- Create a simple brochure for child care providers explaining the application process and fees.
- Designate and train a single planner to be responsible for processing child care applications.
- Provide a checklist or a fact sheet for staff members who process child care applications.

STRATEGY #3: CREATE INCENTIVES FOR BUILDING CHILD CARE FACILITIES WITHIN LAND USE POLICIES THAT APPLY TO BUSINESSES, INDUSTRIES AND RESIDENTIAL DEVELOPMENTS

Planning departments have significant latitude in determining the conditions under which development can occur within their jurisdictions. If your planning department is unwilling to require developers to pay for child care development (many planning departments fear it will discourage development), they can offer incentives or bonuses in *exchange* for contributing to the local child care supply.

Floor Area Ratio (FAR) Exclusions and Bonuses[3]
Many cities have established a 35% FAR (floor area ratio) as the maximum square footage for all buildings on a parcel of commercial or industrial land. In other words, only 35% of the parcel can be covered by a building. Some jurisdictions in California allow developers to exclude child care facilities within a commercial or industrial development from the FAR limitation since they do not affect the employment potential of the business and could not easily be converted for another use.

FAR bonuses allow a development an increased density beyond the maximum permitted by the FAR limitation if the development includes a child care facility. Bonuses provide a financial incentive by allowing a greater density of development beyond the standard. State legislation passed in 1989 (Government Code Section 65917.5) gives jurisdictions the authority to grant these density bonuses to encourage private sector investment in child care facilities.

Development Agreements
Individual development agreements can also be negotiated with a developer if the jurisdiction is unwilling to pass an ordinance requiring bonuses or exclusions in all situations. These can give both the developer and the jurisdiction greater flexibility in determining the service to be provided and the incentive to be given in return. Examples of development agreements could include density bonuses, reduced parking restrictions or a change in the zoning of a parcel of land in exchange for a public service or improvement.

STRATEGY #4: REQUIRE MITIGATION MEASURES FOR HOUSING OR BUSINESS DEVELOPMENTS THAT ARE LARGE ENOUGH TO AFFECT LOCAL CHILD CARE AVAILABILITY

"Mitigation" is a universal term in the development field which refers to any requirements placed upon a developer to minimize or alleviate the adverse effects of their development on the surrounding area. Because child care supply is often inadequate to start with, a large commercial, industrial or residential development can place major strain on the existing child care capacity of the surrounding area. If you can convince your planning department of the need for developers to be responsible for this impact, you may be able to get them to apply mitigation requirements specifically for child care.

Mitigation can be applied in two ways:[4]

→ *Direct Mitigation*

Direct mitigation requires the developer to address the increased child care need created by the project by including on- or near-site child care, or by subsidizing the expansion of an existing program. Direct mitigation generally has predetermined requirements outlining the type and minimum size of a development corresponding to the number of child care slots that will be needed.

> **Case Study**
>
> *Strategy:* The Santa Cruz County General Plan established a policy to require that developers mitigate the impact of appropriate projects on child care demand as a condition of project approval. Pursuant to this, a study was conducted and an ordinance created outlining the amounts and circumstances under which developments must contribute financially to a Child Care trust Fund, administered by the County Controller.
>
> *Outcome:* Funds from this mitigation requirement go towards the construction of child care facilities in Santa Cruz County, as determined by the Board of Supervisors.
>
> *Contact:* Kaki Rusmore, LINCC Project Coordinator, 831-479-5283

→ *Development/In-lieu Fees*

These fees are paid to the jurisdiction by the developer so the jurisdiction can take responsibility for mitigating the effect of the development on child care need. These fees can be more appealing to developers who do not wish to manage the development of actual child care facilities. For residential projects, the fee is usually based on number and type of units. For commercial projects, the fee is usually based on square footage or the number of employees.

Be advised that State law requires that a local agency complete the following process before imposing any kind of an in-lieu fee:

- Justify the fee by identifying its purpose, the use to which it will be put, and the "reasonable relationship" between the use of the fee and the type of development upon which it is imposed; and

- Determine whether a reasonable relationship exists between the amount of the fee and the cost of the use to which the proceeds of the fee are to be put.

STRATEGY #5: EDUCATE THE STAFF OF LOCAL PLANNING DEPARTMENTS ABOUT CHILD CARE BUSINESSES *AND* CHILD CARE PROVIDERS ABOUT LAND USE REGULATIONS

Oftentimes, lack of clear information on regulations governing land use and child care can interfere with the development or operation of child care facilities. Local planners are not always aware of all the state laws affecting child care facilities, and child care providers can be unfamiliar with the process of applying for permits or the land use regulations that apply to their facilities. A single informational flyer and/or training session for each party can go a long way towards making these processes friendlier for all involved.

Case study

Strategy: Alameda County LINCC surveyed all 17 cities in the county and developed a report summarizing the land use policies and fees of each jurisdiction, describing how land use policies can affect child care facility development, and providing charts illustrating the permit application process for child care providers. The report was distributed to county and city planning departments, economic development organizations, and the County Board of Supervisors.

Outcome: This report is being used to educate each city planning department on the link between land use policies and child care, and to demonstrate how other cities compare to their own.

Contact: Alex Hildebrand, Alameda County LINCC Coordinator, 510-208-9714

Surveys and Reports

If you are working at the county level and have the resources to commit to seriously pursuing this strategy, you can survey the land use regulations and fees for all the cities in your county and create a report on land use and child care that can be used to educate both planners and child care providers.

Surveys can be conducted on the telephone, in person, or through the mail using forms (see Appendix vi). Conducting the surveys in person can allow you to establish a rapport with the planning department on this subject and begin the process of educating them about child care facilities. Be sure to cover the whole range of issues that affect child care providers including business license fees, permit fees, required permits, application processes for permits and appeals, and types of care permitted in various zones.

A county-wide, comparative report has the potential for encouraging cities to examine their land use policies and fees in comparison to those of surrounding jurisdictions. This strategy can be particularly effective if one or two cities stand out as having onerous requirements and fees as compared to others because you can argue that they may actually be discouraging child care providers from establishing businesses (and therefore community services) in their jurisdictions. This report can offer an opportunity to commend and give recognition to jurisdictions that have child care friendly fees and regulations.

This report can also be used to educate child care providers about the comparative requirements of each jurisdiction and the processes for securing the necessary permits. A flow chart can be a helpful tool to include for the permit application and appeal process (see Appendix vii). If a child care provider wishes to open a center and is flexible about the location, the report can be used to calculate the costs and time it would take to open the center in different jurisdictions.

Training and Education

Designing a short training program specific to your jurisdiction can be a highly effective strategy for educating both planners and child care providers about land use and child care. Be sure to keep the information concise and clear, as time is valuable for both child care providers and public officials. They will both appreciate this effort.

When possible, include visuals in your presentations as the issue may be foreign enough to both parties that they may not understand it without adequate visual cues. Overheads and PowerPoint presentations can leave a lasting impression. Utilize your local Resource and Referral Agency to pull this information together and, if possible, map out the child care supply and demand, using symbols for child care facilities of various sizes, and different colors to represent the child-age population.

Resources and Key Players

The key players in advocating for land use policies in favor of child care facilities include:

Planning Department	Try to arrange a meeting/training with your planning department about child care issues, and secure written agreements on action items when possible.
City Council	Changes to your planning code will have to be approved by the City Council, so be sure to include them in your outreach and education efforts.
Neighborhood Associations	Neighborhood associations are potential opponents when it comes to land use issues, as many neighborhood residents adopt a "not in my back yard' approach to family child care. Try to educate them about the real issues so they can be an ally when it comes to your advocacy.
Chambers of Commerce	If you are trying to amend any zoning ordinances to allow child care homes or centers in commercial or industrial zoning districts, buy-in from the Chamber of Commerce could be a crucial factor.

Family Child Care Provider Associations	These organizations can be very helpful in presenting to City Councils and Chambers of Commerce, and will be instrumental in conducting outreach and education to the family child care provider field.
Child Care Resource and Referral Agencies	These agencies can be valuable partners in outreach and education for the child care field. They may already offer services or materials related to land use and zoning requirements.

Other resources include your local child care planning council, the Child Care Law Center [(415) 495-5498], and your County Board of Supervisors.

How to Address Potential Barriers

What if neighborhood associations oppose efforts to allow large family child care by right in residential districts?
This opposition can be one of the great stumbling blocks in trying to support family child care establishments. Many neighborhood associations see child care as detracting from the community because of the extra noise and traffic it causes. Some neighborhood associations are also under the mistaken impression that child care businesses are illegal in residential zones. These concerns must be handled on a situation-by-situation basis. In general, because of all the possible conflicts, it is good to try and reach out to neighborhood associations *before* a problem comes up so you have a chance to educate each other about the issues as you see them. Remember that planning departments can use only four criteria when considering use permits: traffic, noise, parking and density.

What if planning departments are unwilling to reduce permit fees because they are worried they will lose money?
Planning departments collect application fees to cover the staff time and resources it takes to review the applications. You can propose that some other application fees, for business developments, for example, be raised to offset any revenue loss that might occur. Alternatively, you can propose that a small child care subsidy fund be established for businesses to pay into when their permits are approved in order to subsidize permit fees for child care providers.

What if planning departments are unwilling to streamline the application processes for child care land use permits?
Planning departments may argue that they do not have the time or the resources to commit to this task, or that there is no reason child care providers should get special treatment in the application process. One option is to pressure the City Council to impose the requirement upon the planning department. If this approach fails, your only recourse may be to help child care providers navigate the permit application process, which could include general training or one-on-one technical assistance.

Glossary

Allowed Use: A use which is allowed or permitted by the local jurisdiction in a particular zoning district without obtaining an administrative or conditional use permit.

Child Care Facility: The definition of child care distinguishes among types of child care establishments, including:

> **Small Family Child Care Home:** A private residence where care, protection, and supervision are provided, for a fee, at least twice a week, to no more than 8 children at one time, including the children of the provider. Care must be provided for less than 24 hours per day. Small family child care is an allowed use throughout the State of California. State law exempts small family child care homes from local zoning regulations.
>
> **Large Family Child Care Home**: A private residence where care, protection, and supervision are provided, for a fee, at least twice a week, to no more than 14 children at one time, including the children of the provider. Care must be provided for less than 24 hours per day. (Note: State law was amended in January 1997 to allow for 8 rather than 6 children for small family child care homes, and 14 rather than 12 children in large family child care homes, provided that two of the eight and fourteen children are school-age.

Child Care Center: (formerly known as Day Care Centers and Nursery Schools, but generally accepted in the professional child care community as "Child Care Centers"): A building or structure in a non-residential building where care, protection, and supervision are provided to children for less than 24 hours. Centers are most often permitted in commercial zones, and less frequently in all districts, in residential districts, or in light industrial districts.

Community Center: A place, structure, area, or other facility used for and providing religious, fraternal, social and/or recreational programs generally open to the public and designed to accommodate and serve significant segments of the community.

Conditional Use: A use that, owing to some special characteristics attendant to its operation or installation (for example, potential danger, smoke or noise) is permitted in a district subject to discretionary approval by the jurisdictions, and subject to special requirements, different from those usual requirements for the district in which the conditional use may be located.

Conditional use is further defined as a use that would not be appropriate generally or without restriction throughout the zoning district but which, if controlled as to number, area, location, or relation to the neighborhood, would not be detrimental to public health, safety, or general welfare.

Home Occupation: A commercial activity conducted solely by the occupants of a particular dwelling unit in a manner incidental to residential occupancy.

Ordinance: A law or regulation set forth and adopted by a government authority, usually a city or county.

Parcel: A continuous quantity of land in the possession of or owned by, or recorded as the property of, the same person or persons.

Planned Development (or Planned Unit Development): Land under unified control to be planned and developed as a whole in a single development operation or a definitely programmed series of development operations.

Setback: The required minimum horizontal distance between the building line and the related front, side, or rear property line.

Single Family Dwelling: A residential building containing not more than one dwelling unit, or one or two or more residential buildings, containing dwelling units (which may be attached), each of which houses a single family, and which has access to the outside (as in the case of townhouses or duplexes).

Site ("Lot"): A parcel of land used or intended for one use or a group of uses and having frontage on a public or an approved private street.

Use Permit: The discretionary and conditional review of an activity or function or operation on a site or in a building or facility. An Administrative Use Permit is approved by regular planning department staff rather than by a judicial or executive body (Planning Commission, Zoning Board of Adjustments, or City Council). Conditional Use Permit may impose extra conditions that accompany the application and may require approval by a judicial or executive body.

Variance: A variation in requirements permitted on individual parcels of property as a method of alleviating unnecessary hardship by allowing a reasonable use of the building, structure or property, which, because of unusual or unique circumstances, is denied by the terms of the zoning code. Usually applicable to deviations from the dimensional requirements of the ordinance (i.e. height, yard), not to establish a use of land that is otherwise prohibited in that zoning district.

Zoning: The division of a city or county by legislative regulation into areas, or zones, that specify allowable uses for real property and size restrictions for building within these areas; a program that implements policies of the General Plan.

Zoning District: A designated section of a city or county for which prescribed land use requirements and building and development standards are uniform, such as "R-1" Single Family Residential, or "C" Commercial.

Endnotes

1. Ventura County Child Care Planning Council, American Planning Association (Central Coast Section), and Ventura Council on Governments. *Child Care in Your Community: A Guide For Planning, October 1999.* Pp. 12-16.

2. American Planning Association. *Policy Guide on the Provision of Child Care.* September, 1997.

3. Ventura County Child Care Planning Council, American Planning Association (Central Coast Section), and Ventura Council on Governments. *Child Care in Your Community: A Guide For Planning, October 1999.* Pp. 17-20.

4. Ibid.

Chapter 4

Child Care in the General Plan

Background: How Does Child Care Relate to the General Plan?

A General Plan is a city or county's basic planning document, providing a blueprint for the entire community's future development. It is an important document because the law requires that all land use approvals and decisions be consistent with it. It is designed by a jurisdiction's planning department, often with the help of outside consultants, and must be approved by the City Council or County Board of Supervisors.

State law requires that a General Plan consist of seven mandatory "elements," all of which must be consistent with each other:[1]

- ***Land Use:*** Central to the entire General Plan, this element outlines when and where different types of development – housing, business, industry, open space, public facilities, etc. – will occur.

- ***Circulation:*** This element plans for the infrastructure that people will use to 'circulate' through their community by foot, bike, bus, car, or public transit.

- ***Housing:*** This element identifies housing needs and projects when, where, and what type of housing will be needed.

- ***Conservation:*** This element dictates how natural resources will be preserved and utilized.

- ***Open Space:*** Often referring to parks and recreational spaces, this element outlines plans for the use and conservation of open spaces.

- ***Noise:*** This element identifies noise issues in the community and determines how to minimize their negative impact.

- ***Safety:*** This element outlines the policies a jurisdiction will pursue to protect the community from natural disasters, including earthquakes, floods and fires, as well as wildlife and wildlife dangers.

A General Plan may be structured in any way as long as these elements are covered within it. A General Plan may also include additional elements at the jurisdiction's discretion.

The Housing Element must be revised every five years according to state-imposed deadlines that apply simultaneously to all jurisdictions in California. All other elements must be revised only periodically; typically jurisdictions will revamp their General Plans every 20 years or so. Jurisdictions have the option to revamp the General Plan all at once, or to address only a few elements at a time.

How does child care fit in?
Including child care language in a city's General Plan can be a powerful tool for encouraging the development of child care within a community in order to support local residents and businesses. As far back as 1992, more than 25 cities and counties in California included child care objectives in their General Plans.[2] The elements most commonly utilized are Land Use, Parks and Recreation, Circulation, Housing, Community Facilities, Human Services, and Economic Development. Some cities have also developed a set of child care policies or a child care master plan.

Many jurisdictions, however, will be unfamiliar with the concept of incorporating child care into planning documents. You will have to spend a bit more time in these cases selling the idea (using your economic impact report) before you lobby for specific recommendations.

Whenever child care is written into the General Plan, the language should adhere to the following guidelines:[3]

- Specify in precise and definite language the requirements of and incentives for building child care facilities, including standards, permit processes, approving body (i.e., the agency or entity responsible for granting permits), and other relevant considerations;

- Include provisions requiring the jurisdiction to remain consistent and compliant with state law over time;

- Specify in precise and definite language the exactions and/or mitigations that will be required of developers in terms of fees and/or on-site facilities, including the estimation of need and how it relates to new developments;

- For each action item, include the particular action to be completed, the specific time by which the action is to be completed, and the party responsible for the action;

- Use mandatory language like "shall;" and

- Where possible, conclude with ordinances to be completed by a specific date.

Tools and Implementation Strategies

What to keep in mind
Get to know your jurisdiction's General Plan before beginning your advocacy work. Call your City Councilperson or Planning Department to find out where you can go to read it. It is a public document that must be made available for review according to the law.

In addition, before you set up any meetings or do any presentations, arm yourself with information on the economic impact of the child care industry, and how investing in child care can be beneficial to your community, both economically and socially. Where possible, cite specific data and studies to support your arguments. The more professional your presentation, the more seriously a planner will take your information.

There are five strategies you can employ in advocating for the inclusion of child care in your General Plan:

1. **Map out** your General Plan;

2. **Assemble information** on the value of planning for child care;

3. **Assemble examples** from other jurisdictions;

4. Set up **meetings and/or presentations** with your City Council and Planning Department; and

5. **Propose specific language** in specific places within the General Plan.

STRATEGY #1: MAP OUT YOUR GENERAL PLAN

The easiest way to become quickly familiar with your jurisdiction's General Plan is to map out its basic structure. Because every General Plan is set up differently, this mapping will enable you to see how your jurisdiction incorporated the State-required elements, and how it has structured its overall planning philosophy. Further, you will be able to quickly focus in on the parts of the General Plan where child care language could be incorporated. Be sure that you have the most up-to-date version of each element. You may want to double-check you work with the Planning Department once you are done mapping.

The first step is to read the introduction which usually describes if and how the state-required elements have been broken down and ordered within the overall document.

Then, leaving plenty of space for notes, copy down the table of contents, listing within each chapter or section *which* state-required elements are included. Keep in mind the fact that a jurisdiction may refer to the state-required elements by different names. For example, "Circulation" may be referred to as "Transportation," "Open Spaces" as "Parks" and so on. Also, note the year in which the section was last updated.

It is safe to assume at this point that the sections covering safety, noise, and conservation are irrelevant to your work and can be disregarded. "Open Spaces" or "Parks" may or may not be relevant, depending on whether or not this element includes recreational activities for children.

Next, take special note of any extra sections in the General Plan which sound like they may relate to child care, such as "Community Facilities" or "Economic Development."

Scan through each of these sections to review their overall themes, and to note if any language already exists that applies to child or youth services. Keep track also of any sections that you feel relate to the provision of child care services (i.e. transportation, economic development goals, etc.). You can either photocopy this information or write down the page and section numbers for future reference.

> **Case Study**
>
> *Strategy:* Alameda County LINCC mapped out the General Plans for four cities that are in the process of revising their General Plans. A PowerPoint presentation was designed and presented to committees providing input into the General Plan review process with specific recommendations for policies and requirements.
>
> *Outcome:* San Leandro is recommending to their General Plan Advisory Committee six policies and five actions to support child care.
>
> *Contact:* Alex Hildebrand, Alameda County LINCC Coordinator, 510-208-9714

Ideally, you will end up with a model of the overall structure of the General Plan, the dates that each section was last updated, and "points of insertion" for child care language, referenced by their chapter, section and page numbers so you can refer to them when speaking with planners.

STRATEGY #2: ASSEMBLE INFORMATION ON THE VALUE OF PLANNING FOR CHILD CARE

As with the rest of your advocacy, you must have data and information prepared to demonstrate *why* it is necessary to include child care in planning documents. If possible, present information on the economic impact of the child care industry in your community. Some basic arguments include the following:

- Child care is a basic infrastructure issue, like transportation, that residents need in order to work and participate in the community.

- Without support of local government, the child care industry does not have the financial capacity to meet the community's need for child care.

- According to a national study, each dollar spent on quality child care can save $7 in future spending on criminal justice, welfare and social services.
- The construction and operation of child care facilities creates jobs in the community, for many employment sectors in addition to child care workers.
- Licensed child care has been shown to increase worker productivity.
- Quality child care better prepares children to succeed in school and become a productive member of the community.

STRATEGY #3: ASSEMBLE EXAMPLES FROM OTHER JURISDICTIONS

Next you will want to collect examples from other jurisdictions that have included child care in their General Plans. The purpose of this is twofold: to borrow specific language that can be adapted to your own General Plan, and to engender a sense of competition in your planning department or City Council to match the standards being set by their fellow planners and County and City governments.

STRATEGY #4: SET UP MEETINGS AND/OR PRESENTATIONS WITH YOUR CITY COUNCIL AND PLANNING DEPARTMENT

Once you have all your information and materials assembled, you are ready to contact your planning department and City Council to advocate for the inclusion of child care in planning documents. Ideally, one or more of your General Plan elements are up for review, which means you have a ripe opportunity for adding child care language. Even if elements are not currently up for review, it is never too early to begin educating your local officials about the value of including child care in planning.

Where possible, include the lead planner for the planning department in your meeting. Even though this person may not be the one who implements your recommendations, their buy-in is crucial to having ongoing support for child care in your planning department.

STRATEGY #5: PROPOSE SPECIFIC LANGUAGE IN SPECIFIC PLACES WITHIN THE GENERAL PLAN

Planning Departments and city officials are most likely to accept your recommendations if they are highly specific. Chances are they have not had a lot of experience with including child care considerations in planning documents. There is no better way to demonstrate the appropriateness of your proposal than by showing them what their planning document would look like with child care language included. This strategy also reduces the work they have to do to translate your recommendations into reality.

Utilize the sample child care language from General Plans of other jurisdictions to craft language that is appropriate to your General Plan and your community (see Appendix viii for an example). This process will become simpler once you start to become familiar with the General Plan.

Following are examples of how child care can be written into the General Plan:

→ *Business Development*

- Support siting of child care near major commercial developments;
- Require that the effects of major development projects on the supply of child care be addressed through the environmental review process, and shall require mitigation if a significant impact is identified;
- Require that child care be considered in certain specific plans; and
- Require that employers be informed of child care assistance programs.

→ *Community Facilities*

- Encourage child care facilities near schools and community centers; and
- Where feasible, make underutilized City properties or low-cost loans available to child care providers, particularly for those child care facility types of greatest need.

→ *Transportation*

- Encourage siting of child care facilities near transportation hubs; and
- Encourage transit providers to serve routes linking schools, after-school child care facilities, libraries, parks, and recreational sites to facilitate mobility of school-age children.

→ *Housing*

- Require that housing developments over a certain minimum size perform an environmental review process to consider the impact of the development on child care need in the area; and
- Require that housing developments over a certain size be referred to the Child Care Planning Council for input.

→ *General*

- Declare that the jurisdiction shall support legislation promoting affordable, safe and high quality child care, and shall advocate for state subsidies to assist children with special needs.

Be sure to include a wide range of examples in your recommendations. Follow the guidelines for including child care language in the General Plan above, being sure to push for the most specific language possible. Realistically, however, you will have to be prepared to offer milder language. Be sure, also, to offer recommendations for exactly where you think the language should be included, again to reduce the work necessary for the planner to make the change.

Resources and Key Players

The key players in advocating for the inclusion of child care in your General Plan are:

City Councilmembers	Start with the Councilmember who represents you, and figure out how to get on a meeting agenda.
County Board of Supervisors	Start with the County Supervisor who represents you, and figure out how to get on a meeting agenda.
Planning Department	Be sure to include the lead planner and any planner who may have an interest/expertise in child care issues.
County Planning Commission	Supply your County Planning Commission with an information packet on child care and planning, and make yourself available for questions.
Child Care Resource and Referral (R&R) Agency	Be sure to let the local R&R know about your advocacy efforts, as they may have some experience in this area. Get to know their data person(s) and see if they can provide you with statistics on the child care industry in the jurisdiction where you are working.
Family Child Care Provider Association	Include the director or an active member of a family child care association in your advocacy efforts. Government officials and employees like to hear directly from residents and people who may be affected by a particular policy.

Other resources include your local child care planning council, the Child Care Law Center [(415) 495-5498], and local businesses that may be interested in helping you advocate (such as your local Chamber of Commerce).

How to Address Potential Barriers

Because child care may be a foreign issue to planners, and because planners are aware that changes to the General Plan may result in legal requirements that they must fulfill, you should be prepared to hear some objections to the idea of writing child care into the General Plan.

What if I can't get on the agenda of any meetings?
City Council and Planning Department agendas can be quite full, and it may be a while before you have a chance of getting a slot. In the meantime, create a concise information packet and distribute it to all the appropriate parties. If you have representatives from large businesses as members of your advisory group or steering committee, see if they can write a letter urging council members or planners to review your packet.

What if planners and City Councilmembers are worried about a negative impact on businesses?
Your planning department and/or City Council may have reservations about approving any measures that would impose a fee or place restrictive requirements on businesses. If they are not swayed by the argument that large business developments that fail to provide for child care will hurt themselves and the community in the long run, you may simply have to accept softer measures at this time. One strategy would be to require that child care impact studies be performed as a part of the Environmental Impact Report, and negotiations can ensue between the developer and the planning department about *how* to address that impact.

Glossary

General Plan: A compendium of city or county policies regarding long-term development, in the form of maps and accompanying text. The General Plan is a legal document required by the State.

Element: A section of the General Plan required by State law covering land use, circulation, housing, open spaces, noise, safety and conservation.

Endnotes

1. Cohen, Abby, Child Care Law Center. *Including Child Care in the General Plan* (draft).

2. Ventura County Child Care Planning Council, American Planning Association (Central Coast Section), and Ventura Council on Governments. *Child Care in Your Community: A Guide For Planning, October 1999.* p. 11.

3. Cohen, Abby, Child Care Law Center. *Including Child Care in the General Plan* (draft).

Chapter 5

Child Care Facility Development

Background: Why Is It Important to Develop Financing Resources for Child Care?

A major barrier to renovating or building new child care facilities is the lack of financing programs that are designed appropriately for the child care field. The primary reason for this barrier is the cost of most financing products. Child care businesses simply do not net profits in adequate amounts to repay a bank loan of the size necessary to pay for a facility development project. Similarly, child care businesses typically have limited experience in seeking out and preparing applications for large loans.

The solution to these problems involves two strategies: creating financing products that are affordable and user-friendly for the child care field, and educating the child care field about how to effectively apply for and utilize these products.

This chapter will present several options for pursuing the first strategy, and it ends with a discussion of how to incorporate the second. Chapter 7, which focuses on business training issues, will also help contextualize and provide background for the education component of this chapter.

Tools and Implementation Strategies

What to keep in mind

The fields of both facilities development and financing are quite complex, and becoming familiar with them can be akin to learning a new language. In general, you want to master this "language" before you set out to advocate for modifying existing programs or creating new ones.

Similarly, you want to be very realistic about the position of the child care field relative to financing products. The last thing you want to do is go to all the trouble of creating a product that is not usable by the field, or to raise the expectations of potential partners in this project only to see them not be met. The bottom line is that creating usable financing products will take a lot of work, and you must be ready to try a wide variety of strategies.

Finally, keep in mind that the *complexity* of your work in this area will directly correspond to the *type* of projects you would like to support. If you are interested in relatively simple projects – such as helping family child care providers to renovate their homes to preserve their capacity, or assisting child care centers to add toilets in their bathrooms so they can be licensed for more children – you may be able create a small grant and microloan fund that would be adequate to accomplish these objectives. This microloan program would not need a tremendous amount of money to start, and would not require complicated financial projections and business plans to support it.

If, however, you are interested in creating a financing mechanism to help people who want to build or move a child care center, you may be dealing with financing packages of several million dollars. Such packages require sophisticated financial planning and the administrative structure to process and collect loans over a long period of time (up to 30 years).

Keep this range of project objectives in mind as you embark on any efforts to develop financing resources for child care. Standard resources for facilities financing include planning grants, capital grants, microloans, and direct loans.

Should you pursue grants or loans?

→ *Grants*

Obviously, grants are the most "affordable" resource for child care providers to use since they do not have to be paid back. Generally, whenever you can design a program that includes grants, you should certainly do so. Sometimes, the only affordable facility development financing option for a child care business is a grant.

It can, however, be expensive and difficult product to raise money for a grant program. They are expensive because once you give out the money, it is gone, whereas the money you get back from a loan can go straight into a loan for another program. They are difficult to raise money for because foundations and public entities are more likely to commit funds to a program that can continue to sustain itself – like a loan program.

→ *Loans*

The positive side of affordable loans for child care providers is that, by default, a child care provider must enhance their business skills in order to manage it. To secure loans, providers must conduct ongoing financial projections and develop tools such as a business plan which can increase the overall financial viability of a business and create opportunities for future fund development.

The most ideal scenario may well be to develop a fund that offers both loans and grants. The grants can be designated for providers who absolutely cannot afford to renovate or develop their facilities. Or, alternatively, grants can be designated for certain activities (such as planning) that contribute to the facilities development process. Planning grants are generally more popular than capital improvement grants in the foundation world, so may be more likely to receive funding.

There are four main strategies for increasing access to affordable financing resources for child care facilities development:

1. **Self-educate:** Educate yourself about facilities development and financing, and inventory existing resources.

2. **Assess:** Assess the needs and capabilities of the child care field.

3. **Optimize:** Figure out how to enhance the resources that currently exist.

4. **Create:** Explore opportunities to create your own childcare facilities development fund.

STRATEGY #1: SELF-EDUCATE

You should begin this process by becoming familiar with basic financing and facilities development terminology. At the least, you should at least be able to recognize and, ideally, become fluent in the vocabulary in the glossary for this chapter. This knowledge will be instrumental in your efforts to partner with other experts in the financing field.

Conducting an inventory of existing resources will be invaluable, because it allows you to figure out not only what resources are already out there for child care providers to use, but also to explore options of using existing resources in new ways. These options could include amending state-sponsored child care programs, working with local banks to make one of their products more accessible to the child care field, and combining and/or leveraging different funding sources to complete a single financing package. More often than not, any large-scale project will involve resources from several different sources, and will require sophisticated financial planning to manage. It is therefore vital to have a clear understanding of the requirements and logistics for each program.

Review Appendix ix to get an overview of many of the financial resources and products in California that pertain specifically to child care businesses. As you review each product, try to assess it according to the following criteria:

- ***Applicant Eligibility:*** Pay attention to specific eligibility criteria for each product. For example, many affordable financing products are available only to non-profit organizations.

- ***Project Eligibility:*** Check which project activities are allowed under each program. Some may fund only planning activities, or only other capital costs, while some may fund only projects that serve particular populations (i.e. low-income) or accomplish certain objectives (i.e. capacity-building).

- *Affordability:* The most obvious indicator for loans is the interest rate. The interest rate for affordable loans should be several percentage points below the prime interest rate.

- *Accessibility:* This criteria has to do with the design of the program, and can include everything from the application process to the reporting requirements. An effective way of measuring accessibility is to find out how many people have successfully completed projects under a particular program, and whether or not the financing program is releasing its funds according to their original schedule.

STRATEGY #2: ASSESS

An assessment is a crucial step to take before deciding how you want to address facilities financing issues in your area. A well-designed assessment tool will allow you to decide whether you will be able to utilize existing resources or whether you should focus on developing new ones. If you are developing a new resource, an assessment should give you a clear picture of how to design your products. Finally, a needs assessment is a vital tool for fundraising activities in this area. The issue of child care facilities development financing will be new to many of the partners with whom you are planning to work. In order to gain the trust of funders, you must demonstrate not only a need for the product, but also the *demand* for it (or, proof that the product you are creating or optimizing will be successfully utilized).

Case Study

Strategy: The Alameda County Children and Families Commission, which took over the Child Care Fund from the LINCC Project, designed and disseminated a survey to family child care providers, child care centers, Head Start Programs, and developers. Incentives were provided for returning the surveys and follow-up phone calls were made. A 17% response rate was achieved.

Outcome: The results of these surveys are being used to design the loans, grants, technical assistance, and partnerships supported by the Child Care Fund.

Contact: Maria Raff, Alameda County Children and Families Commission. (510) 667-3074

The most basic form of conducting an assessment is a survey (see Appendix x). There are two essential components to successfully conducting a survey. First, you must make sure that it is well-designed, meaning that it should accurately measure what you want it to measure. It must have questions that are easily interpreted and answers that cover all the contingencies. One of the most important rules of thumb in survey processing is that answers to questions reflect a consistent reality. Otherwise, different people will answer the question in the same way when their realities are, in fact, very different. You also want to make sure that you can process the results in an efficient and illustrative manner. Finally, you want to be sure your questions are communicated effectively. Proper questioning is extremely vital when you address issues such as financing and facility development that may be unfamiliar to your target population. Conducting a survey can be a very tricky process, as it entails using simple language to get answers to complicated questions.

The second essential component to conducting a survey is to have an outreach and dissemination strategy. If you do not do adequate outreach, you may end up with too few surveys to support a credible report. Outreach to child care providers usually involves making presentations at relevant functions, such as provider association meetings and conferences. It may require working with your local Resource and Referral Agency to figure out *how* to involve providers in their area and, hopefully, to solicit their cooperation in doing outreach. If possible, develop some sort of incentive for people who complete the survey. Developing an incentive offers a great opportunity to partner with some of the businesses in your area. You could offer anything from children's books or toys to a free dinner at a local restaurant. Incentives have been proven to greatly increase survey responses.

Your dissemination strategy should ensure that you get responses that represent the range of scenarios you are likely to encounter in order to improve the scientific validity of your survey. You should try to get a diverse sampling of survey respondents in a number of different categories, including geographical distribution, program size and type and populations served.

When designing and disseminating a survey, it is a great idea to get feedback from individuals who are experts in this area. If you cannot afford to hire a consultant to review your materials and strategies, try soliciting the assistance of a local college or university department in your area that specializes in surveys or polling. Doing this type of review can save you a lot of work in the long run and greatly improve the quality of the data you report.

STRATEGY #3: OPTIMIZE

As suggested by the term "optimize," this strategy can be the most efficient and inexpensive way to improve access to financing resources for child care providers in your area. Essentially, it means adapting existing resources to meet the needs of your target population rather than creating a new program. It is important that you explore all the options in this area before deciding to create your own program. Even if it does not result in an agreement to offer a loan product at a lower interest rate, for example, you will doubtlessly learn about the ways that existing organizations can support your objectives.

This strategy is most applicable to local and regional financing resources. Of course, you can work towards optimizing statewide resources (through the state legislature), but that requires much more collective effort and may not result in outcomes that meet the specific needs of your community.

The best place to start is with locally-based banks and/or community development corporations. Before setting up any meetings, educate yourself about the services and/or products they already offer. Come to the meeting prepared with some compelling information on the need for an affordable child care facility financing product. If you have conducted any research on the child care industry or demand for child care services in your area, be sure to highlight that as well. Finally, bring some examples of programs from other banks or Community Development Corporations (CDCs) that have worked to create this kind of a product to add a little "peer pressure" to local financiers.

STRATEGY #4: CREATE

If you are not able to adapt local or regional resources to meet the child care facility financing needs in your area, your next option is to look into the requirements for establishing a locally-based fund. To create such a fund, you will need an advisory board, a fundraising strategy, a product design strategy, and an administrative structure.

Advisory Board
This body will be instrumental to your project in two ways: generating a wide range of expertise and knowledge, and generating a wide range of community connections to support the development of your project. To achieve these two objectives, it is necessary to recruit individuals from all the relevant sectors: public, private, financial, community, and direct service.

Fundraising Strategy
With a broad-based Advisory Board, you should have all the tools you need to begin fundraising for your product. Be sure to consider all the possible financial and organizational resources available in your area. You may be able to conduct some fundraising to plan and design the program, while some fundraising may have to wait until you have a product and a marketing plan.

Product Design
Actual design of your product will likely be the most painstaking part of the entire process. The design should derive directly from any needs assessment tools that were used to determine the demand for financing products in your community. One option is to start with one test product and then develop other products as you gain experience in this activity. As stated previously, the standard products for facilities financing include planning grants, capital grants, micro-loans, and direct loans. Some alternatives that you may want to consider in developing flexible products that maximize existing resources are interest-rate buy-downs and loan guarantees.

Case Study

Strategy: The Santa Cruz Child Development Resource Center applied for and received a $115,000 grant to implement a Child Care Facilities Development Intermediary Collaborative (see Appendix xi). The goal of the Intermediary is to support and sustain the infrastructure necessary to promote increased capacity in the child care sector and for school-aged recreation. It is composed of a wide range of partners who all have clearly defined roles in the administration of the program.

Outcome: Santa Cruz County will have an organization capable of assisting the child care field in acquiring financial resources for and managing facility development projects, and helping increase resources for facility development both locally and statewide.

Contact: Kaki Rusmore, LINCC Coordinator, 831-479-5283

Administrative Structure
Utilizing your diverse Advisory Board, develop criteria for your ideal administrative structure. Then inventory local organizations that may have the capacity to play this role. Criteria should include, at minimum, experience and skill in the field of lending and community development, knowledge of the child care community, and connections to and position within government and business sectors. A partnership between organizations that have experience and capacity in different areas may be your best option. Research other model programs around the country (see Appendix ix for one example) to understand the requirements of an efficient administrative organization.

Resources and Key Players

The key players in helping you optimize or develop local resources for child care facility development are:

Local banks and/or Credit Unions	May have existing products that can be modified or tailored to meet your objectives, or may have the capacity to assist in the administration of a new program
Local Community Development Corporations	May already provide similar products to other community-based organizations and have expertise and infrastructure to assist in the creation of a fund or product
Child Care Provider Associations	Can help in assessing the need and demand for financing products in your area
Foundations/Charitable organizations	Potential source of funds for a new program, planning and research, or to expand/supplement existing programs
Local branches of state/national financial institutions	Great place to solicit expertise on facility financing, potential source of funds and/or administrative capacity

How to Address Potential Barriers

What if I find that child care providers in my area cannot afford any loan products?
If loans for child care providers are out of the question at this time, there are two simultaneous strategies you will want to pursue. First, the child care providers in your area

may need a tremendous amount of assistance in general business management practices before they are able to achieve the financial viability necessary to access loans. You may have to invest a considerable amount of time training child care providers in business skills to get them to this point. (See Chapter 7 for more on business training.) At the same time, you can start exploring other opportunities for funding programs that offer grants and smaller-scale loans in order to help prepare child care providers for larger loan products and financing tools. Try to interest your local government in creating financial resources to expand the capacity for child care in your area.

What if I can't find any organizations to administer a loan program?
You may find that organizational capacity is insufficient or that organizations are unwilling to adopt this kind of a program. You could try to convince a government entity that has parallel functions to adopt the program, or try to develop the internal expertise and infrastructure to run this kind of a program. The latter option entails a longer-term fundraising and organizational development strategy that you may want to pursue concurrently with other activities, such as business training.

Glossary

Collateral: A lender's legally enforceable claim to take and sell assets pledged by a borrower to protect the lender against financial loss in the event the borrower defaults on the loan.

Community Development Financial Institution (CDFI): A financial intermediary that has community development as its primary mission and offers a range of programs and services to meet the needs of low-income communities. Some are chartered as banks; others as credit unions or self-regulating non-profit institutions. Loan products are designed to be more affordable and user-friendly than conventional lending products. It provides comprehensive credit, investment, banking and development services.

Community Development Corporation: Non-profit community-based organizations that work to revitalize low-income rural and urban communities. Typically have a specific geographical focus and take on a wide range of activities including housing, commercial, human resource or child care development.

Debt Service: The amount of principal and interest a borrower pays to a lender.

Equity: In a real estate transaction, the cash or cash equivalent invested by the owner. The more equity available, the less the owner has to borrow and the lower the risk of the lender.

Guarantor: One who agrees to repay the lender all or part of the principal and interest on behalf of a borrower in the event that the borrower fails to make these repayments as required by the loan agreement.

Interest Rate Write-down/buy-down: Acts as a subsidy to reduce the interest rate on a commercial loan to below market rates, in order to make the loan more affordable to a borrower.

Linked Deposits: The deposit of funds into a conventional lending institution for the purpose of encouraging the bank to loan funds at a reduced rate to specific borrowers. This strategy can be used to lower the cost of short-term construction loans.

Loan Origination: The process of making and documenting a loan, including preparation and execution of loan documents, recording the documents at a public registry, and disbursing funds to the borrower.

Loan Servicing: The administration of the loan after closing including making disbursements, collecting payments, monitoring the performance and security of the loan, maintaining documents, and discharging the promissory note and any liens once the borrower has satisfied all its obligations to the lender.

Recoverable Grants/Forgivable Loans: Loans made with the understanding that if certain requirements are met by the borrower, the loan need not be repaid.

Revolving Loan Fund: Incoming debt repayments are used to make new loans. (Most loan funds operate this way.)

Tax Exempt Bonds: Under federal law, most state and local bonds are tax exempt. Purchasers of tax exempt bonds do not pay taxes on the earnings of the bond.

Tenant Improvements/Build-outs: Improvements made to a commercial space to customize it for the use of the tenant, prior to occupancy. In some cases, the landlord will make and/or finance these improvements as part of a rental agreement.

Underwriting: The credit analysis performed by a lender to determine whether to make a loan and how to structure it.

Chapter 6

Technical Assistance for Child Care Facility Development

Background: Why Do Child Care Providers Need Technical Assistance in Developing Facilities?

Whether you are developing your own child care facility financing fund or trying to assist child care providers in accessing other funds, technical assistance (TA) is a vital component of any facility development project. Child care providers rarely have adequate expertise to manage all of the details of a facility renovation or expansion on their own. Nor do they typically have the financial resources to pay for such expertise. The availability of free assistance in this area could be the difference between a failed project and a successful one.

Managing a construction project can be a major undertaking. It is important to make sure everyone is aware of this up front so plans can be made appropriately. You do not, however, need to have a background in construction or real estate development to manage a successful project. The purpose of this chapter is to demonstrate that a facility development project can be effectively organized and managed with just a few basic tools.

For the purposes of this chapter, "facility development" will refer to any kind of renovation or construction that modifies or creates a child care (or related) facility. Because existing written materials outline the step-by-step procedures for implementing a facility development project (see the "Child Care Financial Planning and Facility Development Manual" published by the National Economic Development & Law Center), this chapter will simply go over the basics of the process and emphasize how to implement such a TA program at the local level.

The complexity and expense of a facility development project directly corresponds to the level of TA that will be necessary. A bathroom renovation will probably not require much technical assistance, whereas converting the garage of a family child care home into a playroom may require at least a moderate level. The bottom line is that much money and time can be squandered if there is not a well-thought out plan in place for approaching a facility development project. Even with a plan in place, anyone implementing such a project should be prepared for problems to arise that may impact the scale or nature of the undertaking. The objective of any technical assistance is to foresee those problems as far in advance as possible in order to minimize the damage or waste they create.

Tools and Implementation Strategies

What to keep in mind

Child care providers, who are often overburdened to start with, may not be interested in going to the "extra" trouble of carefully planning out their facility development project. You may want to invest a little time in "selling" the concept of TA (as well as doing a survey or needs assessment) before investing a lot of time in the design of your program. Consider offering some free trainings and seminars around the entire facilities development process to anyone who might be thinking about planning such a project.

Similarly, organizations that are offering financing products or contributing funding toward a product you are developing may not be interested in dedicating resources or staff time for an "added" activity such as TA. It is important to reframe TA as an essential component of child care facility financing. This lesson has often been learned too late for some programs that have attempted to finance child care facilities.

WHAT DO I NEED TO KNOW ABOUT THE FACILITY DEVELOPMENT PROCESS?

It is not necessary to be an expert in this area to successfully manage a project. It is, however, important that the person selected to coordinate or manage the project be aware of the major components of developing a facility, as well as the major players involved. The manager must also be willing to hold people accountable to the tasks they agree to perform.

The most important feature of facility development planning is a comprehensive and realistic timeline of activities. Such a timeline insures that all the vital tasks are being accomplished, and that they occur in the necessary order. A timeline can also serve as a blueprint for the entire process outlining not just what must happen, but who is responsible for making sure that it happens. It can be used for everything from outlining the planning committee's work to executing contracts with construction companies.

Human Resources[1]

When you are in the early stages of planning a project, you should be sure that you bring all the important players to the table, and develop a strategy for recruiting any missing expertise. A cost-effective way for non-profit organizations to recruit volunteers is to utilize your Board of Directors (and their spouses and relatives). Other child care centers can ask parents and other members of the community for support.

When you gather this group of individuals, you want to obtain a commitment from them to make themselves available throughout the facilities development project. It is important that everyone remain fully available and committed so that tasks and details are not overlooked. You want to establish the group as a "development team" that is responsible for guiding the entire process. The roles you want to have filled before your project is off and running include a project coordinator, a financial officer, a legal consultant, a real estate consultant, a marketing consultant, a design consultant, a contractor, and a child care expert (including knowledge of licensing requirements). Several of these roles can be assumed by one person, where appropriate. As when working with any diverse group of people, it is important to establish expectations and ground rules for the group and obtain everyone's buy-in.

Financial resources

Once you have this team assembled, you can begin planning for your project. The first step here is to compare your project vision and objectives with your financial capacity for the project. What is the main reason for engaging in this project? What are your ideal outcomes? What are your acceptable outcomes? Are you sure the market exists for any additional children you plan on serving as a result of your project?

A very careful assessment of fiscal capability must be conducted before embarking on any project of considerable size or expense. The first step is to prepare financial statements for your current business. These statements should include operating budgets, cash flow statements, and cash flow projections given your current capacity and expenses. When you have completed this process, you want to be sure that your new or renovated facility will fiscally support any new operating expenses or overhead costs. Your last step is to figure out the impact of the overall proposed project costs on your current and proposed operating budgets. What money must you raise in advance in order to pay for your project? How much time do you need for that process? What kind of debt can you assume given your proposed operating budget?

Remember that most facility development projects go over-budget. This fact is important to keep in mind, especially when are working on a tight budget. Getting halfway through a construction project and running out of money can spell a major financial disaster. To the extent possible, prepare for extra expenses and develop contingency plans for complications in the construction process.

Your financial calculations should play a major role in setting parameters for your project timeline. Once you have set up a realistic timeline for fundraising and applying for loans, you can start scheduling the processes of securing land (if you are building a new center) and a contractor.

Site issues

If you are renovating an existing facility, it is also important that you ensure that your proposed renovations will meet all zoning, licensing, fire code, and building requirements. It is important to solicit the input of your child care licensing expert, contractor and architect to make these determinations.

If you are looking for a new site, you will first and foremost want to consider the market surrounding the proposed site to be sure it can sustain a facility of the size you are proposing. Further, you will want to consider the overall environment (child-friendly features), infrastructure (sewage, plumbing, electric, easements), safety, and transportation (proximity to access road, public transit).

Construction and Move-in
Once construction begins, the project manager's main responsibility is to ensure that the contractor follows the work plan and completes tasks in a timely fashion. The manager must also make sure that all other tasks necessary to prepare for move-in are accomplished concurrently.

The project manager may want to schedule weekly site visits to check in with the contractor and catch any problems or mistakes early on.

While the facility is under construction, marketing for the new or expanded program should get underway. Plans should also be made to be sure the new facility has all the staff and supplies it will need in order to open on time.

Resources and Key Players

The key players in helping you provide technical assistance around facilities development include:

Small Business Development Center	May have the capacity to help child care providers secure assistance with financial planning for a facility development project
American Institute of Architects	Has listings of architects around the country categorized by the types of facilities with which they have experience. Call a local chapter to find architects with experience dealing with school or child care facilities
City Building Department	Can help insure that current or proposed sites meet building codes according to renovation/construction plans
Local Planning Department	May be able to help locate available lands that meet zoning requirements
Real Estate Agent	Can assist in location of available lands for development

How to Address Potential Barriers

What if I am unable to find affordable land that meets all my requirements?
Inability to find a suitable site can be a tremendous stumbling block for facility development projects, particularly in areas where land is expensive and/or scarce. It may be necessary to compromise on the characteristics of your ideal site, or you may be able to work with a local planning department to remove possible zoning impediments to the establishment of a child care facility. You may also want to contact agencies that may have surplus properties, such as school districts or public agencies, and negotiate a deal whereby their employees have first priority for child care services.

What if I have a difficult time assembling a development team?
If there are significant gaps in your development team, even after a thorough outreach to your Board of Directors and/or parents, investigate community resources that may be available to assist you. For example, if you are not able to secure a legal expert, try contacting a local Legal Aid organization and see if they could make someone available to review contracts and other relevant legal paperwork. Or perhaps a local law firm might be willing to do work on a "pro bono" (free) basis. The most important features of a development team are commitment and resourcefulness – with these, you can keep the project on track while you go out and seek the assistance you need.

Glossary

Architect: A licensed professional trained in the internal and external design of buildings and structures.

Building Permit: Before building can begin, a developer must secure a building permit from the city or county building department that meets the standards outlined by local building codes.

Cash Flow Projection: Estimates the future in- and out-flow of cash for a business.

Contractor: A professional that is licensed and certified by the State to plan and implement commercial, housing, or industrial development projects.

Design Consultant: A professional specializing in space design for building projects.

Easements: Requirements regarding the intended use of a property as outlined in a building permit approval. Easements include rights of way and rights to enter an adjacent property to repair boundary walls.

Fire Code: Enforceable requirements imposed by Fire Departments to maximize the fire safety of a building or structure.

Income statement: Identifies the sources and uses of funds; shows what a business actually earned and what it costs to earn that amount.

Legal Consultant: A legal professional hired to provide legal advice and guidance.

Operating Budget: A business' financial plan or "blueprint" for the coming months or years, expressed in financial terms.

Real Estate Consultant: A professional specializing in the location and acquisition of real estate properties.

Endnotes

1. The National Economic Development and Law Center. *Child Care Financial Planning and Facilities Development Manual. Chapter 4: The Facilities Development Process for Child Care Centers*. Pp. 2-3.

Chapter 7

Developing Child Care Providers' Business Skills

Background: How Can Child Care Benefit from Business Development Expertise?

The child care industry creates jobs and generates incomes for local communities. And yet, the industry is hard pressed to secure the necessary investments to expand to meet the growing demand in California. A significant barrier to securing new funding—both public and private—rests at the core of the child care field itself. Typically a low-wage and low-status career, the majority of professionals in the child care field enter it for their love of children and commitment to educating them -- not to reap high profits.

Child care programs—unlike their counterparts in other industries—tend to be very small. Providing direct support to many small practitioners can be a challenge. Additionally, very small businesses often do not have the financial stability and fiscal expertise necessary to take advantage of many financing strategies. By comparison, entities such as colleges and universities have campuses to serve up to 50,000 students. They can afford to support a financial aid office with professional staff that focuses exclusively on helping students access assistance and a development office that helps to raise additional funds to support the institution. In contrast, the average child care center serves only about 60 children and rarely has a financial professional on staff.

Clearly, child care providers can benefit from working with organizations that can help build their expertise as small business operators. This chapter will provide an introduction to those organizations and resources and discuss how to access them to support and grow your local child care industry. (See also Appendix xii for a brief discussion of some basic issues child care providers must address to improve their business professionalism.)

Tools and Implementation Strategies

A variety of resources exist to provide child care enterprises – from small family day care homes to large child care centers – with the necessary technical assistance to develop and manage their small businesses. First and foremost, child care providers and center directors looking to gain experience in small business development should explore the resources and tools already available to them through:

- Memberships in local, state and national associations (family day associations, the Child Development Policy Advisory Committee, the California Association for the Education of Young Children, and the National Association for the Education of Young Children);
- Participation in community-based organizations, local non-profits and community foundations;
- National financing and/or technical assistance intermediaries (for example, the Local Initiatives Support Corporation, the National Economic Development and Law Center, and The Enterprise Foundation);
- Local Resource and Referral organizations (local agencies and state and national networks); and
- Child Development Division, California Department of Education (with nine resource centers across the state).

Case Study

Strategy: To bridge the professional and cultural gap between child care providers and small business technical assistance experts, Santa Cruz County's Child Development Resource Center (CDRC) developed a strong working relationship with El Pajaro Community Development Corporation and Central Coast Small Business Development Center for training and consulting to the child care field.

Outcome: This partnership was instrumental in facilitating collaboration between the local child care professional association and the SBDC to provide business skills training workshops in English and Spanish for over 80 child care operators.

Contact: Marcia Meyer and Kaki Rusmore, Santa Cruz County Office of Education, Child Development Resource Center, 831-479-5283

Each of these organizations, by pooling resources, is often able to provide initial training and/or local contacts for building the stability and sustainability of a small child care business.

Small Business Administration

Your second step in securing technical assistance is to contact your local or regional office of the U.S. Small Business Administration (SBA). The SBA has a variety of management and technical assistance programs to assist both new and expanding businesses. Its primary mission is to serve for-profit businesses (and thus, family day care and certain centers). Many of its services, however, are available to non-profits as well. The SBA has offices in every region throughout the country. For the nearest location, look them up on the World

Wide Web at www.sbaonline.sba.gov. If you do not have Internet access, you can also call1-800-8-ASK-SBA.

Technical Assistance
SBA's business management assistance is available to for-profit and non-profit businesses alike.

- ***Small Business Development Centers*** (SBDCs) provide starting and growing small businesses with management and technical assistance in the form of counseling, management training, referrals and reference libraries. They can also connect businesses with other federal, state and private resources. In addition, they offer workshops on developing business plans, which can be a critical first step for developing small business training for family child care providers. For more information on the SBDC office nearest to you, contact the SBA through the website or phone number given above.

- Perhaps the best known SBA business assistance program is the **Service Corps of Retired Executives** (SCORE). SCORE is a volunteer management consulting program in which retired executives volunteer their time to counsel small business owners and managers on business issues. SCORE volunteers can offer a free one-to-one counseling session on how to develop a business plan. Their services are available for both for-profit and non-profit organizations. To locate a nearby office, call 1-800-634-0245, or visit their website at www.score.org.

> **Case Study**
>
> *Strategy:* To ensure the sustainability of on-going training and technical assistance for child care providers, Kern County LINCC established a Women's Business Center.
>
> *Outcome:* Kern County LINCC, in collaboration with their regional SBDC, received Prop 10 funds to create the Center and to hire staff to conduct monthly business trainings for over 70 child care providers.
>
> *Contact:* Wendy Wayne, Kern County Office of Education, Community Connections for Children, Ph: 661-861-5213

- SBA's sponsor a number of **Women's Business Centers (WBC)** across the country. These WBCs offer a range of services to women entrepreneurs at every level of business sophistication. Located in 36 states, the District of Colombia and Puerto Rico, the WBCs teach the principles of management, finance and marketing, as well as how to start a home-based business. The WBC website (www.onlinewbc.org) has an up-to-date and thorough library of written material. For more information about the Women's Business Centers, contact the Office of Women's Business Ownership at 202-205-6673.

Financing
SBA offers a range of financing programs, available exclusively to for-profit entities. These programs include:

- ***Real Estate Loans:*** SBA Certified Development Corporations package loans made under the SBA 504 real estate loan program. Under this program, Certified Development Corporations directly finance up to 40% of the purchase of land, buildings and some fixed assets, while a participating bank finances 50% and the borrower invests 10%. In a typical project, the SBA may invest between $50,000 and $750,000, when the overall project size ranges from $500,000 to $2 million.

- ***Loan Guaranties:*** Through the 7(a) program, SBA guarantees loans made by private lenders for up to 80% of the loan's value. While there is no maximum loan that can be obtained through the 7(a) program, the maximum amount that SBA can guarantee is $750,000. Generally, one would apply first to a private lender. The lender would assist the applicant in applying for the guaranty.

- ***Microloans by non-profits:*** Through the SBA Microloan Program, non-profit organizations can apply to the SBA for funds to support microenterprises (generally very small businesses with one to five employees, including the owner). The non-profit serves as an intermediary and can offer direct loans, loan guarantees and technical assistance to for-profit micro-enterprises. Child care advocates might consider applying to administer these funds to family child care businesses.

How to work with your SBA
Identify the regional SBA office that serves your county. The office may be listed in the government section of your phone book, or you may call the SBA Answer Desk at 1-800-827-5722. Identify a contact person who is knowledgeable about local SBA lending – most likely the public information officer.

Request materials and information to answer the following questions:

- What types of businesses do the SBA financial assistance programs serve?

- What is the average loan size and term?

- For what purpose are the loans used?

- What percentage of the borrowers are child care businesses?

- Are there any special programs or services available to child care businesses?

- Has the agency encountered any special difficulties in lending to the child care industry?

- What Certified Development Corporation serves your area?

- What organization, if any, is administering the Microloan program in your area?

Also, consider the following steps:

1. Contact your regional Certified Development Corporation, and ask about their experience making real estate or other loans to child care providers.

2. Contact the organization administering your area's Microloan program, if any. Ask what types of loans they make to what types of businesses. Ask about their experience with or interest in making loans to child care providers.

3. Identify the Small Business Development Center that serves your county. California's Office of Trade and Commerce's Office of Small Business maintains an information line that will tell you the phone number for your county's SBDC: 1-800-303-6600 (or 916-324-1295 in Sacramento). Find out about the business management assistance programs they provide, and ask about programs that might be helpful specifically to for-profit or non-profit child care providers.

BUILDING THE BUSINESS CAPACITY OF YOUR LOCAL CHILD CARE INDUSTRY

This section introduces five economic development strategies – business retention, business incubators, entrepreneurial training, job training, and capital pool strategies – that are targeted to build the capacity of child care providers to run successful and sustainable small businesses. Each option deals with some aspects of child care businesses and local economic development.

Business Retention

The goal of business retention is to maintain and expand the economic activity of a neighborhood by supporting existing child care centers and home-based care. Rather than attracting new business, this strategy aims to coordinate new development with revitalization of existing child care operations. Child care advocates and economic development professionals can bring local child care businesses together to identify problems and solutions to meet unique needs of the neighborhood economy. Strategic areas for promoting business retention include:

- Links between local businesses and public assistance;
- Technical and managerial assistance;
- Financial assistance;
- Job training and retaining;
- Home and/or facilities improvements;
- Marketing, including a positive image of child care business and industry;

- Industry analysis, including measurement of the local child care supply and demand; and

- Licensing requirements.

Business Incubators
A business incubator is a facility in which entrepreneurs or other small business start-ups can share space and business services at an affordable rate. It fosters small business development by trying to overcome two major impediments for success of small businesses: lack of capital and poor management. The incubator concept has four components:

- An internal support network including on-site business assistance at low or no cost, assistance obtaining capital, and training and placement services for employees;
- Real estate at below market rate or with flexible leases;
- Management and technical assistance services; and
- Access to other support services, such as legal and accounting.

Entrepreneurial Training
Entrepreneurial training is another type of business development strategy that provides community residents with training and support services for self-employment in the child care field. This option can fit a community that has an inadequate supply of child care due to accessibility, affordability and quality issues. In addition, entrepreneurial training can benefit a community where jobs are scarce and/or residents have few marketable skills. Child care industry advocates can provide them with:

- Business training and technical and/or financial assistance;

- Competency-based training which provides a means to strengthen motivation by developing qualities and skills typically exhibited by successful entrepreneurs;

- Assistance in developing a business plan;

- Peer support and encouragement through a sharing of experiences during the process of business development; and

- Other support services to remove personal and financial obstacles of each participant.

Job Training Programs
Job training is a major human resource development strategy for communities that can benefit the business sector and reduce unemployment. Job training programs need to partner with a wide range of job placement services and businesses in order for trained job seekers to obtain and retain jobs.

Options for training programs are:

- To develop a customized child care training and placement program with support from industries with labor shortage (i.e., customized training);
- To establish a community-based business venture where community residents are trained and/or employed;
- To advocate for hiring and wage policies with businesses within the neighborhood; and
- To train and support residents to start their own small businesses.

Capital Pool Strategies
Capital pool strategies offer financial resources to establish or expand small, minority, or community-owned businesses, and neighborhood development projects. Access to capital is one of the major impediments for business development and the economic development process in lower-income neighborhoods.

There are four sources for creating capital pools, including:

- Community investment funds which collect investments from individuals, churches, foundations, and others willing to accept a below-market rate of return for local child care business and facilities development;
- Community development credit unions which circulate local saving into investment in local businesses and property or economic development projects;
- Community Reinvestment Act (CRA) legislation, which requires private financial institutions to contribute financially to community programs. You can work with local financial institutions to include child care projects when meeting CRA requirements; and
- Other public capital pools including state-chartered venture capital funds, pension fund investments, tax incentives, and federal programs.

Resources and Key Players

There are a variety of entities – from government agencies to foundations to private corporations – that provide small business training and technical assistance developed especially for the child care industry. A brief list includes:

Small Business Administration	Small Business Startup Kit • www.sba.gov/starting/indexstartup.html

(SBA continued)	Child Care Module (Women's Business Center) • www.sba.gov/starting/indexstartup.html Minority Business Development Agency, Regional Office (415) 744-3001
SBA Microloan Program Intermediaries	Provide loan resources suitable for small for-profit businesses. To local an intermediary near you, call 1-800-827-5722.
SBA Small Business Development Corporations	Provide a wide variety of services to small for-profit businesses, including loan products sponsored by the SBA and technical assistance. To locate your local SBDC, call 1-800-303-6600.
U.S. Department of Housing and Urban	The Child Care Challenge: Models for Child Care Services – provides "how to" information on starting up a center, creating programs and identifying center partners • www.hud.gov/nnw/resourcesforcenters/nnwguide002.html Neighborhood Networks Information Center (888) 312-2743
USDA Rural Business-Cooperative Service	Rural Economic and Community Development Services/Rural Development Administration (530) 792-5800 Iowa Cares: How Rural Iowa Benefits from Child Care Centers • www.wisc.edu/uwcc/info/iowa.html
National Organizations: The following contacts provide information and publications on child care business start-up costs, budgeting, program development, regulations and standards, funding and staffing.	
National Child Care Information Center (NCCIC)	Starting a Child Care Center • www.nccic.org/faqs/starting.html
Iowa Cooperative Extension Service	Child Care: Financial Basics – an excellent resource for an introduction to the business side of child care. • www.extension.iastate.edu/Pages/families/life/CCTW/home.html The materials are available under "Information Station" and then "Publications and Resources."

National Association for Family Child Care	Starting Your Own Family Child Care Business • www.nafcc.org/starting.html
National Child Care Information Center	Family Child Care Start-Up and Funding • www.nccic.org/faqs/starfund.html Guide to Successful Public-Private Partnerships for Child Care • www.nccic.org/ccpartnerships/resource.htm Employer Tool Kit Template • www.nccic.org/ccpartnerships/toolkit/toolkit.htm
Child Welfare League of America	Family Child Care Systems: A Model for Expanding Community Services • www.cwla.org/programs/daycare/fccs.htm
Child Care Law Center	Legal concerns dealing with the insurance and liability, contracts, and materials about the Americans with Disabilities Act (ADA) • www.childcarelaw.org
National Cooperative Business Association	Child Care Co-ops • www.ncba.org/children.cfm
Local Initiatives Support Corporation (LISC)	Community Initiatives Collaboratives for Kids offers financing, training and technical assistance to child providers • www.liscnet.org
National Economic Development and Law Center	Offers financing, facilities development and technical assistance resource guides • www.nedlc.org
The Enterprise Foundation	Measuring Child Care Supply and Demand • www.enterprisefoundation.org
ERIC Clearinghouse on Rural Education and Small Schools	Perspectives on Rural Child Care Businesses • www.ael.org/eric/digests/edorc969.htm

How to Address Potential Barriers

What if potential partners are hesitant to collaborate because they believe that child care providers are babysitters, not small business operators/owners?
Be prepared to educate and transform the perceptions of potential partners who view the child care industry as a social service rather than an economic force. This case may be a difficult to make as many child care providers do struggle to maintain their businesses, and may not be business savvy. Use available research to demonstrate that child care is a critical component of the local and state economy (see NEDLC reports on the Economic Impact of the Child Care Industry). Present data on increasing demand for child care services. For instance, in all LINCC counties, the child care industry grew at a faster rate than other sectors of the economy. The bottom line is that child care is fundamentally a business, and with adequate training and technical assistance, can be viable consumers of loan products.

What if the child care providers I am working with do not see themselves as businesspeople?
Fundamental to your success in cultivating the child care field as a viable business partner will be changing internal perceptions about child care as a social service. While some child care providers will simply refuse to incorporate business practices such as accurate financial record-keeping, many will be open to it once they realize that it can help them improve their services, increase their profit or income, and reduce their overall workload. Peer-to-peer education and thorough, specialized technical assistance will be vital components of any program seeking to train child care providers in successful business practices.

What if local financial institutions do not provide loan products that are affordable for the child care industry?
Your first step is to change the perceptions of financial institutions so they see child care providers as business operators and viable consumers of loan products. If you are able to convince them that the child care industry is a viable, if slightly less profitable market, you can advocate that they lower interest rates and tailor one or more loan products to the child care field. If they are unwilling to do this, you may want to consider raising private or public funds to "buy down," or reduce the interest rate of a regular loan product to an affordable rate, in order to leverage that financing resource. Government and business partners will be valuable allies in convincing financial institutions to modify their products in either of these ways.

Glossary

Capacity Building: developing and expanding the ability of a community-based neighborhood organization to effectively design and implement economic development strategies. Capacity can be built through technical assistance, networks, conferences and workshops.

Cash flow analysis: is a statement showing actual or projected cash receipts and disbursements for a specific period of time.

Collateral: is property or other items that can be used as security for the repayment of loans.

Entrepreneurial training: is offered through programs that provide guidance and instruction on business basics such as accounting and financing in order to ensure that new businesses improve their chances of success. The most common training methods include classroom training, workshops, speakers, lectures, internships, and peer groups or one-on-one counseling, as well as self-study and home-study.

Equity capital: is an investment that does not require a firm to repay the debt. Instead, investors who provide the capital assume partial ownership of the business.

Microcredit: can be provided to microenterprises who have had difficulty gaining access to conventional credit. Microcredit programs provide very small loans to new entrepreneurs. Banks ordinarily do not make loans this small.

Microloans: are very small, short-term unsecured loans given to people without a credit history and/or the collateral necessary to obtain a conventional loan.

Small Business Development Corporation: Local entities that market and deliver loan products (sponsored by the federal Small Business Administration) to for-profit businesses. These corporations often offer technical assistance to accompany loan products.

Technical Assistance: is generally aimed at providing specific services that a small business typically cannot afford. It may also include general business planning. Further, technical assistance may involve aid with preparing grant applications, training staff, applying for loans and marketing the product. Other types of technical assistance may help a small business to improve the design of its services or service delivery.

Appendices

Appendix i: Executive Summary of "The Economic Impact of the Child Care Industry in Alameda County"

Appendix ii: Kern County Graph: Child Care is Good Business

Appendix iii: Research on the Benefits of Child Care and Work/Life Initiatives, by Sandra Burud, Ph.D.

Appendix iv: City of Bakersfield Consolidated Plan 2005

Appendix v: Monterey County: Characteristics of Child Care Friendly Ordinances

Appendix vi: Alameda County Land Use Survey for Planning Departments

Appendix vii: Flow chart for Permit Application and Appeal Process, Alameda County

Appendix viii: South San Francisco General Plan: Land Use and Economic Development Policies relating to child care

Appendix ix: Child Care Facilities Development: Loan and Technical Assistance Resources in California

Appendix x: Alameda County Child Care Center Facilities and Business Needs Survey

Appendix xi: Santa Cruz County Office of Education, Child Development Resource Center: Child Care Facilities Development Intermediary Collaborative

Appendix xii: Business Plan Issues for Child Care Providers

ECONOMIC IMPACT OF THE CHILD CARE INDUSTRY IN ALAMEDA COUNTY

Alameda County's child care industry provides a social infrastructure that is critical to the County's overall economic vitality and its quality of life. The industry alone supports over 12,977 local jobs and generates $332 million in final demand. Moreover, child care sustains the County's growing workforce by enabling parents to take new jobs, to return to previously held jobs sooner, and to increase productivity and advancement where they are already employed.

This Economic Impact Report explores some of the reasons why, without local intervention to address barriers to child care supply-building, the County's current child care industry may experience a setback. This may result in an erosion of the existing supply of licensed establishments, coupled with a failure to develop new licensed supply—supply which meets both current consumer-identified shortages and new demand.

The purpose of this report is to provide a tool to begin bridging the gap between economic development planning and child care advocacy. Policy makers, business leaders, urban planners, and a host of other community leaders are already at the table discussing ways to improve the economic viability and quality of life for families in Alameda County. This report argues that—especially in this era of limited and diminishing federal spending—child care is a critical component of any comprehensive plan for sustained economic development in local communities.

INDUSTRY EARNINGS

- Alameda County is home to **2,607** licensed child care establishments (1,912 family child care homes and 695 centers).
- These facilities have a capacity to care for 48,805 children.
- Licensed child care is a **$332 million** industry in Alameda County:
  - Centers account for $247 million in gross receipts
  - Family day care homes account for $84.6 million in gross receipts
- Federal employment estimates undercount local direct employment in the child care industry by approximately 40%, or a *difference* of $132.8 million. This finding is significant because federal and state subsidies and/or planning projections are often based on employment and earnings within a given industry. Figure A reveals the disparity between locally-derived and federal data about the child care industry.

Figure A COMPARISON OF ESTIMATES FOR LICENSED CHILD CARE EMPLOYMENT IN ALAMEDA COUNTY		
Methodology	**Estimated Direct Employment**	**Estimated Output or Gross Receipts**
Locally-Derived R&R Data	7,458	$332 million
U.S. Department of Commerce	3,138*	$213.3 million
U.S. Department of Labor	2,931*	$199.2 million

*Data adjusted to reflect 1998 estimates.

Sources: Alameda County Resource and Referral Agencies: BANANAS, 4C's, Child Care Links; Department of Commerce County Business Patterns, 1995: Bureau of Labor Statistics, 1996 Survey.

INDUSTRY EMPLOYMENT

- Approximately **12,977 total jobs** are created and sustained by the child care industry in Alameda County:
  - 7,458 jobs are directly created in the child care industry
  - 5,519 jobs are indirectly sustained by the child care industry
- Countywide, direct child care industry employment is comparable in size to the General Contracting, Telecommunications and Electronic Components industries.
- Statewide, direct child care employment is comparable in size to the motion picture and transportation industries.
- Licensed child care employment in Alameda County expanded by 6% or 55% overall outpacing civilian employment between 1988 and 1997.
- Federal employment estimates undercount local direct employment in Alameda County's child care industry by 61%, or a difference of 4,527 jobs (see Figure A).

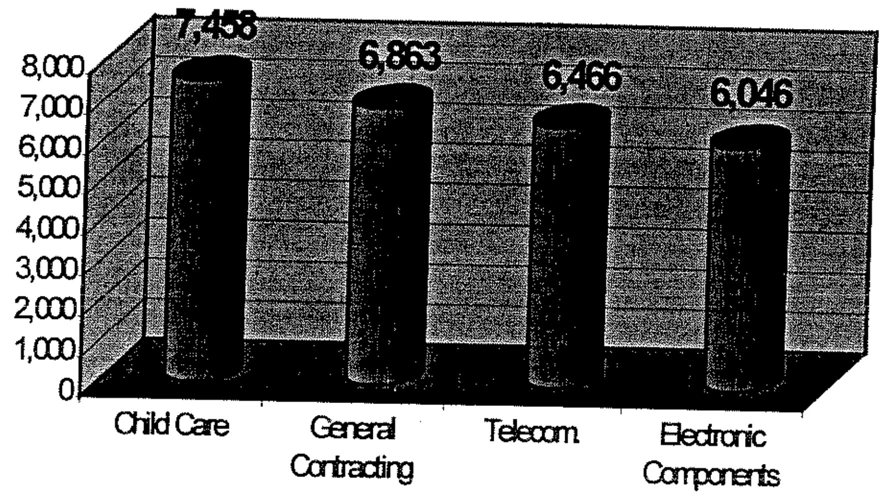
POPULATION AND THE ECONOMY

Alameda County has become synonymous for innovation and growth. The County emerged from the debilitating recession in the early 1900s with a significantly different kind of economy. Once known mainly for industrial manufacturing, warehousing, and retail space, Alameda County's cities are attractive to many service industry and high tech firms with the strongest service cluster in the computer and data processing industries.

Between 2000 and 2020, Alameda County will gain more jobs than employed residents. The County Tri-Valley area of Dublin, Livermore and Pleasanton will see the region's most dramatic percentage increase in jobs, adding 86,570 new jobs between 1995 and 2020 for an overall increase of 107%. In addition, the cities of Oakland and Fremont are also expected to gain the greatest number of jobs (36,340 new jobs). These two cities alone will garner 31% of the total growth in the County.

Figure B

COMPARISONS BETWEEN ALAMEDA COUNTY INDUSTRIES



However, despite its robust economy and world-wide reputation for quality, disparities continue to impact the County's overall economic well-being.

Alameda County's accelerated economic expansion, punctuated by its high cost of living, provides a critical context for understanding the County's child care industry. The following economic and social indicators highlight current shortages and future demands in child care supply and the industry's ability to expand:

- Overall employment growth will be dominated by the Service Sector* with a projected 29% increase in jobs between 1995 and 2005. Manufacturing and Retail industries will follow, growing 26% and 16% respectively. These jobs tend to require child care during non-traditional hours.
- The Tri-Valley are of Dublin, Livermore and Pleasanton (East region) will see the most dramatic percentage increase in jobs, adding 86,570 new jobs between 1995 and 2020.
- Additionally, the cities of Oakland and Fremont will add 36,340 new jobs in between 1995 and 2020.
- The County is expected to garner approximately 21% of the regions job growth by 2020.
- Within the next 20 years, Alameda County will experience a labor deficit as it gains more jobs than employed residents.
- Housing and real estate shortages continue to propel the County's cost of living. Countywide, residential vacancy rates averaged 4.9%, while commercial real estate vacancy rates were only slightly higher at 6.4% in 1997.
- The monthly mortgage principle, interest, taxes and insurance on an averaged priced single-family home in Oakland is approximately $1,750.
- An estimated 19% of all area jobs pay less than a living wage ($11.00-$17.00) for a single adult in Alameda County. Nearly 40% pay too little to keep a single parent and child out of poverty.
- Wages continue to be inadequate to keep up with current cost of living in Alameda County:
    - Seven of the ten fastest growing occupations in the county pay less than $10 per hour, or only $20,000 annually.
    - Child care workers in the county earn an average of $8.45 per hour, or $16,900 annually, which is less than half the level considered to be self-sufficient for the county
- Child care costs for infants in Alameda County are among the highest in the state, averaging annual rates of $5,668 for full-time family child care homes and $8,606 for full-time child care centers.
- In 1997, 29% of the County's welfare recipients cited a lack of child care as the greatest impediment to working.
- Child care in Alameda County easily costs more than a college education at a public university. The average annual cost of public college tuition in California in 1997 was $2,731—about over one-third the average cost of full-time care for a toddler in a child care center.

* Services Sector include establishments primarily engaged in providing a wide variety of services for individuals, business and government organizations (e.g. hotels, personal repair, legal, health, engineering)

ECONOMIC BENEFITS OF LOCAL INVESTMENT IN LICENSED CHILD CARE SUPPLY-BUILDING

To adequately address these barriers, child care advocates need to join with economic development planners, elected officials, and business leaders to gain a firm understanding of the county-wide benefits of investing in Alameda County's child care industry.

- National research shows that licensed child care is a more stable support for parental employment than informal care.
- Other studies confirm that licensed child care increases worker productivity.
- Like transportation policies and investments that relieve traffic congestion, local policies and investments that support licensed child care supply-building affect the productivity of all of Alameda County's industries, increasing the County's overall economic competitiveness.
- The development of additional establishments (e.g., infant care, care during non-traditional hours, and care that is affordable by low-wage workers) that enables more parents to join the labor force will contribute to Alameda County's overall economic growth.
- Local policies and investments that support child care supply–building, like land-use policies and capital investments in affordable housing production, enable the Alameda County to supply a skilled, local labor force at wage rates that are competitive with other counties. Such policies and investments would help the County retain its present industries and attract new industries.
- Appropriately targeted investments in child care supply-building would contribute to labor force participation gains among lower-income, moderate-income, and middle-income families in Alameda County. Although federal and state expenditures for child care are growing, these amounts are still well below what is needed to serve all eligible families.
- Federal and state child care subsidies are, for the most part, not individual entitlements of county or city block grants. Supportive local policies and investments are necessary to help Alameda County capture a larger share of these much-needed transfer payments for child care.
- When Alameda County residents use tax-complying—licensed—child care establishments, the county gains additional federal and state transfer payments for child care in the form of federal and state tax credits and deductions for child care expenditures.
- Investments in quality, licensed child care reduce local public sector expenditures in other social services. One national study, which tracked children over 27 years, found that each dollar spent on high-quality preschool programs saved $7 in future spending on criminal justice, welfare, and other social programs.

ISSUES TO CONSIDER

Incorporating child care into all facets of economic development will be a significant challenge for Alameda County in the next century. However, short-term action is necessary while comprehensive, county-wide reform is formulated:

1. Existing dollars for child care services should be protected and expanded.
2. Business and the local government benefit from child care services and should support the industry by expanding the availability and accessibility of financing mechanisms.
3. In the wake of welfare reform, low-income families should be targeted first for new child care dollars.
4. Concerted efforts to build child care supply should not preclude concerns about the quality of that care.

The findings contained in this report are a first step towards reframing child care from a supportive social service to an established industry that is helping to fuel Alameda County's overall economic growth.