


Child Care Facilities Development: A Report on California's Readiness

Low Income Investment fund

February 2010

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Prepared by the Low Income Investment Fund

Vision and Mission: The Low Income Investment Fund (LIIF) is dedicated to creating pathways of opportunity for low income people and communities. Serving the poorest of the poor, LIIF is a steward for capital invested in housing, child care, education and other community-building initiatives. In so doing, LIIF provides a bridge between private capital markets and low income neighborhoods.

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EXECUTIVE SUMMARY

Statewide, the need for quality early care and education (ECE) services is well documented. In California, only 27% of children with working parents have access to licensed ECE services.[1] This includes more than 200,000 low income children eligible for subsidized services.[2] One significant reason for the lack of access to ECE services is the shortage of facilities to house these programs. From 2004—2007, on average, $74 million in state operating subsidies went unspent in large part due to the shortage of space. If facility space were to be expanded, unspent subsidies would provide an additional 60,000 low income children with services each year.[3]

In July 2008, The Low Income Investment Fund (LIIF)[4] surveyed statewide child care intermediaries [5] to identify local issues related to facility development and financing. Survey questions allowed respondents to identify local land use and financial barriers, technical assistance services and resources available. Child care intermediaries were surveyed because of their leadership and unique relationships with the early care and education sector. These include, for example, quality programming, training, planning, advocacy, data collection, organizational planning, and funding for the early care and education field.

Research Findings

- Child care intermediaries who responded to the survey are unaware if facilities development is addressed in Preschool for All (PFA) or School Readiness Initiatives (SRI).[6] Of those surveyed, 67% responded that their county's PFA/SRI did not specifically address facilities or they were unsure whether the initiative included a plan to address facilities.
- Lack of local public and private financial resources was consistently raised as the greatest issue for counties in California.
- Land use barriers (e.g., excessive permit fees and conflicting regulatory requirements) were identified as the second greatest barrier to facilities development. No single land use issue was identified as the greatest challenge indicating that all are serious impediments to facility development. Moreover, local efforts to mitigate land use barriers for facilities development does not seem to be occurring.
- Regionally there was a significant difference among intermediaries' responses to identifying land use barriers. Specifically, the Southern region had a very low percentage of respondents (5%) unable to identify a greatest land use barrier. This finding may be due to the fact that Constructing Connections[7] counties and their collaborative partners have identified the land use issues in the region and are already working on land use reform.

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[1] California Child Care Resource & Referral Network, *2009 California Child Care Portfolio*

2 California Department of Education, *Status Report on Implementation of County Centralized Eligibility List*, November 2008

[3] California Department of Education, Child Development Division, *Report on Unspent Child Care Funding*, April 2007 In California, if subsidies are not used in the contracted time period, they do not roll over to the next time period. Rather, they are returned to the subsidy source.

[4] LIIF is a nonprofit community development financial institution with a quarter century of experience providing ***capital*** and ***technical assistance*** for affordable housing, child care and education facilities.

[5] *Child care intermediary* refers to local child care planning councils, child care resource and referral programs and local First 5 Commissions.

[6] Statewide, there are initiatives with goals related to preschool opportunities for children. The intent of Preschool for All is to create high-quality preschool programs for all three and four year olds in the state. The intent of School Readiness plans is to improve the ability of families, schools and communities to prepare children to enter school ready to succeed.

[7] There is a high concentration of Constructing Connections in the Southern region. The Constructing Connections project is found in five of the eight southern region counties.

- Child care intermediaries are providing some technical assistance services and resources to operators for facilities development and financing. However, most of the services and resources being provided are in the early planning phase of development only. Services are generally not being provided in the later, more difficult and costly phases of development.
- The Southern region (58%) showed a greater awareness of agencies that provide local technical assistance services in the three specific areas (accessing funding for facilities, business development, and identifying a development team) identified by the other regions as most lacking. The strong presence of Constructing Connections in the Southern region may also account for this finding.
- Intermediaries requested additional training and support to address the facility and financing barriers. Additionally, they specifically requested training and access to expertise on facility development and financing to better support ECE operators.

Recommendations

- The survey revealed that intermediaries are aware of the challenges and barriers to developing child care facilities in their local communities. The findings also show that they are interested in gaining the knowledge and experience to overcome those barriers. This is an opportunity for communities to institute one of the many facilities development and financing models, such as ABCD Constructing Connections, a multi-faceted model for supporting the development of quality child care.

The following recommendations are based upon LIIF's child care development and financing experiences and vetted through the work and successes of the ABCD Constructing Connections sites:

1. **Expand facilities development and financing models, such as ABCD Constructing Connections, to interested communities**
2. **Increasing Local Facilities Financing**
   - Identify potential public sources of capital (e.g. Community Development Block Grant, US Department of Agriculture Rural Housing Service, First 5, Redevelopment funds) and advocate making child care an eligible use or priority.
   - Engage local businesses in existing early care and education efforts to help advocate for increased public capital and to promote local fund development efforts.
   - Engage local Community Reinvestment Act officers around funding and resource possibilities for child care facility development.
3. **Removing Land Use Barriers**
   - Learn the process/steps it takes to develop a child care facility in a particular jurisdiction. This will inform you and others about the complexities and timeframes for developing a facility.
   - Conduct a child care land use assessment to see what the entitlement process and fee structure is for each jurisdiction in the county. The assessment will help identify those jurisdictions with realistic cost and timelines, and those with cost-prohibitive or time consuming policies and practices for child care.
   - Identify some child care centers that recently received or were denied a conditional use permit. Interview them to identify challenges, successes, and lessons.

- Advocate for child care friendly land use policies and procedures that encourage child care facility development (e.g. reducing permit fees, reducing/eliminating traffic impact fees, increasing the number of areas zoned for child care).

4. Technical Assistance Services

- Seek training on facility development and financing to enhance existing services to operators.
- Identify and engage existing public/private community partners that have expertise and resources in a particular area (e.g. business planning, market analysis, financial analysis, real estate development, etc.), and coordinate efforts to assist operators through all phases of facility development.
- Develop partnerships with local Small Business Development Centers and other business/economic development agencies to assist operators in developing a business plan and budget, marketing plan and access to private capital.

I. INTRODUCTION

Statewide, the need for quality early care and education (ECE) services is well documented. In California, only 27% of children with working parents have access to ECE services. This includes more than 200,000 low income children eligible for subsidized services. One significant reason for the lack of access to ECE services is the shortage of facilities to house these programs. From 2004—2007, on average, $74 million in state operating subsidies went unspent in large part due to the shortage of space. If facility space were to be expanded, unspent subsidies would provide an additional 60,000 low income children with services each year.

There are several reasons why there is a shortage of facilities. First and foremost, there is a significant lack of funding for renovation and construction of facilities. Private capital is scarce, and where available, the child care market is priced out or perceived as high risk. Public sources of capital are not sufficient to cover the full cost of renovating or building new classrooms and operating subsidies are not sufficient to cover the gap. Second, the time it takes to deploy these public subsidies makes it challenging to open the facilities to effectively utilize the operating subsidies. Third, renovation projects can take up to a year; new construction can take several years incurring great expense without any immediate return on that investment. Because it is difficult to construct or renovate ECE facilities, early learning programs are often unable to secure and retain adequate space and tend to rely on rented properties, below market rate spaces, or combinations of available space. These include spaces such as church basements, recreation halls, surplus space in classrooms, or portables on school campuses.[8] For example, 40% of Head Start facilities are located on school campuses; 38% are found in local community based organizations; 20% are found in county governments or universities; and 2% are tribal/migrant facilities[9]. In addition, operators cannot always secure long term lease agreements for their facilities undermining the sustainability of their programs.

Finally, even if adequate funding were available, many operators lack the expertise to undertake facility development. The facility development process requires an operator to possess strong business and financial acumen, knowledge of local government processes and knowledge of or access to expertise in facility design, development and construction management. Because no single financial source provides all the capital needed for a project, operators must be adept at cobbling together many and varied public and private funding sources to cover the full cost of development. Facility development requires specialized technical expertise from multiple disciplines and a supportive local regulatory environment to address the facilities shortage. Unfortunately, access to local expertise and resources to assist an operator through the development process are not found in most counties throughout the state.

[8] Building Child Care Collaborative, *Strategies for Increasing Child Care Facilities Development and Financing in California (Executive Summary)* 2008

[9] California Head Start Association

The Low Income Investment Fund's (LIIF) Affordable Buildings for Children's Development (ABCD) Initiative seeks to close the gap on California's ability to provide quality child care facilities. ABCD employs a combination of grants and loans, technical assistance and training, policy and government relations activities in an effort to build a comprehensive and sustainable system for early care and education facilities development in California. Recognizing the need to build local capacity around facilities development, LIIF's ABCD Constructing Connections strategy is creating a network of local sustainable facilities financing and development systems throughout California. Currently, 11counties in California are part of the ABCD Constructing Connections network.

As part of its ABCD strategy, in mid-2008, LIIF surveyed child care intermediaries (Resource and Referral agencies, Local Planning Councils, and local First 5 Commissions) to assess the landscape of child care facilities challenges and resources in California. The goals of the survey were to identify:

- Local barriers to child care facility development;
- Local facility development resources and services available;
- Facility funding available;
- Facility development needs and gaps throughout the state; and
- Intermediary perceptions of the resources and services available in their local communities.

LIIF compiled the results of the survey and summarized them in this report. The survey was conducted with the understanding that while local resources are available, they may not necessarily be accessible or coordinated and there may be gaps in resources such as:

- Technical assistance
- Assistance overcoming land use barriers
- An organized process for increasing local financial investment in facilities development

II. Methodology/Study Sample Overview

A total of 181 child care intermediaries[10] were invited to participate in a 12-question, web-based survey.[11] Resource & Referral Agencies (R&R) and Local Child Care Planning Councils (LPC) were chosen for this survey because each agency has a direct relationship with the operator community. First 5 Commissions were also chosen because over the past 10 years, nearly all of them have invested locally in improving ECE quality.

In addition, operators often reach out to these intermediaries first when developing their projects. R&Rs function as direct links between the operator and parent communities by offering trainings, collecting standardized parent/operator data and promoting quality child care services. LPCs function as planners (including data collection) and promoters of quality child care systems that meet the needs of all children and families in their counties (including mobilization of public and private resources). Finally, in many counties, local First 5 Commission support has taken the role of providing funding for both program and capital projects.

Of the potential 181 child care intermediaries, 72 intermediaries[12] responded resulting in an overall 40% response rate. Because LIIF's interest was in discovering agency knowledge and experience, data was assessed by child care intermediary type. Table 1 below shows the number and percentage of respondents by child care intermediary type.

Table 1. Response Rates by Agency Type

	Agency Type		
	R&R	LPC	First 5
Number of Respondents	33	20	19
Response Percent	51%	34%	33%

Given the State of California's large geographic scope, LIIF was interested in assessing possible geographical/regional differences, if any. LIIF identified the following four regions to evaluate: the Bay Area, and the Central, Northern and Southern regions of the state.[13] The response rate did vary by region and type. In general, the Bay Area and Southern region had greater response rates than the Northern and Central regions. Table 2 below shows the percentages of agency response rates by region.

Table 2. Response Rate by Agency Type and Region

	Agency Type		
Region	R&R	LPC	First 5
Bay Area	92%	10%	40%
Northern	43%	24%	20%
Central	50%	47%	33%
Southern	33%	88%	63%

[10] There are 65 R&R agencies, 58 Local Child Care Planning Coordinators, and 58 First 5 Commissions statewide
[11] See Appendix 1, *Child Care Center Facility Survey*
[12] 33 R&R agencies, 21 LPCs, and 19 First 5 executive directors.
[13] See Appendix 2, *Geographical Designations*, for a definition of regions.

III. RESULTS AND KEY FINDINGS

A. Not Enough Child Care

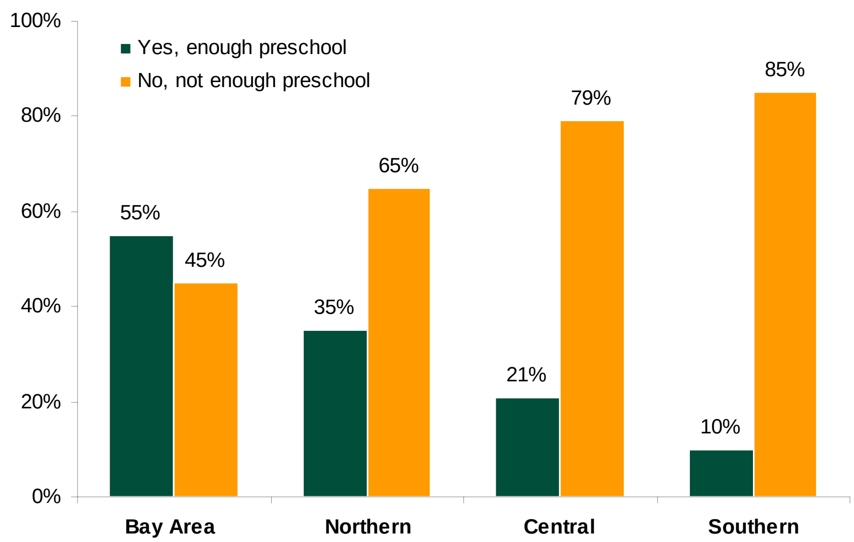
Intermediaries were asked whether they thought there was enough infant/toddler and preschool care supply in their local communities.

Findings

Overall, it was widely reported that there is not enough infant/toddler care (96% of all intermediaries responding).[14] With the exception of some communities, the same could be said about preschool needs (73% of survey respondents).

Interestingly, there was some divergence in terms of preschool need based upon geographic locations. Specifically, in the Bay Area, 55% of R&Rs and 50% of First 5 Commissions reported that there may actually be enough preschool services. In contrast, 85% of the Southern intermediaries who responded stated that there is a dire shortage of preschool supply (see Table 3 below).

Table 3. Intermediary Perception of Preschool Supply by Region



B. Agencies Unaware if Facilities Is Addressed in Preschool for All / School Readiness Plans[15]

While the agencies who responded to the survey generally concurred that there was not enough preschool supply to meet the demand, the survey also asked:

- If the agency knew of a local preschool for all (PFA)/school readiness initiative (SRI); and
- If there was a local PFA/SRI, did that initiative include planning for facilities.

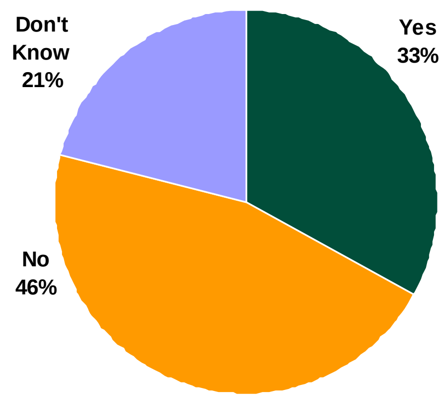
[14] According to the California Child Care Resource & Referral Network, *2009 California Child Care Portfolio* only 6% of licensed child care slots are for children under two years old.

[15] Statewide, there are initiatives with goals related to preschool opportunities for children. The intent of Preschool for All is to create high-quality preschool programs for all three and four year olds in the state. The intent of School Readiness plans is to improve the ability of families, schools and communities to prepare children to enter school ready to succeed.

Findings

Based on the intermediaries who responded, 82% reported that they knew their counties have a PFA/SRI. However, 67% of the respondents said that their county's PFA/SRI did not specifically address facilities or they were unsure whether the initiative included a plan to address facilities. Table 4 below shows the percentages of intermediaries perceptions of counties whose PFA/SRI: a) include facilities in plans; b) do not include facilities; or c) are unaware if the plans include facilities.

Table 4. Awareness of Facilities Plans in Preschool for All / School Readiness Initiatives



C. Local Barriers to Facility Development

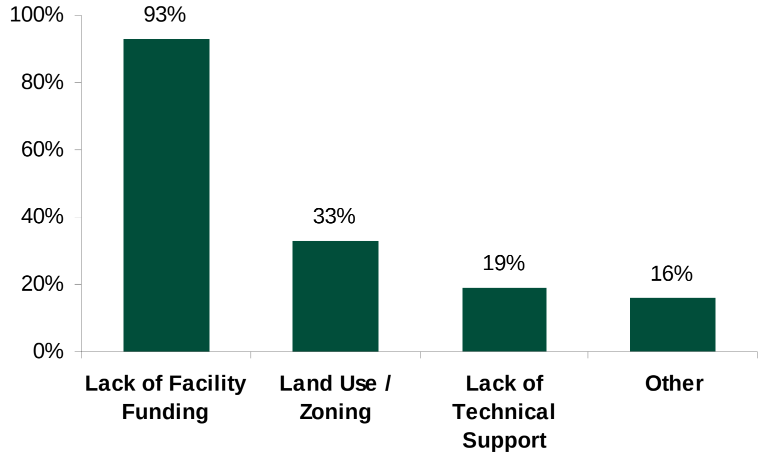
Intermediary agencies were asked to identify the most challenging barriers to child care facility development within their counties. They were able to choose more than one from the following list of barriers:

- Lack of Facility Funding
- Land Use/Zoning
- Lack of Technical Assistance Support
- Other

Findings

Table 5 below shows that respondents identified the lack of facility funding as the greatest barrier (93%). The second greatest barrier is land use (33%), followed by lack of technical support (19%). Intermediaries (16%) identified the following "Other" barriers to facilities development: lack of real estate/identified appropriate space, political and/or public will, operators' business acumen to develop facilities, workforce, and accessibility.

Table 5. Local Barriers to Facilities Development



1. Identified Local Funding Sources for Facility Development

There is a significant lack of funding for facility development. Local public sources of capital require jurisdictional authorization. Elected officials who oversee these local public sources of capital are often unaware of child care capital needs and do not include or prioritize them as fundable projects. Other public sources are not sufficient to cover the full cost of renovating or building new classrooms and operating subsidies are not sufficient to cover the cost of debt financing and/or filling the capital gap. Moreover, oftentimes traditional sources of capital, such as banks, do not understand the child care market including its revenue sources. Because of this, banks may be unwilling to provide loans or equity lines of credit due to concerns that the modest profit margins are risky or unsustainable business ventures.

Intermediaries were asked to identify funding that is available for facilities development within their counties.[16] They could choose multiple options from the following list of potential funders:

- First 5 grants
- Grants from foundations
- Head Start capital grants
- Community Development Block Grants (CDBG)[17]
- Redevelopment funds [18]
- Small Business Associations/Small business loans
- Loans from private banks
- Other
- Don't know

[16] The survey was designed to specifically uncover local resources. Therefore, the California Department of Education's Child Care Facilities Revolving Fund was not included as an option as it is a statewide program.
[17] The federal objective of Community Development Block Grants (CDBG) is for the development of viable urban communities by supporting housing and community facilities for persons of low and moderate income.
[18] An economic tool whose purpose is to eliminate blight in locally designated areas. It provides public capital for reconstruction and rehabilitation of residential, commercial, industrial and retail districts.

Findings

Intermediary respondents named Small Business Associations/Small business loans (52%), private banks (47%) and First 5 grants (44%) as the greatest local funding sources. In contrast, grants from foundations (18%), other (14%), and Redevelopment funds (7%) were named as the least local funding sources. Other sources were identified as: local funding opportunities such as the Fresno Nonprofit Advancement Council and LIIF.

Overall, respondents were able to identify private capital funding sources. Still, traditional sources of capital, such as banks, have been reluctant to fund child care projects. Given the current economic crisis, the child care sector faces even greater facilities financing and development challenges. Additionally, while some foundations do provide capital grants, the economic crisis has forced many foundations to reevaluate their funding priorities and cut back on their grant-making, further impeding facility financing and development.

Respondents identified First 5 Commissions as public sources of capital. However, further research revealed that over one-third of those intermediaries (38%) perceived that First 5 Commissions provided facility development capital when, in fact, the First 5 Commissions in those counties did not fund capital development. Moreover, 13% of intermediaries responding answered that First 5 Commissions did not provide capital funding, when in fact, those First 5 Commissions in their community actually do.[19]

Finally, respondents did not identify other public sources (CDBG and Redevelopment agencies) as funding opportunities. Child care is a public benefit and under most circumstances can be funded with CDBG and Redevelopment funds. The survey responses reveal that local public capital sources are not fully being tapped. This serves to emphasize that the child care sector needs to learn about public capital sources, educate local government about child care, and advocate in local jurisdictions to prioritize child care in their local funding considerations. At a minimum, respondents' perceptions of local public and private capital financing opportunities reveal a serious knowledge gap between what is available and what is not available at the local level.

2. Local Land Use Barriers to Facilities Development

Many communities, oftentimes without intention, have land use policies that create serious barriers to facility development. Communities may lack supportive child care policies in their general plans, or have restrictive zoning ordinances or regulations that conflict with other regulatory agencies. High permit fees, lengthy entitlement processes and lack of coordination among regulatory departments all contribute to prolonged timelines and expenses in developing a facility.

Intermediaries were asked to identify what they believe to be the greatest local land use barriers to facility development. Intermediaries were able to choose more than one option from the following list:

- Excessive Permit Fees
- Lack of Coordination among Regulatory Departments/Agencies
- Access to Conditional Use Permitting/Entitlement Information

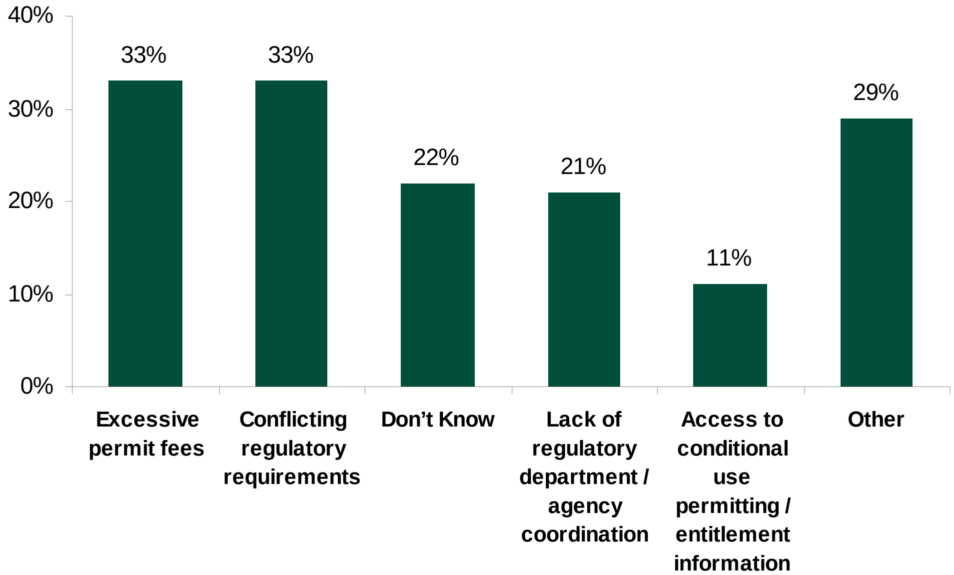
[19] See Appendix 3, *First 5 Capital Funding Research.*

- Conflicting Regulatory Requirements
- Other
- Don't Know

Findings

Even though respondents did not identify any single land use barrier as causing the greatest challenge, the intermediaries consider land use to be an underlying issue hampering facility development. Table 6 shows the overall responses by intermediaries to this question.

Table 6. Land Use Barriers to Facilities Development



Regionally, the Bay Area, Northern and Southern regions respondents identified excessive permit fees and conflicting regulatory requirements as the greatest land use barriers. While the Central region did identify these as land use issues, they were not identified as the greatest barriers. Additionally, all regions identified the following "Other" land use barriers: restrictive regulations, backlog and lengthy time lines, and negative public appeals' processes. Finally, the Northern and Central regions had a greater "Don't Know" response rate than the Bay Area and the Southern region. The Southern region actually had a very small percentage (5%) of intermediary "Don't Know" responses. The low number may be occurring because Constructing Connections[20] counties and their collaborative partners have identified the land use issues in the region and are already working on land use reform. Table 7 below shows the percentages of identified land use barriers by region.

[20] There is a high concentration of Constructing Connections in the Southern region. The Constructing Connections project is found in five of the eight southern region counties.

Table 7. Land Use Barriers to Facilities Development by Region

Barrier	Bay Area	Northern	Central	Southern
Excessive Permit Fees	40%	40%	21%	35%
Conflicting Regulatory Requirements	40%	30%	11%	40%
Lack of Coordination Among Regulatory Departments / Agencies	25%	15%	21%	30%
Access to Conditional Use Permitting / Entitlement Information	20%	5%	16%	20%
Other	30%	30%	26%	25%
Don't Know	15%	25%	32%	5%

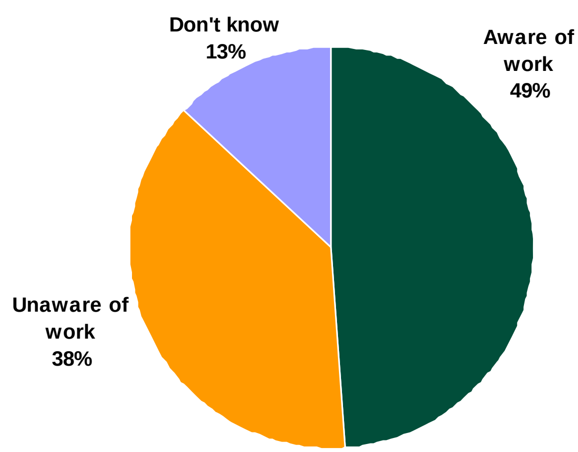
i. Local Land Use Reform Not Occurring

In order to create change in the area of land use policy, intermediaries must understand the process, take into account that it takes time to enact policy change, and develop a strategic advocacy plan to achieve desired outcomes. Depending upon the activity, in communities where policy change has occurred it can take up to a year or more to affect change. Intermediaries were asked if they are aware of any land use reform work done by their own agency or another intermediary agency to provide some indication of both the visibility and importance of land use reform.

Findings

Nearly half the respondents (51%) indicated they are not aware of any local land use reform that either their agency or another intermediary agency has performed. Table 8 displays county responses to this question.

Table 8. Awareness of Local Land Use Work



3. Lack of Technical Assistance/Support in Critical Phases of Development

Developing a child care center is a complex and technically involved process. While it requires knowledge about Community Care Licensing, it also requires expertise in construction management, capital financing, land use regulations, design, and other areas not typically understood by the child care sector. Having a centralized technical assistance resource, a collaboration of technical experts and resources for all phases of development are necessary components for successful project outcomes.

Because of their relationships with operators and the integral part intermediaries play in the development process, LIIF was interested in finding out:

1. Do intermediaries identify themselves as providers of facility development technical assistance?
2. What technical assistance, if any, did intermediaries self-report that they provide?
3. Are intermediaries aware of other intermediaries who provide local technical assistance; and if so, who are they?
4. What technical assistance, if any, did they report was being offered by other local child care intermediaries?

Child care intermediaries were also asked to identify the types of technical assistance services *they offer* operators on facility development. In addition, they were asked to identify what technical assistance services they perceive *are provided by the other local child care intermediaries*. Respondents had the ability to select more than one from the following types of technical assistance services:

- Business Development
- Accessing Funding for Facilities
- Providing Market Data
- Indentifying a Facilities Development Team
- Explaining Licensing Requirements
- Referring to Local Resources
- Other
- No services being offered

Finally, intermediaries were asked who they perceive provides technical assistance services on facility development in their counties. Respondents were able to choose more than one answer from the following list of organizations:

- Resource & Referral Agencies
- Local Child Care Planning Councils
- Local First 5 Commissions
- County Offices of Education
- Other
- None
- Don’t Know

Findings

Intermediary agencies who responded to the survey self-reported that their organizations do offer facility development technical assistance services (88%). Respondents identified the following types of technical assistance services they provide **most** often:

- Referring potential child care operators to other local resources (73%)
- Providing market data (59%)
- Explaining licensing requirements (55%)

The types of technical assistance respondents self-reported that they provide the **least** were:

- Assistance with identifying a facilities development team (11%)
- Accessing funding for facilities (26%)
- Business development (33%)

Respondents (66%) answered that they perceive technical assistance services are being provided by other local intermediary agencies. Overall, respondents stated that they perceived the following technical assistance services are **most** likely provided by other agencies:

- Referring child care operators to local resources (67%)
- Explaining licensing requirements (55%)

Overall, those same intermediaries reported that they perceive the types of technical assistance services **least** likely to be provided by *other* agencies are:

- Identifying a development team (21%)
- Business development (39%)
- Accessing funding for facilities (41%)

However, when analyzed by region, the Southern region respondents reported that these three technical assistance services are being provided in greater percentages than in other regions (Bay Area 18%; Northern 21%;Central 13%; Southern 58%) by local intermediary agencies. The strong concentrated presence of Constructing Connections in the Southern region may account for this finding.

The findings suggest that operators are receiving some technical assistance in the beginning or planning phase of facility development only. The findings also suggest that, generally, local agencies are not providing technical assistance during the more difficult and costly predevelopment and development phases. Without a coordinated system of available technical assistance expertise and resources in these subsequent phases of development, projects tend to get stuck or dropped completely.

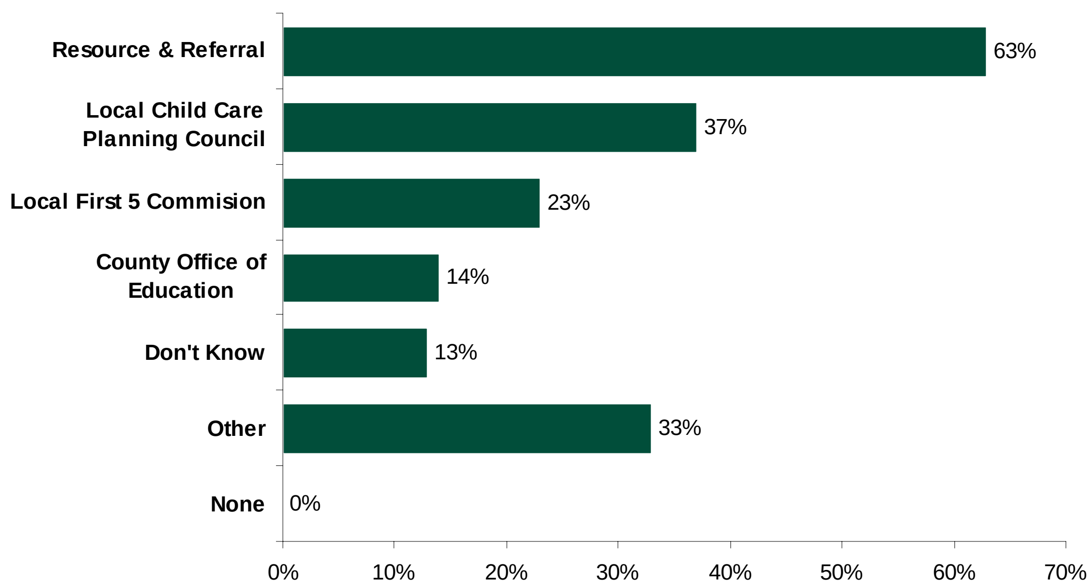
Table 9 below explains each phase of facility development and the corresponding technical assistance services that intermediaries reported are occurring in their communities.

Table 9. Phases of Facility Development and Corresponding Technical Assistance Services Provided

Phase of Development	Description	Technical Assistance Provided
Planning	Potential operators are seeking information about developing a child care center. Market demand, financial and organizational feasibility are analyzed. A business plan is completed.	Yes, but only in relation to market demand, for example: ▪ Providing market data ▪ Explaining licensing requirements
Pre-Development	A site is selected, controlled, and designs for the facility are approved. Funding is secured.	No
Development	Construction, renovation, rehabilitation are made to the site	No
Start-Up	Facility is licensed and providing care	Yes, but only in relation to participation on R&R referral database

Additionally, Table 10 below shows that more than half of the respondents (63%) indicated that the R&R is the major provider of technical assistance on child care facility development.

Table 10. Perceived Technical Assistance Provider for Facilities Development



4. Other Support Services Needed

Lastly, intermediary agencies were asked to select additional services they would like to receive that would support local child care facility development and financing. Intermediaries could choose more than one option from the following list:

- Child Care Intermediary Training in Facility Development (Train the Trainer)
- Access to Technical Experts (i.e., a list of construction managers and/or architects with child care facility development experience)
- Access to Funding for Facilities
- Assistance with Removing Land Use Barriers
- Business Planning Experts
- Other

Findings

Access to facility funding, business planning experts and accessing technical experts were the top three priorities requested by all intermediaries who responded to the survey for additional services to support local facility development and financing.

As access to facilities financing was identified as the greatest overall challenge to facilities development, it logically follows that intermediaries who responded to the survey would request additional services for overcoming financing barriers. Furthermore, respondents' requests for additional services for business planning experts and access to technical experts, correlates to their low responses about providing technical assistance in these two areas. Because the intermediaries' responses showed that technical assistance is provided mainly in the beginning planning phase it is also consistent that intermediaries would ask for additional services to assist operators with the other phases of development.

IV. CONCLUSION

The affordable housing movement proved that successful community development requires that local developers need financial resources, supportive land use policies, and technical assistance through each phase of development. This model is true for child care facility development, as well. The Child Care Center Facility Survey set out to identify local barriers, resources (real and perceived), and statewide needs and gaps for facility development and financing. LIIF surveyed 181 statewide child care intermediaries on issues of facility funding/capital availability, land use and technical assistance. Statewide, 40% of all child care intermediaries responded to the survey.

A. Child Care Supply/Demand

Overall, the survey results revealed there is not enough child care for infant/toddlers (96% of respondents) and preschoolers (73% of respondents). However, Bay Area intermediary respondents provided a different perspective about preschool need with R&Rs (55%) and First 5 Commissions (50%) reporting that they may actually have enough preschool services. While it is generally believed there is not enough preschool supply, some are of the opinion that the Bay Area is nearing its preschool supply demand. Existing local preschool for all initiatives and strong family child care presence in this region may be an explanation for the smaller supply gap. In contrast, a large percentage of Southern intermediaries responded that there is a dire shortage of preschool supply.

B. Preschool for All/School Readiness Initiatives and Facility Development

Child care intermediaries who responded to the survey are generally unaware if facilities development is addressed in PFA and/or SRI.[21] Of those surveyed, 67% responded that their county's PFA and/or SRI did not specifically address facilities or they were unsure whether the initiative included a plan to address facilities. Lack of facilities planning within PFA and SRI can be attributed to many things including the lack of facilities planning knowledge, the perception that available facilities exist where none or insufficient facilities is the reality, and the lack of sufficient resources during the planning process.

C. Facilities Financing

Survey respondents identified facilities financing (93%) as the greatest barrier to facility development. This is compounded by both public and private funding systems that are often confusing, disjointed, and difficult to maneuver, complicating the ability of child care providers to access the capital.

Overall, respondents identified private capital resources (Small Business Associations/ Small Business Loans and private banks) as sources of capital financing. However, given that traditional sources of capital, such as banks, have been reluctant to fund child care projects and the current state of the economy, the child care sector will continue to face even greater challenges to financing and developing child care facilities. Additionally, while private foundations are a smaller source of capital for child care facilities, the funds they do provide are also at risk due to the economic crisis and cutbacks in grant-making. This, too, creates another barrier further impeding facility financing and development.

[21] Statewide, there are initiatives with goals related to preschool opportunities for children. The intent of Preschool for All is to create high-quality preschool programs for all three and four year olds in the state. The intent of School Readiness plans is to improve the ability of families, schools and communities to prepare children to enter school ready to succeed.

Except for local First 5 funding, respondents did not identify other public capital funding sources, (CDBG, Redevelopment) for child care facilities. It emphasizes that public capital sources are not being tapped for child care facility development. While child care may be an eligible fundable activity under CDBG and Redevelopment, it requires a jurisdiction to prioritize child care in its planning and implementation activities. Yet, most jurisdictions are unaware of child care capital needs and overlook child care as a funding opportunity under CDBG and Redevelopment. This serves to emphasize the need for education and advocacy efforts to prioritize child care in local public funding considerations.

Over one-third of R&Rs and LPCs responding answered that their local First 5 Commissions provide facility funding, when in fact, those local First 5 Commissions do not provide that funding. Additionally, intermediary respondents (13%) said that their local First 5 Commissions do not provide capital funding, when in fact, they do. One explanation for the larger intermediary responses that First 5 Commissions fund capital development is that intermediary respondents may be confusing operating/program funds with facility development funds. Because First 5 Commissions are major early care and education funders, intermediaries may be assuming that Commissions fund facility development—whether or not they really do. At a minimum, this does show that there is a knowledge gap about local public and private funding resources.

D. Land Use

Survey respondents identified land use as the second greatest barrier to facility development (33%). Generally, child care intermediaries responding to the survey acknowledged that there are serious local land use issues, including local land use regulations hindering the facility development process. Respondents also identified “Other” land use barriers as: the high cost of real estate, lack of outdoor useable space, “not-in-my-backyard” (NIMBYism), and transportation issues.

Regionally there were differences in intermediaries’ responses to identifying land use barriers. The Northern (25%) and Central (32%) regions responded that they “Don’t Know” what the greatest land use barriers are. On the contrary, a very small percentage of the Southern region intermediaries responded “Don’t Know” (5%). The low number may be occurring because Constructing Connections counties and their collaborative partners have identified the land use issues in the region and are already working on land use reform.

Additionally, there seem to be significant knowledge gaps about land use work, if any, occurring in local communities. Over half of intermediary respondents reported that either they are unaware of and/or don’t know of any local intermediary organization working on child care land use issues/barriers.

E. Technical Assistance Support

Lack of technical assistance support services was the third greatest challenge identified by responding child care intermediaries (19%). It is recognized that local technical support services for facility development and financing are being provided to operators by child care intermediaries (88%). However, it appears that local technical assistance services are occurring in the beginning planning phase of development only. “Referring to local services” and “explaining licensing requirements” were the highest responses, suggesting that within the counties, no agency is providing technical assistance during the later and more costly and critical phases of development.

Overall, respondents reported that the following technical assistance services are the least provided: business development, accessing funding for facilities and identifying the facilities development experts. This is significant because it shows that operators are less likely to obtain technical assistance services and resources in the subsequent and more difficult predevelopment and development phases. These phases include site selection and control, design, accessing capital and construction management. Child care facility development projects tend to get mired or dropped in these two phases due to lack of technical expertise, steep land use fees assessed, the length of time it takes to obtain regulatory approvals, and other financial and technical issues.

Survey respondents identified the R&Rs as the lead source for technical assistance support on facility development. However, while the R&Rs are providing technical assistance it is within the beginning planning phase of development only. Finally, the Southern region (58%) showed a greater awareness of agencies that provided local technical assistance services in the three specific areas (accessing funding for facilities, business development, and identifying a development team) identified by the other regions as most lacking. The strong presence of Constructing Connections in the Southern region may account for this finding.

F. Other Support Services Needed

Intermediaries requested additional training and support to address the facility and financing barriers. They specifically requested training in those areas of expertise that they realized were not being addressed by their own or another local agency in order to support operators in the facility development and financing process.

V. Recommendations

The survey revealed that intermediaries are aware of the challenges and barriers to developing child care facilities in their local communities. The findings also show that they are interested in gaining the knowledge and experience to overcome those barriers. This is an opportunity for communities to institute one of the many models, such as ABCD Constructing Connections established system-building/community development model, to build the local capacity in facilities development and financing

The following recommendations are based upon LIIF's child care development and financing experiences. These recommendations have been vetted through the work and successes of the Constructing Connections sites.

1 Expand facilities development and financing models, such as ABCD Constructing Connections, to interested communities.

2. Increase Local Facilities Financing

- Identify potential public sources of capital (e.g. Community Development Block Grant, US Department of Agriculture Rural Housing Service, First 5, Redevelopment funds) and advocate making child care an eligible use or priority.
- Engage local businesses in existing early care and education efforts to help advocate for increased public capital and to promote local fund development efforts.
- Engage local Community Reinvestment Act officers around funding and resource possibilities for child care facility development.

3. Remove Land Use Barriers

- Learn the process/steps it takes to develop a child care facility in a particular jurisdiction. This will inform you and others about the complexities and timeframes for developing a facility.
- Conduct a child care land use assessment to see what the entitlement process and fee structure is for each jurisdiction in the county. The assessment will help identify those jurisdictions with realistic cost and timelines, and those with cost-prohibitive or time consuming policies and practices for child care.
- Identify some child care centers that recently received or were denied a conditional use permit. Interview them to identify challenges, successes, and lessons.
- Advocate for child care friendly land use policies and procedures that encourage child care facility development (e.g. reducing permit fees, reducing/eliminating traffic impact fees, increasing the number of areas zoned for child care).

4. Create Technical Assistance Services

- Seek training on facility development and financing to enhance existing services to operators.
- Identify and engage existing public/private community partners that have expertise and resources in a particular area (e.g. business planning, market analysis, financial analysis, real estate development, etc.), and coordinate efforts to assist operators through all phases of facility development.

- Develop partnerships with their local Small Business Development Centers and other business/economic development agencies to assist operators in developing a business plan and budget, marketing plan and access to private capital.

APPENDICES

- **Appendix I:** Child Care Center Facility Survey (July 2008)
- **Appendix II:** Geographical Designations
- **Appendix III:** First 5 Capital Funding Research

Appendix I: Child Care Center Facility Survey (July 2008)

1. Agency Name:
2. County:
3. Agency Type (R&R, LPC, First 5)

4. Understanding that families may choose family child care over center-based services, are there enough child care centers in your county to meet the demand for services for infants (0-2 years) and preschool (3-5 years)?
   Yes/ No
   Infants (0-2 years)
   Preschool (3-5 years)

5. Does your county have a preschool or school readiness initiative? By preschool or school readiness initiative, we mean a program to expand or enhance services for preschool age children in one or more areas in your county.
   Yes/No/Don't know

6. If your county has a preschool or school readiness initiative, does the initiative include a plan for addressing child care facilities?
   Yes/No/Don't know
   If yes, (please specify)

7. What types of technical assistance services does your agency offer to child care center providers who are interested in facility development (e.g., purchasing, expanding, or renovating a center facility)?
   Business Development (e.g., budget development, business plan, etc.)
   Accessing Funding for Facilities
   Providing Market Data (i.e., average cost of care in the area)
   Identifying a Facilities Development Team (e.g., project manager, architect, contractor, etc.)
   Explaining Licensing Requirements
   Referring to Local Resources (i.e., Small Business Development Center)
   No services are being offered
   Other (please specify)

8. Are you aware of other agencies offering technical services to child care center providers who are interested in facility development (e.g., purchasing, expanding, or renovating a center facility)?
   Yes, I'm aware
   No I'm not aware of services being offered
   Don't know

9. If other agencies are offering technical assistance services to child care center providers who are interested in facility development, what type of technical assistance is being offered?
   Business Development (e.g., budget development, business plan, etc.)
   Access to Funding for Facilities

Providing Market Data (i.e., average cost of care in the area)
Identifying a Facilities Development Team (e.g., project manager, architect, contractor,
Explaining Licensing Requirements
Referring to Local Resources
Other (please specify)

10. Who provides technical assistance services in the area of child care facility development (e.g., child care center purchasing, expansion or renovation) in your county?
    Resource & Referral Agency
    Local Child Care Planning Council
    Local First 5 Commission
    County Office of Education
    Don't know
    Other (please specify)

11. In your county, what kind of funding is available to child care center providers to purchase, expand, renovate, build new, or physically maintain their center facility?
    First 5 Grants
    Grants from Foundations
    Head Start Capital Grants
    Community Development Block Grants
    Redevelopment Funds
    Small Business Associations/Small Business Loans
    Loans from Private Banks
    Don't know
    Other (please specify)

12. In your county, what do you believe to be the greatest land use barrier(s) to child care center facility development?
    Excessive permit fees
    Lack of coordination among regulatory departments/agencies (state, county, city)
    Access to conditional use permitting/entitlement information
    Conflicting regulatory requirements (e.g., licensing, traffic, building and fire)
    Don't know
    Other (please specify)

13. Are you aware of any work your agency or other intermediary agencies have done around local child care land use policies (e.g., reducing the cost of conditional use permit fees, eliminating traffic mitigation fees, etc.)?
    Yes, I'm aware
    No, I'm not aware of work that has been done
    Don't know

    If yes, (please specify)

14. What additional services does your county need to support child care center providers with facility development (e.g., child care center purchasing, expansion or renovation)?
    Child Care Intermediary Training in Facility Development (train the trainer)
    Access to Technical Experts (i.e., a list of construction managers and/or architects with child care facility development experience
    Access to Funding for Facilities
    Assistance with Removing Land Use Barriers
    Business Planning Experts
    Other (please specify)

15. What are the most challenging barriers to child care facility development in your county?
    Land use/zoning
    Lack of technical support
    Lack of facility funding
    Other (please specify)

16. Comments:

Appendix II: Geographical Designations

A. ***NORTH:*** R&Rs = 21 (Amador/Calaveras; Alpine/Eldorado; Lake/Mendocino; Yuba/Sutter are bi-county)

1. Del Norte
2. Siskiyou
3. Modoc
4. Humboldt
5. Trinity
6. Shasta
7. Lassen
8. Mendocino
9. Tehama
10. Plumas
11. Lake
12. Glenn
13. Butte
14. Sierra
15. Colusa
16. Sutter
17. Nevada
18. Yuba
19. Placer
20. Yolo
21. Sacramento
22. El Dorado
23. Alpine
24. Amador
25. Calaveras

B. ***BAY AREA:*** R&Rs= 12 (Sonoma—2; Alameda—2)

1. Sonoma
2. Napa
3. Solano
4. Contra Costa
5. Alameda
6. Santa Clara
7. San Mateo
8. San Francisco
9. Marin
10. Santa Cruz

C. ***CENTRAL:*** (R&Rs = 14 (Mariposa/Tuolumne—bi-county)

1. San Joaquin
2. Tuolumne
3. Stanislaus
4. Mariposa
5. Mono
6. Merced
7. Madera
8. San Benito
9. Fresno
10. Monterey
11. Kings
12. Tulare
13. Inyo
14. San Luis Obispo
15. Kern

D. ***SOUTHERN:*** R&Rs = 18 (Los Angeles—10; San Bernardino—2)

1. Santa Barbara
2. Ventura
3. Los Angeles
4. San Bernardino
5. Orange
6. Riverside
7. San Diego
8. Imperial

TOTAL:
R&R = 65
LPC = 58 (1 per county)
First 5 = 58 (1 per county)

Appendix III: First 5 Capital Funding Research

Additional research comparing child care intermediaries' responses to their local First 5 Commissions' strategic plans and/or grant opportunities revealed that 38% of respondents perceived that their local First 5 Commissions provided capital funding. In fact, those First 5 Commissions did not provide capital funding. Further research also revealed that 13% of intermediaries responded that their local First 5 Commissions do not provide capital grants, when in fact, those Commissions do.

A comprehensive review of each First 5 Commission's current strategic plan and past and present grant opportunities revealed that 20 First 5 Commissions (34%) provide capital funding. The types of funding were varied. Some First 5 Commissions directly fund local facility acquisition, rehabilitation and/or construction including outdoor play areas. Others, like First 5 Los Angeles and First 5 San Francisco support other agencies to manage facility development. For example, First 5 LA funds Los Angeles Universal Preschool (LAUP) to oversee all of LA County's universal preschool efforts including facility financing and development. Similarly, First 5 San Francisco funds Proposition H for all facility financing and development. Finally, First 5 Ventura County developed a local facility revolving loan fund. The research also showed that 38 First 5 Commissions (66%) did not provide capital funding.