STRATEGIES TO INCLUDE CHILD CARE AS A KEY COMMUNITY RESOURCE

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Child care has been widely recognized as an essential public resource that supports child development and parent participation in the workforce, yet child care supply gaps across the country continue to demonstrate a concerning lack of investment in a sector that serves millions of children and families annually. Black, Latino, Indigenous, and low income families are often the most acutely affected by the high cost and limited supply of available care options.

Increasing the supply of high-quality and affordable early care and education (ECE) programs is essential to support children, families and local economies. But the ECE providers who provide this essential public good often find themselves in an impossible situation. Limited resources and structural inequities make it incredibly challenging to build new child care facilities or invest in facility upgrades and modifications to sustain the long-term quality of existing program spaces

The majority of ECE programs LIIF works with are small business led by women and women of color. They often do not have access to the traditional financing that is necessary to build a quality space for children to learn and grow. To complicate matters, the federal government has historically barred providers from using federal funds to acquire, construct or majorly renovate their program spaces.

Understanding these challenges, many ECE providers are identifying innovative approaches to create quality and affordable spaces that support working families, including co-locating child care programs with other community development projects.

In November, we [interviewed four providers] operating co-located ECE programs in three of the nation's highest cost cities – San Francisco, New York City, and Washington, DC. The providers articulated how co-locating their child care centers benefitted children, families and their broader communities.

For example, Cassandra Nelson, CEO of KU Kids in Washington, DC, shared that access to the broader amenities and activities at the community center where her child care program is co-located has been a significant benefit for her program. The onsite library and recreation center provides opportunities for holistic programming that helps coordinate service delivery for the whole family. In the predominantly Black and historically disinvested community where this program operates, increased access to services can be particularly impactful on family health and well-being.

Still, Cassandra and the other ECE providers said more is needed to be done to expand access to the co-located model. Securing the financing to complete a development project is a major barrier, and the negotiation process with developers, city officials and other stakeholders is time-intensive.

Building on the lessons learned directly from child care providers, LIIF has identified strategies and recommendations to increase the supply of co-located child care programs. These recommendations include enacting support public policies, providing technical assistance and building strategic partnerships.

ENACT SUPPORTIVE PUBLIC POLICIES

San Francisco's child care impact fee requires developers to either build child care space in new developments or pay a fee that is routed to the city's Child Care Facilities Fund to increase child care supply. LIIF administers this fund on behalf of the city. Impact fees like the one in San Francisco are used by many fast growing localities to reduce the financial burden new development can have on public infrastructure. Earmarking funds raised from development fees for child care facilities is significantly less common, and San Francisco is a model for other jurisdictions seeking to generate revenue for early learning. Both TEL HI and the Felton Institute, two of our interviewees, relied on financing from the Child Care Facilities Fund and were able to work collaboratively with LIIF and other partners and developers to complete their co-located projects.[1]

Mayor Muriel Bowser's Quality Child Care Initiative in Washington, D.C. is another local child care facilities fund with model policies that other jurisdictions could replicate. The initiative identified city-owned buildings that could be designated as spaces for child care programs. Through a competitive RFP, KU Kids Deanwood accessed space at a DC community center for an affordable rate. LIIF provided additional financial and technical assistance for KU Kids to renovate the space and build a high-quality learning environment for children. Other cities, counties and states should consider this strategy as a way to identify city-owned buildings or land that could be dedicated for new child care slots.

Outdoor play space at a Felton Institute child care program in San Francisco.

[1] Felton Institute has also co-located child care facilities in affordable housing developments financed using the Low Income Housing Tax Credit, which is a topic LIIF previously explored in a paper, "Building Better for Families: Policy Strategies for the Co-Location of Early Care and Education Facilities and Affordable Housing."

Even with a rent concession, providers are often responsible for all other costs of building out their program space, which often exceed $1 million. The barriers are countless:

- Providers are often unable to access loans or other capital from the private market due to limited cash flow and other institutionalized barriers that disproportionately impact the women and women of color who predominantly run child care businesses.
- There is no dedicated source of federal funding to acquire, construct or majorly renovate child care facilities.
- Raising tuition payments to cover costs is also not a viable solution because the cost of child care is already unaffordable for many families.
- With any additional operating resources, it is imperative that providers solve the deep inequities pervasive in the ECE workforce pay structure. Black ECE educators who work with infants and toddlers earn 77 cents less per hour on average than ECE educators of other races, and recent studies have also shown Hispanic ECE educators are more likely to work in lower paying positions such as teacher assistants or aids compared to educators of other races. With limited financial reserves and thin operating margins, child care operators are often forced to choose between increasing salaries and benefits for employees or improving or expanding facilities.

As a result, it is incredibly challenging for providers to undertake a facility renovation or expansion project because the economics simply do not pencil out. If Congress enacts dedicated federal funding for child care facilities, as has been proposed by Assistant Speaker Katherine Clark (D-MA) and proposed by the House Ways and Means Committee, more child care providers would have access to capital that can be used to complete critical facility projects, including those in co-located spaces.

PRIORITIZE TECHNICAL ASSISTANCE & CAPACITY BUILDING

Successful co-location strategies must incorporate time and resources to train child care providers as they move through the co-location process. Navigating the financial, legal, architectural, zoning and other niche elements associated with building a child care program space is already a complex undertaking. Co-located projects add another layer of partners and requirements that increases the complexity. ECE providers may need assistance at any number of points throughout this process, and it is essential that the appropriate resources are readily available to support the providers' growth.

The four ECE providers we interviewed emphasized that technical and financial assistance from LIIF was essential to their success and made them more confident in pursuing additional co-located developments in the future. Last year, LIIF invested $8.47 million in ECE programs throughout the country. 97.6% of grantees were women and 94.2% of grantees were Black, Indigenous, or people of color. As part of these investments, LIIF provided 1,123 hours of technical assistance to 498 ECE providers and their staff in New York, Washington, DC, California, and Atlanta.

Technical and financial assistance is an essential component in the process, yet it requires concerted planning and resources to ensure the appropriate technical assistance resources and services are available to a provider. Lawmakers should ensure any co-location strategy includes resources for experienced intermediaries to support ECE providers with tailored assistance.

Examples of Technical Assistance from LIIF

- Help completing budget and operations planning
- Tips on recruiting and hiring competent licensed, bonded and insured contractors
- Input on modernizing business functions with new technologies
- Design advice on building out new classrooms
- Support on negotiating and structuring effective and fair lease agreements

Examples of Financial Assistance from LIIF

- Start-up grant funding to support pre-development and planning expenses, including staff salaries, office equipment, staff recruitment, and other curriculum and teaching materials.
- Grant funding to build-out the program space, including paying for architects and contractors
- Low-interest lines of credit to support acquisition, construction and renovation

FOSTER CROSS-SECTOR PARTNERSHIPS

ECE operators often rely on technical assistance and capacity building resources well before the formal development process begins, including as early as developing cross-sector partnerships. The providers we interviewed benefited from partnerships with a diverse set of local stakeholders. These relationships helped the providers gain access to the co-located space, negotiate a workable lease structure and identify additional funding to support the development.

Even with a strong overlapping mission between child care providers and other community development actors, like affordable housing developers, each sector has unique financing sources, regulatory requirements, oversight mechanisms, quality standards, and other considerations that may not be obvious to the other. It takes concerted attention and resources to bridge the gap between the child care industry and other sectors like affordable housing developers. Community Development Financial Institutions (CDFIs) are uniquely positioned to help foster and facilitate these cross-sector partnerships.

CDFIs like LIIF are experienced financial intermediaries and fund managers who have a history working with housing developers, state and federal entities, and local decisionmakers, as well as ECE providers. They are well equipped to manage grant and loan programs and disperse funds to providers who are developing co-located ECE centers. CDFIs can also help build a pipeline for co-located developments by connecting high capacity child care operators with developers, as well as help government agencies reduce policy and land use barriers to co-location.

Fostering partnerships between providers, developers and other stakeholders is an essential step to increasing attention to co-location and building future development pipelines. CDFIs provide critical support to ECE operators interested in co-locating with housing developments, from the initial steps of identifying a site and development partner through the final stages of constructing and opening the facility. Any new public, private or philanthropic funding seeking to incentivize or support co-located ECE facilities should look to CDFIs as experienced fund managers, conveners and technical assistance partners.

GOOD, BETTER, & BEST PRACTICES FOR FACILITATING CO-LOCATED DEVELOPMENTS IN URBAN SETTINGS

Greystar development group and San Mateo County partnered to examine the challenges of developing child care spaces and determine best practices for facilitating public child care centers in the San Mateo community. Greystar ranked key elements that were necessary for attracting child care providers such as rent costs, tenant improvements, and rent growth in a good, better, best table.

LIIF has constructed a similar model to summarize the practices and policies that developers, ECE providers, government agencies, elected officials and CDFIs can implement to facilitate the co-location process. These recommendations may primarily apply to dense, urban markets. Examples are provided in the Appendix (note that these examples are selected highlights and should not be construed as an exhaustive analysis of the program or initiative).

Although all of the recommendations would support the co-location process, LIIF encourages stakeholders to aspire to the “Best” practices category to ensure success. The strategies and recommendations provided here are critical components for streamlining the co-location process and ensuring providers have the tools and resources to successfully participate in a co-located project.

Good, Better & Best Practices

	Good	Better	Best
Federal Policies	Federal guidelines are issued to improve existing child care facilities. [1]	Congress permits acquisition, construction and major renovation of child care facilities using the Child Care and Development Block Grant (CCDBG). [2]	Congress enacts a dedicated source of federal funding to acquire, construct and majorly renovate child care facilities, with complementary resources for experienced intermediaries to provide real estate, business and financial TA. [3]
State Funding & Policies	Enact legislation reducing the impact of local land use and zoning policies that make co-location difficult. [4]	Allocate funding to incentivize co-location of housing and ECE. [5]	Allocate or raise dedicated state funding to expand and preserve ECE facilities. Include private dollars for leveraged funds. [6]
Local Funding & Policies	Identify city-owned land or buildings that can be designated for child care programs and leased at reduced rent. [7]	Enact local impact fees that require new developments to either build new child care spaces or pay an impact fee that is used to support new child care slots. [8]	Create a dedicated local fund to support the acquisition, construction and major renovation of child care facilities, managed by an experienced intermediary that can provide TA and leverage additional resources. [9]

	Good	Better	Best
Access to Facilities	Child care providers have access to reserved space to operate child care programs. [10]	Child care providers have access to reserved space and rent is offered below market rate or free. [11]	Child care providers have access to reserved space that is rent free with a long-term lease-to-own option. [12]
Technical Assistance	TA is provided to ECE operators who receive grants or loans once the award has been made. [13]	TA and support is provided in advance of and once grants or loans are issued. [14]	TA providers are supporting ECE operators and developers throughout the entire pre-development and construction process. [15]
Subsidized Slots	ECE programs accept child care subsidies/ vouchers. [16]	A set portion of slots are reserved for families with child care subsidies/vouchers. [17]	A state or local agency awards the ECE operator a subsidy contract to cover tuition for all enrolled children that reflects the actual cost of high-quality care. This ensures a consistent stream of funds allowing the operator to fairly compensate staff and ensure developmentally appropriate settings and services for children. [18]
Partnerships	Public agencies are familiar with the co-location concept and make resources and recommendations available for ECE providers looking to connect with developers, lenders, contractors, etc. [19]	Public agencies intentionally commit to supporting co-located developments and host local information workshops to spread awareness. [20]	Public agencies contract directly with CDFIs to administer a local facilities fund and provide a ready list of contractors, architects, and other critical partners who are pre-approved for working on co-located ECE facilities development. [21]

APPENDIX

1. The Department of Health and Human Services (HHS) could release federal guidance prioritizing a focus on child care facility upgrades to promote health and safety and share best practices for states and providers to follow.

2. Congress could improve the existing CCDBG statute to allow states to make major renovations to facilities using CCDBG funds. Major renovations include structural changes to the foundation, roof, floor, exterior or load bearing walls of a facility and/or extensive alternation of a facility.

3. The Child Care is Infrastructure Act proposed by Assistant Speaker Katherine Clark (MA-5), authorizes $10 billion over five years for child care infrastructure and sets aside authorized funds for CDFIs or other organizations that have demonstrated experience in developing ECE facilities.

4. During the 2021 Regular Session in Colorado, legislation was passed authorizing family child care centers to be classified as residences. The legislation creates pathways for co-locating FCCs by easing local land use and zoning policies and expanding access to child care in FCC homes.

5. Oregon allocated $10 million to the Housing and Community Services Department (HCSD) for the purpose of supporting gap financing for the co-location of affordable housing and early care and education programs. HCSD and the Department of Education, Early Learning Division will collaborate to identify opportunities, locations, and funding options for co-located developments.

6. The Washington Early Learning Loan Fund (WELL) program aims to address the shortage of child care spots in the state by providing funding for ECE centers in low income communities and in mixed-use developments. The program is funded by state and private dollars.

7. Los Angeles County identifies county property that can be used for future ECE sites. This grants ECE providers an opportunity to expand their services and operate in county owned facilities at reduced rent rates.

8. San Francisco's child care impact fee requires developers to either build child care space in new developments or pay a fee that is routed to the city's Child Care Facilities Fund to increase child care supply.

9. Washington, DC Mayor, Muriel Bowser's FY22 budget allocates $184 million toward strengthening the ECE sector and expanding access to affordable, quality child care services. $10 million in grants across FY22-23 will be available specifically for increasing the supply of child care services for infants and toddlers.

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10. Mercy Housing is a nonprofit organization that revitalizes public housing developments in San Francisco by replacing old housing units with new affordable and mixed use housing. Child care is incorporated in all revitalization projects and space for ECE programs is reserved. Sunnydale HOPE SF is San Francisco's largest public housing complex and is currently undergoing revitalization. Mercy Housing partnered with Related California to develop a community hub in Sunnydale that will include a child care center, Boys & Girls Club, and a recreation and park space.

11. Greystar Development has committed to ensuring that ECE providers are offered rent free spaces in Greystar buildouts as they work to improve child care developments in San Mateo County.

12. Mission Driven Finance's Care Access Real Estate (CARE) Investment Trust provides financial resources to ECE providers seeking to acquire or renovate facilities in commercial and residential properties. Providers have the opportunity to expand services while leasing affordable spaces and making financial returns. The benefits of this innovative strategy are discussed by family child care providers in Mission Driven Finance's video, "Child Care Next Door: Investing in Homes as Child Care Infrastructure".

13. Illinois' Quality Improvement Fund offers child care programs in the state training and assistance to work towards achieving or maintaining a high quality ECE program. TA includes accreditation assistance, training sessions, and cohort group lessons.

14. The Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA) offers TA to providers who need assistance applying for CRRSA funds as well as TA to support the implementation of practices and policies associated with the relief fund.

15. LIIF provided technical assistance during the development of KU Kids Deanwood in Washington, D.C and Little Scholars Early Development Center in Bronx, New York. Providers utilized operations, legal, and budgetary support during the pre-development and construction phases of their co-location developments. Providers stated that the support was crucial to the success of their ECE spaces.

16. KU Kids Deanwood in Washington, D.C serves 76 children and offers subsidized tuition rates. The child care program is co-located with a community center in Ward 7.

17. The San Francisco building code requires that at least 10% of the enrollment at TEL HI Neighborhood Center is reserved for low-income families. Similarly, Greystar Development has committed to ensuring that 30% of child care slots are subsidized in their buildouts as they work to improve child care developments in San Mateo County.

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18. States are increasingly moving to a grant and contract system, rather than a portable voucher method, to increase access to subsidized child care. This approach helps increase reimbursement rates and improve stability of the subsidy. However, these subsidies still often fail to cover the true costs of care. Washington, DC is a leading locality that has increased subsidy rates to sufficiently cover the true costs that providers incur.

19. In San Francisco, Uber released an RFP to seek out nonprofit ECE providers who were interested in operating a co-located ECE center in Uber's corporate office. Telegraph Hill Neighborhood Center won the competitive bid and partnered with Uber to develop TEL HI Mission Bay Childcare Center inside Uber's headquarter office space.

20. The Santa Clara County Office of Education partnered with the Silicon Valley Council of Nonprofits to host a community engagement meeting to discuss best strategies for developing affordable housing co-located with ECE programs in Santa Clara County. ECE providers, developers, and city/community planning officials were invited to share resources and provide insight into the co-location development process.

21. The Low Income Investment Fund (LIIF) has been selected to administer the $10 million Access to Quality Child Care Grant to expand, open, and improve new and existing child care facilities in Washington, DC. As a leading Community Development Financial Institution in the ECE sector and an advocate for co-location, LIIF will continue to collaborate with developers, architects, ECE providers, and other key stakeholders to support co-location developments in Washington, DC.