

8.2.1 Licensee shall maintain in a clean condition, its signs (whether within or outside of the Premises), metal work, walls, partitions, floors, doors and the interior and exterior of all windows in the Premises.

8.2.2 Licensee shall provide its own janitorial service for the Child Care Improvements. At the end of each outdoor play period, and at the end of each business day, Licensee shall direct its staff to dispose of any debris in the Outdoor Play Area (OPTIONAL). Licensee shall store all refuse and other waste materials within the Premises in a location which is not visible to customers and shall cause such refuse and

waste materials to be removed from the Premises daily to such location in the Building and in such a manner as may be designated from time to time by Licensor. Licensee shall not place or discard waste materials in any part of the Building, except in the designated collection area.

8.2.3 Licensee shall cause to be maintained in good operating condition and repair all heat, ventilating and air conditioning equipment installed in the Premises. If Licensor so elects, Licensee shall retain the services of Licensor or a maintenance company retained by Licensor to perform maintenance of Licensee's heating, ventilating and air conditioning equipment and shall reimburse Licensor for the costs thereof upon demand.

8.2.4 Licensee shall maintain all electrical and plumbing pipes, lines, outlets, fixtures, and other utility installation in or exclusively serving the Premises. Licensee shall also maintain all sanitary waste lines and facilities within the Premises and beyond the Premises to the point of intersection with common waste lines. Licensee acknowledges that water and sewer service are not separately metered and hereby agrees to reimburse Licensor for the costs associated with its share of the water and sewer service.

8.2.5 Licensee shall retain the services of a licensed pest control contractor to maintain the Premises free of rodents, roaches and other vermin.

8.2.6 Licensee shall contract for and obtain directly its own separate rubbish removal service and agrees to not use Licensor's trash facilities.

8.3 Glass Repair and Maintenance. As soon as practicable and in any event within five (5) days after any exterior glass in the Premises is broken or cracked, including a so-called "bull's eye" break in the glass, Licensee shall, at its sole cost and expense, replace such glass with glass of the same kind and quality, and, as may be necessary or desirable in connection with such replacement, repair or replace the frames for such glass. In the event that Licensee shall fail to so replace such glass and, if necessary, repair or replace such frames within said five (5) day period, Licensor may at any time thereafter replace such glass and, if necessary, replace or repair such frames on Licensee's behalf and Licensee shall promptly pay to Licensor the reasonable cost incurred by Licensor in so doing. In addition, Licensee, at Licensee's expense, shall clean the interior of all windows and the interior and exterior of all doors (including in each case the frames therefor) of the Premises and the perimeter walls thereof whenever, in the reasonable judgment of Licensor, it is necessary.

9. ALTERATIONS

9.1 Alterations, Additions or Improvements. Licensee shall not make any alterations, additions or improvements in or to the Child Care Improvements or any part thereof, or attach any fixtures or equipment thereto, without Licensor's prior written consent, which consent, except as hereinafter provided, shall not be unreasonably withheld or delayed. All alterations, additions and improvements, if any, made by Licensee in or to the Child Care Improvements shall be made at Licensee's sole cost and expense, shall be consistent with the use of the Child Care Improvements, shall not adversely affect the utility of the Child Care Improvements for future licensees, shall not affect in any way the structural, exterior or roof elements of the Building or the mechanical, electrical, plumbing or life safety systems of the Building or cause or result in Licensor being

required by law to make additional alterations, additions or improvements to the Building or any portion thereof, and shall otherwise be done in compliance with all of the following:

9.1.1 No such work shall proceed without Licensors prior written approval of (i) Licensee's contractor(s); (ii) certificates of insurance from a company or companies approved by Licensors, furnished to Licensors by Licensee's contractor for such insurance as may be reasonably required by Licensors; (iii) adequate financial assurances in form and substance reasonably requested by Licensors securing the lien-free completion of the intended work, and (iv) detailed plans and specifications for such work, prepared by a licensed architect and engineer approved in writing by Licensors.

9.1.2 All such work shall be done strictly in accordance with the plans approved by Licensors and otherwise in conformity with a valid building permit and/or all other permits or licenses when and where required, copies of which shall be furnished to Licensors before the work is commenced, and with any work not acceptable to any governmental authority or agency having or exercising jurisdiction over such work, or not reasonably satisfactory to Licensors, being promptly replaced and corrected at Licensee's expense. Licensors approval or consent to any such work shall not impose any liability upon the Licensors.

9.1.3 Licensee shall pay Licensors prior to commencement of the work an administration fee equal to ____ percent (___%) of the cost of the work to compensate Licensors for the administrative costs incurred and the Building services provided by Licensors in the supervision and coordination of the work.

9.1.4 Licensee shall immediately reimburse Licensors for any expense incurred by Licensors by reason of any faulty work done by Licensee or Licensee's contractors, or by reason of inadequate cleanup.

9.1.5 Licensee shall be responsible for any alterations, additions or improvements required by law to be made by Licensors to or in the Child Care Improvements, the Building, or the Development as a result of Licensee's proposed alterations, additions or improvements.

9.1.6 Licensee or its contractors will in no event be allowed to make plumbing, mechanical or electrical improvements to the Child Care Improvements which adversely affect the Building or any structural modification to the Building without first obtaining Licensors consent, which Licensors can in its sole and absolute discretion.

9.1.7 All work by Licensee shall be scheduled through Licensors and shall be diligently and continuously pursued from the date of its commencement through its completion.

9.1.8 Upon completion of any alterations, additions or improvements in or to the Premises by Licensee, Licensee shall, at its sole cost and expense, promptly provide Licensors with updated "record" drawings of all such alterations and improvements.

9.2 No Liens. Licensee shall give written notice to Licensors of the date on which construction of any work will be commenced at least ten (10) days prior to such date. Licensee shall keep the Child Care Improvements and the Building free from mechanics', materialmen's and all other liens arising out of any work performed, labor supplied, materials furnished or other obligations incurred by Licensee. Licensors shall have the right to post and keep posted on the Premises any notices that may be provided by law or which Licensors may deem to be proper for the protection of Licensors, the Child Care Improvements and the Building

from such liens. Licensee shall promptly and fully pay and discharge all claims on which any such lien could be based, and in case of any such lien attaching or notice of any lien, Licensee covenants and agrees to cause it to be immediately released and removed of record. Notwithstanding anything to the contrary set forth in this License, in the event that such lien is not released and removed by bond or otherwise within five (5) days after written notice of such lien is delivered by Licensor to Licensee, Licensor may, without waiving its rights and remedies based upon such breach by Licensee and without releasing Licensee from any of its obligations, immediately take all action necessary to release and remove such lien, without any duty to investigate the validity thereof, and all sums, costs and expenses, including reasonable attorneys' fees and costs, incurred by Licensor in connection with such lien shall be deemed additional rent under this License and shall immediately be due and payable by Licensee.

10. INDEMNIFICATION AND RELEASE OF LICENSOR

10.1 Limitation of Licensor's Liability. Licensor shall not be liable to Licensee, and Licensee hereby waives any and all claims against Licensor, for any damage to or loss or theft of any property or for any bodily or personal injury, illness or death of any person in, on or about the Child Care Improvements, the Building or the Development, from any cause whatsoever, except to the extent caused solely by the gross negligence or willful misconduct of Licensor. In addition, in no event shall Licensor be liable for any consequential, special or punitive damages (including, but not limited to, damage or injury to persons, property and the conduct of Licensee's business and any loss of revenue therefrom). In addition to the foregoing limitations of liability set forth above, Licensee acknowledges and agrees that in the event it shall have any claim against Licensor arising out of or related to this License, Licensee's sole and exclusive recourse shall be against the interest of Licensor in the Development, and Licensee hereby releases and waives any and all rights to assert any claim against, or obtain any damages from, the partners, members, directors and officers of Licensor or any persons or entities constituting or representing Licensor.

10.2 Indemnification. Licensee shall indemnify and defend Licensor, [Management Company, Developer, Asset Management Company, Subsidiary, LLC (if applicable)], and their respective agents, employees and affiliates (collectively, "Indemnitees") against and hold Indemnitees harmless from all claims, demands, liabilities, damages, losses, costs and expenses, including reasonable attorneys' fees and disbursements, arising from or related to any use or occupancy of the Child Care Improvements, or any condition created or suffered to exist by Licensee on the Child Care Improvements, or any default in the performance of Licensee's obligations or any breach by Licensee of any of its representations or warranties under this License, or any damage to any property (including property of employees and invitees of Licensee), or any bodily or personal injury, illness or death of any person (including employees and invitees of Licensee), occurring in, on or about the Child Care Improvements or any part thereof arising at any time and from any cause whatsoever (except that the indemnity as to any Indemnatee shall not apply to the extent caused solely by the gross negligence or willful misconduct of such Indemnatee), or any bodily or personal injury, illness or death of any person (including employees and invitees of Licensee) occurring in, on or about any part of the Building or the Development other than in, on or about the Child Care Improvements when such damage, bodily or personal injury, illness or death is caused by any act or omission of Licensee or its agents, officers, employees, contractors, invitees or licensees, or if any Indemnatee becomes or is made a party to any claim or action instituted by any third party against Licensee, or by or against any person holding

any interest under or using the Child Care Improvements by agreement with Licensee. This Section 10.2 shall survive the termination of this License with respect to any damage, bodily or personal injury, illness or death occurring prior to such termination. The indemnification provisions of this Section 10 are in addition to and shall not detract from, or impair, the indemnification obligations of Licensee under any other provisions of this License.

11. INSURANCE

11.1 Insurance Requirements. Licensee shall maintain the following insurance coverage commencing prior to Licensee's first entry on the Premises and continuing throughout the term.

11.1.1 "Commercial General Liability" insurance policies with coverage at least as broad as ISO form CG 00 01 10 93, insuring against claims for bodily injury (including death), property damage, personal injury and advertising liability occurring upon the Child Care Improvements or operations incidental or necessary thereto located in or on the Child Care Improvements, such insurance to afford protection in an amount not less than [INSERT DOLLAR AMOUNT (#)] each occurrence covering bodily injury and broad form property damage including contractual liability (which includes coverage of the indemnity obligations of Licensee under this License) and products and completed operations coverage, except that such insurance in excess of [INSERT SPECIFIC NUMBER(#)] may be covered by a so called "umbrella" or "excess coverage" policy. Such policy or policies shall provide that the coverage limits are not depleted by payment of defense costs. Furthermore, such policies shall not include any exclusion or limitation with respect to sexual abuse or molestation coverage. Licensee shall maintain policies of business automobile liability insurance covering all owned, non owned or hired motor vehicles to be used in connection with Licensee's use and occupancy of the Child Care Improvements with the limits specified above or such lesser liability limits as may be approved by Licensor. All liability insurance carried by Licensee hereunder shall name Licensor [and Management Company (if applicable)] as an additional insured and any other party specified by Licensor. During the term, Licensee shall also maintain workers' compensation insurance as required by statute endorsed to provide waiver of subrogation for the benefit of Licensor.

11.1.2 Property insurance covering all improvements, alterations, and additions installed on the Child Care Improvements by or for Licensee (including without limitation improvements in excess of shell improvements in the Child Care Improvements as of the Commencement Date), and Licensee's personal property, equipment, fixtures and business records in the Premises for damage or other loss caused by fire or other casualty or cause including, but not limited to, vandalism and malicious mischief, theft, water damage of any type (including sprinkler leakage, bursting or stoppage of pipes), explosion, and floor (if the Building is in a flood zone), in an amount not less than the full replacement value thereof, which replacement value coverage shall include the amount necessary to restore the Premises to its condition existing prior to the damage, including, without limitation, restoration of historic elements, to the extent possible under then-applicable law (including, but not limited to any required code upgrades) with an agreed amount endorsement and the elimination of a co-insurance requirement.

11.1.3 Loss of income/business interruption insurance in such amounts as will reimburse Licensee for direct or indirect loss of earnings attributable to all perils commonly insured against under an extended coverage property insurance policy or attributable to prevention of access to or use of the Child Care

Improvements, the Building or the Development as a result of such perils but in no event in an amount less than all Rent or other sums payable hereunder for twelve (12) months.

11.2 General Requirements. All insurance required under this Section 11 and all renewals thereof shall be issued by good and responsible companies qualified to do and doing business in the State of California and which are rated A and have a financial size category of at least VIII in the most recent Best's Key Rating Guide, or any successor thereto (or if there is none, an organization having a national reputation). Each policy shall expressly provide that the policy shall not be canceled or altered without thirty (30) days' prior written notice to Licensor and shall remain in effect notwithstanding any such cancellation or alteration until such notice shall have been given to Licensor and such period of thirty (30) days shall have expired. All liability insurance under this Section 11 shall name Licensor and any other parties designated by Licensor as an additional insured, shall be primary and noncontributing with any insurance which may be carried by Licensor, shall afford coverage for all claims based on any act, omission, event or condition that occurred or arose (or the onset of which occurred or arose) during the policy period, and shall expressly provide that Licensor, although named as an insured, shall nevertheless be entitled to recover under the policy for any loss, injury or damage to Licensor. Upon the issuance thereof, Licensee shall deliver each such policy or a certified copy and a certificate thereof to Licensor for retention by Licensor. If Licensee fails to insure or fails to furnish to Licensor upon notice to do so any such policy or certified copy and certificate thereof as required, Licensor shall have the right from time to time to effect such insurance for the benefit of Licensee or Licensor or both of them and all premiums paid by Licensor shall be payable by Licensee as additional Rent on demand.

11.3 Waiver of Subrogation. Licensee waives on behalf of all insurers under all policies of property, liability and other insurance (including workers' compensation) now or hereafter carried by Licensee insuring or covering the Child Care Improvements, or any portion or any contents thereof, or any operations therein, all rights of subrogation which any insurer might otherwise, if at all, have to any claims of Licensee against Licensor. Licensor waives on behalf of all insurers under all policies of property, liability and other insurance (including workers' compensation) now or hereafter carried by Licensor insuring or covering the Building or any portion or any contents thereof, or any operations therein, all rights of subrogation which any insurer might otherwise, if at all, have to any claims of Licensor against Licensee. Licensee shall, prior to or immediately after the date of this License, procure from each of the insurers under all policies of property, liability and other insurance (including workers' compensation) now or hereafter carried by Licensee insuring or covering the Premises, or any portion or any contents thereof, or any operations therein, a waiver of all rights of subrogation which the insurer might otherwise, if at all, have to any claims of Licensee against Licensor as required by this Section 11.3.

11.4 Periodic Review of Coverage. In order to maintain the same levels and scope of coverage that will exist as of the Commencement Date, the amounts and types of coverage called for herein shall be subject to review by Licensor at the end of each five (5) year period following the Commencement Date and shall be increased or extended as appropriate to maintain comparable amounts and types of coverage, including adjustments to reflect inflation in property values and awards for personal injury or wrongful death.

11.5 Licensee's Share of Licensor's Insurance Costs. Licensee shall reimburse Licensor for the lesser of [INSERT \$] or the actual cost of all insurance premiums and costs paid by Licensor in connection

with property, liability, and any other insurance maintained by Licensor in connection with the portion of the Development insured by Licensor. Licensee shall make such payments quarterly within thirty (30) days after billing by Licensor.

12. COMPLIANCE WITH LEGAL REQUIREMENTS

Licensee shall, at Licensee's sole cost and expense, promptly comply with all laws, ordinances, rules, regulations, orders and other requirements of any government or public authority now in force or which may hereafter be in force, including, without limitation, all relevant laws, ordinances, rules, regulations and orders dealing with the use, transport, storage and disposal of asbestos, petroleum products and hazardous substances, materials and waste which are or may become regulated by any local government authority, the State of California or the United States of America, the federal Americans With Disabilities Act as it affects Licensee's operations and employees on the Child Care Improvements, with all requirements of any board of fire underwriters or other similar body now or hereafter constituted, with the conditions of any certificate of occupancy of the Building or any recorded instrument encumbering the Building (copies of which are provided to Licensee), and with all directives issued pursuant to any law by any governmental agency or officer, insofar as any thereof relate to or are required by the condition (including any condition preexisting the delivery of the Child Care Improvements to Licensee), use or occupancy of the Child Care Improvements, or the operation, use or maintenance of any personal property, fixtures, machinery, equipment or improvements in the Child Care Improvements, whether now in effect or enacted in the future and whether or not now foreseeable, but Licensee shall not be required to make structural changes unless structural changes are related to or required by Licensee's acts or use of the Child Care Improvements or by improvements made by or for Licensee.

13. PROHIBITION AGAINST ASSIGNMENT OR SUBLICENSE

The persons and entity operating the Child Care Center on the Child Care Improvements are of great importance to Licensor. As a result, this License is personal to Licensee, and Licensee shall not assign, transfer, mortgage, pledge, hypothecate or encumber this License or any interest therein, and shall not sublet the Child Care Improvements or any part thereof or grant to any person or entity any license or other right to use the Child Care Improvements or any part thereof. Any attempt to do any act prohibited in this Section 13 shall be null and void.

14. RIGHTS RESERVED BY LICENSOR

14.1 Reserved Rights. Licensor reserves the right to control the Child Care Improvements, Building and the Development (which rights may be exercised without subjecting Licensor to claims for constructive eviction, abatement of Rent, damages or other claims of any kind), including, without limitation, the rights set forth below. In the exercise of its rights under this Section 14, Licensor shall make reasonable efforts to minimize any interference with Licensee's use of the Child Care Improvements.

14.2 Entry by Licensor. Licensor shall have the right to enter the Child Care Improvements with reasonable verbal or written notice at any time to (a) inspect the Child Care Improvements, (b) exhibit the

Child Care Improvements to prospective purchasers, lenders or licensees, (c) determine whether Licensee is performing all of Licensee's obligations, (d) supply any services to be provided by Licensor, (e) post notices of non-responsibility, and (f) make any repairs to the Child Care Improvements, or make any repairs to any adjoining space or utility services, or make any repairs, alterations or improvements to any other portion of the Building. Licensee waives all claims for damages for any injury or inconvenience to or interference with Licensee's business, any loss of occupancy or quiet enjoyment of the Child Care Improvements or any other loss occasioned by such entry. Licensor shall at all times have a key to unlock all doors in or to the Child Care Improvements (excluding Licensee's safes, vaults and similar security areas designated in a written notice delivered by Licensee to Licensor) and Licensor shall have the right to use any and all means which Licensor may deem proper to open such doors in an emergency to obtain entry to the Child Care Improvements. Any entry to the Child Care Improvements obtained by Licensor by any of such means shall not under any circumstances be construed or deemed to be a violation of this License, or a forcible or unlawful entry into or a detainer of the Child Care Improvements or an eviction, actual or constructive, of Licensee from the Child Care Improvements or any portion thereof.

14.3 Limitations of Access. Licensor shall have the right to limit or prevent access to the Child Care Improvements, the Building or the Development, or otherwise take such action or preventive measures deemed necessary by Licensor for the safety of Licensee or other occupants or licensees of the Development, the Building or Child Care Improvements or the protection of the Development, the Building or the Child Care Improvements and other property located thereon or therein, in case of fire, structural deficiency, earthquake, invasion, insurrection, riot, civil disorder, public excitement or other dangerous condition, or threat thereof.

14.4 Changes. Licensor shall have the right to: (i) change the name of the Development or the street address of the Premises or the Building; (ii) install and maintain signs on the exterior of the Building and/or the Development; (iii) to decorate and make alterations, additions and improvements, structural or otherwise, in or to the Development, the Building or any part thereof, and any adjacent building, structure, parking facility, land, street or alley (including, without limitation, changes and reductions in parking facilities, landscaped areas, driveways, roads and other public areas and the installation of signs, kiosks, planters, sculptures, displays, and other structures, facilities, amenities and features therein, and changes for the purpose of connection with or entrance into the Child Care Improvements, the Building or the Development or use of the Development in conjunction with any adjoining or adjacent building or buildings, now existing or hereafter constructed). In connection with such matters, or with any other repairs, maintenance, improvements or alterations in or about the Child Care Improvements, the Building or the Development, Licensor may erect scaffolding and other structures reasonably required, and during such operations may enter upon the Child Care Improvements and take into and upon or through the Child Care Improvements all materials required to make such repairs, maintenance, alterations or improvements, and may close public entry ways or other public areas.

15. EVENTS OF DEFAULT AND REMEDIES

15.1 Event of Default. All of the terms and conditions contained in this License are considered material. Licensee's failure to observe and perform any provision of this License to be observed and performed by Licensee, as and when such performance is required shall constitute a material default or

breach by Licensee (each an “Event of Default”). Licensors may, in its sole discretion and without any obligation to do so, give Licensee a thirty (30) day period to cure any Event of Default which does not jeopardize the health or safety of any of the occupants or users of the Child Care Improvements, Building, or Development, prior to terminating this License.

15.2 Remedies.

15.2.1 Upon the occurrence of any Event of Default, Licensors may terminate this License by any lawful means, in which case this License and the rights granted Licensee hereunder shall immediately terminate and Licensee shall surrender possession of the Child Care Improvements to Licensors.

15.2.2 The remedies provided for in this License are in addition to all other remedies available to Licensors at law or in equity by statute or otherwise.

15.3 Licensors Right to Cure. All agreements and covenants to be performed or observed by Licensee under this License shall be at Licensee’s sole cost and expense and without any abatement of Rent. If Licensee fails to pay any sum of money to be paid by Licensee or to perform any other act to be performed by Licensee under this License, Licensors shall have the right, but shall not be obligated, and without waiving or releasing Licensee from any obligations of Licensee, to make any such payment or to perform any such other act on behalf of Licensee in accordance with this License. All sums so paid by Licensors and all necessary incidental costs shall be deemed additional Rent hereunder and shall be payable by Licensee to Licensors on demand, together with interest on all such sums from the date of expenditure by Licensors to the date of repayment by Licensee at the maximum annual interest rate allowed by law for business loans (not primarily for, personal, family or household purposes) not exempt from the usury law at the date of expenditure or, if there is no such maximum annual interest rate, at the rate of eighteen percent (18%) per annum.

15.4 Disposition of Licensee’s Property. If Licensee abandons or surrenders the Child Care Improvements, or is dispossessed by process of law or otherwise, any movable furniture, equipment, trade fixtures or personal property belonging to Licensee and left in the Child Care Improvements shall be deemed to be abandoned, at the option of Licensors, and Licensors shall have the right to sell or otherwise dispose of such personal property in any commercially reasonable manner.

16. DAMAGE, DESTRUCTION OR CONDEMNATION

16.1 Casualty; Restoration. In the event the Premises or any portion of the Building is damaged by fire or other insured casualty, Licensors shall diligently repair the same to the extent possible with the insurance proceeds received by Licensors, subject to the provisions of this Section 16.1 hereinafter set forth, if such repairs can in Licensors’s opinion be completed within ninety (90) days following the occurrence of the casualty under the laws and regulations of federal, state and local governmental authorities having jurisdiction thereof. In such event this License shall remain in full force and effect without any abatement of Rent. Notwithstanding the foregoing, if such casualty shall occur during the final twelve (12) months of the term of this License, Licensors shall not be obligated to repair such damage, but may instead elect to terminate this License upon written notice given to Licensee within thirty (30) days after the date of such fire or other casualty, in which event this License shall terminate as of the termination date specified in

Licensor's notice. A total destruction of the Building shall automatically terminate this License. To the extent insurance proceeds must be paid by Licensor to a mortgagee or deed of trust beneficiary encumbering the Premises or the Building to reduce any indebtedness of Licensor secured thereby, Licensor shall not be deemed to have insurance coverage to the extent of the damage and destruction unless such mortgagee or beneficiary permits Licensor to use such proceeds for the rebuilding, restoration and repair of the Premises or the Building.

16.2 Licensor's Election to Terminate or Restore. If such repairs cannot in Licensor's opinion be made during the time period provided in Section 16.1 above or if insurance proceeds are not available to cover the total cost thereof, Licensor may elect upon notice to Licensee given within sixty (60) days after the date of such fire or other casualty to (i) repair or restore such damage, in which event this License shall continue in full force and effect, but Base Rent shall be partially abated as provided above, or (ii) terminate this License in which event this License shall terminate as of the termination date specified in Licensor's notice. Licensor's election shall be binding on Licensee.

16.3 Waiver. Licensor and Licensee acknowledge that this License constitutes the entire agreement of the parties regarding events of damage or destruction, and Licensee waives the provisions of California Civil Code Section 1932(2) and 1933(4) and any similar statute now or hereafter in force. No such casualty (nor Licensor's subsequent restoration and repair work) shall constitute a constructive eviction or give Licensee any rights to terminate this License.

16.4 Restoration of Licensee Improvements. If the Premises are to be repaired under this Section 16, Licensor shall repair at its cost any damage to the Building itself and the initial improvements to the Premises made by Licensor. Licensee shall pay the entire cost of repairing or replacing all other improvements in the Premises including Licensee's trade fixtures, furnishings, equipment and other personal property.

16.5 Condemnation. If all or any part of the Child Care Improvements, the Building or the Development shall be taken, appropriated or transferred by agreement for public or quasi-public use by right of eminent domain, either party hereto shall have the right to terminate this License. No award for any partial or entire taking shall be apportioned and Licensee hereby assigns to Licensor any award which may be made in connection with the taking or condemnation, together with any and all rights of Licensee now or hereafter arising in or to the same or any part thereof.

17. SUBORDINATION, MERGER AND SALES

17.1 Subordination, Non-disturbance and Attornment. This License shall be subject and subordinate at all times to and ground leases, **[including, if applicable, the Ground Lease,]** the lien of all mortgages and deeds of trust securing any amount or amounts whatsoever which may now exist or hereafter be placed on or against the Building, Development or on or against Licensor's interest or estate therein, all without the necessity of having further instruments executed by Licensee to effect such subordination. Licensee agrees to execute, acknowledge and deliver upon demand such further instruments evidencing such subordination of this License to the lien of all such mortgages and deeds of trust as may reasonably be required by Licensor. If Licensor, Licensor's mortgagee or any other successor to Licensor elects in writing, this License shall be deemed superior to the lien of the mortgage or deed of trust specified regardless of the

date of recording, and Licensee shall execute an agreement confirming this election on request. If any ground lessor or mortgagee or its successor or any successor to Licensors interest under this License, whether voluntarily or involuntarily, Licensee shall attorn to such person and recognize such person as Licensors interest under this License.

17.2 No Merger. The voluntary or other surrender of this License by Licensee, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Licensors, terminate all or any existing subleases or subtenancies or operate as an assignment to Licensors of any or all such subleases or subtenancies.

17.3 Conveyance by Licensors. If the original Licensors hereunder, or a successor licensors, sells or conveys the its interest in the Building and/or Development, all liabilities and obligations on the part of the original Licensors, or such successor licensors, under this License accruing after such sale or conveyance shall terminate and the original Licensors, or such successor owner, shall automatically be released therefrom, and thereupon all such liabilities and obligations shall be binding upon the new licensors.

18. ESTOPPEL CERTIFICATE

18.1 Estoppel. At any time and from time to time, Licensee shall, within ten (10) days after written request by Licensors, execute, acknowledge and deliver to Licensors a certificate certifying: (a) that this License is unmodified and in full force and effect (or, if there have been modifications, that this License is in full force and effect as modified, and stating the date and nature of each modification); (b) the Commencement Date and the expiration date determined in accordance with Section 2 hereof and the date, if any, to which all Rent and other sums payable hereunder have been paid; (c) that no notice has been received by Licensee of any default by Licensee hereunder which has not been cured, except as to defaults specified in such certificate; (d) that Licensors is not in default under this License, except as to defaults specified in such certificate; and (e) such other matters as may be reasonably requested by Licensors or any actual or prospective purchaser or mortgage lender. Without limiting the generality of the foregoing, within three (3) days following the Commencement Date, Licensee shall execute a certificate satisfying the requirements of this Section 18.1 (provided the same is delivered to Licensee by Licensors). Any such certificate may be relied upon by Licensors and any actual or prospective purchaser or mortgage lender of Licensors interest in the Building and/or Development or any part thereof. Failure by Licensee to timely deliver such estoppel certificate shall be deemed a conclusively binding certification by Licensee that the statements in clauses (a) through (d) above are true and correct as set forth by Licensors.

18.2 Financial Statements. At any time and from time to time, Licensee shall, within ten (10) days after written request by Licensors, deliver to Licensors copies, as reasonably necessary for Licensors purposes, of all current financial statements (including, without limitation, a balance sheet, an income statement, and an accumulated retained earnings statement), annual reports, and other financial and operating information and data of Licensee prepared by Licensee in the course of Licensees business. Unless available to the public, Licensors shall disclose such financial statements, annual reports and other information or data only to actual or prospective purchasers or mortgage lenders, and otherwise keep them confidential unless other disclosure is required by law.

19. RETURN OF POSSESSION

At the expiration or earlier termination of this License or Licensee's right of possession, Licensee shall surrender possession of the Child Care Improvements in good condition and repair, ordinary wear and tear and casualty excepted, broom clean, and shall surrender all keys and any key cards to Licenser. Licensee shall advise Licenser as to the combination of any locks or vaults remaining in the Child Care Improvements, shall remove all trade fixtures and personal property of Licensee and shall repair any damage to the Child Care Improvements caused by such removal. All obligations or rights of either party arising during or attributable to the period ending upon expiration or earlier termination of this License and all obligations or rights of either party hereunder expressly arising on or following such expiration or earlier termination shall survive such expiration or earlier termination. All improvements, fixtures and other items in or upon the Child Care Improvements (except trade fixtures and personal property belonging to Licensee), whether installed by Licensee or Licenser, shall be Licenser's property and shall remain upon the Child Care Improvements, all without compensation, allowance or credit to Licensee. However, if prior to such termination or within thirty (30) days thereafter Licenser so directs by written notice, Licensee shall promptly remove all improvements, fixtures and other items designated in such notice and restore the Child Care Improvements to the condition in which it existed prior to the installation thereof. If Licensee fails to perform any repairs or restoration, or fails to remove any improvements, fixtures, or other items from the Child Care Improvements as required, Licenser may do so, and Licensee shall pay Licenser the cost thereof upon demand. All property removed from the Child Care Improvements by Licenser pursuant to any provisions of this License or any applicable law may be handled or stored by Licenser at Licensee's expense, and Licenser shall in no event be responsible for the value, preservation or safekeeping thereof. All property not removed from the Premises or retaken from storage by Licensee within thirty (30) days after expiration or earlier termination of this License or Licensee's right to possession shall, at Licenser's option, be conclusively deemed to have been conveyed by Licensee to Licenser as if by bill of sale without payment by Licenser. Unless prohibited by applicable law, Licenser shall have a lien against such property for the costs incurred in removing and storing the same.

20. SECURITY DEPOSIT

To secure the faithful performance by Licensee of all the covenants, conditions and agreements in this License on the part of Licensee to be fulfilled, observed and performed including by not by way of limitation such covenants and agreements in this License which become applicable upon the termination of the same by re-entry or otherwise, Licensee shall deposit with Licenser in cash, upon execution of this License, a security deposit in the amount of [INSERT AMOUNT (#)] (the "Security Deposit"). Licensee agrees that: (a) the Security Deposit or any portion thereof may be applied to curing of any default that may then exist, without prejudice to any other remedy or remedies which Licenser may have on account thereof, and upon such application, Licensee shall pay Licenser on demand the amount so applied, which shall be added to the Security Deposit so the same may be restored to its full amount; (b) should the Licenser's interest in the License be assigned by Licenser, the Security Deposit or any portion thereof not previously applied shall be turned over to Licenser's assignee, and Licenser shall be released from any and all liability with respect to the Security Deposit and/or its application or return; (c) the sum deposited or the portion thereof not previously applied shall be returned to Licensee without interest following the expiration of the Term of this

License, except to the extent reasonably required to cure any breach by Licensee of its obligations hereunder and provided that Licensee has vacated the Child Care Improvements and surrendered process thereof to Licensors at the expiration of the Term; (d) in the event that Licensors terminates this License or Licensee's right to process by reason of an Event of Default under this License by Licensee, Licensors may apply the Security Deposit against damages suffered to the date of such termination and/or may retain the Security Deposit to apply against such damages as may be suffered or shall accrue thereafter by reason of Licensee's default; and (e) in the event any bankruptcy, insolvency, reorganization or other creditor-debtor proceedings shall be instituted by or against Licensee or its successor or assigns the Security Deposit shall be deemed to be applied first to the payment of any rent due Licensors for all periods prior to the institution of such proceedings and the balance of any of the Security Deposit may be retained or paid to Licensors in partial liquidation of Licensors's damages. Licensors shall not be required to maintain the Security Deposit separate and apart from Licensors's general or other funds and Licensors may commingle the Security Deposit with any of Licensors's general or other funds. Licensee hereby waives the provisions of California Civil Code Section 1950.7, and all other provisions of law now in force or that become in force after the execution of this Lease, which provide that Licensors may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of Rent, to repair damage caused by Licensee, or to clean the Premises or which preclude the application of the security deposit to damages accruing after the date for return of the deposit called for in California Civil Code Section 1950.7 or any other applicable law. Licensee hereby waives any right under California Civil Code Section 1950.7 or any other law to return of the Security Deposit before all sums owed by Licensee under the Lease, whenever accruing, are paid in full.

21. WAIVER

The waiver by Licensors or Licensee of any breach of any covenant in this License shall not be deemed to be a waiver of any subsequent breach of the same or any other covenant in this License, nor shall any custom or practice which may grow up between Licensors and Licensee in the administration of this License be construed to waive or to lessen the right of Licensors or Licensee to insist upon the performance by Licensors or Licensee in strict accordance with this License. The subsequent acceptance of Rent hereunder by Licensors or the payment of Rent by Licensee shall not waive any preceding breach by Licensee of any covenant in this License, nor cure any Event of Default, nor waive any forfeiture of this License or unlawful detainer action, other than the failure of Licensee to pay the particular Rent so accepted, regardless of Licensors's or Licensee's knowledge of such preceding breach at the time of acceptance or payment of such Rent.

22. NOTICES

All requests, approvals, consents, notices and other communications given by Licensors or Licensee under this License shall be properly given only if made in writing and either deposited in the United States mail, postage prepaid, certified with return receipt requested, or delivered by hand (which may be through a messenger or recognized delivery, courier or air express service) and addressed to Licensors at the address of Licensors specified next to Licensors's signature, or at such other place as Licensors may from time to time designate in a written notice to Licensee; to Licensee, at the address of Licensee specified next to Licensee's signature, or, after the Commencement Date, at the Premises, or at such other place as Licensee may from

time to time designate in a written notice to Licensor. Such requests, approvals, consents, notices and other communications shall be effective on the date of receipt (evidenced by the certified mail receipt), if mailed, or on the date of hand delivery, if hand delivered (evidenced by confirmation of delivery). If any such request, approval, consent, notice or other communication is not received or cannot be delivered due to a change in the address of the receiving party of which notice was not previously given to the sending party or due to a refusal to accept by the receiving party, such request, approval, consent, notice or other communication shall be effective on the date delivery is attempted. Any request, approval, consent, notice or other communication under this License may be given on behalf of a party by the attorney for such party. Licensee hereby appoints as its agent to receive the service of all default notices the person in charge of or apparently in charge of or occupying the Premises at the time, and, if there is not such person, then such service may be made by attaching the same to the door of the Premises and such service shall be effective for all purposes under this License.

23. MISCELLANEOUS

23.1 Rules of Construction. The words “Licensor” and “Licensee”, as used herein shall include the plural as well as the singular. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.”

23.2 Joint and Several Liability. If there is more than one Licensee, the obligations hereunder imposed upon Licensee shall be joint and several.

23.3 Time of the Essence. Time is of the essence of this License and each and all of its provisions.

23.4 Successors and Assigns. Subject to Section 13 hereof, this License shall benefit and bind Licensor and Licensee and the personal representatives, heirs, successors and assigns of Licensor and Licensee.

23.5 Name of Development. Licensee shall not use the name of the Development for any purpose whatsoever.

23.6 Severability. If any provision of this License is determined to be illegal or unenforceable, such determination shall not affect any other provision of this License and all such other provisions shall remain in full force and effect.

23.7 Governing Law; Venue. This License shall be governed by and construed in accordance with the laws of the State of California. Licensee consents to venue and personal jurisdiction in the Superior Court of the State of [STATE] for the City and County of [CITY, COUNTY] and waives any claim that such court is not a convenient forum.

23.8 Attorneys’ Fees. If there is any legal action, proceeding or arbitration between Licensor and Licensee to enforce this License or to protect or establish any right or remedy under this License, the unsuccessful party to such action or proceeding shall pay to the prevailing party all costs and expenses, including reasonable attorneys’ fees and disbursements, incurred by such prevailing party in such action, proceeding or arbitration and in any appeal in connection therewith. If such prevailing party recovers a

judgment in any such action, proceeding or arbitration, such costs, expenses and attorneys' fees and disbursements shall be included in and as a part of such judgment.

23.9 Quiet Enjoyment. Licensors covenants and agrees that Licensee, upon making all of Licensee's payments as and when due under this License (taking into account any grace periods granted Licensee), and upon performing, observing and keeping the covenants, agreements and conditions of this License on its part to be performed, observed and kept, shall peaceably and quietly hold, occupy and enjoy the Child Care Improvements during the term of this License, subject to the terms and conditions of this License.

23.10 Brokers. Licensors shall pay to [INSERT NAME] ("Licensor's Broker") a commission in connection with Licensor's Broker's negotiation of this License pursuant to a separate agreement or agreements between Licensor and Licensor's Broker. Other than Licensor's Broker, Licensor and Licensee each represent and warrant to the other that no broker, agent or finder has procured or was involved in the negotiation of this License and no such broker, agent or finder is or may be entitled to a commission or compensation in connection with this License. Licensor and Licensee shall each indemnify, defend, protect and hold the other harmless from and against any and all liability, loss, damage, claims, costs and expenses (including reasonable attorneys' fees) resulting from a claim for a commission or compensation by reason of a broker, agent or finder asserting that such broker, agent or finder is a procuring cause for this License transaction as a result of having dealt with the indemnifying party.

23.11 Licensee's Corporate Status and Authority. Licensee hereby represents and warrants to Licensor that (a) Licensee is a 501(c)(3) corporation, duly organized, validly existing and in good standing in the state of California and that Licensee shall maintain its status as a 501(c)(3) corporation throughout the term of this License; (b) Licensee is a duly licensed child care operator in good standing with the Community Care Licensing Division of the State of California and Licensee shall maintain such status throughout the term of this License; (c) Licensee has the full right, power and authority to enter into this License and to perform all of Licensee's obligations hereunder, and (d) each person signing this License on behalf of the corporation or company is duly and validly authorized to do so.

23.12 Entire Agreement. There are no oral agreements between Licensor and Licensee affecting this License, and this License supersedes and cancels any and all previous negotiations, arrangements, brochures, offers, agreements and understandings, oral or written, if any, between Licensor and Licensee or displayed by Licensor to Licensee with respect to the subject matter of this License, the Child Care Improvements, the Building or the Development. There are no representations between Licensor and Licensee or between any real estate broker and Licensee other than those expressly set forth in this License and all reliance with respect to any representations is solely upon representations expressly set forth in this License. This License may not be amended or modified in any respect whatsoever except by an instrument in writing signed by Licensor and Licensee. Any Exhibits and/or Riders attached hereto are hereby incorporated into this License by this reference.

23.13 Waiver of Trial By Jury. To the extent allowable under applicable laws, Licensor and Licensee hereby waive their respective right to trial by jury of any cause of action, claim, counterclaim or cross-complaint in any action, proceeding and/or hearing brought by either Licensor against Licensee or Licensee against Licensor on any matter whatsoever arising out of, or in any way connected with, this License, the

relationship of Licensors and Licensee, Licensee's use of occupancy of the Child Care Improvements, or any claim of injury or damage, or the enforcement of any remedy under any law, statute, or regulation, emergency or otherwise, now or hereafter in effect.

23.14 No Light, Air or View Easement; No Roof Access. No easement for light, air or view is included with or appurtenant to the Child Care Improvements. Any diminution or shutting off of light, air or view by any structure which may hereafter be erected (whether or not constructed by Licensors) shall in no way affect this License or impose any liability on Licensors. Licensee shall have no right of access to, or use of, the roof of the Building.

23.15 Force Majeure. Neither Licensors nor Licensee shall be chargeable with, liable for, or responsible to the other or to any other person for any delay in the performance of any act required hereunder (other than the payment of Rent) when such delay is caused by fire, earthquake, flood, hurricane, the elements, acts of God or the public enemy, acts of war or terrorism, extraordinary action or interference of governmental authorities or agents, riots, embargoes or extraordinary unavailability or shortages of materials, or strikes, lockouts or labor disturbances. Any delay due to such causes shall not be deemed a breach of or default in the performance of this License, it being specifically agreed that any time limit for such party's performance contained in this License shall be extended for the same period of time and to the extent of the delay resulting from causes set forth above.

23.16 Counterparts. This License may be executed in any number of counterparts and each counterpart shall be deemed to be an original document. All executed counterparts together shall constitute one and the same document, and any counterpart signature pages may be detached and assembled to form a single original document.

23.17 Nondiscrimination. The Licensee herein covenants by and for the Licensee and Licensee's representatives and assigns and all persons claiming under this License or through the Licensee that this License is made subject to the condition that all practices, in every aspect of the Licensee's activities including the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the Child Care Improvements, must not subject any person to discrimination prohibited by any laws which currently prohibit discrimination based on race, color, creed, national or ethnic origin or ancestry, religion, sex, sexual preference, gender identity, age, disability, handicap, military status, source of income, marital status, presence of children in a household, acquired immune deficiency syndrome (AIDS) or AIDS-related conditions (ARC), or any other arbitrary basis. Nor shall the Licensee or any person claiming under or through the Licensee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of clients, lessees, sublessees, subtenants, or vendees in the Child Care Improvements.

23.18 Confidentiality. All information received by Licensee (including, without limitation, information concerning the nature of Licensors' or its affiliate's organization, business, products, services, market research, assets, revenues and any plans or materials prepared for Licensors pursuant to, or in connection with, the terms of this License) shall be kept confidential by Licensee and its representatives and shall not be used in any manner by Licensee or its representatives except in connection with its performance under this License; provided, however, that Licensee may disclose such information to its employees, subcontractors, officers,

directors or agents so long as such persons agree to maintain the confidentiality of such information in accordance with this paragraph. The foregoing confidentiality provisions shall not apply to such portions of the information received that are generally available to the public. The obligations under this paragraph shall survive the expiration or termination of this License.

Remainder of page intentionally left blank.

Signatures on following page.

IN WITNESS WHEREOF, Licensors and Licensee have executed this License as of the date first written above.

LICENSOR:

LICENSEE:

[LICENSOR]

[LICENSEE]

By: [SIGNATURE BLOCK]

By: _____
[NAME], [TITLE]

By: _____
[NAME], [TITLE]

Licensors Address for Notices and Payment:

[ADDRESS]

Attn: [CONTACT PERSON]

Licensee's Address for Notices:

[ADDRESS]

Attn: [CONTACT PERSON]

With a copy to:

[OPTIONAL ADDRESS]

EXHIBIT “A”

PREMISES, OUTDOOR PLAY AREA & PARKING AREAS (IF ANY)

[To be Added]

EXHIBIT “B”

DEVELOPMENT RULES AND REGULATIONS FOR NONRESIDENTIAL LICENSEES

1. Access to Development. On legal holidays, and any days between the hours of 11 P.M. and 6 A.M., access to the Building may be restricted and access shall be gained by use of a key or electronic card to the outside doors of the Development. Licensor may from time to time establish security controls for the purpose of regulating access to the Development. Licensee shall be responsible for providing access to the Child Care Improvements for its agents, contractors and employees at times access is restricted, and shall comply with all such security regulations so established.
2. Protecting Child Care Improvements. The last employee or principal of Licensee to leave the Child Care Improvements shall close and securely lock all doors or other means of entry to the Child Care Improvements and shut off all lights and equipment in the Child Care Improvements, including any gate(s) to any parking area that is included in the Child Care Improvements.
3. Large Articles. Furniture, freight and other large or heavy articles may be brought into the Development only at times and in the manner designated by Licensor and always at Licensee’s sole responsibility. All damage done to the Development, its furnishings, fixtures or equipment by moving or maintaining such furniture, freight or articles shall be repaired at Licensee’s expense.
5. Signs. Licensee shall not paint, display, inscribe, maintain or affix any sign, placard, picture, advertisement, name, notice, lettering or direction on any part of the outside or inside of the Building, or on any part of the inside of the Premises which can be seen from the outside of the Premises, including windows and doors, without the written consent of Licensor, and then only such name or names or matter and in such color, size, style, character and material as shall be first approved by Licensor in writing. Licensor, without notice to Licensee, reserves the right to remove, at Licensee’s expense, all matters other than that provided for above.
6. Compliance with Laws. Licensee shall comply with all applicable laws, ordinances, governmental orders or regulations and applicable orders or directions from any public office or body having jurisdiction, whether now existing or hereinafter enacted with respect to the Child Care Improvements and the use or occupancy thereof. Licensee shall not make or permit any use of the Child Care Improvements which directly or indirectly is prohibited by any applicable law, ordinance, governmental regulations or order or direction of public authority.
7. Compliance with Insurance Requirements. Licensee shall not use or permit to be brought into the Child Care Improvements or the Development any flammable oils or fluids, or any explosive or other articles deemed hazardous to persons or property, or do or permit to be done any act or thing which will invalidate, or which, if brought in, would be in conflict with any insurance policy covering any part of the Development or its operation or the Child Care Improvements. Licensee shall not do or permit to be done anything in or upon the Development or the Child Care Improvements, or bring or keep anything therein, which shall not comply with all requirements of any rating bureau or board of underwriters with respect thereto, or which shall increase the rate of insurance on the Development, its appurtenances, contents or operation.

8. Defacing Child Care Improvements and Overloading. Licensee shall not place anything in the Premises on or near the glass of any door, partition, wall or window that may be unsightly from outside the Premises. Licensee shall not place any article of any kind on any window ledge or on the exterior walls; blinds, shades, awnings or other forms of window coverings shall not be placed in or about the outside windows in the Premises except to the extent that the character, shape, color, material and make thereof is approved by Licensors. Licensee shall not overload any floor or part thereof in the Premises, or any facility in the Development or any public corridors or elevators therein by bringing in or removing any large or heavy articles and Licensors may direct and control the location of safes, files, and all other heavy articles and, if considered necessary by Licensors may require Licensee at its expense to supply whatever supplementary supports necessary to properly distribute the weight.
9. Obstruction of Public Areas. Licensee shall not, whether temporarily, accidentally or otherwise, allow anything to remain in, place or store anything in, or obstruct in any way, any shipping area, parking area, sidewalk, court, hall, passageway, or entrance. Licensee shall lend its full cooperation to keep such areas free from all obstruction and in a clean and sightly condition, and move all supplies, furniture and equipment as soon as received directly to the Premises, and shall move all such items and waste that are at any time being taken from the Premises directly to the areas designated for disposal. All courts, passageways, entrances, exits, elevators, escalators, stairways, corridors, halls and roofs are not for the use of the general public and Licensors shall in all cases retain the right to control and prevent access thereto by all persons whose presence, in the judgment of Licensors, shall be prejudicial to the safety, character, reputation and interest of the Development and its Licensees; provided, however, that nothing herein contained shall be construed to prevent such access to persons with whom Licensee deals within the normal course of Licensee's business so long as such persons are not engaged in illegal activities.
10. Additional Locks. Licensee shall not attach, or permit to be attached, additional locks or similar devices to any door or window, change existing locks or the mechanism thereof, or make or permit to be made any keys for any door other than those provided by Licensors. Upon termination of this License or of Licensee's possession, Licensee shall immediately surrender all keys to the Child Care Improvements.
11. Communications or Utility Connections. If Licensee desires signal, alarm or other utility or similar service connections installed or changed, then Licensee shall not install or change the same without the approval of Licensors, and then only under direction of Licensors and at Licensee's expense. Licensee shall ascertain from Licensors the maximum amount of load or demand for or use of electrical current which can safely be permitted in the Child Care Improvements, taking into account the capacity of the electric wiring in the Development and the Child Care Improvements and the needs of other occupants of the Development, and Licensee shall not in any event connect a greater load than that which is safe.
12. Office of the Building. If Licensee requires Licensors's maintenance, repair or other services, such requirements will be attended to only upon application at the office of the property manager for the Development.
13. Restrooms. The restrooms and toilets shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be disposed of therein. The

expense of any breakage, stoppage or damage resulting from the violation of this rule on the Premises shall be borne by the Licensee.

14. Intoxication. Licensors reserves the right to exclude or expel from the Development any person who, in the judgment of Licensors, is intoxicated, or under the influence of liquor or drugs, or who in any way violates any of these Rules.
15. Nuisances and Certain Other Prohibited Uses. Licensee shall not (a) install or operate any internal combustion engine, boiler, machinery, refrigerating, heating or air conditioning apparatus in or about the Child Care Improvements, other than as permitted by Licensee's License; (b) use the Child Care Improvements for housing, lodging, or sleeping purposes; (c) prepare food in the Child Care Improvements or permit food to be brought onto the Child Care Improvements for consumption therein (heating coffee and lunches of employees excepted) except as permitted by Licensee's License or by express permission of Licensors; (d) place any radio or television antennae on the roof or on or in any part of the Development other than as permitted by Licensee's License, or place a sound producing device inside or outside the Child Care Improvements which may be heard outside the Premises; (e) use any power source for the operation of any equipment or device other than dry cell batteries or electricity; (f) operate any electrical device from which may emanate waves that could interfere with radio or television broadcasting or reception from or in the Building; (g) bring or permit to be in the Building any bicycle, other vehicle, dogs or other animals (except for assistance animals); (h) make or permit any noise or odor to emanate from the Premises; (i) disturb, harass, solicit or canvass any occupant of the Building; (j) do anything in or about the Child Care Improvements which could be a nuisance or tend to injure the reputation of the Development; (k) allow any firearms in the Development or the Child Care Improvements except as approved by Licensors in writing.
16. Trash Removal. The Child Care Improvements shall be kept free from trash and debris. Areas used for storing trash for disposal shall be kept free of loose debris, standing water and unrelated equipment.
17. Solicitation. Licensee shall not canvass other occupants of the Building or Development to solicit business or contributions and shall not exhibit, sell or offer to sell, use, rent or exchange any products or services in or from the Child Care Improvements unless ordinarily embraced within the Licensee's Permitted Use as specified in the License.
18. Energy Conservation. Licensee shall not waste electricity, water, heat or air conditioning and agrees to cooperate fully with Licensors to insure the most effective operation of the Development's heating and air conditioning, and shall not allow the adjustment (except by Licensors's authorized Development personnel) of any controls.
19. Security. At all times other than normal business hours the exterior Building doors must be kept locked to assist in security. Licensee is responsible for security within the Premises. Problems in Building and Development security should be directed to Licensors's Property Manager.
20. No Smoking. Smoking is prohibited on the Child Care Improvements and in the Building. No cigarette vending machines shall be installed in the Premises.
25. Security Personnel. Security personnel employed or contracted by Licensee shall not take law enforcement action other than as permitted under applicable California law.

EXHIBIT “C”

FORM OF LICENSEE QUARTERLY REPORT

QUARTERLY OPERATING REPORT

Due on January 15th, April 15th, July 15th and October 15th

Number of children enrolled in program: _____

Number of children on waiting list: _____

Number of participants that are [DEVELOPMENT] residents: _____

List any operating issues that materially impact Licensee’s ability to provide child care services at this site:

List any financial issues (pending or ongoing litigation, liability claims (arising from disputes or alleged claims) including claims from Licensee’s operations at other sites) that are materially affecting the Licensee’s ability to provide child care services at the site:

RENT RIDER

THIS RENT RIDER is attached to and made part of that certain CHILD CARE CENTER LICENSE (this “License”), is made as of [DATE], by and between [_____, as Licensor, and [_____, as Licensee.

If the Licensee is reimbursing Licensor for all or a portion of the initial improvements costs, use the Section A below, otherwise insert “Intentionally left blank.”

A. Initial Improvement Rent.

OPTION #1 - If the reimbursement for the cost of the initial improvements is to be paid in a lump sum at License commencement.

Licensee shall pay to Licensor as the initial, lump sum rental hereunder the sum of [\$_____] (the “Initial Improvement Rent”). The Initial Improvement Rent is for the purpose of reimbursing Licensor for a portion of the cost incurred by Licensor in constructing the Child Care Improvements.

OPTION #2 - If the reimbursement for the cost of the initial improvements is being paid through rental payments for a set period of time or until a grant is funded.

Licensee shall pay to Licensor as the initial base monthly rental hereunder the sum of [\$_____] (the “Initial Improvement Rent”). The Initial Improvement Rent is for the purpose of reimbursing Licensor for a portion of the cost incurred by Licensor in constructing the Child Care Improvements. Until such time as Licensee receives the [INSERT NAME OF FUNDS AND AMOUNT THEREOF] (the “Improvement Funds”), Licensee shall pay such Initial Improvement Rent to Licensor in monthly installments of [DOLLAR AMOUNT], beginning on the date of execution of this License, and on the first day of each calendar month hereafter. If the Commencement Date occurs on any day other than the first day of a calendar month, the monthly installment of Initial Improvement Rent for the period from the Commencement Date through the end of said calendar month shall be due and payable on the Commencement Date, and the Initial Improvement Rent installment payable upon execution of this License shall be credited against the Initial Improvement Rent due for the first full calendar month of the term. Upon receipt by Licensee of the Improvement Funds, Licensee shall pay to the Licensor the entire amount of such, or the then unpaid balance of the Initial Improvement Rent, which ever is less. If the proceeds of the Improvement Funds are insufficient to pay the balance of the Initial Improvement Rent, then Licensee shall continue to pay Licensor a monthly rental in an amount equal to the difference between the balance of the Initial Improvement Rent and the Improvement Funds, divided by twelve (12) until the Initial Improvement Rent is paid in full.

If there is going to be an additional market component of rent during any period when the slots in the Child Care Program are not filled by a majority of low income children, then use Section B below, or otherwise insert “Intentionally left blank.”

B. Market Rent.

In addition to Base Rent and Initial Improvement Rent (if any), beginning on the Commencement Date, Licensee shall pay Licensors, in advance, on or before the first day of each calendar month of the term of this License, an additional monthly rental equal to \$_____ (the “Market Rent”). If the Commencement Date occurs on any day other than the first day of a calendar month, the monthly installment of Market Rent for the period from the Commencement Date through the end of said calendar month shall be due and payable on the Commencement Date, and the Market Rent installment payable upon execution of this License shall be credited against the Market Rent due for the first full calendar month of the term.

[OPTIONAL]

The Market Rent due hereunder shall increase on [DATE] to \$_____ per month.

[OPTIONAL]

The Market Rent due hereunder shall be subject to annual increases on each anniversary of the Commencement Date (each a “Market Rent Adjustment Date”), such increases equal to _____% of the Market Rent payable during the month immediately prior to such Market Rent Adjustment Date.

Notwithstanding the foregoing, during any portion of the term when more than 50% of the slots for Licensee’s program at the Child Care Center are occupied by low-income children whose fees are subsidized by the California Department of Education or other sources (the “Suspension Criteria” and the “Suspension Period”), no Market Rent will be due or payable hereunder. If Licensee desires to suspend Market Rent pursuant to the terms of this Rent Rider, it shall provide Licensors with a written request for such and copies of any applicable evidence that it has satisfied the Suspension Criteria. Licensors shall promptly review such request, and shall deliver to Licensee written notice of whether it has reasonably determines that Licensee has met the Suspension Criteria. If Licensors has reasonably determined that Licensee has met the Suspension Criteria, the Suspension Period shall begin on the first day of month following such determination. On a monthly basis throughout the Suspension Period Licensee shall provide Licensors with written evidence that it is continuing to meet the criteria set forth above. If at any time after the start of a Suspension Period Licensee fails to meet the Suspension Criteria, or fails to provide updated information required hereunder, and such failure persists for a period of two (2) consecutive months, then Market Rent payments shall resume in accordance with the paragraph above.

Financing—

Proforma Examples

Kidango—Break Even Analysis of Toddler and Preschool Care

KIDANGO

Break Even Analysis of Toddler and Preschool Care

Assumes 11 hours of operation for 246 days per year

Assumes 100% enrolled for subsidized and 88% full on voucher/full fee

Staff to child ratios meet Title 5 and NAEYC Accreditation standards

Assume 48 preschool

Assume 8 Toddlers

Assume 2 Classrooms/areas

If a fraction, round teacher up and aide down.

Registration Fee on Full fee

Revenue:

State Reimbursement at \$28.14 X 24 children X 246 days -13% vacancy*) = times

Full fee and Voucher Revenue at

State Reimbursement at \$39.40 times

Full fee and Voucher Revenue at

Child Care Food Program Revenue for breakfast, lunch and one snack

Registration Fees and Misc other revenue (fund raisers)

TOTAL REVENUES EXCLUDING IN-KIND

Cost

TOTAL CAPACITY

56

33 subsidized preschool children

15 w/ one vacancy

4 subsidized toddler

4 full fee

toddler

w/one vacancy

Total children-10%

\$228,440.52

\$162,000.00

\$38,769.60

\$47,520.00

\$2,296.00

\$3,000.00

\$482,026.12

Expenses

based on 2056 days of work/holiday pay

(257 paid days)

Personnel

Preschool

1 CD \$21.00

2.5 Teacher \$16.00

2.5 Aide \$11.00

\$43,176.00

\$82,240.00

\$56,540.00

Toddler

0 CD \$21.00

1 HT \$19.00

0.5 Teacher \$16.00

0.5 Aide \$11.00

\$0.00

\$39,064.00

\$16,448.00

\$11,308.00

TOTAL PERSONNEL

\$248,776.00

Fringe Benefits legally mandated at 18% (FICA/WC/UE)

Medical/Dental/Child Care Cafeteria Plan Benefit \$450 per month per staff

TOTAL BENEFITS

benefits \$280

\$44,779.68

\$25,200.00

\$69,979.68

Supplies

Classroom

Office supplies

Maintenance Supplies

Books, publications and subscriptions

Food and Food Preparation costs

TOTAL SUPPLIES

\$5 per child per month

\$2 per child per month

\$2 per child per month

\$1.00 per child per month

\$3.50 per child per month

per month

per month

\$3,360.00

\$1,344.00

\$1,344.00

\$672.00

\$2,352.00

\$9,072.00

Operating Services

Staff Coverage for Site Director vacation/sick/conference/training 26.50 days per year @ \$29/hour

Substitute/Temporaries

Consultants

Computer and internet expense

Audit

Payroll Services

Staff Development, Conferences, Other training

CPR/First Aide

Fingerprint and other misc costs of permits, etc.

TOTAL OPERATING SERVICES:

26.5 days \$20 hour

\$200 per staff

\$35 per month per classroom

0.33% of revenue

\$3.50 per person per payroll

TB, physicals, etc

\$100 per person

\$250 per person

\$25/hr

\$5,300.00

27560.00

\$1,500.00

\$840.00

\$1,590.69

\$1,260.00

\$1,500.00

\$750.00

\$1,875.00

\$42,175.69

Occupancy Expenses

Rent/Mortgage

Telephone 2 lines

Utilities, garbage, etc.

Security and Fire Alarm System Monitoring

Repair/Maintenance: e.g. toilet repair, locks, sinks, etc.

First Aide and Earthquake supplies

License fees, fire inspection and misc other fees to government

TOTAL OCCUPANCY:

\$200

Pest Control @\$50/month

\$1 per child

\$400 per classroom

*4

\$250 per month/classroom

\$250 per month/classroom

\$672.00

\$800.00

\$0.00

\$2,400.00

\$11,200.00

\$6,000.00

\$6,000.00

\$672.00

\$800.00

\$27,072.00

Administrative Expenses

Administrative and Support Costs. Includes Regional Directors, mental health

Advertising and printing for staff and child recruitment, etc.

Equipment and Equipment Repair Contracts

(cd players, tape recorders, computers, fax and copy machines)

Total Administrative and Support

10%

\$2 per month

\$1 per month

\$38,562.09

\$127.00

\$762.00

\$39,451.09

Depreciation expense

\$60,000 per classroom

over

5 years

*5+7

\$24,000.00

GRAND TOTAL OF EXPENSES

\$460,526.46

2% Reserve necessary for cash flow and emergency expenses

NET SURPLUS/DEFICIT

\$9,640.52

\$11,859.14

*Notes:

1. Personnel Costs based on average at Kidango by position
2. Based on Current Salaries and substitutes for temporary services
3. Costs are current year for Kidango averaged over 50 centers

The budget needs to be adjusted for 1/2 time positions.

4. The requirement per classroom is about 1,000 sq. ft
5. The depreciation of equipment assumes the agency has a grant for the cost of start up equipment. Does not include supply start up cost.
6. 2% is used for reserve for cash flow and emergencies. Most school districts use 4%
7. Includes Depreciation which is a non-cash transaction.
8. Note staffing pattern is the minimum required of Title 5 and exceeds Title 22.

Even at a modest \$0.75 per sq ft for two classrooms the rent would be \$18K per year

*6

LACDC—Facilities Development Proforma

Child Care Provider TBD

DEVELOPMENT DESCRIPTION		
Construction Type	New construction, Rehab	Rehab
Building Area	Classroom Area (sq.ft.)	0
	Administration Area (sq.ft.)	0
	Common Area (sq.ft.)	0
	Total Building Area (sq.ft.)	0
	No. of Stories	0
Outside Space	Total Outside Area	0
Parking Spaces	Total Parking Spaces	0
	Total Parking Area (sq.ft.)	0
Site Area (sq.ft.)		0
Zoning		

OPERATING ASSUMPTIONS		
Inflation Rates	Expenses	4.00%
	Income	3.00%
Vacancy Rate		10.00%
Staff Salaries/Wages		
Administrative		
	1 Executive Director	\$ -
	1 Day Care Director	\$ -
	1 Office Manager	\$ -
	1 Cook	\$ -
	1 Administrative Assistant	\$ -
Teaching		
	1 Teachers(FT)	\$ - /hr
	1 Teachers (PT)	\$ - /hr
	1 Teacher Aides (FT)	\$ - /hr
	1 Teacher Aides (PT)	\$ - /hr
	Full-Time	40 hrs
	Part-Time	20 hrs
All Staff	Benefits (as % of salary)	15%

FINANCING ASSUMPTIONS		
Development Schedule	Predevelopment (months)	6
	Construction (months)	12
Acquisition Loan	Interest	0.00%
	Term (months)	0
	Points / Fees	\$0
	Loan to Value Ratio	0.00%
Predevelopment Loan	Interest	0.00%
	Term (months)	0
	Points / Fees	\$0
Construction Loan	Interest	9.00%
	Term (months)	12
	Points / Fees	1.50%
Permanent Loan	Interest (Yrs 1-10)	7.00%
	Interest (Yrs 11+)	7.00%
	Term (years)	20
	Points / Fees	1.00%
	Debt Coverage Ratio	1.20
Grants	Source 1	0
	Source 2	0

PROGRAM ASSUMPTIONS		
<u>Number of Seats</u>	<u>Adult-Child Ratio</u>	<u>Weekly Tuition</u>
Infant	0	\$140
Toddler	0	\$125
Pre-school	0	\$110
After-school	0	\$100
Total Number of Seats	0	
Annual Registration Fee per Seat	\$50	
Service Area		
Population Served		

Child Care Provider

TUITION	Overall Weekly Tuition	Parent Tuition	State Subsidy	County Subsidy	City Subsidy	Total	
Description		#Seats Revenue/Seat	# Seats Revenue/Seat	# Seats Revenue/Seat	#Seats Revenue/Seat	Total Seats	Total Mo. Revenue
Infant	\$140	0 \$0				0	\$0
Toddler	\$125	0 \$0				0	\$0
Pre-school	\$110	0 \$0				0	\$0
After-school	\$100	0 \$0				0	\$0
TOTAL		0	0	0	0	0	\$0

**Child Care Provider
Operating Budget**

REVENUES		
Parent Fees	\$	-
Registration Fees	\$	-
State Contract	\$	-
County Contract	\$	-
City Contract	\$	-
Less Vacancy	10.00%	\$ -
Vendor Fees	\$	-
Foundation/Grant	\$	-
Donations	\$	-
Total Revenues	\$	-

EXPENSES		
Wages and Salaries		
Admin Staff	\$	-
Teaching Staff	\$	-
Taxes and Benefits	\$	-
Rent/Lease	\$	-
Repair & Maintenance (incl. waste removal)	\$	-
Insurance (Liability and Property)	\$	-
Educational Supplies	\$	-
Food Costs	\$	-
Advertising	\$	-
Professional Services	\$	-
Utilities	\$	-
Phone	\$	-
Depreciation	\$	-
Other	\$	-
Operating Reserve	\$	-
Total Expenses	\$	-
Net Gain (Loss)	\$	-

Child Care Provider

CASH FLOW ANALYSIS	Year	1	2	3	4	5	6	7	8	9	10
Revenue											
Parent Fees		0	0	0	0	0	0	0	0	0	0
Registration Fees		0	0	0	0	0	0	0	0	0	0
State Contract		0	0	0	0	0	0	0	0	0	0
County Contract		0	0	0	0	0	0	0	0	0	0
City Contract		0	0	0	0	0	0	0	0	0	0
Less Vacancy	10.00%	0	0	0	0	0	0	0	0	0	0
Vendor Fees		0	0	0	0	0	0	0	0	0	0
Foundation/Grant		0	0	0	0	0	0	0	0	0	0
Donations		0	0	0	0	0	0	0	0	0	0
TOTAL REVENUE		0	0	0	0	0	0	0	0	0	0
Expenses											
Wages and Salaries		0	0	0	0	0	0	0	0	0	0
Taxes and Benefits		0	0	0	0	0	0	0	0	0	0
Rent/Lease		0	0	0	0	0	0	0	0	0	0
Repair & Maintenance (incl. waste removal)		0	0	0	0	0	0	0	0	0	0
Insurance (Liability and Property)		0	0	0	0	0	0	0	0	0	0
Educational Supplies		0	0	0	0	0	0	0	0	0	0
Food Costs		0	0	0	0	0	0	0	0	0	0
Advertising		0	0	0	0	0	0	0	0	0	0
Professional Services		0	0	0	0	0	0	0	0	0	0
Utilities		0	0	0	0	0	0	0	0	0	0
Phone		0	0	0	0	0	0	0	0	0	0
Depreciation		0	0	0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES		0	0	0	0	0	0	0	0	0	0
NET OPERATING INCOME		0	0	0	0	0	0	0	0	0	0
Less Debt Service		0	0	0	0	0	0	0	0	0	0
NET CASH FLOW		0	0	0	0	0	0	0	0	0	0
Debt Coverage Ratio		1.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**Child Care Provider
Development Budget**

PERMANENT FINANCING	Total	Per Seat
Permanent Financing	\$ -	\$ -
Grants, Source 1	\$ -	\$ -
Grants, Source 2	\$ -	\$ -
Total	\$ -	\$ -

TOTAL DEVELOPMENT COSTS	Total	Per Seat
ACQUISITION		
Land	\$ -	\$ -
Building	\$ -	\$ -
Seller's Costs	\$ -	\$ -
Broker's Commission	\$ -	\$ -
Subtotal Acquisition	\$ -	\$ -
HARD COSTS		
Offsites	\$ -	\$ -
Site Preparation	\$ -	\$ -
Construction Costs \$0.00	\$ -	\$ -
Parking	\$ -	\$ -
Construction Contingency 0.00%	\$ -	\$ -
Subtotal Construction Costs	\$ -	\$ -
SOFT COSTS		
Accounting	\$ -	\$ -
Acquisition Loan Interest & Fees	\$ -	\$ -
Appraisal	\$ -	\$ -
Arch/Eng - Design & Supervision	\$ -	\$ -
Arch/Eng - Reimburs & Add'l Services	\$ -	\$ -
Const Loan Fees & Expenses	\$ -	\$ -
Const Loan Interest	\$ -	\$ -
Construction Management	\$ -	\$ -
Consultants - Other	\$ -	\$ -
Deputy Inspector	\$ -	\$ -
Developer Fee	\$ -	\$ -
Environmental Audit	\$ -	\$ -
Furnishings	\$ -	\$ -
Holding Costs	\$ -	\$ -
Insurance	\$ -	\$ -
Legal - Organizational	\$ -	\$ -
Legal - Transaction	\$ -	\$ -
Marketing & Leasing	\$ -	\$ -
Organizational Costs	\$ -	\$ -
Perm Loan Fees & Expenses 1.00%	\$ -	\$ -
Permits & Fees	\$ -	\$ -
Predev Loan Int & Fees	\$ -	\$ -
Real Estate Taxes 0.00%	\$ -	\$ -
Relocation	\$ -	\$ -
Reserves - Operating	\$ -	\$ -
Reserves - Replacement	\$ -	\$ -
Reserves - Other	\$ -	\$ -
Soils Report	\$ -	\$ -
Start-up Costs	\$ -	\$ -
Survey	\$ -	\$ -
Title & Recording	\$ -	\$ -
Soft Cost Contingency 0.00%	\$ -	\$ -
Subtotal Soft Costs	\$ -	\$ -
TOTAL DEVELOPMENT COSTS	\$ -	\$ -

Design—

Sample Initial Program for Architects

Kidango Specifications for New Construction/Remodel

ALL NEW FACILITIES

of children @ 35 sq. ft = indoor required space, unencumbered. Areas not used by children do not count. Crib sleeping areas do not count. A good rule of thumb is to use 50 sq. ft. and this will allow for the subtractions.

of children @ 75 sq. ft = outdoor play space required

need 1 toilet for every 15 preschool children

need 1 hand washing sink for every 15 children

need 1 toilet for every 5 potty training toddlers

need a separate hand washing after diapering sink for adults

need separate food prep sink

need separate boy and girl bathrooms for school age

Outdoor lights controlled by photo sensor

All signs, equipment, doors, fixtures to meet ADA requirements, regardless of local regulations or OSA/ORS regulations

Children's bathrooms to have child size fixtures, including one that is ADA accessible

Vinyl flooring in food prep areas, bathrooms and "wet areas"

Gates and doors that close automatically

Drop off and pick up for parents, driveway or 15 minute parking

Janitors closet, including dump sink

MODULAR DESIGN

On grade

Overhangs, front and back doors

Locate HVAC to keep away from children inside and outside

Locate telephones and alarm systems during design phase

INFANT CLASSROOM—IDEAL BATHROOM

Two child size toilets and two children's sinks, can share toilet paper, paper towels and soap

Storage space for extra toilet paper, paper towels and hand soap

One diaper changing area that is arm's length to an adult hand washing sink

- stairs for toddlers to use to access mat on table
- open storage overhead that only adults can reach—for disinfectant spray bottles, wipes, extra diapers
- mat must be 2" thick and sides 4" above mat for a total of 6"
- holder for rolls of exam paper to pull over mat
- covered trash container for used diapers, foot operated, non-flammable

Visual supervision possible between classroom and bathroom, no door needed

Gate at door or ½ door to limit access

Accessible from classroom and outdoor play area

STORAGE/UTILITY ROOM

Washer and dryer

Storage for cleaning supplies, extra toilet paper, paper towels and hand soap

Storage for toys, art supplies, items used infrequently or seasonally

Locking door

FOOD PREP AREA

Refrigerator (with lock)

Hand washing sink (not the same one used for diapering), with garbage disposal

Storage area for formula, baby food in jars, bottles, utensils

Storage area for snack and breakfast foods, paper plates, napkins, cups, plastic ware, serving utensils and dishes

Counter space for a microwave, a toaster and a blender

Stove/oven optional

Dishwasher

Hot water

OFFICE/STAFF LOUNGE

Locking file cabinet

Desk and chair

Locking closet/storage for staff personal items, hanging storage for coats
 Storage for teachers' supplies
 Counter with electrical for coffee pot, microwave, and small refrigerator

PLAYGROUNDS

Must meet CPSC, ASTM, ADA and all local and state regulations
 Accessible play structure with resilient surface
 Meet NAEYC standards, be developmentally appropriate
 Permanent shade structure or large trees
 Non-toxic landscape
 Accessible path of travel from classroom
 Drinking faucet with sink
 Water access for hose
 Electrical outlet
 Storage shed for outdoor equipment (bye bye buggies, trikes, wagons, sand toys, etc.)

IDEAL TRAINING ROOM

Carpeted, controllable natural light
 Direct entrance to training room from parking area, not through child care center
 Kitchen with refrigerator, dishwasher, double sink with garbage disposal

- Locking storage areas for paper plates, napkins, cups, plastic ware, serving utensils and dishes and other supplies like coffee
- Coffeemakers (built in—optional)
- Counter space for a microwave, a toaster and a blender
- Stove/oven not required, but nice

TV/VCR permanently mounted with ability to limit access
 Locking storage for tables and chairs
 Locking storage for easels, pads, supplies, overhead projector, slide projector
 Walls that will not be harmed by tape, or a trim strip to tape things to or with built in clips
 Write on/wipe off boards on several walls
 Projection screen, sound system/PA
 Large clock
 Electrical outlets around the room
 Sign that slides to say “Room in Use-Room Available,” frame to hold room use schedule

Center Case Studies

Mary Lane Infant and Toddler Center at Church Street Apartments



CENTER CASE STUDIES

PRIMARY CASE STUDY FEATURES

1. Small, Transit-Oriented, Urban Child Care Center, co-located with 93 Affordable Apartments
2. Unique financing including the San Francisco Child Care Facilities Fund and syndication of Low-Income Housing Tax Credits.
3. Unique Design Features including incorporation of “home-oriented” design elements, centralized staff functions shared between two classrooms, and child friendly design concepts
4. Lessons learned from coordination between developer and operator.

See Description of Primary Case Study Features below for more information.

SUMMARY PROFILE

NUMBER LICENSED TO SERVE:

28 children

Infants: 14

Toddlers: 14

CENTER SIZE:

Total interior area: 2,775 SF

Total outdoor area: approximately 2,000 SF

LOCATION:

San Francisco, California

CHILD CARE OPERATOR:

Cross Cultural Family Center

DEVELOPER:

BRIDGE Housing Corporation

BUILDING ARCHITECT:

Barnhart Associates Architects

CHILD CARE TENANT IMPROVEMENTS ARCHITECTS:

Spaces for Children—Louis Torelli and

Asian Neighborhood Design—Harry Wong

PROJECT COMPLETION DATE:

December 2003

PROJECT/PROGRAM DESCRIPTION

Cross Cultural Family Center (CCFC) is the operator of the Mary Lane Center which is located at Church Street Apartments, a 93 apartment affordable housing development. CCFC emphasizes positive aspects of diversity in its eight San Francisco centers. The center serves 28 infants and toddlers; 70% of the child care spaces at the center are subsidized. Residents of Church Street Apartments receive a priority for enrollment in the Mary Lane Center within the restrictions of child care subsidy guidelines. The center is also easily accessible to non-resident families, located adjacent to the Muni Church Street station. When children age out of care at the Mary Lane Center, they are transitioned into other CCFC centers nearby or into a non-CCFC center that is more conveniently located.

DESCRIPTION OF PRIMARY CASE STUDY FEATURES

1. SMALL, URBAN CHILD CARE CENTER, COLLOCATED WITH AFFORDABLE APARTMENTS

The Mary Lane Infant and Toddler Center is a unique example of a small, but successful center. As described in the financing chapter of this handbook, it has become increasingly difficult for small centers which serve low-income families to succeed financially as the cost of care further outstrips the amount of child care subsidy. The Mary Lane Center is able to provide highly personalized care for a small number of children due to the unique subsidy programs that are offered by the City of San Francisco to address the high cost of quality infant group care.

The center is co-located with 93 affordable apartments and a small retail space. The center primarily serves families from the surrounding neighborhood.

2. UNIQUE FINANCING INCLUDING THE SAN FRANCISCO CHILD CARE FACILITIES FUND AND SYNDICATION OF LOW-INCOME HOUSING TAX CREDITS.

The center was able to utilize several financing programs developed by the City of San Francisco. These included a Section 108 loan coupled with a dedicated repayment subsidy from the San Francisco General Fund, a Section 108 grant, and grant and grants from the Child Care Facilities Fund to finance the tenant improvements. The structure of the center was financed with equity from syndication of low income housing tax credits since affordable housing above the center was supported by the structure. The center was not included in tax credit basis.

3. UNIQUE DESIGN CHARACTERISTICS INCLUDING INCORPORATION OF "HOME-ORIENTED" DESIGN ELEMENTS, CENTRALIZED STAFF FUNCTIONS SHARED BETWEEN TWO CLASSROOMS, AND CHILD FRIENDLY DESIGN CONCEPTS

- The center utilizes design features such as small areas, low ceilings, child scale and sized subdivision of classrooms to create a home-like environment, special attention to detail for children and furnishings designed for the space by Louis Torelli.
- The center is designed to optimize its 2,775 SF. Staff desks and the food preparation area are centralized between two of the classrooms, efficiently utilizing space, while also ensuring staff may visually supervise children in all parts of the classrooms even when carrying out staff functions and food preparation. Classrooms are subdivided to enable children to engage in different kinds of age appropriate activities including both active and passive play.
- The center utilizes child friendly design concepts such as low windows so that children may look outside and indoor play structures and furniture that is child scaled and made of warm materials and colors.

LESSONS LEARNED

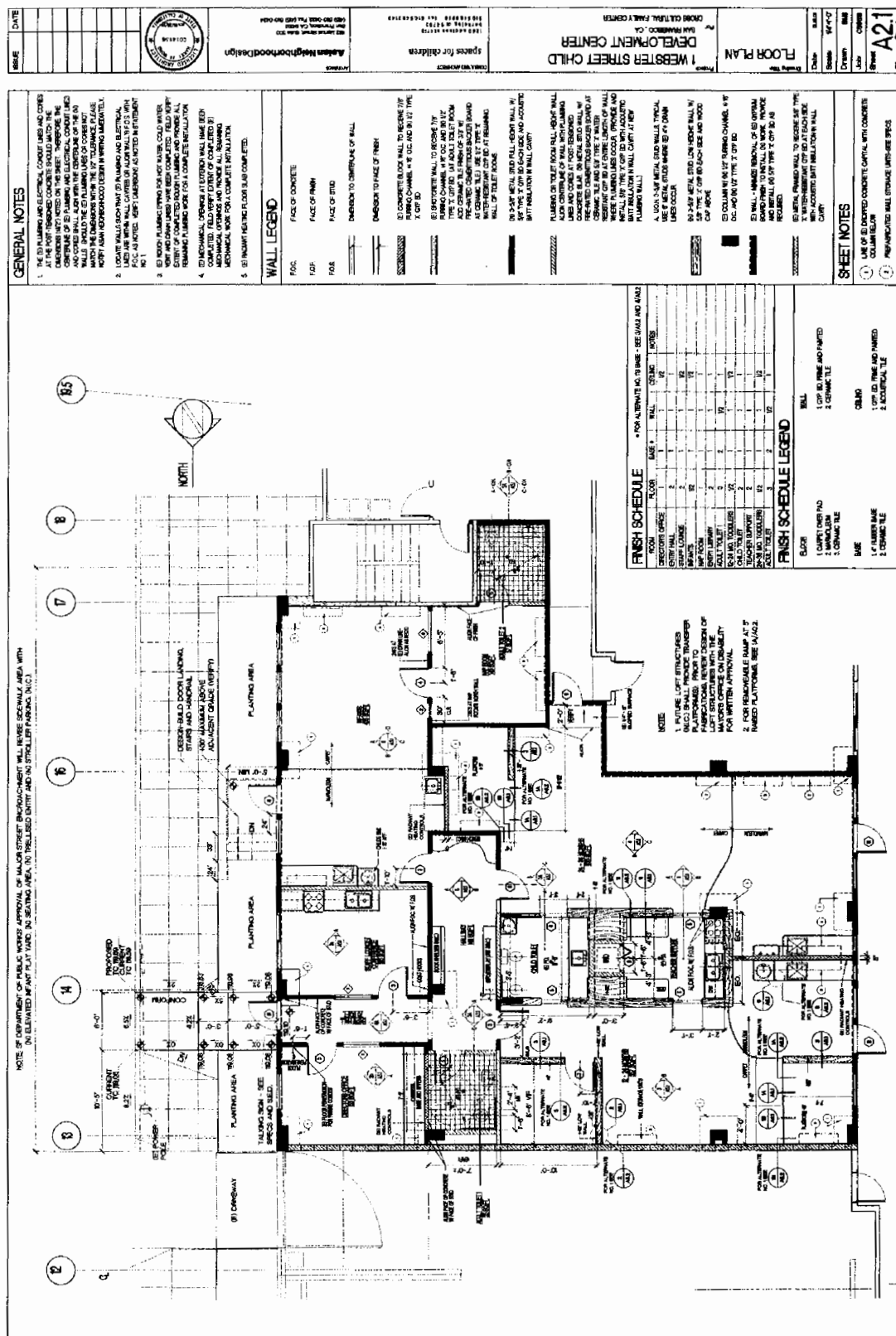
OVERALL, THE OPERATOR AND DEVELOPER FEEL THE CENTER DESIGN PROVIDES A GOOD LEARNING ENVIRONMENT AND FUNCTIONS WELL FOR STAFF AS WELL. BOTH PARTIES HAVE LEARNED SEVERAL LESSONS FROM THE DEVELOPMENT PROCESS:

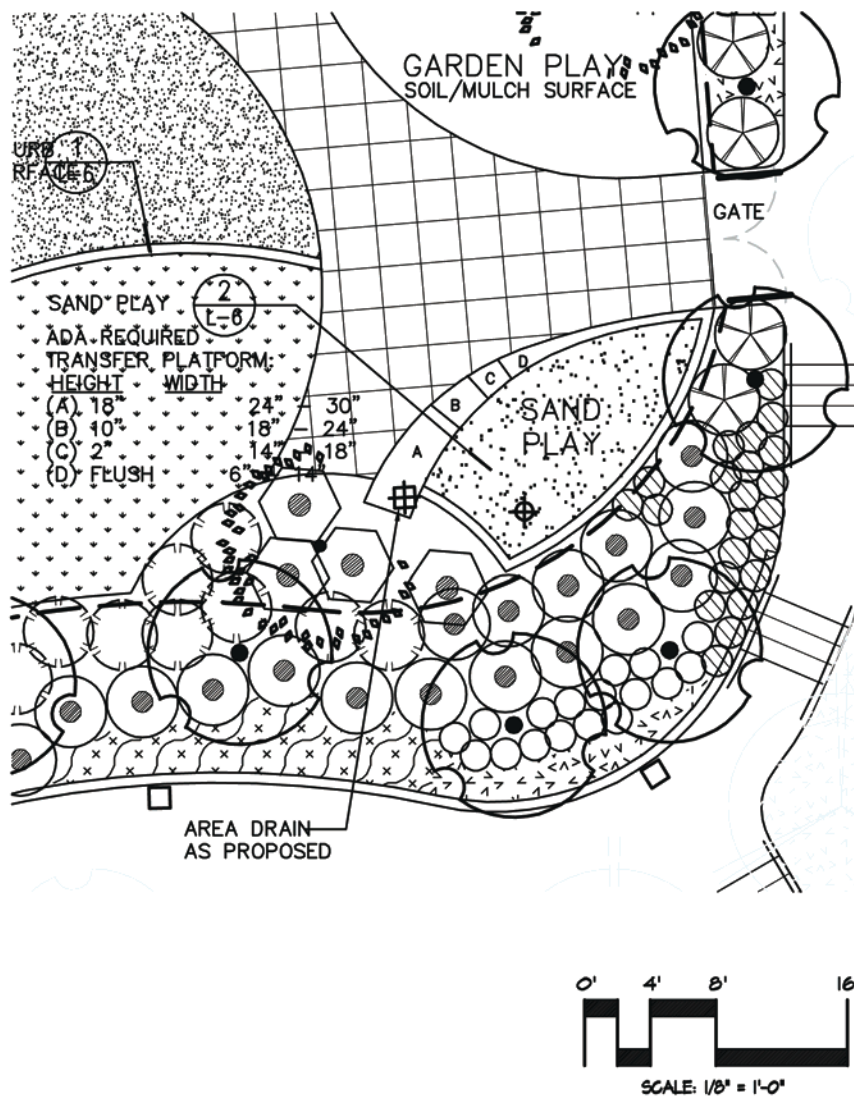
- An architect who is experienced in child care center design can help the operator to better articulate and define their operational needs and develop designs which meet the needs of the operator and possibly even improve upon the operating experience of the operator.
- Collocation with affordable housing can create a synergy between the child care needs of the resident families and the service population of the operator. However, due to a number of factors including a timing difference between completion of the child care center and the housing, the highly individualized child care choices parents make, and narrow age range able to be served by a small center, few resident families initially enrolled in the child care center.
- The cold shell of the child care center was designed by the developer's architect and tenant improvements for the child care center was designed by an architect and a designer selected by the operator. For this design structure, close and continuous coordination on design between the developer, operator, architects, designers, and contractors was even more essential than if the center is designed by the same architect in order to ensure the project is delivered on time and on budget. The center and the affordable housing development shares walls, access, parking, plumbing (e.g. plumbing for the housing units above the child care center run through the center's walls), electric and fire panel equipment. Timing conflicts between the housing developer and child care operator's schedules resulted in coordination challenges in all of these areas. Since the housing had a schedule that had to be adhered to in order to meet financing requirements and limit total project cost, the housing developer needed the child care operator to make design decisions on the housing development's timeline. The child care operator did not have the funds to engage the architect in the timeframe required by the housing development timeline and as a result the child care improvements moved forward on a later schedule resulting in coordination challenges and costly changes. Early fundraising and willingness to compromise are key to successful timeline coordination. Also, a designated representative who is authorized to make decisions for the operator throughout the design and construction phases is critical.
- The Mary Lane Center is leased to the operator at a rate of twelve dollar (\$12) per year, during the first several years of the lease while the operator makes monthly debt service payments on the loan which was utilized to pay for the tenant improvements for the Center. The property can afford this negligible rental rate due to cash flow from other commercial uses which are used to cover the maintenance costs of the Center. This is particularly significant since the center is a small center, serving only 28 children.

ATTACHMENTS

- Plans
- Sources & Uses
- Operating Budget







Church Street Apartments
BRIDGE Housing Inc.
Barnhart Associates Architects, Inc.

PATTILLO
& GARRETT
ASSOCIATES
LANDSCAPE
ARCHITECTS
207 17th St., No. 214, Oakland, CA 94612
(510) 462-1234 (P) 510-462-1234 (FAX)

Childcare
Transfer Platform

DRAWING REFERENCE:
LAYOUT PLAN

11.30.01

Exhibit C - Schedule 1
Sources and Uses

Cross Cultural Family Center
Mary Lane Infant Toddler Center

Phase One: Development

Sources:		Uses:	
CCFF Predevelopment Grant	20,000	Design Consultation	12,000
		Architectural Services	9,789
		Business Plan Consultant	615
		Miscellaneous	44
Phase I - Total Sources	20,000	Phase 1 - Total Expenses	22,448

Phase Two Construction

Sources:		Uses:	
Phase One Proceeds	(2448)	Hard Construction	387,500
Section 108 Loan	290,381	Hard Cost Contingency	38,750
Section 108 Grant	114,619	Architectural Services. A.N.D. (Tenant Imprvts)	54,800
CCFF Grant	100,000	Design Consultation. TI (Spaces for Children)	17,500
CCFF Bridge Grant (construction)	53,530	Architectural Services. A.N.D. (Encroachment)	18,700
CCFF Grant for Encroachment Design	25,000	Design Consultation. Encroachment	4,000
CCFF Grant for Project Management	3,500	Loan Fees	975
Private Foundations/Other Grants/Other	8,448	Construction Loan Interest	6,662
		Construction Bond	
		Security System	13,000
		Permit Fees	8,995
		Encroachment Permit Fees	2,000
		Soft Cost Contingency	10,000
		LIHF Construction Management	7,600
		Additional Borrower Construction Management	3,500
		Additional Architectural Increase for PM	6,000
		Legal Services	3,000
		Insurance/Builders Risk	2,600
		Outdoor yard construction	5,000
Subtotal: Design & Construction	593,030	Subtotal: Design & Construction	590,582
DCYF Capacity Building Grant*	25,000	Capacity Building Consultant(s) & Expenses*	25,000
Phase II - Total Sources:	618,030	Phase II - Total Expenses:	615,582

*Grant from DCYF to help CCFC build capacity to handle project, including: consultation for board and parent handbook, etc.

Phase Three: Permanent

Sources:		Uses:	
Proceeds from Phase Two	59,000	Office & Staff Support Area Equipment	9,000
CCFF Infant/Toddler Start Up Grant	75,000	Classroom Equipment and Materials	75,000
Fundraising	9,250	Outdoor Play-Yard Equipment	13,000
		Security Deposit Fee	2,000
		Initial Occupancy (utilities hook-up)	250
		Teacher/Parent Room and Office set-up	5,000
		Marketing and Enrollment	3,000
		Start-up Staffing	8,000
		Licensing Consultant	3,000
		Operating Capital	25,000
Phase III - Total Sources:	143,250	Phase III - Total Expenses:	143,250
Phase I-III - Total Sources:	781,280	Phase I-III - Total Expenses:	781,280

\$282 per s.f.

Phase Four: Encroachment Implementation

(Under Revision)

Sources:		Uses:	
SF Conservation Corp (not yet acquired)	50,000	Encroachment Construction	118,825
CCFF Residual Receipts Loan	65,035		
CCFF Fundraising	3,790		
Phase IV - Total Sources:	118,825	Phase IV - Total Expenses:	118,825

**Infant / Toddler Center
Church Street Apartments
Full Year Budget**

			<u>Monthly</u>	<u>Annually</u>
<u>INCOME</u>				
Tuition Fees				
CDEGCTR	Infant (up to 18 months)	980.99/month X 5 children	4,904.95	58,859.40
	Toddler (up to 36 months)	808.01/month X 4 children	3,232.04	38,784.48
Voucher	Infant/Toddler (up to 24 months)	\$1,150 / month x 5 children	5,750.00	69,000.00
	Toddlers (over 24 months)	\$980 / month x 5 children	4,900.00	58,800.00
Private	Infants (up to 18 months)	\$1,150 / month x 4 children	4,600.00	55,200.00
	Toddler (up to 36 months)	\$980 / month x 4 children	3,920.00	47,040.00
Total tuition fees at 100% capacity @100% time			27,306.99	327,683.88
Vacancy Factor: 10%			(Subtract)	2,730.70
Action income from Tuition			24,576.29	294,915.49
Supplemental Contracts and Other Income				
CDE Food		\$9,600/ annual	800.00	9,600.00
DHS Wage + Supplement		\$55,000/annual	4,583.33	55,000.00
Infant/Toddler Sustaining Grant		\$1,200 / annual x 18 children	1,800.00	21,600.00
DCYF Grant		\$105,000 / annual	8,750.00	105,000.00
Total Supplemental Contracts & Other Income			15,933.33	191,200.00
TOTAL INCOME			40,509.62	486,115.49
<u>EXPENSES</u>				
Personnel:				
Salaries				
Lead Teacher (3 FTE)		@ \$26,520 / annual per person	6,630.00	79,560.00
Teacher (4 FTE)		@ \$24,960 / annual per person	8,320.00	99,840.00
Associate Teacher (5 FTE)		@ \$23,712 / annual per person	9,880.00	118,560.00
Program Manager (1 FT)		@ \$35,880 / annual	2,990.00	35,880.00
Total Salaries			27,820.00	333,840.00
Fringe Benefits at 16%			4,451.20	53,414.40
Total Personnel			32,271.20	387,254.40
Operating Expenses				
Accounting/Audit/Legal			466.44	5,597.28
Educational Materials			235.00	2,820.00
Equipment			200.00	2,400.00
Facility: Loan Payment			800.00	9,600.00
Food			1,200.00	14,400.00
Insurance			635.18	7,622.16
Janitorial			600.00	7,200.00
Maintenance			75.00	900.00
Office Supplies			50.00	600.00
Payroll Services			35.80	429.60
Printing/Postage			25.00	300.00
Professional Development			200.00	2,400.00
Rent			1.00	12.00
Telephone			77.67	932.04
Utilities			550.00	6,600.00
			5,151.09	61,813.08
Total Operating Expenses			37,422.29	449,067.48
Administrative Costs			3,087.34	37,048.07
TOTAL EXPENSES			40,509.63	486,115.55
REVENUE LESS COSTS			(0.00)	(0.06)

Kai Ming Child Development Center at Broadway Family Apartments

PRIMARY CASE STUDY FEATURES

1. Medium, Urban Child Care Center located on a busy street, co-located with Affordable Apartments
2. Unique Design Features including shared common space with the apartments, efficient layout, and flexible design
3. Leveraged Multi-family Nonprofit Supportive Service (NSSS) funds through development and shared financing with affordable housing.
4. Successful Partnership between Developer and Operator.

See Description of Primary Case Study Features below for more information.

SUMMARY PROFILE

NUMBER LICENSED TO SERVE:

50 children

Preschoolers: 50

CENTER SIZE:

Total interior area: 3,730 SF

Total outdoor area: 4,030 SF

LOCATION:

San Francisco, California

CHILD CARE OPERATOR:

Kai Ming Head Start

DEVELOPER:

Chinatown Community Development Corporation (Chinatown CDC)

BUILDING ARCHITECT:

Solomon E.T.C.

CHILD CARE TENANT IMPROVEMENTS ARCHITECT:

Paulett Taggart Architects

PROJECT COMPLETION DATE:

June 2007

PROJECT/PROGRAM DESCRIPTION (3)

The Kai Ming Child Development Center will serve 50 preschoolers and will be located in a ground floor space of the Broadway Family Apartments, an affordable family housing development in San Francisco. Chinatown Community Development Corporation was initially working with the provider, Wu Yee Children's Services, to provide an infant toddler center at this location. During the Design Development Phase for the building, Wu Yee informed Chinatown CDC that they could not proceed as the future operator. A new provider, Kai Ming, was found. However, Kai Ming had a preschool program instead of an infant toddler program. Despite this late change in the operator, many of the issues worked out with the building architect and housing developer were still applicable, including entry/drop-off, relationship/access to outdoor space, exiting, and creating openings in the shear walls. The center was designed with the possibility that one of the classrooms might serve as a market rate preschool. Now it appears that an Early Head Start program (infant/toddler) may be housed in the third classroom.

DESCRIPTION OF PRIMARY CASE STUDY FEATURES**1. MEDIUM, URBAN CHILD CARE CENTER LOCATED ON A BUSY STREET, CO-LOCATED WITH AFFORDABLE APARTMENTS**

The Kai Ming Center will serve 50 children, roughly the minimum number that many child care providers that serve low-income populations feel is necessary to break even. The center is located on Battery Street, which is a busy street and co-located with affordable apartments. The child care center shares some common space with the affordable apartments in order to accommodate the needs of both populations in a limited area.

2. UNIQUE DESIGN FEATURES INCLUDING SHARED COMMON SPACE WITH THE APARTMENTS, EFFICIENT LAYOUT, AND FLEXIBLE DESIGN

The center:

- Shares common space with the apartments which can be difficult to manage operationally, but the developer and architect both feel positively about the sharing of common space.
- Has an efficient layout which optimizes a limited space while providing adequate staff space for a Head Start program's service needs.
- Has a flexible design which enabled the center to be modified from an infant/toddler set up to a preschool set up late in the design process. When the center changed from an infant/toddler program to a preschool program, the space was reconfigured including several significant plumbing changes. The wall between two infant classrooms was removed to create one preschool classroom and a nap space was reconfigured into bathroom and the wall between two toddler classrooms was removed and one bathroom was eliminated and replaced with a kitchen.

3. LEVERAGED MULTI-FAMILY NONPROFIT SUPPORTIVE SERVICE (NSSS) FUNDS THROUGH DEVELOPMENT AND SHARED FINANCING WITH AFFORDABLE HOUSING.

Since the developer was utilizing Multifamily Housing Program funds from the Department of Housing and Community Development, the developer was able to access the non-competitive NSSS funds which may be used to finance child care and other supportive service facilities development.

4. SUCCESSFUL PARTNERSHIP BETWEEN DEVELOPER AND OPERATOR

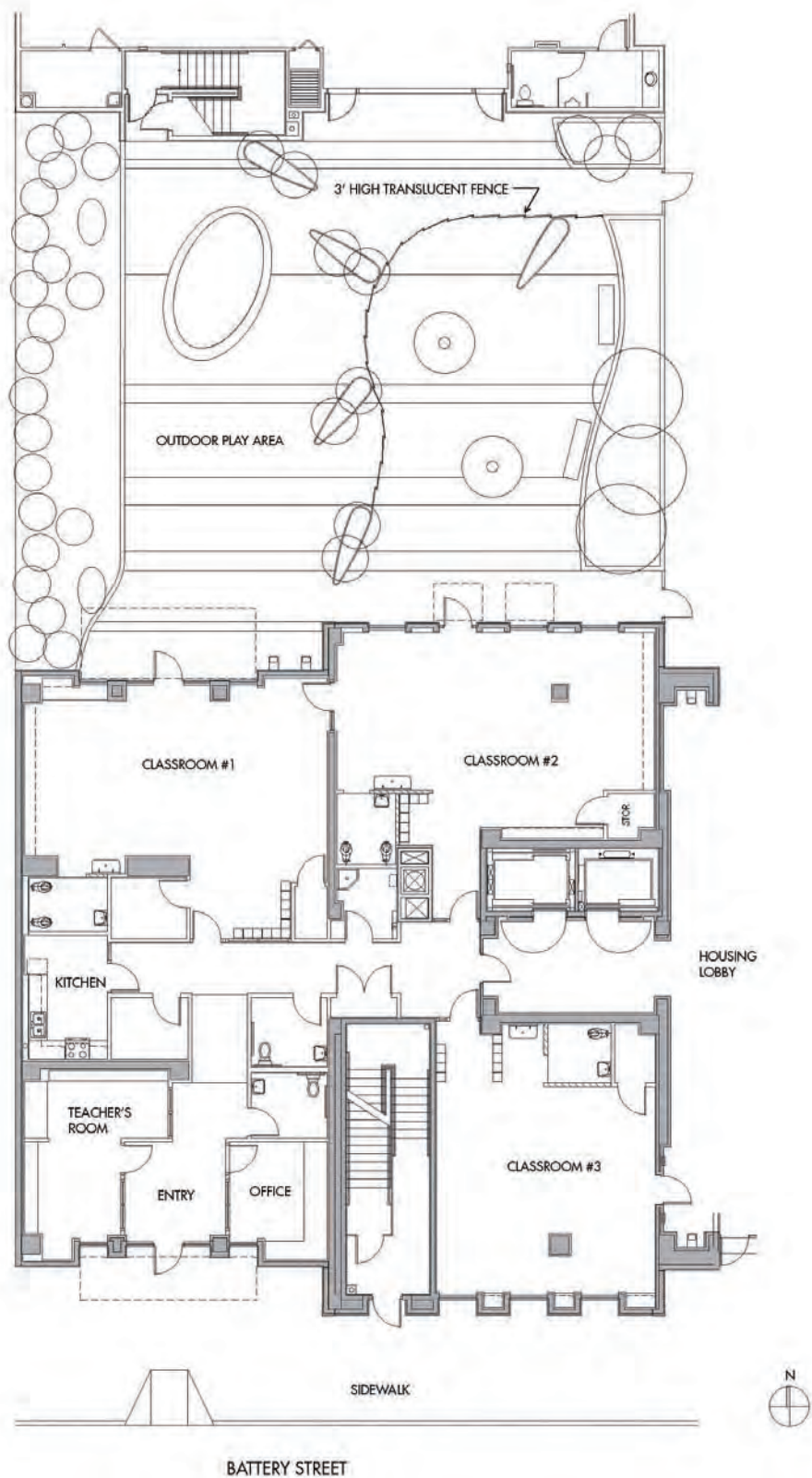
The developer and operator had a prior relationship in that they serve the same community and had knowledge of and respect for one another's approach and missions. This prior relationship smoothed coordination between the developer and operator.

LESSONS LEARNED

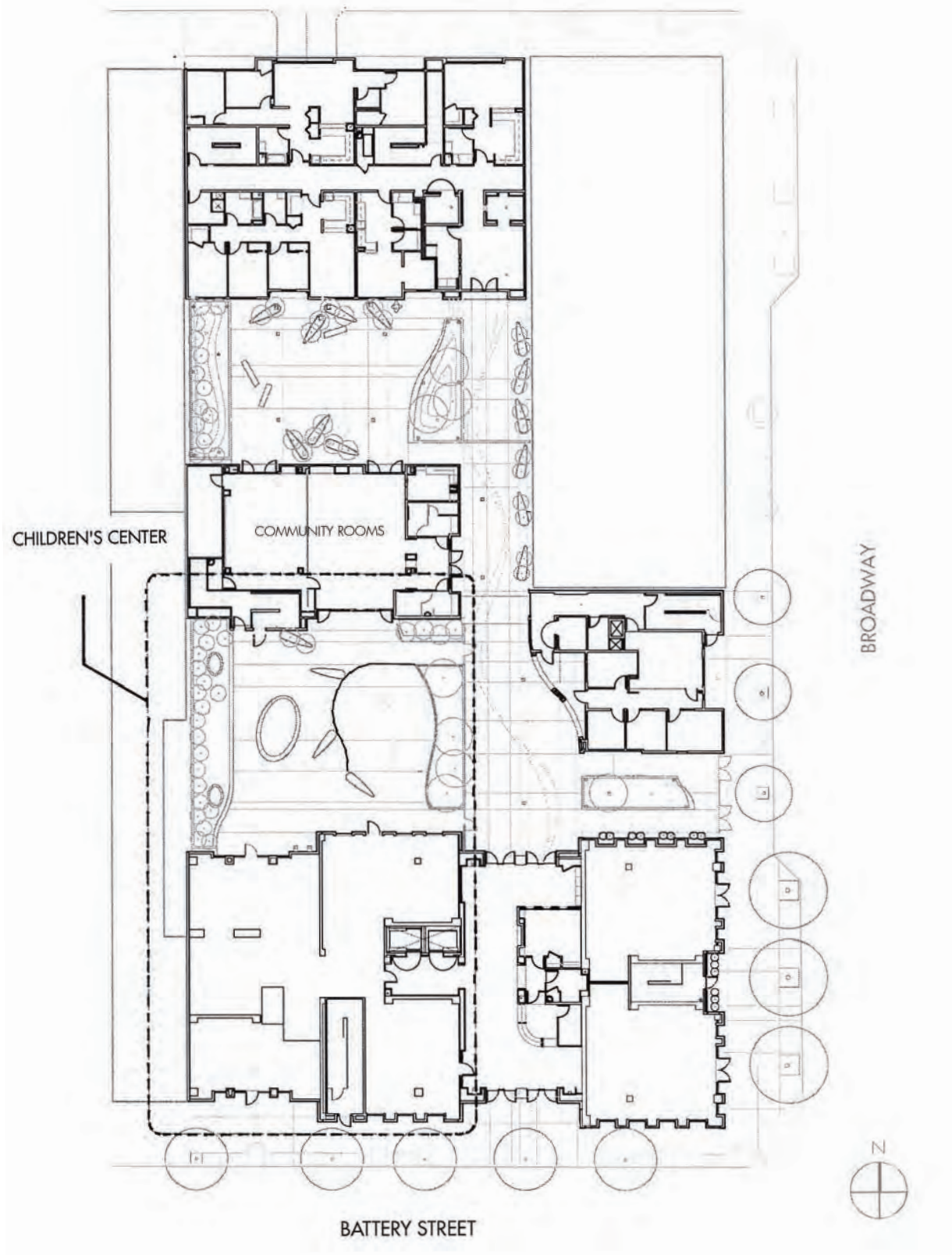
The center was not in operation at the time of this writing.

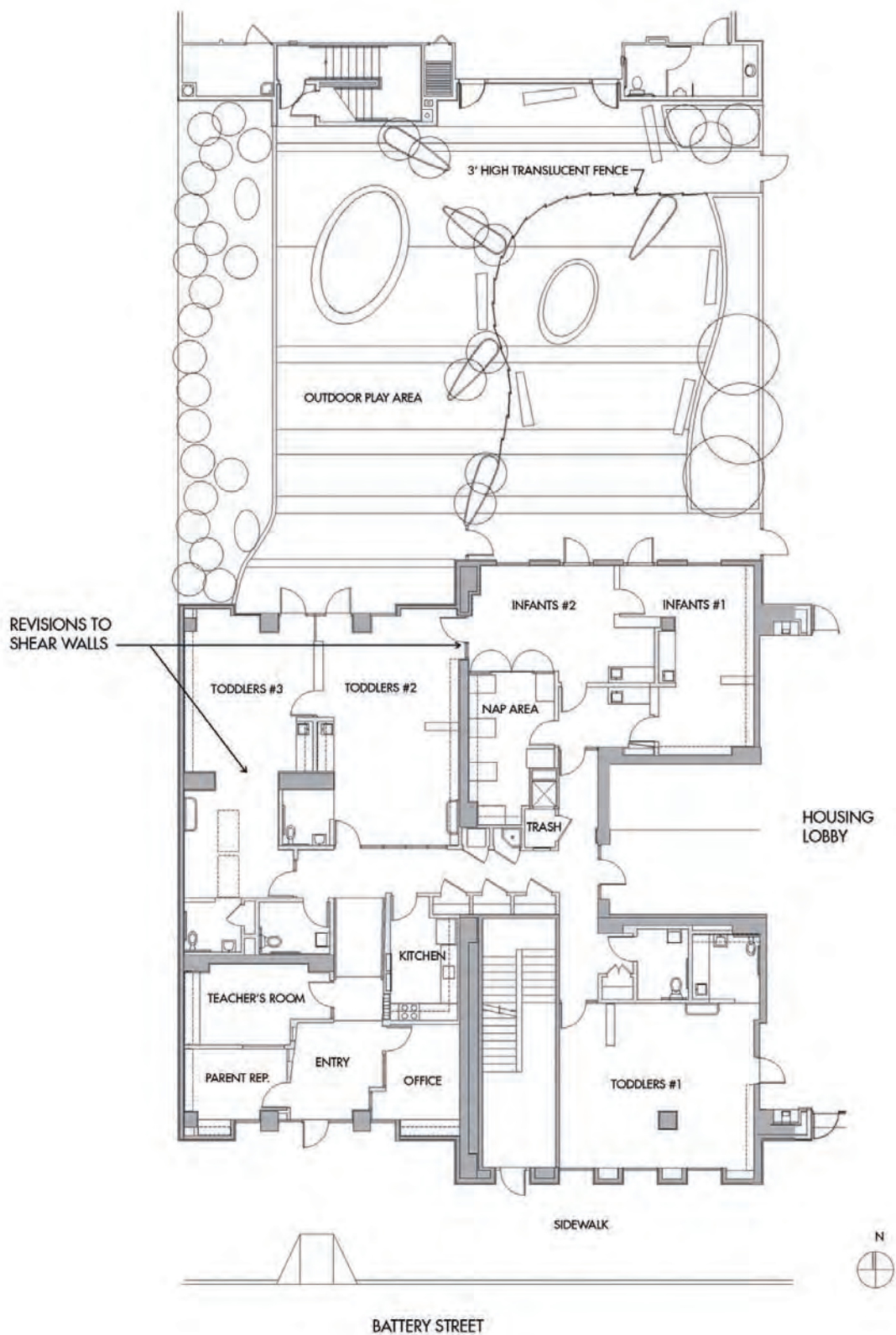
ATTACHMENTS

- Plans for the current Kai Ming Head Start preschool center and the prior Wu Yee Children's Services infant/toddler center
- Sources & Uses
- Request for Proposals (RFQ) may be referenced in the Selecting a Provider section of this appendix.



KAI MING CHILD DEVELOPMENT CENTER





WU YEE CHILD DEVELOPMENT CENTER

Broadway Family Apartments Child Care Center

REVISED SOURCES AND USES

SOURCES

1 Grants	
Child Care Facilities Fund	
Facilities grant (pre-development)	\$20,000
Equipment working capital grant	\$40,000
Construction management grant	\$7,500
2 Headstart Capital (secured)	\$100,000
3 ABCD Facilities Loan	\$500,000
4 MHP MSSS (CCDC)	\$500,000

TOTAL SOURCES OF FUNDS \$1,167,500

USES

1 Construction costs	
Base tenant improvement - General Contractor	\$525,550
Design Contingency @ 10%	\$52,555
Security alarm system	\$15,000
Intercom video system	\$11,800
Subtotal:	\$604,905
Inflation allowance (35%)	\$30,245
Subtotal:	\$635,150
City Tax @ 32%	\$1,936
Comp. Liability (33%)	\$18,147
Profit/Fee @ 6%	\$36,294
G. C. Bond @ 1.5%	\$9,074
Total Interior Construction	\$700,601
Play area construction	\$53,970
Subtotal Construction cost	\$754,571
Construction contingency @ 10%	\$75,457
Total Construction Costs	\$830,028
2 Soft costs	
Professional consultants	
Architecture & engineering	\$96,400
Construction management	\$15,000
Permit Fees	\$12,000
Financing costs	
Construction Permanent Loan fees	\$11,375
Construction loan interest	\$17,875
Lenders Construction representative	\$5,000
Legal	\$3,000
Title and escrow	\$10,500
Insurance, Builders risk	\$6,500
Office Equipment	\$35,000
Classroom furnishing, toys, equipment	\$50,000
Appliance	\$15,000
Working capital reserve	\$25,000
Other, misc.	\$2,500
Subtotal soft costs	\$305,150
Soft cost contingency	\$30,515
Total soft cost	\$335,665

TOTAL USES OF FUNDS \$1,165,693

Funding gap surplus \$1,807

Kidango Sharon Jones Center



PRIMARY CASE STUDY FEATURES

1. Medium sized, suburban center serving very low-income families, co-located with an adult school
2. Funding provided by the City of Fremont and foundations and land provided by the school district. Utility work and preschool playground completed by the District
3. Unique design features include on grade cost efficient modular construction type, modification and reuse of existing fencing, and large outdoor play area.

See Description of Primary Case Study Features below for more information.

SUMMARY PROFILE

NUMBER LICENSED TO SERVE:

48 children

Infants: 4

Toddlers: 12

Preschoolers: 32

CENTER SIZE:

Total interior area: 2,353 SF

Total outdoor area: 11,746 SF

LOCATION:

Fremont, California

CHILD CARE OPERATOR:

Kidango

DEVELOPER:

Kidango/Fremont Unified School District

SITE AND BUILDING ARCHITECT:

AP&I Design

CHILD CARE TENANT IMPROVEMENTS ARCHITECTS:

None

PROJECT COMPLETION DATE:

April, 2002

PROJECT/PROGRAM DESCRIPTION

The Kidango Sharon Jones Center serves primarily very low income families and provides subsidized spaces to these families. Many of the families at the Kidango Sharon Jones Center opt for part-time care in order to enable them to work part time or attend ESL or equivalency classes. There are very few full time children (9 at the time of this case study). Student-parents are also accommodated with a sliding scale subsidy with most paying very low fees. Approximately 65% of the families are subsidized. The Adult School receives a preference for enrollment of their children. Fremont Adult School students receive first preference. School faculty and staff receive a secondary preference before spaces are opened to the general public. The center has mandatory parent involvement for 2 hours per month, but this policy is not strictly enforced with families being able to complete the requirement with projects at home.

DESCRIPTION OF PRIMARY CASE STUDY FEATURES

1. MEDIUM SIZED, SUBURBAN CENTER SERVING VERY LOW-INCOME FAMILIES, CO-LOCATED WITH AN ADULT SCHOOL

The Sharon Jones Center is located on the Fremont Adult School campus. It was constructed from modular units that were configured by an architect, who also designed the exterior of the center to match the pre-existing school building. The center has reserved parking for staff and additional drop off spaces. The significant amount of parking is necessary for this type of suburban center where there is little public transportation. The center's proximity to the Fremont Adult School is convenient for the adult students and teachers of the adult school, who are able to drop off their children, then attend or teach classes on the same campus.

2. ADDITIONAL FINANCING AND LAND PROVIDED BY THE SCHOOL DISTRICT, THE CITY AND FOUNDATIONS.

Kidango funded the majority of the center through a Community Development Block Grant and Foundation grants. The center was partially funded by the Fremont Unified School District. The land was donated which made the center more affordable to construct and operate. The purchase of the modular was able to be placed under the master negotiated contract of the District, thus decreasing the acquisition cost. The utility hookups were coordinated with the District bring utilities to the area for their own expansion. The District also installed the preschool playground and extended the parking lot to the child care center to accommodate student and staff parking.

3. UNIQUE DESIGN FEATURES INCLUDE COST EFFICIENT MODULAR CONSTRUCTION TYPE, LARGE OUTDOOR PLAY AREA, AND MODIFICATION AND REUSE OF EXISTING FENCING.

As previously mentioned, the center was constructed from modular units which are increasingly being viewed as a cost efficient approach to child care center development. The quality of modular units has improved dramatically thus decreasing long term costs of maintenance. Life of modulares has doubled in the last 20 years. Despite the modular construction type, the center design appears consistent with the adult school campus buildings.

Because the preschool playground is quite large, it is able to accommodate both the child care center's needs and the needs of another program, the District's charter school Circle of Independent Learning (COIL) which is a program for home schooling. The playground is divided into two primary play areas including an infant yard with a tent for shade and a yard for older children with a play structure and a handful of large trees that provide sufficient shade. The playground also features engineered wood fiber, which is smaller and smoother than typical bark and meets ADA requirements. The play yard faces a parking lot but had an existing chain link fence that did not provide any screening of children from vehicles. Slats were inserted into the existing chain link fence to limit visibility into the play yards from the parking lot.

LESSONS LEARNED

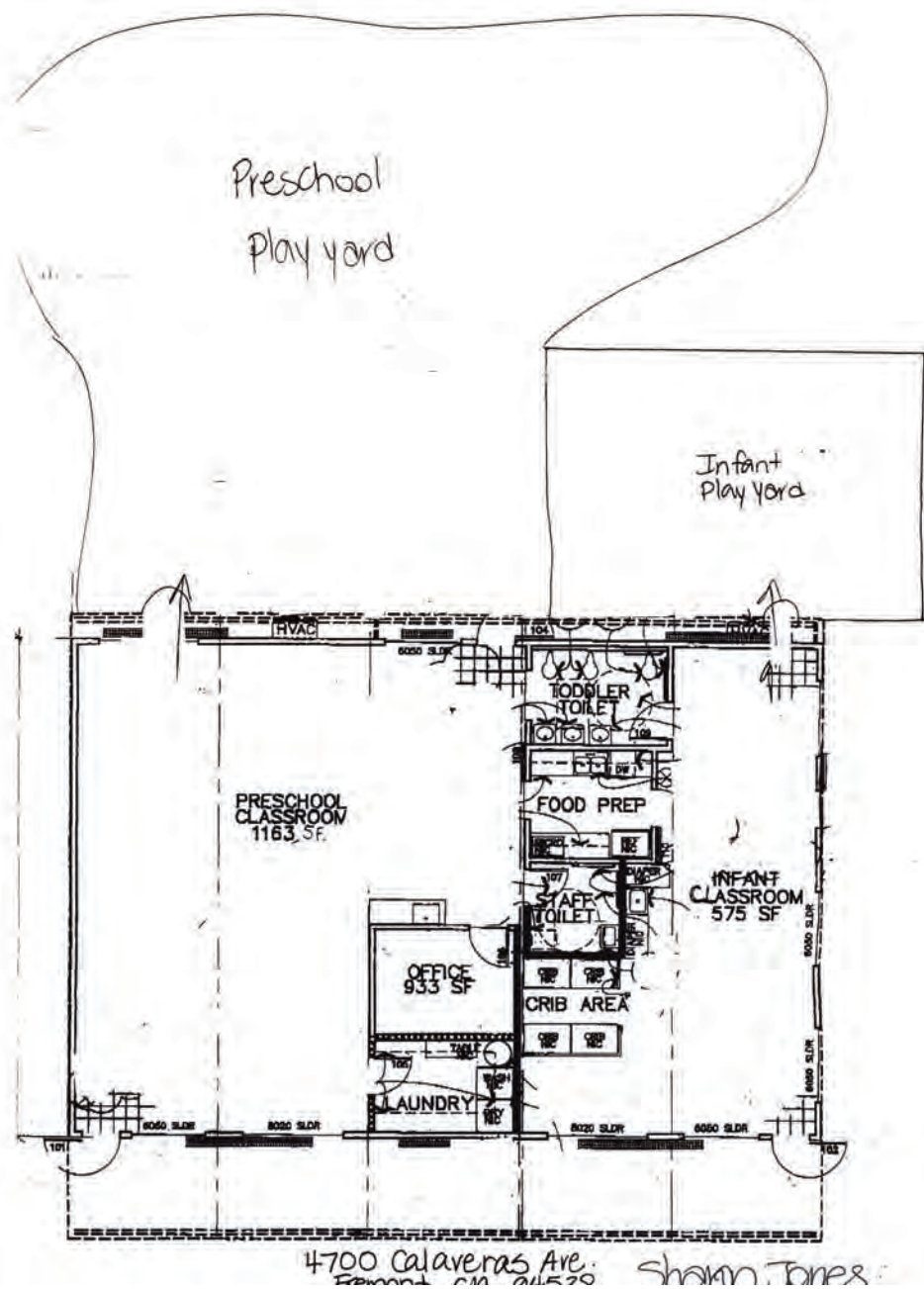
OVERALL, THE OPERATOR FEELS THE CENTER FUNCTIONS WELL. THEY HAVE A FEW LESSONS TO SHARE FROM THE DEVELOPMENT PROCESS AND ABOUT THE DESIGN POST OPERATION.

- Having an architect “push and pull” at the modular design was vital in getting a modular system to work for the center and to assure coordination with the work completed by the school district
- In terms of the interior design, Kidango needed to add additional cabinet storage throughout the center and shelving in the laundry room in order to have adequate and appropriate storage.
- In term of the exterior design, the center wish list includes grass in the infant yard, a staff lounge, a larger kitchen (the kitchen size was restricted by the building footprint), and outdoor storage, which was initially planned, but overlooked by the architect. Additionally, Kidango identified that existing established eucalyptus trees which were quite large and old, dropped seed pods which are a choking and poisoning risk to children and had falling branches which could hit a child. The trees were removed and trees appropriate for preschool programs were planted.
- Development, from the first meeting of Kidango and the Fremont Adult School to the enrollment of children, took five and a half years. The longer timeline was due the limited availability of the modular product and time to raise funds for the project. The modular company that the team had contracted with went out of business while they were pouring the foundation, which caused a significant delay as Kidango had to assume part of the work of getting the modular released, delivered and placed on the foundation. Although cost efficient, availability of the modular product has been an issue in the past.
- The partnership was a success. Trust was built early on. The School allowed Kidango to choose a contractor they both had a relationship with, which fostered trust amongst the development team on multiple levels. The team met weekly to maintain open communication and the Fremont Adult School’s desire for an onsite child care has spilled over into ongoing interest and participation in the center. Kidango has learned that a strong relationship in a collaboration is critical for mutual success of the project.

ATTACHMENTS

- Plans





Fruitvale Village Head Start at Fruitvale BART Station and Transit Village

PRIMARY CASE STUDY FEATURES

1. Large, Transit-oriented Child Care Center co-located with Mixed Income Housing
2. Head Start funded center with supplemental Head Start services
3. Unique design characteristics including 2nd floor exterior play area, no cost drop off parking in transit oriented development, full kitchen
4. Strong partnership between facilities developer and child care operator.

See Description of Primary Case Study Features below for more information.

SUMMARY PROFILE

NUMBER LICENSED TO SERVE:

122 children

Infants: 20

Preschoolers: 102

CENTER SIZE:

Total interior area: 13,500 SF

Total outdoor area: 7,650 SF

LOCATION:

Oakland, California

CHILD CARE OPERATOR:

The Unity Council, Children and Family Services

DEVELOPER:

Fruitvale Development Corporation, an affiliate of The Unity Council

ARCHITECT:

McLaren Vasquez Emsiek & Partners

PROJECT COMPLETION DATE:

October 2002

PROJECT/PROGRAM DESCRIPTION

As the developer of the Fruitvale Bart Transit Village and as a Head Start child care operator, The Unity Council was able to combine three of their smaller Head Start program sites into the Fruitvale Village Head Start center. The prior program sites were located in temporary portables and leased space which was at risk of non-renewal of lease terms.

The center serves 244 low income children through a part day program including morning and afternoon sessions. The center provides child care from Tuesdays through Fridays. Mondays are utilized by staff to prepare for the week, manage the extensive Head Start supportive services, and coordinate the Home Base program, which brings children who are cared for by their families into the center for socialization.

Head Start provides the majority of the center's funding through a contract with the City of Oakland. Additional funding for the food program is provided through a contract with the USDA.

DESCRIPTION OF PRIMARY CASE STUDY FEATURES

1. LARGE, TRANSIT-ORIENTED CHILD CARE CENTER CO-LOCATED WITH MIXED INCOME HOUSING

The Fruitvale Village Head Start center is located in the Fruitvale Transit Village at the Fruitvale BART Station. The center is accessible by foot, car, BART, and bus. The center is co-located with 47 mixed income apartments, 68,000 SF of community resource space, 47,000 SF of medical, dental uses, and 38,000 SF of retail space. The center primarily serves families in the surrounding neighborhood rather than commuters from other neighborhoods who utilize the Fruitvale BART or buses which use the BART as a primary connection. Over 50% of the attending families walk to the center.

2. HEAD START FUNDED CENTER WITH SUPPLEMENTAL HEAD START SERVICES

The center serves very low-income families as required under the Head Start program. The families are primarily Spanish-speaking. Ancillary supportive services for families are extensive. The center includes office space for a number of programs and provides the administrative office for all of The Unity Council's Head Start programs.

3. UNIQUE DESIGN CHARACTERISTICS INCLUDING 2ND FLOOR EXTERIOR PLAY AREA, NO COST DROP OFF PARKING IN TRANSIT ORIENTED DEVELOPMENT, FULL KITCHEN.

- The center occupies two floors at a corner of Fruitvale Village. Most child care centers occupy a single floor.
- No cost, 30 minute drop off parking is available in the garage as well as adjacent to the center entrance and is well utilized.
- A full kitchen provides hot meals for children and there is adequate storage for food supplies.

4. STRONG PARTNERSHIP BETWEEN FACILITIES DEVELOPER AND CHILD CARE OPERATOR.

There were many benefits from the developer and operator being from different arms of the same community based organization. The developer and operator started with a good understanding of one another's work and challenges, a base level of trust, and mutual interest in building a quality, but cost efficient center. They were able to partner early in the development process and were readily accessible to one another. Both parties felt positive about their in-house partnership and were able to compromise when necessary.

LESSONS LEARNED

OVERALL, THE OPERATOR FEELS THAT THE CENTER WORKS WELL AND PROVIDES A HEALTHY SPACE FOR CHILDREN, A PRODUCTIVE OFFICE SPACE FOR THE STAFF, AND A MEETING SPACE FOR PARENTS AND ADULT CLASSES. HOWEVER, THE OPERATOR ALSO LEARNED SEVERAL LESSONS FROM OPERATING THEIR PROGRAM IN THE SPACE. THE OPERATOR WOULD CHANGE THE FOLLOWING:

- Finish in hallway and stairwell space—A hard surface rather than carpeting would be easier to clean;
- Size of outdoor space—A waiver to provide less than the state mandated 75 SF per child (102 children) since all of the children are never outdoors at the same time and the larger space makes supervision difficult.
- Indoor plumbing—Sinks both inside and outside the bathrooms to allow for water play in the classrooms.
- Indoor classrooms—Greater flexibility in design of classrooms, e.g. an Early Head Start program was added after the center's design was finalized so that classrooms originally sized for Head Start, are oversized for the smaller Early Head Start classes.

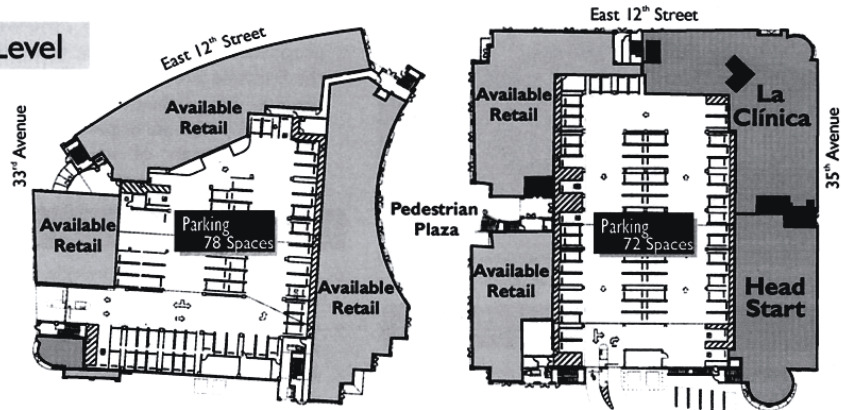
ATTACHMENTS

- Fruitvale Transit Village Floor Plan

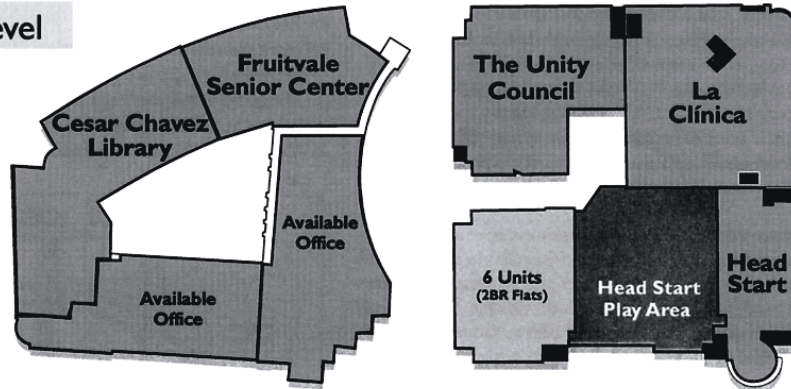
FRUITVALE VILLAGE

Cross Section of Uses

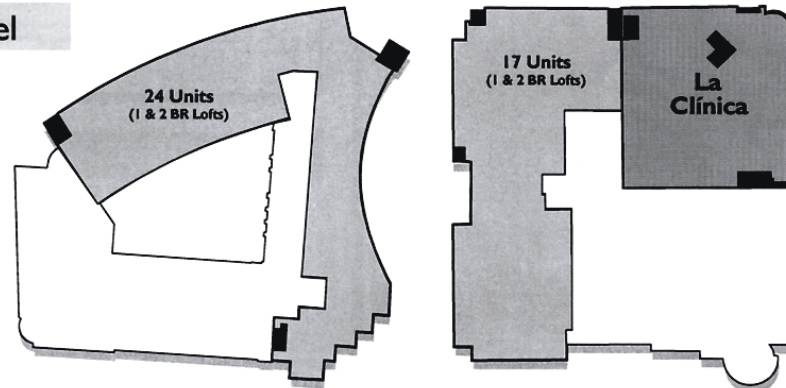
Ground Level



Second Level



Third Level



KEY

- Retail
- Commercial
- Residential

0 15 30

3301 East 12th Street
Building B

3401 East 12th Street
Building A

Kidango Rix Center



PRIMARY CASE STUDY FEATURES

1. Very Large, Suburban Child Care Center including Industrial Kitchen Facilities and Support Services for Special Needs
2. Unique design characteristics including rehabilitation of an elementary school and several buildings which form a campus yet individually have the feel of a smaller center.

See Description of Primary Case Study Features below for more information.

SUMMARY PROFILE

NUMBER LICENSED TO SERVE:

282 children

Infants: 64

Toddlers: 32

Preschoolers: 186

CENTER SIZE:

Total interior area: 25,000 SF

Total outdoor area: 40,000 SF

LOCATION:

Fremont, California

CHILD CARE OPERATOR:

Kidango

DEVELOPER:

Kidango (rehabilitation)

BUILDING ARCHITECT:

Peter Jacksobson

PROJECT COMPLETION DATE:

Purchased by Kidango in 1979

PROJECT/PROGRAM DESCRIPTION

Kidango is the operator of the Kidango Rix Center. This center is Kidango's largest center and is located in Fremont, California. Approximately 80% of the child care spaces are subsidized, serving children from low-income families. The center always has a demand for the subsidized spaces; if there are vacancies they are for the full fee spaces. The center offers flexible hours (75% and 50% time options) and a sliding scale. Kidango also operates a special needs program, Early Intervention Services (EIS) at Rix, which provides specialized services while integrating children into mainstream classrooms and serves approximately 12 children. In addition, Kidango provides early childhood mental health services to children who qualify based on need.

The Rix Center is located in a rehabilitated elementary school campus, consisting of six buildings including an auditorium, administration services building and four additional service buildings. Kidango purchased the complex from the school district which it was partially occupying under a lease agreement. The rehabilitation was completed in phases without disruption of services. Rehabilitation consisted of the roofs, heating and air conditioning units, parking lot, landscaping, commercial kitchen, additional bathrooms, flooring, asbestos abatement, playground equipment and classrooms.

DESCRIPTION OF PRIMARY CASE STUDY FEATURES

1. VERY LARGE, SUBURBAN CHILD CARE CENTER WITH FULL KITCHEN FACILITIES AND SUPPORT SERVICES FOR SPECIAL NEEDS AND MENTAL HEALTH SERVICES

The Rix Center is a very large center, serving 282 children. Although there is a large number of children, the campus has four (4) buildings with a total of fourteen (14) classrooms which serve the wide age range of children. One of the buildings with classrooms also accommodates a full commercial kitchen that was installed as part of the rehabilitation which produces 1.5 million hot meals for the children at the Rix Center and at other of Kidango's centers in San Francisco, Santa Clara and Alameda Counties. The center is located in a suburban part of Fremont.

2. UNIQUE DESIGN CHARACTERISTICS INCLUDING REHABILITATION OF AN ELEMENTARY SCHOOL AND SEVERAL BUILDINGS WHICH FORM A CAMPUS YET INDIVIDUALLY HAVE THE FEEL OF A SMALLER CENTER.

Although the campus is large, each of the classrooms are small, and a significant effort was made to give the interior of each classroom a distinct identity. However, since the buildings were already existent, from the exterior, limited design work could be done to give the buildings a distinct identity. The classrooms are a good size for toddler and preschool classes.

LESSONS LEARNED

OVERALL, THE OPERATOR FEELS THE CENTER WORKS WELL.

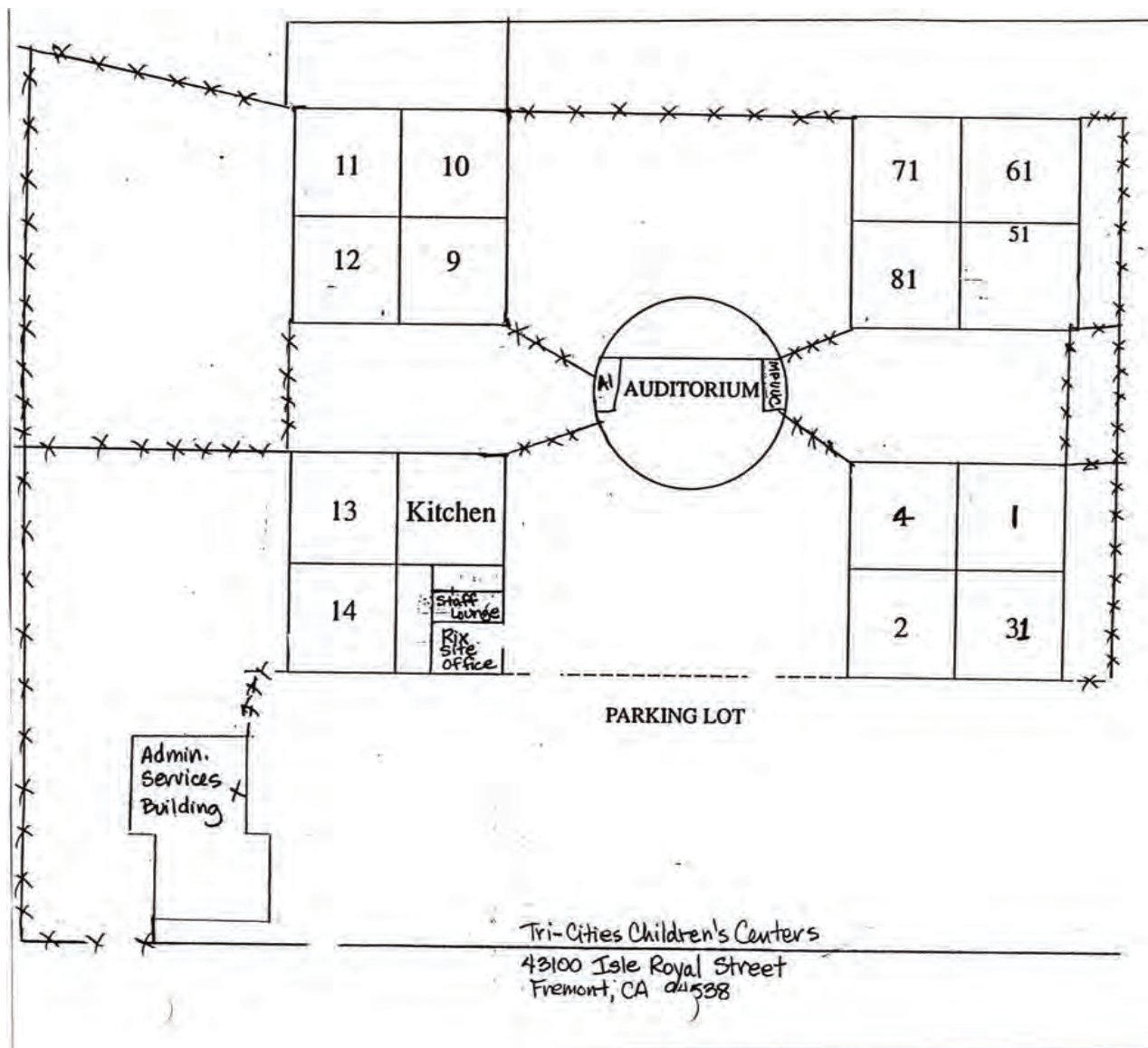
- Rix is Kidango's largest center and as such is able to spread operating costs over a large number of children which makes the center more cost efficient. The additional resources of the center, including the auditorium and kitchen, enable Kidango to provide more flexible space and better serve the children. The auditorium is quite large and provides an alternative play area on rainy days. Kidango also uses the auditorium for large staff meetings from their numerous centers and staff/parent training. The kitchen is a full service commercial kitchen providing hot meals to the classrooms; each classroom has a food preparation area as well.
- The playgrounds are large but do not have direct access from all of the classrooms since the buildings are generally square in shape with four classrooms with separate access from each classroom so that no classroom is used to access another. Although there is secure access via protected pathways, teaching staff remarked that direct access is desirable.
- Due to the age of the buildings (40 years), there are not as many windows as the toddler teachers would like. However, infant teachers appreciate that windows were able to be installed that are low enough for children to see out of.

- Due to the center's location in a residential area, there is limited parking which adversely affects the neighborhood.
- There were no coordination issues since Kidango performed the rehabilitation themselves. Kidango learned a lot from the Rix center as it was one of their first experiences rehabilitating buildings intended for a different use into child care facilities.

ATTACHMENTS

- Rough sketch of site plan





Treasure Island Child Development Center



PRIMARY CASE STUDY FEATURES

1. Large, rehabilitated child care center, co-located with an affordable housing development on a rehabilitated naval base.
2. Unique financing administered by the Low Income Investment Fund (LIIF) in partnership with the City and County of San Francisco Department of Human Services, child Care Facilities Fund, Section 108 Savings, and the San Francisco Mayor's Office on Community Development. Kidango provided all equipment funds.
3. Unique design characteristics included a challenging rehabilitation of a Naval child care center, office in direct line of sight from front entrance, open layout, and all non-infant classrooms with their own bathrooms for children.
4. Mixed finance operating subsidies that enable 66% to 75% of the child care spaces to be subsidized below the actual cost of care.

See Description of Primary Case Study Features below for more information.

SUMMARY PROFILE

NUMBER LICENSED TO SERVE:

108 children

Infants: 12

Toddlers: 32

Preschoolers: 64

CENTER SIZE:

Total interior area: 8,784 SF

Total outdoor area: 16,508 SF

LOCATION:

Treasure Island, San Francisco, California

CHILD CARE OPERATOR:

Kidango

CONSTRUCTION MANAGER:

The John Stewart Company

REHABILITATION ARCHITECT:

Asian Neighborhood Design

PROJECT COMPLETION DATE:

December 2003

PROJECT/PROGRAM DESCRIPTION

Like most of Treasure Island, the child care center is a rehabilitated Naval facility. The rehabilitation was challenging due to the building's deferred maintenance, structural and waterproofing complications and environmental contaminants due to the prior use of the property as a Naval Base. Many of the structural elements were retained in order to minimize costs.

The interior space consists of seven (7) classrooms, serving infants, toddlers, and preschoolers organized in an open, spacious layout which is intended to be inviting for parents and children. Each classroom is arranged differently to emphasize its unique character and to better serve the age group. The number of classrooms and age ranges served means that a continuum of care may be provided to children as they grow. The outdoor space is separated into infant, toddler, and preschool spaces, with the four preschool classes sharing one outdoor space in shifts.

The Treasure Island Center offers flexible plans, including 0.75, 0.5, and 0.25 time at the Treasure Island Center. Two thirds to three quarters of the spaces are subsidized, depending on age group. Subsidies include

state contracts, CalWORKS, and Alternative Payment vouchers administered by the Children's Council of San Francisco.

DESCRIPTION OF PRIMARY CASE STUDY FEATURES

1. LARGE, REHABILITATED CHILD CARE CENTER, CO-LOCATED WITH AN AFFORDABLE HOUSING DEVELOPMENT ON A REHABILITATED NAVAL BASE.

The center can serve 108 children in seven classrooms. However, due to the delay in transferring the Naval Base to the City and County of San Francisco, build out of the island has been delayed thus reducing the child population on the Island. Refer to lessons learned below for information about the rehabilitation and co-location with housing. Most children served are living in housing provided by the Treasure Island Homeless Initiative, children of women in the Job Corps Program, and children of women in drug rehabilitation programs.

2. UNIQUE FINANCING ADMINISTERED BY THE LOW INCOME INVESTMENT FUND (LIIF) IN PARTNERSHIP WITH THE CITY AND COUNTY OF SAN FRANCISCO DEPARTMENT OF HUMAN SERVICES, CHILD CARE FACILITIES FUND, SECTION 108 SAVINGS, AND THE SAN FRANCISCO MAYOR'S OFFICE ON COMMUNITY DEVELOPMENT AMOUNTING TO \$1 MILLION. KIDANGO PROVIDED ALL EQUIPMENT FUNDS THROUGH FUNDING FROM THE CHILD DEVELOPMENT DIVISION, CALIFORNIA DEPARTMENT OF EDUCATION IN THE AMOUNT OF \$100,000. THE NAVY COMPLETED TOXIC REMEDIATION AT AN UNKNOWN COST.

3. UNIQUE DESIGN CHARACTERISTICS INCLUDED LOCATION OF THE OFFICE IN DIRECT LINE OF SIGHT FROM FRONT ENTRANCE, AN OPEN LAYOUT, WINDOWS THAT ALLOW CHILDREN TO SEE OUT INTO THE HALLS OR ONTO THE PLAYGROUND, ALL NON-INFANT CLASSROOMS WITH THEIR OWN BATHROOMS FOR CHILDREN, AND SECURE OUTDOOR FENCING.

The open, spacious layout is inviting for parents and children. The office is centrally located with full windows so that the center director can see people coming and going from each classroom as well as the front entrance. Laundry and the check-in area are also centrally located. All classrooms have interior and exterior windows that are sized and located so that the children can see out of them. All non-infant classrooms have adjoining bathrooms for children so that staff and children do not have to leave the classroom for potty trips. This is important for ensuring adequate staffing at all times. The center includes a large staff lounge allowing staff quiet time for lunches and breaks. A tall wooden fence surround the outdoor yards which provides privacy and security for children while they are playing while also providing undetectable and inaccessible exits from the outside. There are four large outdoor storage sheds that store toys, supplies and other materials as needed.

4. MIXED FINANCE OPERATING SUBSIDIES THAT ENABLE 66% TO 75% OF THE CHILD CARE SPACES TO BE SUBSIDIZED BELOW THE ACTUAL COST OF CARE.

Subsidies, including a state Department of Education contract (CDE), CalWORKS, and Alternative Payment vouchers administered by the Children's Council of San Francisco, enable the center to serve a range of low income families.

LESSONS LEARNED

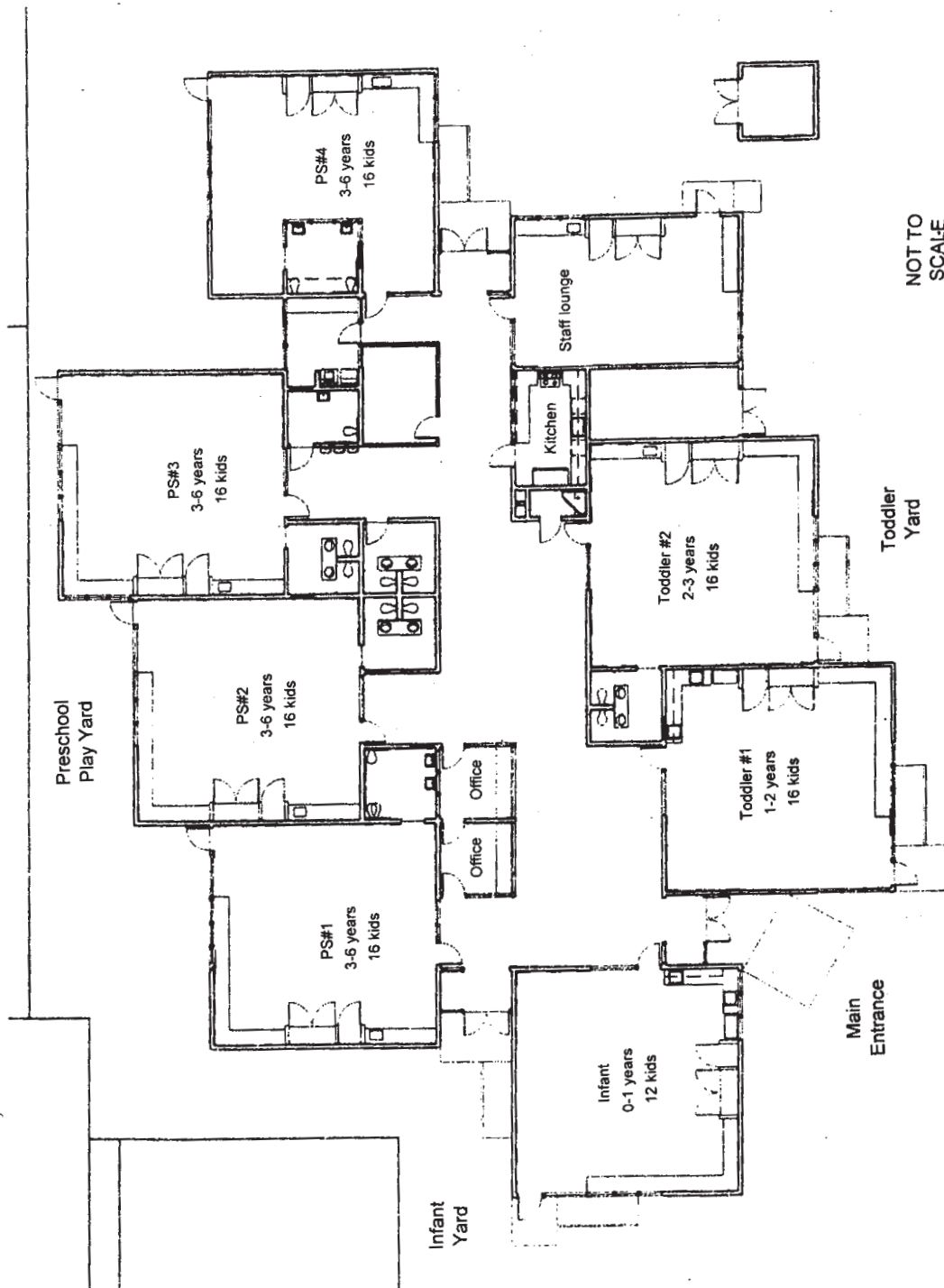
OVERALL, THE OPERATOR IS VERY PLEASED WITH THE DESIGN OF THE CENTER AND THE WAY IT FUNCTIONS. BELOW ARE LESSONS LEARNED THAT THE OPERATOR SHARED.

- The construction manager and the operator had “great” communication. However, this communication did not translate into great communication between the construction subcontractors and the operator.
- The Treasure Island Center was part of a Treasure Island redevelopment plan and as such was intended to serve both affordable and market rate housing to be developed on Treasure Island. However, due to delay in the completion of the vast majority of the housing (due to the delay in transferring the base to the County of San Francisco), the Treasure Island Center experienced difficulty with enrollment. Commuter families between the East Bay and San Francisco have helped fill the enrollment to some degree. The egress onto the Bay Bridge is a challenge that limits many families who commute from using the Center.
- The Treasure Island Center is located far from the majority of Kidango’s operations which are located in the southeast bay and San Jose. Kidango’s headquarters are in Fremont. For example, hot meals are transported from the Kidango Rix Center’s kitchen to the Treasure Island Center which results in increased child care costs. Transporting food was significantly less expensive than contracting with the school district or private caterer.
- Since the rehabilitated center is located on a former naval base, construction costs were more unpredictable than new construction and even than other rehabilitation projects. The construction costs significantly exceeded the estimates. In retrospect, given the final cost of the rehabilitation of the child care center, the operator feels it may have been better to have done new construction. Additionally, the proposed buildout of the Island has changed. The latest plan eliminates the center from its current location and moves it to another location which shortens the time to amortize the rehabilitation financing and thus makes the operations more costly.

ATTACHMENTS

- Plans

Treasure Island Child Development Center



NOT TO SCALE



1 CONSTRUCTION PLAN
10-1-0

Notes

NOTES

1031

Journal of Management Inquiry 26(4) 391-407 © The Author(s) 2017. Reprints and permissions: sagepub.com/journalsPermissions.nav

Downloaded from <http://ajph.org/> on November 10, 2014