Santa Clara County Office of Education

Santa Clara County

# Early Care and Education

# FACILITIES STUDY FINAL REPORT

Prepared for the Santa Clara County Office of Education

with the assistance of

Brion Economics INC.

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# ACKNOWLEDGEMENT

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# EXECUTIVE SUMMARY

In 2018, the Santa Clara County Office of Education (SCCOE) developed and published an Early Learning Facilities Study (ELFS) containing a county-wide needs assessment and an estimate of the cost of developing Preschool facilities to meet the unmet need for care for three- and four-year-old children. During the subsequent five years, there have been considerable changes in the early care and education (ECE) landscape in Santa Clara County, necessitating an updated and more comprehensive approach. This Early Care and Education Facilities Study (ECEFS), performed on behalf of the SCCOE, provides data and strategies to meet our communities' anticipated need for ECE facilities. This study comprises two sections: (i) a county-wide ECE facilities needs assessment, cost estimate, and financing options, and (ii) a broader discussion of facilities planning and design, summaries of various ECE case studies of policies and program efforts, and a set of recommendations for addressing the existing unmet need and developing an ECE facilities infrastructure in Santa Clara County. Meeting Santa Clara County's ECE facilities needs will require a multi-faceted collaboration engaging as many organizations, agencies, and individuals as possible with an interest in ECE, either directly or indirectly.

### *ECE Supply and Demand*

***Santa Clara County's total population will grow by 5.7% from 2023 to 2028, while the number of children 0 to 4 years old will only grow by 2.4%*** The population now totals 2.05 million and will increase to 2.17 million by 2028. Total employment is 1.14 million currently and will increase to 1.18 million, or by 3.4%, in the next five years. Children 0 to 4 years old number about 130,000 currently and will increase to approximately 133,000 by 2028.

**Table S-1 Santa Clara County Demographics**

| | 2023 | 2028 | Net Change | % Change |
|---|---|---|---|---|
| Total Population | **2,053,745** | **2,170,127** | **116,382** | **5.7%** |
| Total Employees | 1,143,636 | 1,182,667 | 39,031 | 3.4% |
| Children 0 to 4 Years Old | 130,001 | 133,145 | 3,144 | 2.4% |
| Children 0 to 4 as % of Total Population | 6.3% | 6.1% | | -0.2% |

***By 2028, the total unmet need for ECE spaces in Santa Clara County will decrease from 25,000 spaces to 17,000 spaces. All of the unmet need will be for Infant/Toddler spaces.*** By 2028, given demographic shifts, new development and growth, and the continued implementation of TK in Santa Clara County, there will be an unmet need for about 18,900 Infant/Toddler spaces offset by a small surplus of 1,900 Preschool spaces.

**Table S-2 Estimated Surplus or Shortage by Year - Santa Clara County**

| Age Group | Shortage of Spaces - 2023 | % of Demand Met - 2023 | Shortage of Spaces - 2028 | % of Demand Met - 2028 |
|---|---|---|---|---|
| Infants/Toddlers | (19,448) | 28% | (18,828) | 32% |
| Preschool Children | (5,624) | 89% | 1,857 | 104% |
| **Total Surplus/ (Shortage)** | **(25,072)** | **69%** | **(16,970)** | **77%** |

***In 2028, every locality in Santa Clara County will continue to have an unmet need for Infant/Toddler spaces***

***and only four (Gilroy, Monte Sereno, San Jose, and Santa Clara) will have an unmet need for Preschool spaces.*** While total unmet needs will have fallen by almost one-third by 2028, unmet needs for Infant/Toddler care will have fallen by only 3%.

### Table S-3 2028 Surplus / (Shortage) of Spaces

| | # of Infant/ Toddler Spaces | % of Infant/ Toddler Demand Met | # of Preschool Spaces | % of Preschool Demand Met | Total Shortage /(Surplus) | % of Total Demand Met |
|---|---|---|---|---|---|---|
| CAMPBELL | (427) | 43% | 1,097 | 201% | 669 | 136% |
| CUPERTINO | (290) | 54% | 829 | 171% | 540 | 130% |
| GILROY | (328) | 47% | (368) | 75% | (696) | 67% |
| LOS ALTOS | (279) | 26% | 625 | 260% | 345 | 145% |
| LOS ALTOS HILLS | (56) | 0% | 47 | 169% | (9) | 93% |
| LOS GATOS | (185) | 38% | 754 | 250% | 569 | 171% |
| MILPITAS | (449) | 62% | 2,135 | 223% | 1685 | 158% |
| MONTE SERENO | (18) | 0% | (18) | 0% | (56) | 0% |
| MORGAN HILL | (209) | 54% | 0 | 100% | (209) | 87% |
| MOUNTAIN VIEW | (1,337) | 28% | 48 | 102% | (1,289) | 68% |
| PALO ALTO | (807) | 45% | 1,748 | 194% | 997 | 129% |
| SAN JOSE | (9,968) | 28% | (5,236) | 78% | (15,203) | 61% |
| SANTA CLARA | (1,936) | 22% | (690) | 84% | (2,626) | 62% |
| SARATOGA | (21) | 89% | 783 | 333% | 763 | 247% |
| SUNNYVALE | (1,603) | 38% | 1,889 | 160% | 286 | 105% |
| UNINCORPORATED | (916) | 6% | (1,802) | 6% | (2.718) | 6% |
| | | | | | | |
| **Countywide** | **(18,828)** | **32%** | **1,857** | **104** | **(16.970)** | **77%** |

## Cost Estimate and Financing Options

***The estimated overall cost to provide the approximately 19,000 Infant/Toddler spaces required to meet the unmet need in Santa Clara County in 2028 is $596 million, including administration costs.*** The average cost of construction for new center-based childcare spaces varies by building type from $40,500 for spaces in new portable buildings to $73,800 per spaces for spaces in converted existing commercial buildings. The estimated cost per space for a new FCCH is $900 per child. Converting existing Preschool classrooms to Infant/Toddler classrooms is estimated at $3,000 per space. The overall cost will vary depending on the exact mix of building types. Using a mix of 15% new center construction, 30% FCCH, 10% new or existing commercial space, 12% expansion of existing centers, 15% portable buildings, and 18% Preschool to Infant/Toddler space conversion for the purposes of cost modeling results in an average cost of $31,000 per space and a total cost of $596 million.

***A 0.15% sales tax or $124 parcel tax would generate sufficient funds to meet this need.*** Using bond financing to fund 100% of the estimated unmet need for Infant/Toddler care would require an annual repayment of $60.3 million for 20 years. A 0.15% sales tax – approximately $34 per resident per year - generates an estimated $67 million per year. The additional $6.7M raised by the tax could be used to subsidize the cost of care for families or increase provider income. A parcel tax set at $124 per parcel would fund the annual bond repayment while adding

1.4% to the average cost of a residential parcel in Santa Clara County.

***Additional financing tools could be used to address new or ongoing demand.*** Developer impact fees can be used to address demand for Infant/Toddler facilities created by new development but cannot be used to address existing deficits. Given the expected growth in the overall population and Infants and Toddlers, a fee of $334 per unit would meet the growth in demand. Additional sources of facility funding could include community benefits programs and development agreements.

## ECEFS Survey Findings

***Approximately 16% of center-based providers and 36% of FCCH reported wanting to expand to serve more children.*** Among providers who responded to the survey, 36% of FCCHs and 16% of center-based providers expressed a desire to expand. Among FCCH, 38% expressed interest in serving more children aged 0 to 2 years old and 24% expressed interest in expanding from a small FCCH to a large FCCH. Approximately 39% of FCCH owners would like to open a childcare center.

***The most common barriers to expansion were reported as lack of financing, lack of affordable real estate options, and the public permitting process.*** Lack of financing is a bigger challenge for FCCHs (66%) than childcare centers (37%) that are considering expansion. Childcare centers often (42%) mentioned other challenges not specifically listed in the survey; several mentioned the lack of qualified staff. FCCHs listed the lack of expertise in managing projects as the third most important challenge (16%).

***Among partner survey respondents, 42% stated that the availability of childcare has impacted their personal ability to work***. Many of these respondents explained that they left their jobs and careers for years in order to take care of their child(ren).

***Among partner survey respondents who manage staff or employees, 59% endorsed that the availability of childcare has impacted their staff in the last five years.*** The lack of childcare has resulted in missed work from a few days to several weeks and impacted the ability of employers to recruit staff. Employees reported having to turn down promotions due to the lack of childcare.

***Quality, affordability, and availability of ECE were all ranked as important to partners.*** When asked to rank certain issues regarding ECE in terms of their importance to employees and staff, quality ranked first (most important to 89%), followed by affordability (76%). Availability, accessibility of care, and health and safety ranked closely together, with approximately 66% each as the most important.

***Locally funded grants were identified as the most likely financing instrument.*** Among all the organizations and partners surveyed, local grants were considered the most likely instrument to support expanded access to childcare.

## Facilities Planning and Design Recommendations

***Support cities in implementing new laws that make it easier to open and operate FCCHs in residential areas.*** Both large and small FCCHs are now allowed as of right, and business licenses can no longer be required by cities. Information should be provided to all cities in Santa Clara County to support the implementation of this new law. FCCHs must still apply for a license to operate and comply with all State requirements (see Appendix F for more information).

***Facilitate co-location of FCCHs and childcare centers in housing developments.*** Onsite childcare facilities have substantial benefits for residents of low-income and market-rate residential developments. Progress made towards encouraging ECE facilities in housing developments should be expanded and existing resources shared to facilitate these efforts.

***Facilities design should intentionally support child development, program quality, accessibility and inclusion for children with disabilities, and climate resilience.*** High-quality facilities can support, while low-quality facilities detract from, the positive outcomes associated with children's engagement in ECE. New facilities, which may serve children for decades, should embody design features that facilitate quality programs. These features should include accessibility for children with disabilities to promote inclusive education practices. Young children are especially vulnerable to the effects of climate change and ECE facilities should be designed to be resilient to extreme heat, poor air quality, and other expected impacts. There are existing resources that can be used to inform facility design.

## ECE Policy and Program Summaries

There are a variety of different approaches and opportunities that could be included in a comprehensive ECE facilities development plan for Santa Clara County. The ECEFS includes summary descriptions and key findings of a number of these to inform discussions leading to such a plan.

- Provision of facilities training and technical assistance to ECE providers, as called for in the countywide Early Learning Master Plan.
- Palo Alto's in-depth survey of families to determine the assets, resources, and challenges facing the Palo Alto's families and children generated excellent feedback regarding the needs of ECE providers as well as families.
- South San Francisco (SSF) provides an example of a local government leader in the provision of childcare. The SSF operates childcare programs run through the Parks and Recreation Department, has a Childcare Development Impact Fee, and recently completed a comprehensive Childcare Master Plan.
- Build Up San Mateo provides a model for a countywide effort to facilitate the development of new ECE facilities. This includes advocacy work, preparation of briefs on key topics supporting both policymakers and providers and administering grants programs supporting new facilities.
- CHIPS – The Federal Grant Program provides a current mechanism to encourage large semiconductor companies to provide childcare for their employees as part of the grant award.
- California's Infrastructure Grant Program is an example of public funding supporting the (i) minor renovation and repair, and (ii) major renovation and construction of non-LEA-operated childcare facilities.
- Large hospitals are major employers and provide examples of on-site, employer-sponsored childcare. Across the country and locally, hospitals and large employers support the childcare needs of their employees in a variety of ways.
- Mission Driven Finance's CARE project, implemented in three locations including San Diego, is an innovative ECE financing program that supports the development of FCCH by buying homes, leasing them to FCCHs, and allowing FCCH owners the possibility of earning home equity over time.
- Strengthening Paid Family Leave (PFL) and addressing inequities in implementation reduces the demand for ECE facilities by allowing parents to stay home with their newborn Infants.

## Findings and Recommendations

***1. Prioritize developing facilities for children ages 0 to 2.7 years (Infants and Toddlers).***

In 2028, there will be unmet demand for 19,000 Infant/Toddler care slots and no unmet demand for Preschool slots countywide. The comparative lack of access to care for Infants and Toddlers, the ongoing roll out of universal TK, and the decline in the number of Preschool-age children, requires partners to build new or convert existing facilities to serve these younger children.

***2. Local public funding is necessary to address the need for Infant/Toddler facilities.***

The cost of providing ECE facilities to serve 19,000 Infants/Toddlers is estimated to be close to $600 million. This cost is substantial and will require public funds. The options of a special sales tax or countywide parcel tax would require significant effort but are within the county's fiscal capacity.

***3. New and converted ECE facilities must support quality practices, allow inclusive access for children with disabilities, and be climate resilient***. ECE facilities, including FCCH, are part of the community's infrastructure and should be designed in alignment with existing best practices to support the healthy development of all children.

***4. Addressing the facilities needs of the ECE community in Santa Clara County requires building a sustainable, multi-sector infrastructure of resources and expertise.*** There needs to be a network of dedicated ECE facilities staff across various organizations in the county implementing a variety of strategies, programs, and policies to ensure that access to facilities is not a constraint on access to care.

# Section One: Needs Assessment and Cost Model

## 1. Introduction and Background

This Early Care and Education Facilities Study (ECEFS), performed on behalf of the Santa Clara County Office of Education (SCCOE), sets forth new goals, strategies, and action items to meet the community's anticipated need for early care and education (ECE) facilities. Note that, for the purposes of this report, ECE is synonymous with childcare, early care, and early learning and these phrases are used interchangeably depending on the topic and study cited. This study is based on new data, analysis of current and future supply and demand conditions, and findings of several countywide surveys, with the goal of predicting facilities needs in 2028, five years into the future and after the roll-out of universal transitional kindergarten (TK). The ECEFS includes a brief review of the state of ECE in Santa Clara County, presents a needs assessment based on demographic information, the findings of provider and partner surveys, addresses specific topics in facilities design, and reviews and summarizes various case studies of programs and policy efforts that have had a positive impact on ECE planning and development of facilities. Lastly, the ECEFS contains a development plan and financing strategy, including cost estimates for developing new Infant and Toddler spaces that would meet the expected shortfall of facilities. Meeting these needs will require a multi-faceted collaboration engaging as many organizations, agencies, and individuals as possible with an interest in ECE, either directly or indirectly.

### A. The Santa Clara County Early Learning Master Plan[1]

The ECE field, and the mixed delivery system used to provide programs and services, is complex, including multiple players, agencies, policies, and needs. It takes the entire community to ensure the needs of our youngest citizens are met so they can thrive and grow. ECE services are also a key component of the economy allowing parents to go to work and businesses to have a stable workforce. Santa Clara County has a strong and diverse collection of ECE partners working towards a shared goal of ensuring that all children in our community have access to high-quality ECE programs. One important tool in that work is the Santa Clara County Early Learning Master Plan (ELMP), stewarded by the SCCOE. The ELMP provides a community-based vision and set of goals in six major areas of the ECE system: Access; Articulation, Alignment, and Data Systems; Facilities; Family Engagement; Program Quality; and Workforce Development. The current ELMP includes five goals in the Facilities work area:

Goal 1: Offer Facilities Training and Technical Assistance (TTA) to Providers

Goal 2: Create a Countywide ECE Facilities Development Plan

Goal 3: Advocate for Sustainable Sources of Funding for ECE Facilities

Goal 4: Enhance Facilities Licensing to Improve the Quality of ECE Facilities

Goal 5: Engage Cities as Partners in ECE Facilities Development

In Summer 2023, the SCCOE developed a mid-implementation review of the 2017 ELMP, intended to revise and refocus the plan in response to the impacts on the ECE field since its launch, including the COVID-19 pandemic, the state's roll out of universal TK, and other policy and programmatic changes. This review noted the progress made towards the facilities goals including the Early Learning Facilities Study (ELFS) published by the SCCOE in 2018, the inclusion of childcare facilities as a source of bonus points in the City of San Jose Housing Department's 2021 Notice of Funding Availability, and the recent decision by the County of Santa Clara (CSC) to dedicate $15 million to ECE facilities and operations grants (described below). The State of California also funded competitive grants for non-LEA childcare providers to address minor renovation and repair needs, and major renovation and construction projects, through the state budget process. The results of this program highlighted both the demand for facilities funding and the need to support providers in applying for funds and executing these

1 https://www.sccoe.org/elmp2017/Pages/default.aspx

projects. The state provided $100 million in 2019 and $490 million in 2021 in funds for LEAs to build classrooms in support of Preschool and TK expansion, with a further $550 million that were budgeted but have subsequently been delayed. The mid-implementation review reiterated the need for facilities technical assistance for providers, sustainable financial support for facilities construction and maintenance, and the need for a coordinated, multi-sector approach to meeting the community's ECE facility needs. A key goal of the ECEFS is to provide data and other resources to enable this work.

## B. Universal Transitional Kindergarten

California's 2010 Kindergarten Readiness Act changed the kindergarten entry date from December 2nd to September 1st so that most children are five when they start kindergarten. The law also established Transitional Kindergarten (TK), an additional year of kindergarten available to children with birthdays between September and December. It is part of the State's public education system and is a free program for all eligible children, regardless of income. TK is operated by school districts and public charter schools with classes taking place at neighborhood elementary schools. The 2015-16 State budget enabled school districts to enroll 4-year-olds in TK even if they turned five after the December cutoff date, creating "expanded" TK. In 2021, Governor Newsom signed Assembly Bill (AB) 130, which will gradually expand TK over a four-year period, between the 2022-23 and 2025-26 school years, until all four-year-olds in California are eligible to enroll. Like kindergarten, TK is voluntary, and parents have the choice to enroll their children in TK, another ECE program, or to care for their children themselves. However, many families are expected to enroll in this free, school-based program. As of the 2021-22 school year, approximately 44% of eligible children were enrolled in TK in Santa Clara County.

The availability and expansion of TK to all four-year-old children by 2025-26 is expected to have a significant effect on fee-based and publicly subsidized Preschool providers. As eligibility expands, and TK is offered at more school sites, more families are anticipated to enroll their four-year-olds in TK rather than Preschool. This may reduce the demand for Preschool spaces, programs, and facilities. However, the outcome may not be so clear. While TK is free, it operates on a school calendar and during school hours – both of which are shorter than the typical Preschool program. Wrap-around care provided by the recently enacted Expanded Learning Opportunities Program (ELO-P) is not available to all families and will also take time to implement. Families with subsidized Preschool, and families with the resources to pay for Preschool, may choose not to enroll in TK. Additionally, Preschool programs may enroll additional three-year-old children. Taken together, this creates considerable uncertainty about the impact of universal TK on the ECE mixed delivery system and, specifically, the need for ECE facilities. This uncertainty will be addressed in more detail later in the ECEFS.

## C. Funding for ECE Facilities in Santa Clara County

Alongside the expansion of TK to enroll all four-year-olds, recent State budgets have included funding for ECE facilities. The 2021 State budget included $490 million for Local Education Agencies (LEAs, i.e., school districts, charter schools, and County Offices of Education) to expand Preschool, TK, and kindergarten facilities. Of those funds, by January 2022, approximately $225 million had been allocated to projects across the State, but none in Santa Clara County[2]. The Inclusive Early Education Expansion Program (IEEEP) grants also provide up to $200 million in funding for LEA facilities renovations, among other categories, to make their ECE programs more accessible to children with disabilities. Two LEAs within Santa Clara County (SCCOE and Campbell Union School District) have received IEEEP grants[3].

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2 https://www.dgs.ca.gov/OPSC/Resources/Page-Content/Office-of-Public-School-Construction-Resources-List-Folder/State-Allocation-Board-Agendas

3 https://www.cde.ca.gov/sp/cd/op/ieeepfaqs.asp

Locally, both the City of San José and CSC have allocated American Rescue Plan Act (ARPA) funds to support the development of ECE facilities. The City has created a $900,000 fund to support the development of childcare facilities in the ground floor retail spaces of new City-funded affordable housing developments[4]. The CSC Board of Supervisors has approved using $15 million to fund facility and operations needs of providers affected by the COVID-19 pandemic.

The new grant program, to be operated by the Valley Health Foundation, will fund:

- Major Construction: Planning and pre-development costs, universal design renovations, retrofitting to meet licensing requirements, and other related costs.
- Minor Construction: Physical renovations to increase licensed capacity, including plumbing and fixtures, playground upgrades, kitchen renovations, and other related costs.
- Operating Costs: Three months of rent, mortgage, and/or insurance; up to 24 months of wages to hire childcare staff; or other related supports.

SCCOE has been engaged as construction consultants for the grant fund, supporting providers in developing and implementing their construction and renovation plans.

## D. ECEFS Organization, Approach, and Qualifications

The ECEFS is organized into seven chapters in two sections: Section One, Needs Assessment and Cost Model, includes (i) Introduction and Background, (ii) Current and Future Needs Assessment, and (iii) ECE Facility Development Plan. Section Two, Additional Considerations, includes (iv) ECE Provider and Partner Survey Summaries, (v) Design, Quality, Accessibility, and Climate Change, (vi) ECE Policy Case Studies, and concludes with (vii) Findings and Recommendations. Appendices detailing additional information are described below. This ECEFS builds, in part, on the 2018 ELFS, which focused on a needs assessment and cost estimate for Preschool facilities in the county and incorporates some of the language of that study when still relevant and pertinent.

Two provider surveys and an ECE partner survey were prepared for this effort in the spring and summer of 2023. The survey of center-based providers was conducted in English and a similar survey of Family Child Care Home (FCCH) providers was conducted in English and Spanish. The ECE partner survey was sent to over 90 individuals and via the email lists of three organizations (see Chapter 4). Survey data on facilities quality and accessibility for children with disabilities, drawn from questions included in the Santa Clara County Local Early Education Planning Council's (LPC) Average Tuition Rate Survey conducted as part of the county's 2023 Needs Assessment is also included in this Study, as is information from the CSC survey of their employees regarding the need and use of childcare[5].

A current and future childcare supply and demand analysis was conducted for this ECEFS, both for Santa Clara County as a whole and for each of the 16 cities and unincorporated areas in the county. This analysis is summarized in the ECEFS, and detailed analysis tables are included in Appendix A – Existing Supply and Demand – 2023 and Appendix B – Future Supply and Demand - 2028. The ECEFS includes eight additional Appendices:

- Appendix C: Study Survey Results by Survey
- Appendix D: Childcare Center Design Templates
- Appendix E: Supporting Data for Financial Analysis

4 https://home.treasury.gov/system/files/136/SanJosé_2022RecoveryPlan_SLT-0590.pdf

5 The County of Santa Clara Employee Child Care Needs Survey (the survey) was designed by Public Consulting Group (PCG) staff with input and information provided by County of Santa Clara (SCC) project staff at every level and conducted in March 2020.

- Appendix F: State definitions of childcare providers including center-based care, FCCH, and license- exempt providers, and the licensing requirements for each
- Appendix G: Paid Family Leave Benefits Matrix by State
- Appendix H: Typical Childcare Coordinator Job Description
- Appendix I: FCCH Grant Program Examples

Data for this effort was collected from a number of sources and is the most current data available. Data includes information provided by SCCOE staff, the SCCOE Resource and Referral Department, the Association of Bay Area Governments (ABAG), American Institutes Research (AIR) – Early Learning Needs Assessment Tool (ELNAT), the American Community Survey (ACS) from the US Census Bureau, the California Department of Finance, and other studies and data as cited throughout the document. With the exception of the Provider and Partner Surveys and several questions included in the Tuition Rate Survey, no new original data was collected for this effort. Some of the data was compiled at the city or zip code level and aggregated into the list of City/Area below[6]. Exhibit 1-1 shows the zip codes associated with Santa Clara County, some of which extend beyond Santa Clara County's borders[7].

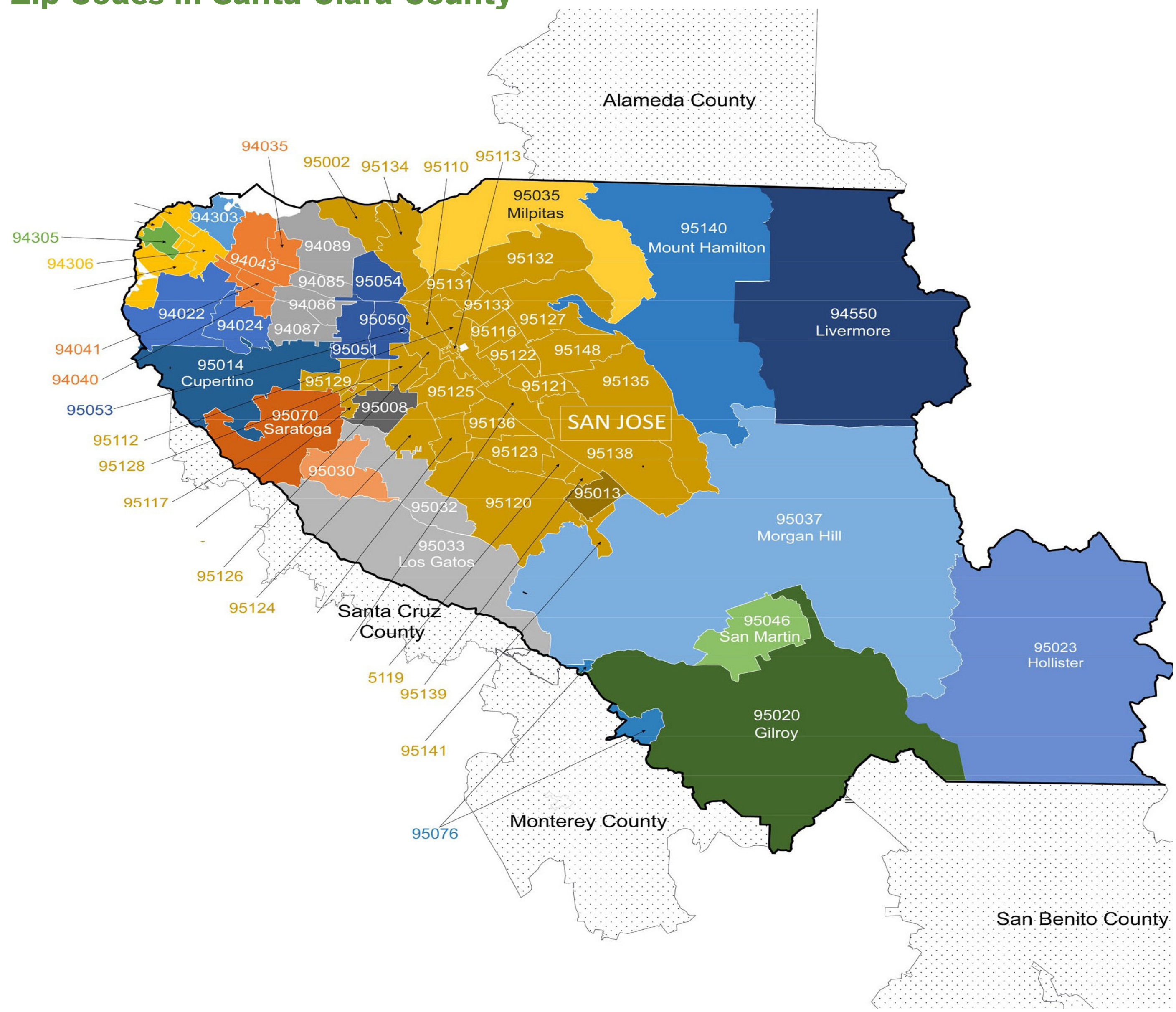
### Chart 1-1 City/Area List for ECE Facilities Study - 2023

| | |
|---|---|
| 1 | CAMPBELL |
| 2 | CUPERTINO |
| 3 | GILROY |
| 4 | LOS ALTOS |
| 5 | LOS ALTOS HILLS |
| 6 | LOS GATOS |
| 7 | MILPITAS |
| 8 | MONTE SERENO |
| 9 | MORGAN HILL |
| 10 | MOUNTAIN VIEW |
| 11 | PALO ALTO |
| 12 | SAN JOSE |
| 13 | SANTA CLARA |
| 14 | SARATOGA |
| 15 | SUNNYVALE |
| 16 | UNINCORPORATED |
| 17 | TOTAL SANTA CLARA COUNTY |

6 This list is the same list of cities/areas that ABAG uses in its projections for Santa Clara County.

7 Zip code data from ELNAT was used in the estimate of children by age, and ELNAT adjusts the data for zip codes that extend beyond the county borders to exclude children outside the county.

## Zip Codes in Santa Clara County




- Los Altos, Los Altos Hills
- Mountain View
- Sunnyvale
- Palo Alto
- Palo Alto, E. Palo Alto
- Stanford
- Livermore
- Campbell
- Coyote
- Cupertino
- Gilroy
- Hollister (no data)
- Los Gatos, Monte Sereno
- Los Gatos, Milpitas
- Morgan Hill
- San Martin
- Santa Clara
- Saratoga

# 2. Current and Future ECE Needs Assessment

This chapter presents a supply and demand analysis of the need for ECE for children 0 to 4 years old countywide and by city/area discussed in Chapter 1. The analysis is for the years 2023, or current conditions, and future conditions five years from now, or 2028. The study presents data and analysis for children in two age groups:

- Infants/Toddlers – 0 up to 2.7 months old
- Preschool – 2.7 to 4 years old

This chapter estimates the shortages of ECE spaces by age group and location. Expansion of TK is creating major shifts in the ECE field and industry, and the full benefit and impact of these new programs throughout the State have yet to be fully understood and experienced. This analysis is used to estimate the unmet need for ECE spaces in Santa Clara County and informs the development plan and financing strategy in subsequent chapters.

## A. Early Care Supply and Demand in Santa Clara County - 2023

The first requirement to estimate the supply and demand for childcare involves gathering data on children and population, and other factors such as Labor Force Participation Rates and the supply of ECE spaces. All the data presented is current as of November 2023. Detailed data, including sources, summarized in this section are included in Appendix A[8].

### i. Current Population and Children[9]

Population data for the study is from the Association of Bay Area Governments (ABAG) Projections 2040, adjusted with data from the Early Learning Needs Assessment Tool (ELNAT) and from the American Community Survey for 2020. ELNAT provides estimates of children by age by zip code, which is used to distribute ABAG's total estimate of 0 to 4-year-old children by year and location.

As shown in Table 2-1, children 0 to 4 years old are about 6.3% of the total population in Santa Clara County. By 2028, this figure will go down to 6.1%. In 2023, there are approximately 2.05 million people living in Santa Clara County. That figure is projected to increase to 2.17 million by 2028, or over the next five years, which represents an increase of 5.7% overall. The number of children 0 to 4 years old in Santa Clara County is projected to increase overall by 3,144 or 2.4%. Many cities will experience an overall decline in children 0 to 4 years old over the next five years. Only the cities of San José and Gilroy will experience significant growth in the number of young children.

8 Appendix A includes data that is used to establish the approach for the supply and demand analysis and evaluate the best data sources used for the study. Not all tables are discussed in this section.

9 See Table A-1, Appendix A.

**Table 2-1 Estimated 0-to-4-Year-Olds and Total Population by City/Area - 2023 and 2028**

| City/Area | 2023 Population by ABAG | % of Total Population | % Distribution of 0 to 4-Year- Olds | 2028 Population by ABAG | % of Total Population | % Distribution of 0 to 4-Year- Olds | Net Change | % Change |
|---|---|---|---|---|---|---|---|---|
| **0 to 4-Year-Olds** | | | | | | | | |
| CAMPBELL | 2,634 | 0.1% | 2.03% | 2,617 | 0.1% | 2.0% | (17) | -0.6% |
| CUPERTINO | 3,135 | 0.2% | 2.41% | 3,088 | 0.1% | 2.3% | (47) | -1.5% |
| GILROY | 3,991 | 0.2% | 3.07% | 4,401 | 0.2% | 3.3% | 410 | 10.3% |
| LOS ALTOS | 1,507 | 0.1% | 1.16% | 1,455 | 0.1% | 1.1% | (52) | -3.5% |
| LOS ALTOS HILLS | 244 | 0.0% | 0.19% | 234 | 0.0% | 0.2% | (10) | -4.1% |
| LOS GATOS | 1,316 | 0.1% | 1.01% | 1,276 | 0.1% | 1.0% | (40) | -3.0% |
| MILPITAS | 5,747 | 0.3% | 4.42% | 5,729 | 0.3% | 4.3% | (18) | -0.3% |
| MONTE SERENO | 90 | 0.0% | 0.07% | 87 | 0.0% | 0.1% | (3) | -3.3% |
| MORGAN HILL | 2,977 | 0.1% | 2.29% | 3,053 | 0.1% | 2.3% | 76 | 2.6% |
| MOUNTAIN VIEW | 7,295 | 0.4% | 5.61% | 7,313 | 0.3% | 5.5% | 18 | 0.2% |
| PALO ALTO | 3,942 | 0.2% | 3.03% | 3,811 | 0.2% | 2.9% | (131) | -3.3% |
| SAN JOSE | 70,736 | 3.4% | 54.41% | 73,626 | 3.4% | 55.3% | 2,890 | 4.1% |
| SANTA CLARA | 9,619 | 0.5% | 7.40% | 9,662 | 0.4% | 7.3% | 43 | 0.4% |
| SARATOGA | 871 | 0.0% | 0.67% | 837 | 0.0% | 0.6% | (34) | -3.9% |
| SUNNYVALE | 11,331 | 0.6% | 8.72% | 11,386 | 0.5% | 8.6% | 55 | 0.5% |
| UNINCORPORATED | 4,566 | 0.2% | 3.51% | 4,570 | 0.2% | 3.4% | 4 | 0.1% |
| | | | | | | | | |
| **Total 0 to 4-Year-Olds** | **130,001** | **6.3%** | **100.00%** | **133,145** | **6.1%** | **100.0%** | **3,144** | **2.4%** |
| | | | | | | | | |
| **Total Population** | **2,053,745** | | | **2,170,127** | | | **116,382** | **5.7%** |

Sources: Association of Bay Area Governments Projections 2021; Brion Economics, Inc.

The number of children by year, i.e., one-year-olds, two-year-olds, etc. as of 2023, is shown in Table 2-2. San José children 0 to 4 years old represent 54% of the total, or 130,001 children 0 to 4 years old in Santa Clara County. San José's population overall comprises 52% of the total county population. Sunnyvale and the City of Santa Clara have the next highest concentrations of children 0 to 4 years old.

Table 2-2a summarizes the number of children by age and city in 2028, and Table 2-2b summarizes the net change in children 0 to 4 years old and total population by city/area. Seven of the total 16 cities/areas in Santa Clara County will experience growth in the number of children 0 to 4 years old by 2028, by a total of 3,144 or an increase of 2.4% overall. These cities include San José, Gilroy, Morgan Hill, Mountain View, Santa Clara, Sunnyvale, and the Unincorporated Areas. The other 10 cities will see a decline in children 0 to 4 years old by 2028.

**Table 2-2 Children by Age Group by City/Area - 2023**

| City/Area | Infants/Toddlers - 2023 (1) | | | Preschool - 2023 (1) | | Total 0 to 4- Year-Olds | Total Population | Children 0 to 4- Years Old as % of Total Population |
|---|---|---|---|---|---|---|---|---|
| | 0-11 months | 12-23 months | 24-35 months | 3-Year-Olds | 4-Year-Olds | | | |
| CAMPBELL | 498 | 590 | 438 | 616 | 493 | 2,634 | 44,252 | 6.0% |
| CUPERTINO | 639 | 217 | 708 | 665 | 905 | 3,135 | 64,244 | 4.9% |
| GILROY | 618 | 359 | 661 | 968 | 1,384 | 3,991 | 51,667 | 7.7% |
| LOS ALTOS | 330 | 380 | 265 | 246 | 286 | 1,507 | 31,749 | 4.7% |
| LOS ALTOS HILLS | 53 | 61 | 43 | 40 | 46 | 244 | 8,370 | 2.9% |
| LOS GATOS | 250 | 103 | 305 | 275 | 383 | 1,316 | 31,926 | 4.1% |
| MILPITAS | 910 | 949 | 1,378 | 1,047 | 1,463 | 5,747 | 91,995 | 6.2% |
| MONTE SERENO | 18 | 5 | 20 | 19 | 27 | 90 | 3,467 | 2.6% |
| MORGAN HILL | 461 | 269 | 493 | 722 | 1,033 | 2,977 | 44,722 | 6.7% |
| MOUNTAIN VIEW | 1,597 | 1,857 | 1,278 | 1,188 | 1,374 | 7,295 | 112,415 | 6.5% |
| PALO ALTO | 853 | 880 | 665 | 847 | 697 | 3,942 | 81,425 | 4.8% |
| SAN JOSE | 12,369 | 12,509 | 13,994 | 16,823 | 15,041 | 70,736 | 1,077,527 | 6.6% |
| SANTA CLARA | 2,078 | 1,048 | 2,011 | 2,451 | 2,032 | 9,619 | 134,991 | 7.1% |
| SARATOGA | 176 | 58 | 196 | 187 | 253 | 871 | 30,767 | 2.8% |
| SUNNYVALE | 2,803 | 1,868 | 2,841 | 1,816 | 2,003 | 11,331 | 154,597 | 7.3% |
| UNINCORPORATED | 766 | 679 | 1,132 | 944 | 1,045 | 4,566 | 89,631 | 5.1% |
| | | | | | | | | |
| **Total by Age** | **24,420** | **21,833** | **26,429** | **28,854** | **28,466** | **130,001** | **2,053,745** | **6.3%** |
| **Percent Distribution** | **1.2%** | **1.1%** | **1.3%** | **1.4%** | **1.4%** | **6.3%** | **100.0%** | |

(1) Estimates of children by age group is from ABAG Projections 2040 and adjusted to age groups for this study. AIR Data by Zip Code sorted by city and community is used to distribute children by year. Sources: ABAG Projections 2040; ELNAT-AIR; Brion Economics, Inc.

**Table 2-2a Children by Age Group by City/Area – 2028**

| City/Area | Infants/Toddlers - 2028 (1) | | | Preschool - 2028 (1) | | Total 0 to 4- Year-Olds | Total Population | Children 0 to 4- Years Old as % of Total Population |
|---|---|---|---|---|---|---|---|---|
| | 0-11 months | 1 2 - 2 3 months | 24-35 months | 3-Year-Olds | 4-Year-Olds | | | |
| CAMPBELL | 495 | 586 | 435 | 612 | 490 | 2,617 | 45,550 | 5.7% |
| CUPERTINO | 629 | 214 | 698 | 655 | 892 | 3,088 | 65,306 | 4.7% |
| GILROY | 682 | 396 | 729 | 1,067 | 1,527 | 4,401 | 58,587 | 7.5% |
| LOS ALTOS | 318 | 367 | 256 | 238 | 277 | 1,455 | 32,093 | 4.5% |
| LOS ALTOS HILLS | 51 | 59 | 41 | 38 | 44 | 234 | 8,441 | 2.8% |
| LOS GATOS | 242 | 100 | 296 | 266 | 371 | 1,276 | 32,384 | 3.9% |
| MILPITAS | 907 | 946 | 1,373 | 1,044 | 1,459 | 5,729 | 94,521 | 6.1% |
| MONTE SERENO | 18 | 5 | 20 | 19 | 26 | 87 | 3,515 | 2.5% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| MORGAN HILL | 473 | 276 | 505 | 740 | 1,059 | 3,053 | 47,150 | 6.5% |
| MOUNTAIN VIEW | 1,601 | 1,862 | 1,281 | 1,191 | 1,378 | 7,313 | 116,817 | 6.3% |
| PALO ALTO | 825 | 851 | 643 | 819 | 674 | 3,811 | 82,339 | 4.6% |
| SAN JOSE | 12,874 | 13,020 | 14,566 | 17,510 | 15,655 | 73,626 | 1,157,958 | 6.4% |
| SANTA CLARA | 2,087 | 1,052 | 2,020 | 2,462 | 2,041 | 9,662 | 140,341 | 6.9% |
| SARATOGA | 169 | 56 | 188 | 180 | 243 | 837 | 31,085 | 2.7% |
| SUNNYVALE | 2,817 | 1,877 | 2,854 | 1,825 | 2,013 | 11,386 | 160,867 | 7.1% |
| UNINCORPORATED | 767 | 680 | 1,133 | 945 | 1,045 | 4,570 | 93,173 | 4.9% |
| | | | | | | | | |
| **Total by Age** | **24,955** | **22,346** | **27,039** | **29,611** | **29,193** | **133,145** | **2,170,127** | **6.1%** |
| **Percent Distribution** | **1.1%** | **1.0%** | **1.2%** | **1.4%** | **1.3%** | **6.1%** | **100.0%** | |

(1) Estimates of children by age group is from ABAG Projections 2040 and adjusted to age groups for this study. AIR Data by Zip Code sorted by city and community is used to distribute children by year. Sources: ABAG Projections 2040; ELNAT-AIR; Brion Economics, Inc.

**Table 2-2b Net Change in Children by Age Group by City/Area - 2023 to 2028**

| City/Area | INCREASE/(DECREASE) 2023 to 2028 (1) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 0-11 months | 12-23 months | 24-35 months | 3-Year-Olds | 4-Year-Olds | Total 0 to 4- Year-Olds | Total Population |
| CAMPBELL | (3) | (4) | (3) | (4) | (3) | (17) | 1,298 |
| CUPERTINO | (10) | (3) | (11) | (10) | (14) | (47) | 1,062 |
| GILROY | 64 | 37 | 68 | 99 | 142 | 410 | 6,920 |
| LOS ALTOS | (11) | (13) | (9) | (8) | (10) | (52) | 344 |
| LOS ALTOS HILLS | (2) | (3) | (2) | (2) | (2) | (10) | 71 |
| LOS GATOS | (8) | (3) | (9) | (8) | (12) | (40) | 458 |
| MILPITAS | (3) | (3) | (4) | (3) | (5) | (18) | 2,526 |
| MONTE SERENO | (1) | (0) | (1) | (1) | (1) | (3) | 48 |
| MORGAN HILL | 12 | 7 | 13 | 18 | 26 | 76 | 2,428 |
| MOUNTAIN VIEW | 4 | 5 | 3 | 3 | 3 | 18 | 4,402 |
| PALO ALTO | (28) | (29) | (22) | (28) | (23) | (131) | 914 |
| SAN JOSE | 505 | 511 | 572 | 687 | 615 | 2,890 | 80,431 |
| SANTA CLARA | 9 | 5 | 9 | 11 | 9 | 43 | 5,350 |
| SARATOGA | (7) | (2) | (8) | (7) | (10) | (34) | 318 |
| SUNNYVALE | 14 | 9 | 14 | 9 | 10 | 55 | 6,270 |
| UNINCORPORATED | 1 | 1 | 1 | 1 | 1 | 4 | 3,542 |
| | | | | | | | |
| **Total by Age** | **536** | **513** | **611** | **757** | **728** | **3,144** | **116,382** |
| **Percent Increase** | **2.2%** | **2.4%** | **2.3%** | **2.6%** | **2.6%** | **2.42%** | **5.7%** |

(1) Estimates of children by age group is from ABAG Projections 2040 and adjusted to age groups for this study. AIR Data by Zip Code sorted by city and community is used to distribute children by year. Sources: ABAG Projections 2040; ELNAT-AIR; Brion Economics, Inc.

## ii. Transitional Kindergarten[10]

As of 2023, there are 4,093 4-year-olds enrolled in TK in Santa Clara County. This represents about 14% of the 28,446 total 4-year-olds in the county. The following chart summarizes the number of 4-year-olds in TK by city/area. The number of 4-year-olds by city/area in TK varies from a low of 0% to a high of 46%. The analysis of demand for ECE spaces from 4-year-olds excludes the number of 4-year-olds in TK for each city/area. Thus, the overall estimate of children 0 to 4 years old is 4,093 less than the figures presented above.

For the purposes of this analysis, the number of children expected to be in TK is projected to increase countywide to 50% by 2028. These 4-year-old children will total 14,605 by 2028. The rate of uptake varies by city/area based on the current update as shown in Table 2-3.

**Table 2-3 Estimate of Children in Transitional Kindergarten by Location and Year**

| | 2023 | | | | 2028 | | | |
|---|---|---|---|---|---|---|---|---|
| Name of City | 4-Year-Olds enrolled in TK | Total 4-Year Olds | Percent in TK | Percent Not in TK | Percent in TK (1) | Percent Not in TK | 4-Year-Olds enrolled in TK | Total 4-Year-Olds not in TK |
| CAMPBELL | 94 | 493 | 19% | 81% | 57% | 43% | 280 | 209 |
| CUPERTINO | 127 | 905 | 14% | 86% | 42% | 58% | 375 | 516 |
| GILROY | 168 | 1,384 | 12% | 88% | 61% | 39% | 926 | 600 |
| LOS ALTOS | 131 | 286 | 46% | 54% | 75% | 25% | 207 | 69 |
| LOS ALTOS HILLS | - | 46 | 0% | 100% | 50% | 50% | 22 | 22 |
| LOS GATOS | 65 | 383 | 17% | 83% | 51% | 49% | 189 | 182 |
| MILPITAS | 184 | 1,463 | 13% | 87% | 63% | 37% | 917 | 541 |
| MONTE SERENO | - | 27 | 0% | 100% | 50% | 50% | 13 | 13 |
| MORGAN HILL | 146 | 1,033 | 14% | 86% | 42% | 58% | 449 | 610 |
| MOUNTAIN VIEW | 102 | 1,374 | 7% | 93% | 52% | 48% | 716 | 662 |
| PALO ALTO | 55 | 697 | 8% | 92% | 55% | 45% | 372 | 302 |
| SAN JOSE | 2,468 | 15,041 | 16% | 84% | 49% | 51% | 7,706 | 7,949 |
| SANTA CLARA | 193 | 2,032 | 9% | 91% | 38% | 62% | 775 | 1,266 |
| SARATOGA | 93 | 253 | 37% | 63% | 55% | 45% | 134 | 109 |
| SUNNYVALE | 249 | 2,003 | 12% | 88% | 62% | 38% | 1,251 | 762 |
| UNINCORPORATED | 18 | 1,045 | 2% | 98% | 26% | 74% | 270 | 775 |
| | | | | | | | | |
| **Total** | **4,093** | **28,466** | **14%** | **86%** | **50%** | **50%** | **14,605** | **14,588** |

(1) Assumes the number of 4-year-olds in TK increase significantly, and average 50% overall countywide by 2028. Source: Santa Clara County Office of Education; Brion Economics, Inc.

10 Data was provided by SCCOE staff from FY 2022/2023 by local school district and zip code. Data by zip code was aggregated to the City/Area list.

### iii. Employment and Non-Residential Employees

Santa Clara County is a major employment hub for the Bay Area and the heart of Silicon Valley. Table 2-4 summarizes the current employment by city/area for 2023 and 2028 based on ABAG projections. Employment growth in Santa Clara County will remain strong. Employment is currently estimated at 1.14 million jobs in Santa Clara County and is expected to grow by 3.4% or 39,000 jobs in the next five years. About 59% of this growth in jobs will be in the cities of San José and Santa Clara.

Some of these employees commute into Santa Clara County. The demand for childcare from these workers is included in the estimate of demand. About 57% of current jobs in Santa Clara County are held by workers who live outside the county and commute into the county for work. These rates are based on Journey to Work data from the US Census American Community Survey (ACS) – five-year averages for 2017 to 2021.

The total number of non-residents that commute into Santa Clara County is estimated at about 652,000 as of 2023 as shown in Table 2-4a. Santa Clara County is expected to add about 23,400 non-resident workers by 2028 for a total of 675,000. A small percentage (3%, or 19,550) of these non-resident employees need childcare in the county.

**Table 2-4 Employment Growth by City/Area - 2023 to 2028**

| City/Area | Estimated Total Jobs in 2023 | Estimated Total Jobs in 2028 | CHANGE 2023 to 2028 | |
|---|---|---|---|---|
| | | | Net Change | % Change |
| CAMPBELL | 30,359 | 31,369 | 1,010 | 3.3% |
| CUPERTINO | 36,154 | 37,522 | 1,368 | 3.8% |
| GILROY | 18,837 | 20,012 | 1,175 | 6.2% |
| LOS ALTOS | 16,522 | 16,764 | 242 | 1.5% |
| LOS ALTOS HILLS | 1,652 | 1,663 | 11 | 0.7% |
| LOS GATOS | 19,857 | 20,269 | 412 | 2.1% |
| MILPITAS | 50,908 | 55,077 | 4,169 | 8.2% |
| MONTE SERENO | 558 | 560 | 2 | 0.4% |
| MORGAN HILL | 18,193 | 18,613 | 420 | 2.3% |
| MOUNTAIN VIEW | 65,077 | 67,604 | 2,527 | 3.9% |
| PALO ALTO | 122,643 | 124,337 | 1,694 | 1.4% |
| SAN JOSE | 477,393 | 488,907 | 11,514 | 2.4% |
| SANTA CLARA | 148,212 | 159,677 | 11,465 | 7.7% |
| SARATOGA | 8,738 | 8,903 | 165 | 1.9% |
| SUNNYVALE | 93,991 | 96,348 | 2,357 | 2.5% |
| UNINCORPORATED | 34,542 | 35,042 | 500 | 1.4% |
| | | | | |
| **Total Employment** | **1,143,636** | **1,182,667** | **39,031** | **3.4%** |

Sources: ABAG Projections 2040 (Oct 21); Brion Economics, Inc.

For this analysis, the non-resident demand for ECE is assumed to be one child per employee on average and comprised of 40% Infant/Toddler care and 60% Preschool care. As with resident children, some of these 4-year- old Preschool-age children will attend TK near their place of residence. The analysis adjusts the number of non- resident employees for this shift to TK as shown in Table 2-4a, based on the uptake of TK from resident Preschool-age children by city. Overall, 6% of non-resident worker Preschool-age children are assumed to be in

TK at their place of residence or outside Santa Clara County. By 2028, this percentage is expected to increase to 21%, similar to the expected increase with resident Preschool-age children by 2028.

### iv. Labor Force Participation Rates

Childcare demand is first calculated by determining the number of children by age group with working parents by applying labor force participation rates (LFPRs). LFPRs are available for working parents with children under six years old or six to 17 years old and are applied to the number of children by age group. For this analysis, we use LFPRs for children under six, as the focus of the ECEFS is early care for children 0 to 4 years old. This allows the calculation of the number of children with working parents in each of these age groups, including either two parents working or one parent working, based on US Census data.

The weighted average LFPR in Santa Clara County for children under 6 years old is 65.7%. This means that 65.7% of children under six have parents who work and may need formal licensed care or informal care. The rates by city/area are shown below in Table 2-5. The LFPRs range from a low of 55.8% to a high of 78.8%.

**Table 2-4a Employee Place of Residence by City/Area - 2023 and 2028**

| City/Area | Percent that Live and Work in City - Place of Residence | 2023 | | 2028 | |
|---|---|---|---|---|---|
| | | Percent that Work in City and Live Outside County | Employees that Work in City and Live Outside County | Percent that Work in City and Live Outside County | Employees that Work in City and Live Outside County |
| CAMPBELL | 22.7% | 77.3% | 23,468 | 77.3% | 24,248 |
| CUPERTINO | 33.0% | 67.0% | 24,223 | 67.0% | 25,140 |
| GILROY | 34.1% | 65.9% | 12,414 | 65.9% | 13,188 |
| LOS ALTOS | 32.7% | 67.3% | 11,119 | 67.3% | 11,282 |
| LOS ALTOS HILLS | 32.4% | 67.6% | 1,117 | 67.6% | 1,124 |
| LOS GATOS | 33.8% | 66.2% | 13,145 | 66.2% | 13,418 |
| MILPITAS | 28.7% | 71.3% | 36,297 | 71.3% | 39,270 |
| MONTE SERENO | 17.2% | 82.8% | 462 | 82.8% | 464 |
| MORGAN HILL | 31.5% | 68.5% | 12,462 | 68.5% | 12,750 |
| MOUNTAIN VIEW | 40.9% | 59.1% | 38,461 | 59.1% | 39,954 |
| PALO ALTO | 43.3% | 56.7% | 69,539 | 56.7% | 70,499 |
| SAN JOSE | 52.7% | 47.3% | 225,807 | 47.3% | 231,253 |
| SANTA CLARA | 35.6% | 64.4% | 95,449 | 64.4% | 102,832 |
| SARATOGA | 31.5% | 68.5% | 5,986 | 68.5% | 6,099 |
| SUNNYVALE | 37.2% | 62.8% | 59,026 | 62.8% | 60,507 |
| UNINCORPORATED | 34.3% | 65.7% | 22,694 | 65.7% | 23,023 |
| | | | | | |
| **Total Employment** | **43.0%** | **57.0%** | **651,668** | **57.1%** | **675,050** |

Note the distribution of employees between those that live and work in each area is based on ACS 5-Year data as of 2021, applied to ABAG data.
Sources: ABAG Projections 2040 (Oct 21); ACS 5-Year (2021); and Brion Economics, Inc.

### Table 2-4b TK Assumptions for Non-Resident Employees by City

| Name of City/Area | 2023 | | | | 2028 | | | |
|---|---|---|---|---|---|---|---|---|
| | Preschool Children | Adjusted Preschool Children | % Adjusted Preschool Children (1) | % Non-Resident Employees' Children in TK | Preschool Children | Adjusted Preschool Children | % Adjusted Preschool Children (1) | % Non-Resident Employees' Children in TK |
| CAMPBELL | 1,291 | 1,197 | 92.7% | 7.3% | 1,283 | 1,003 | 78.2% | 21.8% |
| CUPERTINO | 1,866 | 1,739 | 93.2% | 6.8% | 1,838 | 1,462 | 79.6% | 20.4% |
| GILROY | 2,628 | 2,460 | 93.6% | 6.4% | 2,898 | 1,971 | 68.0% | 32.0% |
| LOS ALTOS | 643 | 512 | 79.6% | 20.4% | 621 | 413 | 66.6% | 33.4% |
| LOS ALTOS HILLS | 104 | 104 | 100.0% | 0.0% | 100 | 78 | 77.7% | 22.3% |
| LOS GATOS | 785 | 720 | 91.7% | 8.3% | 761 | 572 | 75.2% | 24.8% |
| MILPITAS | 3,085 | 2,901 | 94.0% | 6.0% | 3,075 | 2,158 | 70.2% | 29.8% |
| MONTE SERENO | 55 | 55 | 100.0% | 0.0% | 53 | 40 | 75.6% | 24.4% |
| MORGAN HILL | 1,960 | 1,814 | 92.6% | 7.4% | 2,010 | 1,561 | 77.7% | 22.3% |
| MOUNTAIN VIEW | 3,095 | 2,993 | 96.7% | 3.3% | 3,102 | 2,387 | 76.9% | 23.1% |
| PALO ALTO | 1,821 | 1,766 | 97.0% | 3.0% | 1,761 | 1,388 | 78.9% | 21.1% |
| SAN JOSE | 37,695 | 35,227 | 93.5% | 6.5% | 39,235 | 31,528 | 80.4% | 19.6% |
| SANTA CLARA | 5,321 | 5,128 | 96.4% | 3.6% | 5,345 | 4,569 | 85.5% | 14.5% |
| SARATOGA | 522 | 429 | 82.2% | 17.8% | 502 | 368 | 73.3% | 26.7% |
| SUNNYVALE | 5,003 | 4,754 | 95.0% | 5.0% | 5,027 | 3,776 | 75.1% | 24.9% |
| UNINCORPORATED | 2,460 | 2,442 | 99.3% | 0.7% | 2,462 | 2,192 | 89.0% | 11.0% |
| | | | | | | | | |
| **Total** | **68,332** | **64,239** | **94.0%** | **6.0%** | **70,071** | **55,466** | **79.2%** | **20.8%** |

(1) This percentage is applied to estimates of Non-Resident Employees Preschool age demand; it is assumed that some of these children would attend TK near their place of residence. Source: Santa Clara County Office of Education; Brion Economics, Inc.

### Table 2-5 Labor Force Participation Rates by City/Area - 2020

| City/Area | Labor Force Participation Rate for Parents with Children Under 6 Years (1) |
|---|---|
| | |
| CAMPBELL | 74.2% |
| CUPERTINO | 55.8% |
| GILROY | 65.6% |
| LOS ALTOS | 61.9% |
| LOS ALTOS HILLS | 68.1% |
| LOS GATOS | 56.1% |
| MILPITAS | 57.5% |
| MONTE SERENO | 78.8% |
| MORGAN HILL | 62.2% |
| MOUNTAIN VIEW | 69.6% |
| PALO ALTO | 64.8% |

| | |
|---|---|
| SAN JOSE | 68.0% |
| SANTA CLARA | 61.2% |
| SARATOGA | 69.4% |
| SUNNYVALE | 62.3% |
| UNINCORPORATED (2) | 70.7% |
| **Countywide** | **65.7%** |

(1) Labor Force Participation Rates of parents for children under 6 with two parents or one parent working; ACS 5 Yr. Averages. (2) LFPRs for unincorporated areas are calculated as weighted averages of the zip codes 95013, 95023, 95046, 95076 and 95140. Sources: American Community Survey 2020 5-Year Survey; Brion Economics, Inc.

### v. ECE Demand - 2023

The demand for ECE spaces starts with the total estimated number of children 0 to 4 years old, as discussed above. The analysis then applies LFPRs to these estimates, which vary by City/Area. Not all children with working parents require a licensed childcare space, particularly Infants and Toddlers. Data from a recent Santa Mateo County Parent Survey (2022) show that about 35% of total parents (not just working parents) prefer a licensed childcare space for their Infants/Toddlers, and about 68% of total parents prefer licensed care for their Preschool-age children[11]. The estimate of Infant/Toddler-aged children with working parents has been adjusted downward further to account for this preference. The overall result is that about 26 to 35% of total Infants/ Toddlers are assumed to need a licensed childcare space[12]. No additional adjustments to Preschool need have been made except for accounting for TK demand as discussed above, both currently and by 2028. The childcare needs of parents in Santa Clara County are assumed to be similar to those in San Mateo County.

Appendix A presents the detailed supply and demand for ECE by City/Area and Santa Clara County as a whole, in 2023. The supply and demand by City/Area for 2028 is presented in Appendix B. This includes the estimate of demand from residents and non-resident workers. The following summary tables combine demand from both residents and non-resident workers.

Table 2-6 summarizes the total demand for licensed ECE spaces as of 2023 which equals about 80,500 spaces for children 0 to 4 years old. The breakdown of demand is 34% Infants/Toddlers and 66% Preschool. It should be noted that not all children will need licensed or license-exempt childcare; this analysis uses Labor Force Participation Rates to calculate demand and then applies an additional adjustment to Infant/Toddler demand. Preschool demand is adjusted for the impact of TK on Preschool demand. As discussed above, 14% of 4-year-olds are excluded from the estimate of Preschool demand because they are in Transitional Kindergarten (TK); this rate varies by City/Area.

Table 2-6a summarizes the demand for licensed care in 2028, based on projections of growth in children 0 to 4 years old by City/Area. Note that some areas are projected to have fewer children in this age group by 2028, as discussed above. Overall, there is a total need for about 74,000 ECE spaces in 2028. This represents a reduction of 6% overall in demand, driven by a reduction in demand of 7,178 Preschool spaces, or a 13% reduction. There is a slight increase in demand for Infant/Toddler spaces by 2028 of 730 spaces countywide. The reduction in the

11 See https://www.smcoe.org/about/child-care-partnership-council/needs-assessment.html, prepared by Brion Economics, Inc. for San Mateo County (2022). See Appendices F and G for the Parent Survey results.
12 The SMC study does not isolate working parents from total parents. In order to adjust demand for licensed care to about 35% of total Infants, we apply a 47% adjustment factor to children with working parents. See https://www.smcoe.org/assets/files/About_FIL/Child%20Care%20Partnership%20Council_FIL/Needs%20Assessment_FIL/SMC%202022%20Child%20Care%20Needs%20Assess%20Appendix%20F%20Parents%20Survey%20Results.pdf,Table F-2

need for Preschool spaces is based on the uptake of children expected to participate in TK by 2028.

Exhibit 2-1 summarizes the demand by City/Area graphically. As shown, the demand in San José represents about 50% of the overall countywide demand.

**Table 2-6 Early Care Demand (Resident and Employee) Summary by City/Area - 2023**

| City/Area | Early Care Demand in 2023 | | | | |
|---|---|---|---|---|---|
| | Total Infants/ Toddlers | Total Preschool | Total 0 to 4-Year-Olds | Total Population | City/Area as % of Total Demand |
| CAMPBELL | 750 | 1,280 | 2,030 | 44,252 | 2.5% |
| CUPERTINO | 624 | 1,376 | 2,000 | 64,244 | 2.5% |
| GILROY | 569 | 1,823 | 2,392 | 51,667 | 3.0% |
| LOS ALTOS | 385 | 477 | 861 | 31,749 | 1.1% |
| LOS ALTOS HILLS | 58 | 91 | 149 | 8,370 | 0.2% |
| LOS GATOS | 298 | 621 | 919 | 31,926 | 1.1% |
| MILPITAS | 1,155 | 2,282 | 3,436 | 91,995 | 4.3% |
| MONTE SERENO | 19 | 51 | 70 | 3,467 | 0.1% |
| MORGAN HILL | 447 | 1,335 | 1,782 | 44,722 | 2.2% |
| MOUNTAIN VIEW | 1,836 | 2,754 | 4,590 | 112,415 | 5.7% |
| PALO ALTO | 1,481 | 2,359 | 3,840 | 81,425 | 4.8% |
| SAN JOSE | 13,263 | 27,737 | 41,001 | 1,077,527 | 51.0% |
| SANTA CLARA | 2,382 | 4,796 | 7,178 | 134,991 | 8.9% |
| SARATOGA | 186 | 386 | 572 | 30,767 | 0.7% |
| SUNNYVALE | 2,561 | 3,970 | 6,531 | 154,597 | 8.1% |
| UNINCORPORATED | 972 | 2,133 | 3,105 | 89,631 | 3.9% |
| | | | | | |
| **Total** | **26,985** | **53,471** | **80,456** | **2,053,745** | **100.0%** |
| **Percent Distribution** | 34% | 66% | 100% | | |

Sources: ABAG Projections 2040; ELNAT-AIR; American Community Survey 2018; ACS Journey-to-Work Data; Childcare Resource & Referral Program of Santa Clara County; Brion Economics, Inc.

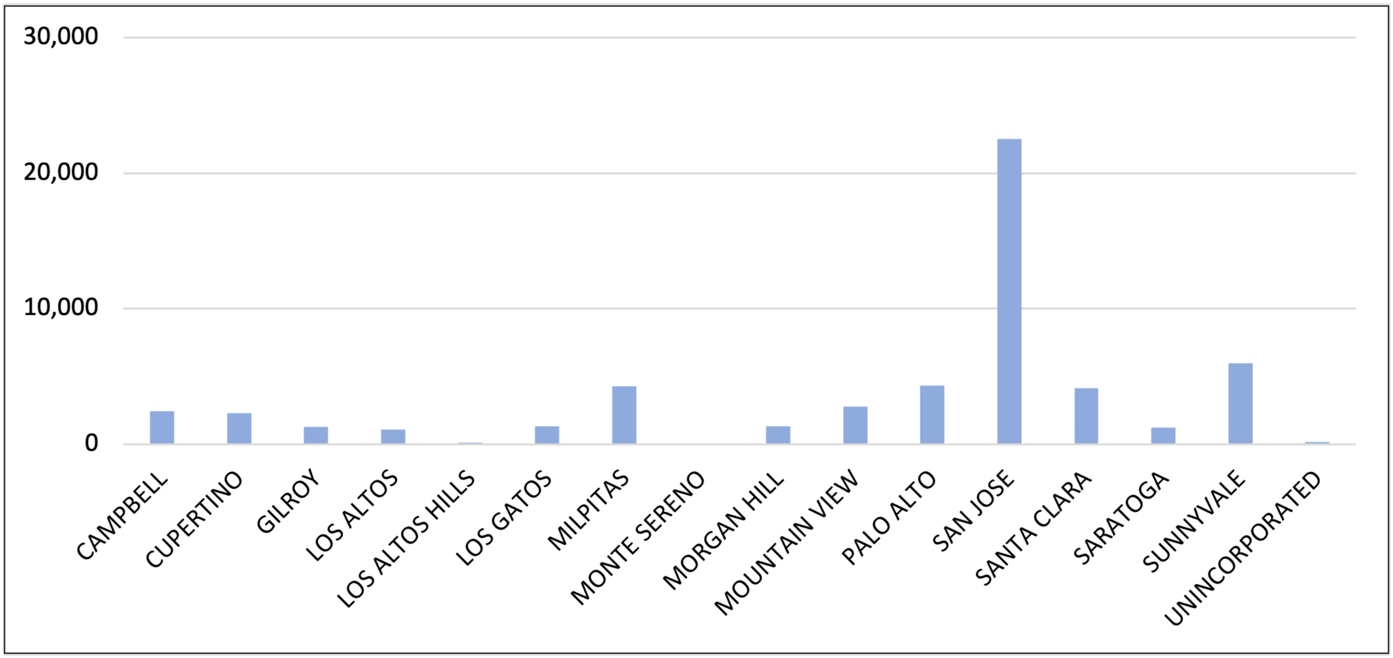
**Table 2-6a Early Care Demand (Resident and Employee) Summary by City/Area - 2028**

| City/Area (1) | Early Care Demand at 2028 | | | | |
|---|---|---|---|---|---|
| | Total Infants / Toddlers | Total Preschool | Total 0 to 4-Year-Olds | Total Population | City/Area as % of Total Demand |
| CAMPBELL | 756 | 1,085 | 1,842 | 45,550 | 2.5% |
| CUPERTINO | 630 | 1,176 | 1,805 | 65,306 | 2.4% |
| GILROY | 622 | 1,455 | 2,077 | 58,587 | 2.8% |
| LOS ALTOS | 378 | 391 | 770 | 32,093 | 1.0% |
| LOS ALTOS HILLS | 56 | 69 | 125 | 8,441 | 0.2% |

| | | | | | |
|---|---|---|---|---|---|
| LOS GATOS | 297 | 503 | 800 | 32,384 | 1.1% |
| MILPITAS | 1,188 | 1,736 | 2,925 | 94,521 | 4.0% |
| MONTE SERENO | 18 | 38 | 56 | 3,515 | 0.1% |
| MORGAN HILL | 458 | 1,148 | 1,606 | 47,150 | 2.2% |
| MOUNTAIN VIEW | 1,858 | 2,215 | 4,073 | 116,817 | 5.5% |
| PALO ALTO | 1,471 | 1,901 | 3,372 | 82,339 | 4.6% |
| SAN JOSE | 13,760 | 24,771 | 38,530 | 1,157,958 | 52.1% |
| SANTA CLARA | 2,477 | 4,380 | 6,857 | 140,341 | 9.3% |
| SARATOGA | 183 | 336 | 518 | 31,085 | 0.7% |
| SUNNYVALE | 2,587 | 3,170 | 5,757 | 160,867 | 7.8% |
| UNINCORPORATED | 977 | 1,919 | 2,896 | 93,173 | 3.9% |
| | | | | | |
| **Total** | **27,715** | **46,293** | **74,007** | **2,170,127** | **100.0%** |
| **Percent Distribution** | 37% | 63% | 100% | | |
| Amount Change over 2023 | 730 | (7,178) | (6,449) | 116,382 | |
| **Percent Change over 2023** | 2.7% | -13.4% | -8.0% | 5.7% | |

Sources: ABAG Projections 2040; ELNAT-AIR; American Community Survey 2018; ACS Journey-to-Work Data; Childcare Resource & Referral Program of Santa Clara County; Brion Economics, Inc.

**Exhibit 2-1 Total Demand for Early Care, 0 to 4 Years Old - 2023**



### vi. ECE Supply - 2023

This section summarizes the 2023 supply of childcare in Santa Clara County as a whole and by the City/Area. Currently, there are 1,922 licensed childcare providers in Santa Clara County that serve all ages of children, 0 to 12 years old. About half of these providers, 49%, are located in San José. Of the total, 1,215, or 63%, are licensed Family Child Care Home (FCCH) providers and 707 are center-based providers, or 37% of the total as shown in Table 2-7.

There are approximately 55,400 licensed ECE spaces in Santa Clara County serving Infants/Toddlers and Preschool-age children. Of these, about 9,500, or 17%, are associated with FCCHs, and about 45,900 spaces, 83%, are in licensed childcare centers. By age group, 14% of spaces serve Infants/Toddlers and 86% Preschool children (see Table 2-7a and exhibit 2-2). The supply of ECE spaces varies greatly by City/Area and age group. Monte Sereno and Los Altos Hills currently do not have any supply of ECE spaces. About 40% of the total supply is located in San José. Sunnyvale has about 11% of the supply, followed by Palo Alto and Santa Clara, which have almost 8% each of the total supply.

Exhibit 2-3 summarizes the number of ECE spaces serving children 0 to 4 years old by City/Area. About 41% of the current supply is located in San José.

Table 2-7b summarizes the new expected supply by 2028. These data are based on those providers with pending licenses by location and age group and the proposed number of spaces requested. There is a total of 1,350 Infant/Toddler spaces and 303 new Preschool spaces for a total of 1,653 spaces countywide.

The total supply of ECE spaces by location and age group in 2028 is shown in Table 2-7c. By 2028, there will be 8,887 Infant/Toddler spaces, and 48,150 Preschool Spaces, for a total of 57,037 spaces serving children 0 to 4 years old (see Exhibit 2-4).

**Table 2-7 Number of Early Care Providers by City/Area - 2023**

| City/Area | Family Child Care Homes | Childcare Centers (1) | Total All Providers | Percent of Providers |
|---|---|---|---|---|
| CAMPBELL | 19 | 34 | 53 | 2.8% |
| CUPERTINO | 49 | 30 | 79 | 4.1% |
| GILROY | 63 | 18 | 81 | 4.2% |
| LOS ALTOS | 7 | 17 | 24 | 1.2% |
| LOS ALTOS HILLS | - | 2 | 2 | 0.1% |
| LOS GATOS | 4 | 15 | 19 | 1.0% |
| MILPITAS | 55 | 43 | 98 | 5.1% |
| MONTE SERENO | - | - | - | 0.0% |
| MORGAN HILL | 24 | 23 | 47 | 2.4% |
| MOUNTAIN VIEW | 34 | 37 | 71 | 3.7% |
| PALO ALTO | 33 | 68 | 101 | 5.3% |
| SAN JOSE | 661 | 291 | 952 | 49.5% |
| SANTA CLARA | 100 | 49 | 149 | 7.8% |
| SARATOGA | 7 | 16 | 23 | 1.2% |
| SUNNYVALE | 156 | 61 | 217 | 11.3% |
| UNINCORPORATED | 3 | 3 | 6 | 0.3% |
| | | | | |

| County Total | 1,215 | 707 | 1,922 | 100.0% |
|---|---|---|---|---|
| Percent Distribution | 63% | 37% | 100% | |

(1) Includes Infant and Day Care Centers; excludes School Age Centers. Sources: Childcare Resource & Referral Program of Santa Clara County; Brion Economics, Inc.

**Exhibit 2-2 Early Care Supply by Age Group - Countywide - 2023**

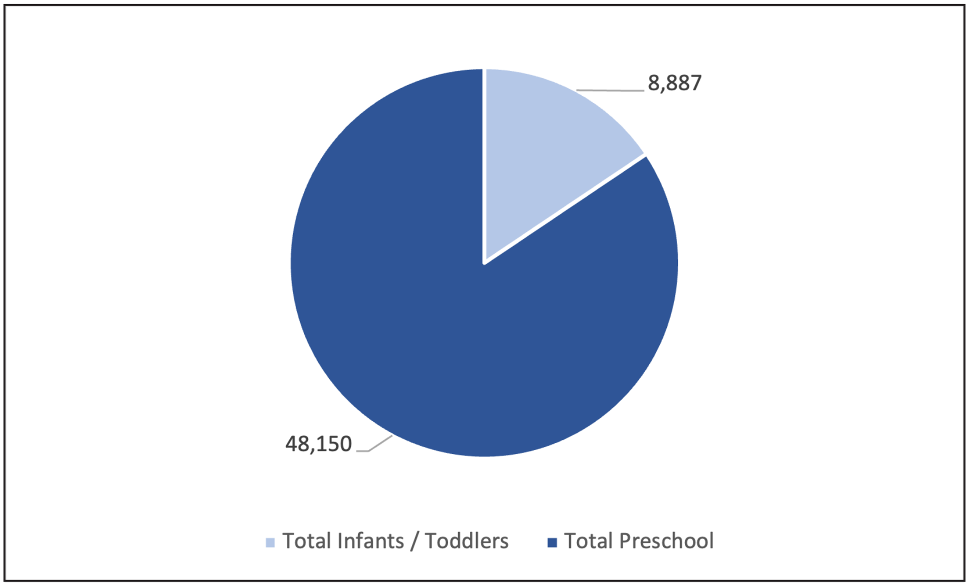


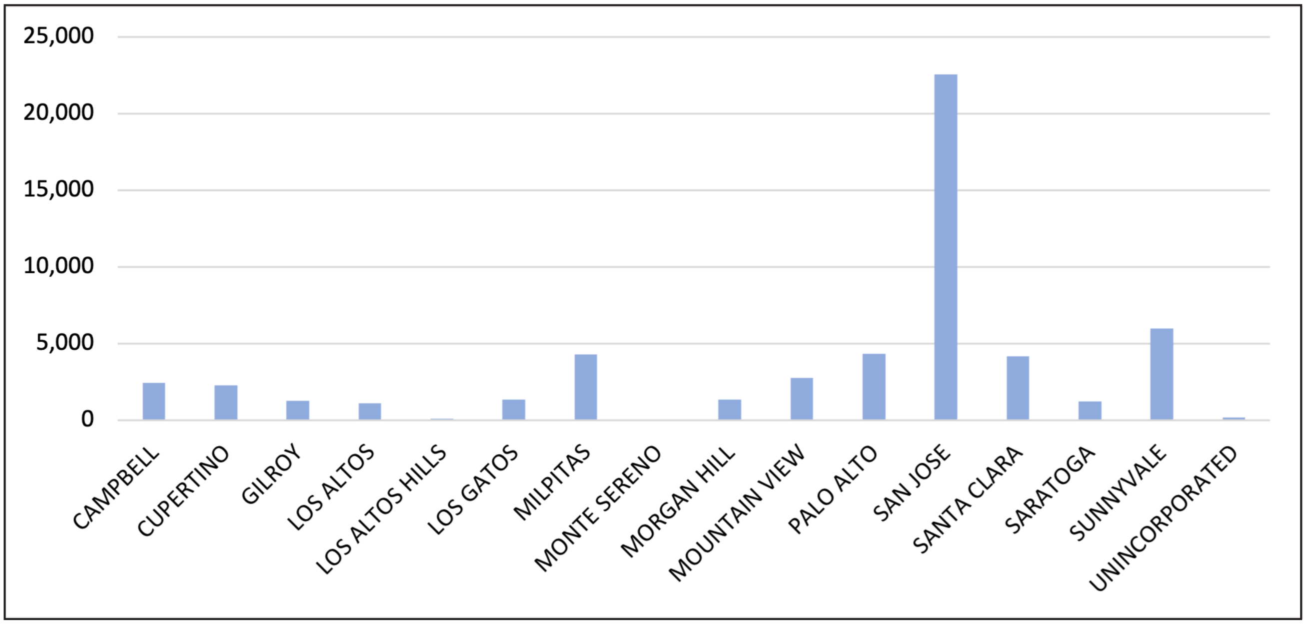

**Table 2-7a Supply of Early Care Spaces by Age Group and City/Area - 2023**

| City/Area | FCCH Spaces | | | Center-Based Spaces | | | Total 0 to 4-Year -Olds | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total Infants / Toddlers | Total Preschool | Total 0 to 4-Year-Olds | Total Infants / Toddlers | Total Preschool | Total 0 to 4-Year Olds | Total Infants / Toddlers | Total Preschool | Total 0 to 4-Year-Olds | City/Area as % of Total Supply |
| CAMPBELL | 47 | 94 | 141 | 222 | 2,088 | 2,310 | 269 | 2,182 | 2,451 | 4.4% |
| CUPERTINO | 131 | 262 | 393 | 155 | 1,731 | 1,886 | 286 | 1,993 | 2,279 | 4.1% |
| GILROY | 163 | 326 | 489 | 44 | 743 | 787 | 207 | 1,069 | 1,276 | 2.3% |
| LOS ALTOS | 17 | 34 | 51 | 80 | 978 | 1,058 | 97 | 1,012 | 1,109 | 2.0% |
| LOS ALTOS HILLS | 0 | 0 | 0 | 0 | 116 | 116 | 0 | 116 | 116 | 0.2% |
| LOS GATOS | 11 | 22 | 33 | 66 | 1,235 | 1,301 | 77 | 1,257 | 1,334 | 2.4% |
| MILPITAS | 150 | 300 | 450 | 263 | 3,567 | 3,830 | 413 | 3,867 | 4,280 | 7.7% |
| MONTE SERENO | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.0% |
| MORGAN HILL | 60 | 121 | 181 | 137 | 1,027 | 1,164 | 197 | 1,148 | 1,345 | 2.4% |
| MOUNTAIN VIEW | 82 | 164 | 246 | 437 | 2,095 | 2,532 | 519 | 2,259 | 2,778 | 5.0% |
| PALO ALTO | 86 | 172 | 258 | 578 | 3,513 | 4,091 | 664 | 3,685 | 4,349 | 7.9% |
| SAN JOSE | 1,712 | 3,424 | 5,136 | 1,492 | 15,916 | 17,408 | 3,204 | 19,340 | 22,544 | 40.7% |
| SANTA CLARA | 267 | 534 | 801 | 232 | 3,120 | 3,352 | 499 | 3,654 | 4,153 | 7.5% |
| SARATOGA | 19 | 38 | 57 | 83 | 1,081 | 1,164 | 102 | 1,119 | 1,221 | 2.2% |
| SUNNYVALE | 419 | 838 | 1,257 | 523 | 4,191 | 4,714 | 942 | 5,029 | 5,971 | 10.8% |
| UNINCORPORATED | 9 | 18 | 27 | 52 | 99 | 151 | 61 | 117 | 178 | 0.3% |
| | | | | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | **3,173** | **6,347** | **9,520** | **4,364** | **41,500** | **45,864** | **7,537** | **47,847** | **55,384** | **100.0%** |
| Percent Distribution | 33% | 67% | 100% | 10% | 90% | 100% | 14% | 86% | 100% | |

Sources: Childcare Resource & Referral Program of Santa Clara County; Choices for Children; Brion Economics, Inc.

### Exhibit 2-3 Distribution of All Early Care Spaces - 2023




### Table 2-7b Future Supply of New Providers and Spaces by Age Group and City/Area

| City/Area | New Providers by Type | | | New FCCH Spaces | | | New Center-Based Spaces | | | All New Spaces | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FCCH | Centers | New Providers | Infants / Toddlers | Preschool | Total | Infants / Toddlers | Preschool | Total | Infants / Toddlers | Preschool | Total |
| CAMPBELL | | 1 | 1 | - | - | - | 60 | - | 60 | 60 | - | 60 |
| CUPERTINO | 3 | 1 | 4 | 6 | 12 | 18 | 48 | - | 48 | 54 | 12 | 66 |
| GILROY | 4 | 1 | 5 | 9 | 18 | 27 | 78 | - | 78 | 87 | 18 | 105 |
| LOS ALTOS | 1 | - | 1 | 2 | 4 | 6 | - | - | - | 2 | 4 | 6 |
| LOS ALTOS HILLS | | - | - | - | - | - | - | - | - | - | - | - |
| LOS GATOS | | 1 | 1 | - | - | - | 35 | - | 35 | 35 | - | 35 |
| MILPITAS | 1 | 3 | 4 | 2 | 4 | 6 | 324 | - | 324 | 326 | 4 | 330 |
| MONTE SERENO | | - | - | - | - | - | - | - | - | - | - | - |
| MORGAN HILL | | 1 | 1 | - | - | - | 52 | - | 52 | 52 | - | 52 |
| MOUNTAIN VIEW | 1 | - | 1 | 2 | 4 | 6 | - | - | - | 2 | 4 | 6 |
| PALO ALTO | | - | - | - | - | - | - | - | - | - | - | - |
| SAN JOSE | 11 | 17 | 28 | 24 | 48 | 72 | 564 | 147 | 711 | 588 | 195 | 783 |
| SANTA CLARA | 6 | 2 | 8 | 12 | 24 | 36 | 30 | 12 | 42 | 42 | 36 | 78 |
| SARATOGA | | 1 | 1 | - | - | - | 60 | - | 60 | 60 | - | 60 |
| SUNNYVALE | 7 | 1 | 8 | 15 | 30 | 45 | 27 | - | 27 | 42 | 30 | 72 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| UNINCORPORATED | | - | - | - | - | - | - | - | - | - | - | - |
| **Total New Supply** | **34** | **29** | **63** | **72** | **144** | **216** | **1,278** | **159** | **1,437** | **1,350** | **303** | **1,653** |
| % Increase in Supply | 2.8% | 4.1% | 3.3% | 2.3% | 2.3% | 2.3% | 29.3% | 0.4% | 3.1% | 17.9% | 0.6% | 3.0% |

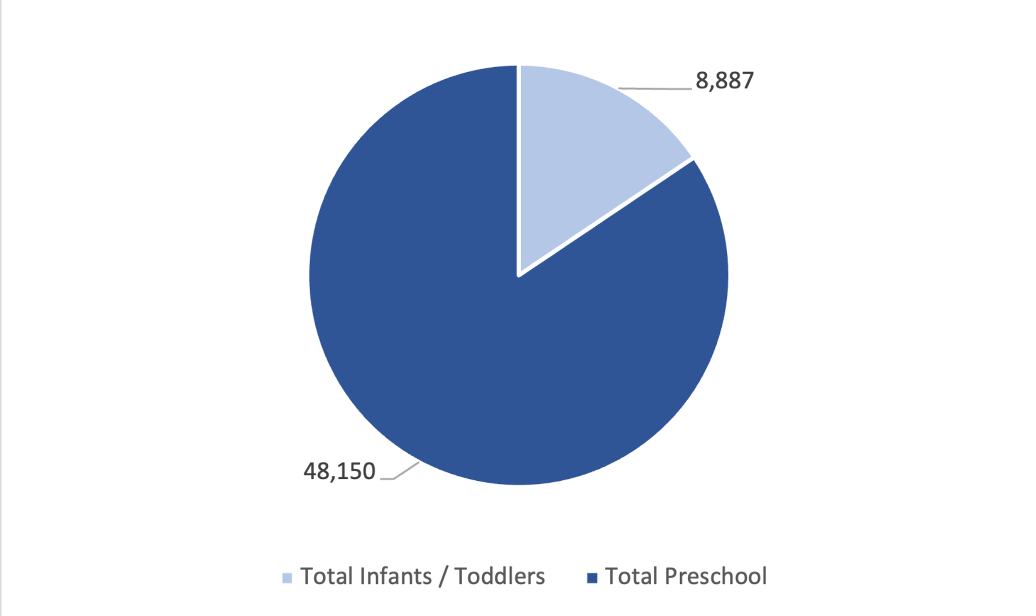
Note: From pending community licensing data. Sources: Childcare Resource & Referral Program of Santa Clara County; Brion Economics, Inc.

### Table 2-7c Total Supply of Early Care Spaces by Age Group and City/Area - 2028

| | 2028 Providers | | | 2028 FCCH Spaces | | | 2028 Center-Based Spaces | | | Total 2028 Spaces | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **City/Area** | **FCCH** | **Centers** | **All Providers** | **Infants / Toddlers** | **Preschool** | **Total** | **Infants / Toddlers** | **Preschool** | **Total** | **Infants / Toddlers** | **Preschool** | **Total** | **% of Total** |
| CAMPBELL | 19 | 35 | 54 | 47 | 94 | 141 | 282 | 2,088 | 2,370 | 329 | 2,182 | 2,511 | 4.4% |
| CUPERTINO | 52 | 31 | 83 | 137 | 274 | 411 | 203 | 1,731 | 1,934 | 340 | 2,005 | 2,345 | 4.1% |
| GILROY | 67 | 19 | 86 | 172 | 344 | 516 | 122 | 743 | 865 | 294 | 1,087 | 1,381 | 2.4% |
| LOS ALTOS | 8 | 17 | 25 | 19 | 38 | 57 | 80 | 978 | 1,058 | 99 | 1,016 | 1,115 | 2.0% |
| LOS ALTOS HILLS | - | 2 | 2 | 0 | 0 | 0 | 0 | 116 | 116 | 0 | 116 | 116 | 0.2% |
| LOS GATOS | 4 | 16 | 20 | 11 | 22 | 33 | 101 | 1,235 | 1,336 | 112 | 1,257 | 1,369 | 2.4% |
| MILPITAS | 56 | 46 | 102 | 152 | 304 | 456 | 587 | 3,567 | 4,154 | 739 | 3,871 | 4,610 | 8.1% |
| MONTE SERENO | - | - | - | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.0% |
| MORGAN HILL | 24 | 24 | 48 | 60 | 121 | 181 | 189 | 1,027 | 1,216 | 249 | 1,148 | 1,397 | 2.4% |
| MOUNTAIN VIEW | 35 | 37 | 72 | 84 | 168 | 252 | 437 | 2,095 | 2,532 | 521 | 2,263 | 2,784 | 4.9% |
| PALO ALTO | 33 | 68 | 101 | 86 | 172 | 258 | 578 | 3,513 | 4,091 | 664 | 3,685 | 4,349 | 7.6% |
| SAN JOSE | 672 | 308 | 980 | 1,736 | 3,472 | 5,208 | 2,056 | 16,063 | 18,119 | 3,792 | 19,535 | 23,327 | 40.9% |
| SANTA CLARA | 106 | 51 | 157 | 279 | 558 | 837 | 262 | 3,132 | 3,394 | 541 | 3,690 | 4,231 | 7.4% |
| SARATOGA | 7 | 17 | 24 | 19 | 38 | 57 | 143 | 1,081 | 1,224 | 162 | 1,119 | 1,281 | 2.2% |
| SUNNYVALE | 163 | 62 | 225 | 434 | 868 | 1,302 | 550 | 4,191 | 4,741 | 984 | 5,059 | 6,043 | 10.6% |
| UNINCORPORATED | 3 | 3 | 6 | 9 | 18 | 27 | 52 | 99 | 151 | 61 | 117 | 178 | 0.3% |
| **Total** | **1,249** | **736** | **1,985** | **3,245** | **6,491** | **9,736** | **5,642** | **41,659** | **47,301** | **8,887** | **48,150** | **57,037** | **100.0%** |
| Percent Distribution | 66% | 41% | 107% | 33% | 67% | 100% | 12% | 88% | 100% | 16% | 84% | 100% | |

Sources: Childcare Resource & Referral Program of Santa Clara County; Choices for Children; Brion Economics, Inc.

**Exhibit 2-4 Early Care Supply by Age Group - Countywide - 2028**




### vii. ECE Unmet Need - 2023

Table 2-8 summarizes the unmet need for ECE spaces and as a percentage of demand met by City/Area and Santa Clara County as a whole, as of 2023.

- Infant/Toddler Care Shortage or Unmet Need - 2023: In Santa Clara County, there is currently a shortage of 19,448 Infant/Toddler (birth up to 2.7 years old) spaces with only 28% of demand currently met[13]. The shortage varies by location, as shown below. For instance, in Saratoga, 55% of demand for Infant/Toddler care is currently met. In Cupertino, Morgan Hill, and Palo Alto about 45% of demand for Infant/Toddler care is being met currently. This is unusual as most cities lack sufficient Infant/Toddler care.
- Preschool Shortage or Unmet Need – 2023: For Preschool children (2.7 to 4 years old), there is a shortage of 5,624 spaces, with 89% of demand being met[14]. This is in part due to some 4-year-olds attending TK. Nine of the 16 total Cities/Areas have a surplus of Preschool spaces currently. This is likely also due to the emphasis on expanding Preschool programs state-wide over the last ten years. With the implementation of TK across the state the need for Preschool-age spaces serving 4-year-olds is diminishing.
- Total Shortage or Unmet Need - 2023: Overall, there is a shortage of about 25,072 spaces across all age groups in the County, or 31% of children 0 to 4 years old that need an ECE space do not have one. This equates to 69% of the demand for ECE spaces being met. It is important to note that spaces in one age group cannot serve other age groups and that spaces in one geographic community do not mean it is feasible for families in neighboring communities to utilize them. But this measure is an important overall indicator of whether the childcare needs of children 0 to 4 years old and parents are being met (see Exhibit 2-5).

13 Demand for, or shortage of, spaces refers to licensed and license-exempt spaces.

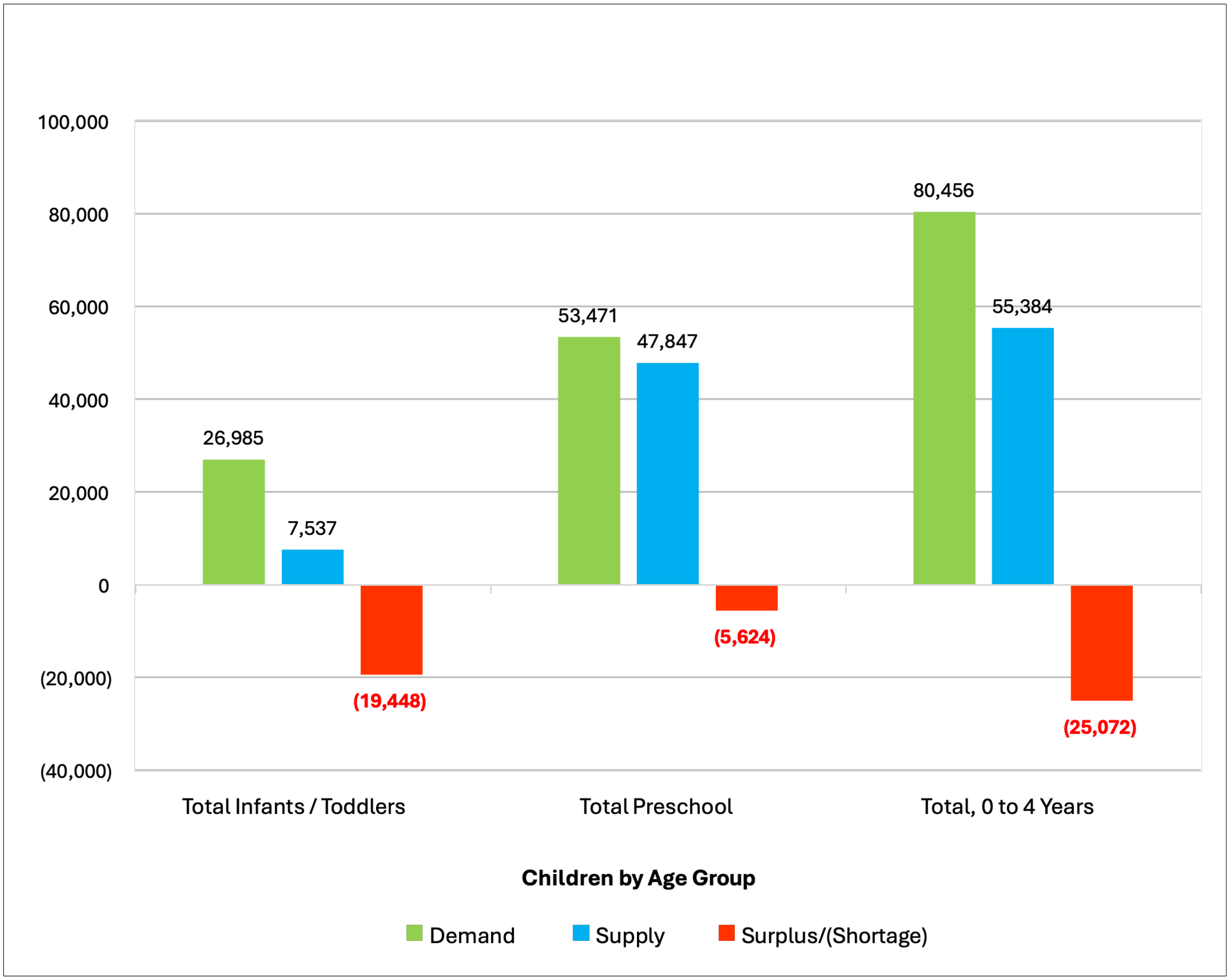
14 Ibid

**Table 2-8 Summary of Demand Met by Existing Facilities by City/Area - 2023**

| City/Area | 2023 Surplus/(Shortage) of Spaces | | | | | |
|---|---|---|---|---|---|---|
| | Infant Spaces | % of Infant Demand Met | Preschool Spaces | % of Preschool Demand Met | Total Surplus or (Shortage) | % of Total Demand Met |
| CAMPBELL | (481) | 36% | 902 | 170% | 421 | 121% |
| CUPERTINO | (338) | 46% | 617 | 145% | 279 | 114% |
| GILROY | (362) | 36% | (754) | 59% | (1,116) | 53% |
| LOS ALTOS | (288) | 25% | 535 | 212% | 248 | 129% |
| LOS ALTOS HILLS | (58) | 0% | 25 | 128% | (33) | 78% |
| LOS GATOS | (221) | 26% | 636 | 202% | 415 | 145% |
| MILPITAS | (742) | 36% | 1,585 | 169% | 844 | 125% |
| MONTE SERENO | (19) | 0% | (51) | 0% | (70) | 0% |
| MORGAN HILL | (250) | 44% | (187) | 86% | (437) | 75% |
| MOUNTAIN VIEW | (1,317) | 28% | (495) | 82% | (1,812) | 61% |
| PALO ALTO | (817) | 45% | 1,326 | 156% | 509 | 113% |
| SAN JOSE | (10,059) | 24% | (8,397) | 70% | (18,457) | 55% |
| SANTA CLARA | (1,883) | 21% | (1,142) | 76% | (3,025) | 58% |
| SARATOGA | (84) | 55% | 733 | 290% | 649 | 213% |
| SUNNYVALE | (1,619) | 37% | 1,059 | 127% | (560) | 91% |
| UNINCORPORATED | (911) | 6% | (2,016) | 5% | (2,927) | 6% |
| | | | | | | |
| **Countywide** | **(19,448)** | **28%** | **(5,624)** | **89%** | **(25,072)** | **69%** |

Source: Brion Economics, Inc.

## Exhibit 2-5 Supply and Demand for Early Care in Santa Clara County - 2023



### viii. ECE Unmet Need - 2028

Table 2-8a summarizes the unmet need for ECE spaces and as a percentage of demand met by City/Area and Santa Clara County as a whole in 2028.

- Infant/Toddler Care Shortage or Unmet Need - 2028: In Santa Clara County, by 2028, there will be an estimated shortage of 18,828 Infant/Toddler (birth up to 2.7 years old) spaces with only 32% of demand being met[15]. This represents a slight increase in demand being met over 2023 conditions due to a projected increase in the supply of Infant/Toddler spaces. The percentage of demand met varies significantly by location, as shown below. For instance, in Saratoga, 89% of the estimated demand for Infant/Toddler care is projected to be met. In Campbell, Cupertino, Gilroy, Milpitas, Morgan Hill, and Palo Alto over 40% or more of the demand for Infant/Toddler care is expected to be met with the addition of new supply.
- Preschool Shortage or Unmet Need – 2028: For Preschool children (2.7 to 4 years old), there is a projected surplus of 1,857 spaces, or 104% of demand is projected to be met[16]. This is in part due to the estimate that 50% of 4-year-olds will be attending TK by 2028. Ten of the 16 total Cities/Areas are projected to have a surplus of Preschool spaces by 2028. With the implementation of TK across the state the need for Preschool-age spaces serving 4-year-olds will be reduced further.
- Total Shortage or Unmet Need – 2028: Overall, there will be a shortage of about 16,970 spaces across all age groups in the County, or 23% of children 0 to 4 years old that need an ECE space do not have one. This equates to 77% of the demand for ECE spaces being met by 2028. It is important to note that spaces in one age group cannot serve other age groups and that spaces in one geographic community do not mean it is feasible for families in neighboring communities to utilize them. But this measure is an important overall indicator of whether the childcare needs of children 0 to 4 years old and parents are being met (see Exhibit 2-6).

**Table 2-8a Summary of Demand Met by Existing and New Facilities by City/Area - 2028**

| City/Area | 2028 Surplus/(Shortage) of Spaces | | | | | |
|---|---|---|---|---|---|---|
| | Infant Spaces | % of Infant Demand Met | Preschool Spaces | % of Preschool Demand Met | Total Surplus or (Shortage) | % of Total Demand Met |
| CAMPBELL | (427) | 43% | 1,097 | 201% | 669 | 136% |
| CUPERTINO | (290) | 54% | 829 | 171% | 540 | 130% |
| GILROY | (328) | 47% | (368) | 75% | (696) | 67% |
| LOS ALTOS | (279) | 26% | 625 | 260% | 345 | 145% |
| LOS ALTOS HILLS | (56) | 0% | 47 | 169% | (9) | 93% |
| LOS GATOS | (185) | 38% | 754 | 250% | 569 | 171% |
| MILPITAS | (449) | 62% | 2,135 | 223% | 1,685 | 158% |
| MONTE SERENO | (18) | 0% | (38) | 0% | (56) | 0% |
| MORGAN HILL | (209) | 54% | (0) | 100% | (209) | 87% |
| MOUNTAIN VIEW | (1,337) | 28% | 48 | 102% | (1,289) | 68% |
| PALO ALTO | (807) | 45% | 1,784 | 194% | 977 | 129% |
| SAN JOSE | (9,968) | 28% | (5,236) | 79% | (15,203) | 61% |
| SANTA CLARA | (1,936) | 22% | (690) | 84% | (2,626) | 62% |
| SARATOGA | (21) | 89% | 783 | 333% | 763 | 247% |

15 Ibid

16 Ibid

| | | | | | | |
|---|---|---|---|---|---|---|
| SUNNYVALE | (1,603) | 38% | 1,889 | 160% | 286 | 105% |
| UNINCORPORATED | (916) | 6% | (1,802) | 6% | (2,718) | 6% |
| | | | | | | |
| **Countywide** | **(18,828)** | **32%** | **1,857** | **104%** | **(16,970)** | **77%** |

Source: Brion Economics, Inc.

**Exhibit 2-6 Supply and Demand for Early Care in Santa Clara County – 2028**


## B. Children with Special Needs

Santa Clara County includes a significant number of children with disabilities or children with special needs. As a matter of equity, law, and program quality, children with special needs should participate in inclusive ECE to the greatest extent possible[17]. The following data was taken from the County's recently prepared childcare Needs Assessment (2023) and analyzed for this Study.

- As of December 2022, a total of 2,142 children under the age of 3 had an Individualized Family Services Plan (IFSP). This represents

17 See Santa Clara County 2023 Childcare Needs Assessment prepared for the Santa Clara County Local Early Education County (LPC) by Indigo Project, June 2023, page 20.

about 2.9% of the total children aged 0 to 3 years old in Santa Clara County.

- As of the last reporting cycle in the 2018/19 academic year, 17,203 children 3-12 years of age in Santa Clara County had an Individual Education Plan (IEP). Of these children, 10% were of Preschool age and represented about 3.7% of Preschool-age children ages 3 and 4.
- In total, about 6.0% of children 0 to 4 years old have either an IFSP or an IEP countywide, based on available data.
- Specific learning disabilities (38%), speech or language impairments (21%), and autism (17%) were the 1st, 2nd, and 3rd most common disability diagnoses for K-12 students.
- Speech and language impairments were more commonly diagnosed at earlier ages, whereas disability diagnoses involving specific learning disabilities were more commonly made when children were in middle or high school.
- During the 2018/19 school year, approximately 4% of K-12 students were diagnosed with a specific learning disability such as dyslexia or dysgraphia.

A child is eligible for an IFSP if she or he is under the age of 3 years and meets certain criteria. For example, children under the age of 2 years are eligible for an IFSP if they exhibit a 33% delay in one area (e.g., cognitive, communication, social or emotional, adaptive, or physical and motor development including vision and hearing) or are age 2-3 years and exhibit (a) a 33% delay in two areas or (b) a 50% delay in one area. The most current count for the number of children with IFSPs in Santa Clara County was provided by the San Andreas Regional Center (SARC) Early Start Program. As of December 2022, a total of 2,142 children under the age of 3 had an IFSP. Data on the number of children with IEPs are available through the California Department of Education's open-access data system known as Dataquest. Counts reflect the most recent publicly available data (collected as of the December 1, 2018, reporting cycle). Like IFSPs, children must meet certain criteria to be eligible for an IEP. Individualized Education Plans are provided to children between 3 and 21 years of age who are diagnosed with a disability or condition that adversely affects their educational performance. Disabilities are classified into 1 of 13 Federal Categories for Special Education and are determined by an IEP team. As of the last reporting cycle in the 2018/19 academic year, 17,203 children 3 to 12 years of age in Santa Clara County had an IEP. Of these children, 10% were of Preschool age (3 and 4 years old), or a total of 1,766. In total, 3,908 children 0 to 4 years old have either an IFSP or IEP or approximately 3% of the total number of children 0 to 4 years old.

According to data provided by the SCCOE Early Care and Education Initiatives Department, there are 226 ECE providers that self-report experience with serving children with special needs in the County. Of these 226, 57% are center-based providers, and 43% are FCCH providers. Given the total number of center-based and FCCH providers, these 226 represent 18% of center-based providers and 8% of FCCH in Santa Clara County (see Table 2-9).

**Table 2-9 Number of Providers Serving Children with Special Needs ECE Facilities Study**

| Type of Provider (1) | Amount | Percent |
|---|---|---|
| Number of Center-Based Programs | 129 | 57% |
| Number of Family Child Care Homes | 97 | 43% |
| Total Number of Providers Serving Children with Special Needs | 226 | 100% |
| Total Child Care Providers | 1,922 | |
| Number of Center-Based Providers | 707 | |
| Number of Family Child Care Home Providers | 1,215 | |
| Percent of Total Providers Serving Children with Special Needs | | 12% |

| | | | |
|---|---|---|---|
| | Percent of Centers Serving Children with Special Needs | | 18% |
| | Percent of FCCHs Serving Children with Special Needs | | 8% |

(1) Sources: Santa Clara County Office of Education; Brion Economics, Inc.

Table 2-10 summarizes the number of children with disabilities by type per 1000 public school children receiving special education services for years 2016 to 2020, based on data from Kidsdata.org. Note some data is suppressed due to the small number of children in that category or not available[18]. The rate of change in amount and percent from 2016 is also shown. Overall, there has been a 13% increase in the number of children per 1000 with disabilities from 2016 to 2020. The rate per 1,000 has increased from 101.6 per 1,000 to 114.5, or a 12.9 increase over four years. These data are for children 0 to 17 years old. The largest increase has been in "other health impairment" at 39% followed by autism at 27% and then multiple disabilities at 25%. Overall, about 11.5% of children have some sort of disability out of 1,000 public school children. In Santa Clara County, as of 2019, 2.4% of children 0 to 17 years old have some type of major disability, including one or more serious difficulties in hearing, vision, cognitive ability, ambulatory ability, self-care, or independent living[19].

**Table 2-10 Prevalence of Special Education Disabilities Among Students by Disability Type - 2016 - 2020**

| Santa Clara County | Rate per 1,000 Public School Children | | | | | Net Change 2016 to 2020 | |
|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 | Amount | Percent |
| Autism | 15.5 | 16.8 | 18.4 | 19.7 | 19.7 | 4.2 | 27% |
| Deaf-Blindness | S | S | S | S | S | N/A | N/A |
| Emotional Disturbance | 3.7 | 3.9 | 4.1 | 4.4 | 4.1 | 0.4 | 11% |
| Established Medical Disability | S | S | S | N/A | N/A | N/A | N/A |
| Hard of Hearing / Deaf | 1.9 | 2.0 | 2.0 | 2.0 | 2.0 | 0.1 | 5% |
| Intellectual Disability | 5.8 | 5.8 | 5.8 | 5.8 | 5.5 | -0.3 | -5% |
| Learning Disability | 38.1 | 39.5 | 42.0 | 43.4 | 42.8 | 4.7 | 12% |
| Orthopedic Impairment | 1.5 | 1.4 | 1.3 | 1.3 | 1.2 | -0.3 | -20% |
| Speech or Language Impairment | 22.4 | 22.5 | 22.8 | 22.6 | 22.5 | 0.1 | 0% |
| Traumatic Brain Injury | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | - | 0% |
| Visual Impairment | 0.6 | 0.6 | 0.6 | 0.7 | 0.6 | - | 0% |
| Multiple Disability | 0.8 | 0.9 | 0.9 | 1.0 | 1.0 | 0.2 | 25% |
| Other Health Impairment | 10.9 | 12.0 | 13.8 | 15.0 | 15.1 | 4.2 | 39% |
| **Total** | **101.6** | **105.7** | **111.8** | **115.9** | **114.5** | **12.9** | **13%** |

Definition: Number of 0-17-year-old public school students receiving special education services per 1,000 students, by primary disability type (e.g., in 2020, 20.3 per 1,000 California students were enrolled in special education for autism). S means Suppressed due to small number of children; N/A means Not Available. From kidsdata.org, California Dept. of Education, DataQuest & Special Education Division custom tabulation; National Center for Education Statistics, Digest of Education Statistics (Jun. 2021) as viewed on 3/28/2023. https://www.kidsdata.org/region/59/santa-clara-county/results#cat=12 Sources: Kidsdata.org; Brion Economics, Inc.

18 Estimated percentage of children ages 0-17 with special health care needs (e.g., in 2016-2019, 14.1% of California children had special health care needs). Population Reference Bureau, analysis of data from the National Survey of Children's Health and the American Community Survey (Jan. 2021). Kidsdata.org.

19 https://www.kidsdata.org/region/59/santa-clara-county/results#cat=12

## C. Languages Spoken by Children and Providers

The following data on languages spoken was taken from Santa Clara County's recently prepared Childcare Needs Assessment (2023)[20]. Among English Language Learners (ELL students), the majority (47%) speak Spanish. The second and third most common languages spoken are Vietnamese (12.5%) and Mandarin (9.5%). Students classified as Limited English Proficient (LEP) are students whose primary language is not English but who have met district criteria for determining proficiency in English. Combined, ELL and LEP students account for approximately 52% of the ire K-12 student population in Santa Clara County.

- Spanish and Vietnamese are the two most common languages spoken by English Language Learners (ELL) and Limited English Proficient (LEP) K-12 students.
    - While the total number of Spanish-speaking and Vietnamese-speaking ELL and LEP students decreased somewhat substantially from 2016/17 to 2021/22 (by 10,071 and 3,768), the proportion of total enrollment who are Spanish-speaking or Vietnamese-speaking ELL or LEP K- 12 students only decreased slightly, from 25.4% to 24.6% and 7.1% to 6.5% of total enrollment, respectively.
- Mandarin is the third most common language spoken by ELL and LEP K-12 students. While the total number of ELL or LEP students who speak Mandarin declined slightly from 12,265 in 2016/17 to 12,045 in 2021/22, the proportion of total enrollment who are Mandarin-speaking increased from 4.5% to 5% of K-12 students during this period.

The following data was compiled for this Study. Table 2-11 summarizes the number of ELL Kindergarten children in Santa Clara County for FY 2022/2023. As shown, there are a total of 6,750 ELL Kindergarteners. These children speak a total of 56 different languages. Consistent with the data from the Needs Assessment, 55% of these children speak Spanish, followed by 9% that speak Vietnamese and Mandarin respectively. Languages spoken by fewer than 500 students have been collapsed into the "Other, Non-English Languages" category. This data can be considered a proxy for the languages spoken by children under 4 years old in the Santa Clara County.

Table 2-12 summarizes the language spoken by childcare providers in the Santa Clara County as of 2023. A total of 1,028 providers were surveyed regarding languages spoken, or about 53% of total providers. Of these, 363 report being able to speak a language other than English. These providers speak over 16 different languages. It is not clear if some of these providers speak more than one language. There is a wide range of languages spoken by providers, which mirror the languages spoken by children.

Santa Clara County's Quality Rating and Improvement System (QRIS), QUALITY MATTERS … A Strong Start for Kids, has prepared a comparison between the language spoken by providers to that of the children served. Based on analyzing the Common Data File, they identified a possible language gap between providers and children as shown in Table 2-13[21]. Red percentages indicate 40% or more of children who speak the language do not have instructional support in their primary language.

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20 See Santa Clara County 2023 Childcare Needs Assessment prepared for the Santa Clara County Local Early Education County (LPC) by Indigo Project, June 2023, page 17.

21 QUALITY MATTERS Leadership Council Meeting PowerPoint, January 31, 2023

**Table 2-11 English Language Learners in Kindergarten by Language Spoken (Excluding English) - FY 2022-2023**

| Language | Number of Kindergarteners Countywide | Percent Distribution |
|---|---|---|
| Spanish | 3,730 | 55.3% |
| Vietnamese | 603 | 8.9% |
| Mandarin (Putonghua) | 597 | 8.8% |
| Russian | 159 | 2.4% |
| Japanese | 146 | 2.2% |
| Telugu | 144 | 2.1% |
| Korean | 142 | 2.1% |
| Hindi | 133 | 2.0% |
| Tamil | 95 | 1.4% |
| Farsi (Persian) | 90 | 1.3% |
| Cantonese | 80 | 1.2% |
| Punjabi | 77 | 1.1% |
| Arabic | 56 | 0.8% |
| Filipino (Pilipino or Tagalog) | 48 | 0.7% |
| Portuguese | 46 | 0.7% |
| Hebrew | 45 | 0.7% |
| Marathi | 42 | 0.6% |
| Kannada | 40 | 0.6% |
| All Other | 477 | 7.1% |
| | | |
| **Total ELL Kindergarten Children** | **6,750** | **100.0%** |

See https://dq.cde.ca.gov/dataquest/SpringData/StudentsByLanguage.aspx?Level=County&TheYear=2022-23&SubGroup=All&ShortYear=2223&GenderGroup=B&CDSCode=43000000000000&RecordType=EL Sources: California Department of Education DataQuest Report for 2022-23 for Santa Clara County; Brion Economics, Inc.

**Table 2-12 Number of Providers Speaking Languages Other Than English**

| Type of Provider (1) | | Amount | Percent |
|---|---|---|---|
| Total Providers Surveyed for Language Spoken | | 1,028 | |
| Of those, amount that speak a language other than English | | 363 | 35% |
| | Number of Center-Based Programs that speak another language | 54 | 15% |
| | Number of Family Child Care Homes that speak another language | 309 | 85% |

(1) From Early Care & Education Initiatives Department, Santa Clara County Office of Education via email July 26, 2023. Sources: Santa Clara County Office of Education; Brion Economics, Inc.

**Table 2-13 Primary Languages Spoken by Children and Offered by Sites - 2023**

| Primary Language Spoken | Number of Students Across All Sites | Number of Sites with Instruction Available | Number of Children Served at Sites with Available Instruction by Primary Language | Percent of Children without Primary Language Instruction |
|---|---|---|---|---|
| Arabic | 32 | 11 | 1 | **96.9%** |
| Armenian | 45 | 8 | - | **100.0%** |
| Cantonese | 64 | 19 | 25 | **60.9%** |
| English | 8,146 | 544 | 7,676 | **5.8%** |
| Filipino | 62 | 21 | 12 | **80.6%** |
| Hmong | 0 | 1 | - | **0.0%** |
| Japanese | 45 | 15 | 13 | **71.1%** |
| Korean | 41 | 14 | 8 | **80.5%** |
| Mandarin | 439 | 46 | 240 | **45.3%** |
| Punjabi | 115 | 17 | 17 | **85.2%** |
| Russian | 42 | 13 | 23 | **45.2%** |
| Spanish | 8,325 | 361 | 7,762 | **6.8%** |
| Vietnamese | 1,822 | 50 | 276 | **84.9%** |
| ASL | 21 | 2 | 1 | **95.2%** |
| Other | 650 | 36 | 110 | **83.1%** |

Source: See Quality Matters – Strong Start Leadership Council Meeting PowerPoint, January 31, 2023; Brion Economics, Inc.

## 3. Cost Model

This Chapter discusses different financing strategies that can be utilized to help fund the development of ECE facilities in Santa Clara County. The goal of this analysis is to show how the future shortage of licensed early care spaces in 2028 might be alleviated and met. The information provided in this chapter is for illustrative and modeling purposes and should not be considered prescriptive.

Given the high costs of land and construction, combined with the low profit margins associated with the childcare industry, providing quality ECE facilities is a challenge faced by communities throughout California. Understanding different financial mechanisms that can help offset costs is important in trying to create a sound cost model. Providing public funding for facilities can free up operating income that is normally spent on rent or debt service, allowing for higher wages for staff and covering other operations costs. Should Santa Clara County move forward with a financing method, more assessment would be needed to determine how the money would be allocated to providers and what the requirements of such funding would be. There are any number of mechanisms or combinations thereof that could be employed to meet existing shortfalls in Santa Clara County and future growth through 2028. For instance, each city could adopt a different approach, or the cities could partner with the CSC and prepare a Countywide Childcare Developer Fee Nexus Study, similar to the one recently prepared in Santa Clara County for affordable housing. For this analysis, the following qualifications should be kept in mind.

- The study takes a "worst-case" approach and assumes all unmet demand is met by some sort of public funding mechanism countywide.

- The actual costs of meeting the unmet need could vary depending on the type of building employed.
- Some ECE facilities will be provided by the private sector and employers, and thus, the unmet need will be less.
- Some facilities projects may cost less due to individual circumstances.
- If more "pay-as-you-go" methods are used, financing and bond issuance costs will be less.
- Mechanisms, such as community benefit programs or foundation funding, could be utilized which would reduce overall costs.
- If cities and the CSC were to reduce land use and permitting costs and barriers to developing childcare, this could also reduce facility costs. Note: FCCHs are now allowed by right.
- The cost estimates are based on real project costs for various recent childcare center projects (by type), adjusted for inflation. Actual costs may vary.
- Land costs are excluded as the location of new facilities is not known, and land costs can vary greatly.

As discussed in Chapter 2, there is currently a shortage of licensed early care spaces in Santa Clara County, and this shortage will shift over the next 5 years due to the impacts of universal TK and shifting demographics. This analysis focuses on the shortage of Infant/Toddler care as of 2028, as there is a projected surplus of Preschool care by 2028. By 2028, there will be an estimated shortage of approximately 18,828 Infant/Toddler spaces. This analysis assumes a combination of new center-based care and FCCH care will meet the need. Appendix E includes the data used in this financial analysis. The analysis focuses on the ECE needs countywide and not by individual city.

Summaries of the estimated costs associated with meeting current shortfalls and future demand for ECE facilities and the various financing mechanisms that can be utilized and possibly implemented are discussed below.

## A. Cost of ECE Facilities

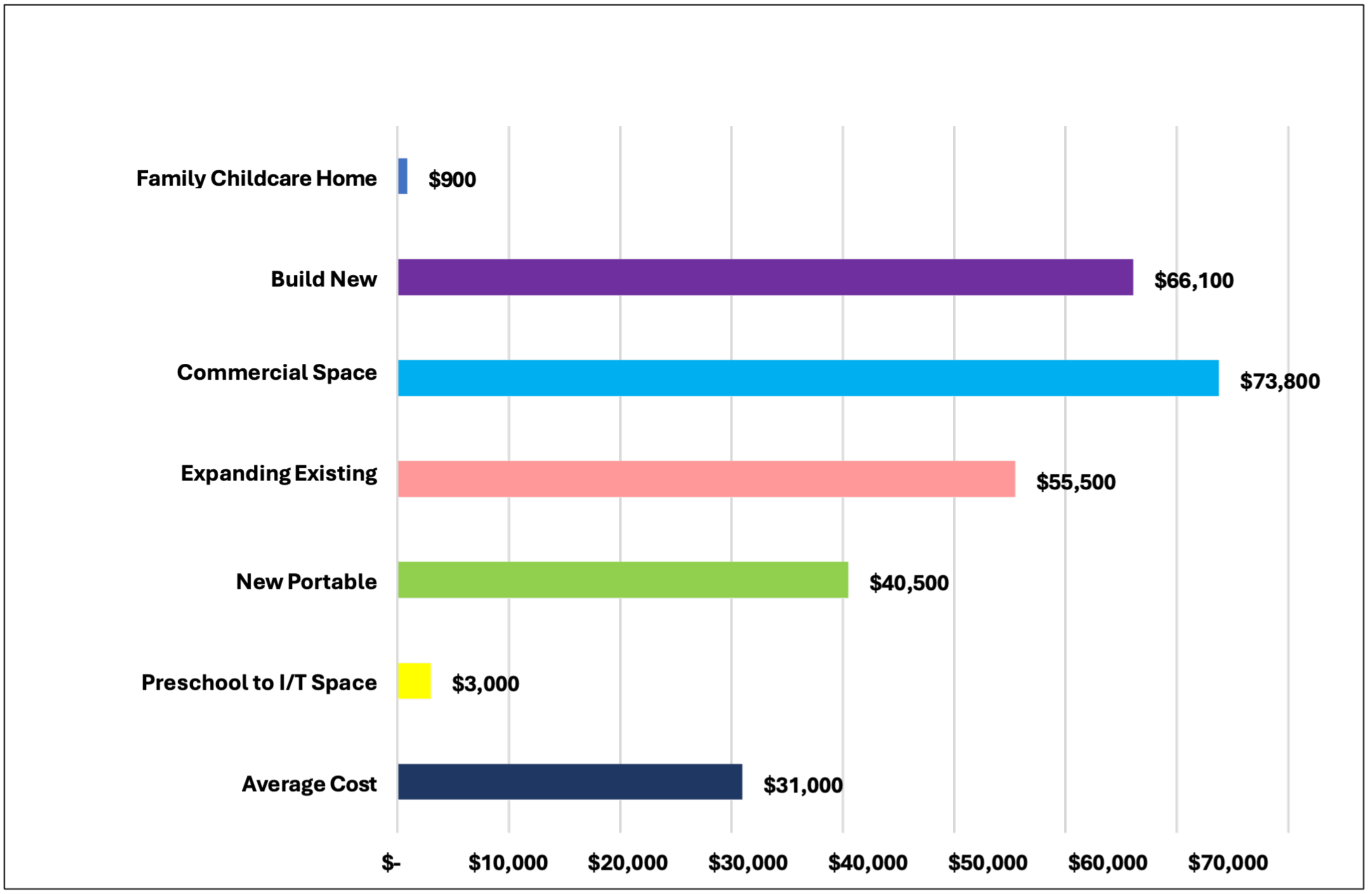
The average cost per childcare space in Santa Clara County varies depending on the type of construction project and provider. FCCHs are the least expensive type of facility as care is done in the provider's home. For illustrative and modeling purposes, this ECEFS assumes that the future development of new spaces to meet unmet demand would be broken down into the following proportions for the purpose of estimating costs:

- 15% - New center construction
- 30% - Family Child Care Homes
- 10% - New or existing commercial space
- 12% - Expanding existing centers
- 15% - Portable buildings
- 18% - Preschool to Infant/Toddler space conversion

These assumptions apply to the unmet demand as of 2028 for Infant/Toddler care. The actual distribution will vary. The overall average cost per space for all types of spaces is $31,047 based on the distribution above. The inclusion of FCCHs and conversion of Preschool to Infant/Toddler spaces skew the average cost per space downward, given the small amount of funding needed for these two approaches. The average cost per childcare space by type of development is shown in Exhibit 3-1 below. Data on recent childcare center projects was collected as part of this effort to develop average childcare costs per space for the six types of facility development above[22]. 66 Project costs were adjusted to 2023 dollars, using the Construction Cost Index published by the State of California and the Bureau of Labor Statistics' Consumer Price Index (CPI). Detailed project cost data by type of project are included in Appendix E.

The estimated cost of developing childcare spaces by type in order to meet the unmet demand in 2028 for children 0 up to 2.7 years old is calculated in Table 3-1. Based on the supply and demand analysis included in Chapter 2, there is a projected shortage of 18,828 Infant/Toddler spaces countywide by 2028.

**Exhibit 3-1 Average Cost Per Early Care Space by Center Type (rounded to nearest hundred)**




Building a new childcare center (i.e., a new free-standing building) is estimated to cost $66,100 per space, on average[23]. It is assumed that 15% of Infant/Toddler demand would be met through new construction, totaling 2,824 spaces. The total cost associated with building new center-based spaces is estimated at $186.8 million, as shown in Table 3-1.

22 It should be noted that the project costs are for childcare projects that may serve children 0 to 12 years old; however, project cost focused on just children 0 to 4 years old is not available and is considered generally the same. Actual costs may be higher due to the special needs of Infants and Toddlers.

23 New construction can be less expensive than using older existing buildings, due to the cost of upgrading to current building codes.

**Table 3-1 Estimated Facility Costs for Infant/Toddler Care by Type of Space and Age: Unmet Need at 2028**

| Type of Facility or Program | Average Cost per Space by Facility Type | Total Infants / Toddlers | Percent of Totals |
|---|---|---|---|
| | *Figures rounded to nearest $1000* | | |
| **Target Number of Center-Based Spaces (1)** | | **18,828** | |
| 1 Build New Centers: Spaces Needed | 15% | 2,824 | 15.0% |
| Costs (2) | $66,136 | $186,780,000 | **32.0%** |
| 2 New Family Child Care Homes | 30% | 5,648 | 30.0% |
| Costs (3) | $921 | $5,204,000 | **0.9%** |
| 3 New Centers in Existing or New Commercial Space: Spaces Needed | 10% | 1,883 | 10.0% |
| Costs (4) | $73,816 | $138,979,000 | **23.8%** |
| 4 Expand at Existing Centers | 12% | 2,330 | 12.4% |
| Costs (5) | $55,473 | $129,254,000 | **22.1%** |
| 5 New Portable Buildings | 15% | 2,824 | 15.0% |
| Costs (6) | $40,502 | $114,384,000 | **19.6%** |
| 6 Preschool to Infant/Toddler Conversions | 18% | 3,318 | 17.6% |
| Costs (7) | $3,000 | $9,955,000 | **1.7%** |
| Total Spaces | 100% | 18,828 | 100.0% |
| **Total Costs** | | **$584,556,000** | **100%** |
| **Average Cost by Age Group** | | **$31,047** | |

*Note: This is an estimate of new spaces by type; actual development may occur at a different ratio.*

(1) See Appendix Table E-1 for summary of countywide estimates of supply and demand and unmet need in 2028.

(2) See Appendix Table E-2 for detailed project cost estimates gathered from recent projects and adjusted for construction cost inflation. Based on average costs per space adjusted to current 2023 dollars.

(3) Based on average costs of FCCH Grants; actual costs could be much higher if building renovations or new bathrooms are required. See Appendix Table E-5.

(4) See Appendix Tables E-3 for detailed project cost estimates gathered from recent projects. Based on average costs per space adjusted to current 2023 dollars. Expansion at existing centers can vary depending on the circumstances and whether new bathrooms are required.

(5) Represents the average of portable, new construction, and renovation of existing commercial and residential costs per space.

(6) See Appendix Tables E-4 for detailed project cost estimates gathered from recent projects. Based on average costs per space adjusted to current 2023 dollars.

(7) Costs associated with new cribs, changing tables, and other furnishings & equipment needed for Infants/Toddlers and additional plumbing needs.

Sources: Brion Economics, Inc.

FCCHs provide affordable childcare to both families and providers in terms of average costs per space. FCCHs can be small or large, licensed to serve up to 8 or 14 children, respectively. The average cost per childcare space for a new FCCH is $921. Costs can be higher if the home needs major repairs or renovation. Only start-up costs, including equipment, furniture, and toys, are included in these cost estimates, and no major renovation costs are assumed. FCCHs are assumed to meet 30% of the unmet need for Infant/Toddler care or a total of 5,648 spaces or about 1,880 new FCCHs assuming three Infant/Toddlers per FCCH. These new FCCHs would also generate an increased supply of Preschool and School Age spaces, which may be needed in some parts of Santa Clara County. The total cost for this option is estimated at $5.2 million. Whether this amount of space could be provided through FCCHs depends on whether providers can find affordable housing that will accommodate FCCHs.

Developing childcare spaces in new or existing commercial spaces is the most expensive option. Due to building code upgrades and other special safety requirements (that may not exist in existing structures), it costs approximately $73,800 per space on average. It is assumed that 10% of Infant/Toddler demand would be met this way, totaling 1,883 spaces. The total cost associated with this type of construction is $139.0 million.

Existing childcare centers that may want to expand are assumed to meet another 12% of the demand for Infant/Toddler care. Given that the average cost per space is $55,500, it would cost $129.3 million for existing centers to expand and meet the needs of 2,330 Infants/Toddlers.

The use of portable buildings is the least expensive construction option at approximately $40,500 per childcare space. It is assumed that 15% of unmet demand would be met by using portable facilities, serving 2,824 Infants/Toddlers. Portable buildings would likely be placed at school sites but could be used at church sites or other private sites and would cost about $114.4 million in total.

This analysis assumes that a total of 3,318 spaces, or 18% of the total need, would be created by the conversion of Preschool classrooms to Infant/Toddler classrooms. This approach is estimated to cost $3,000 per space and does not include major plumbing costs or improvements to outdoor spaces. These conversions are estimated to cost about $10.0 million.

In total, it would cost approximately $584.6 million to meet the unmet demand of 18,828 spaces for children 0 to 2.7 years old in Santa Clara County in 2028, an average of $31,047 per childcare space, based on the assumptions on the type of development and distribution discussed above. Exhibit 3-2 summarizes the above costs by type of construction or program.

Table 3-2 summarizes the costs of meeting 100% of the unmet childcare demand for children 0 to 2.7 years old or Infants/Toddlers in the County in 2028. Program administrative costs of 2%, or $11.7 million, are added to the construction cost of $584.6 million for a total of $596.2 million. Assuming the total number of spaces is built over 10 years in equal increments, there would be 1,883 spaces built each year. The annual cost for each year is estimated at $59.6 million. Pursuing less than 100% of unmet needs would result in a concomitant reduction in the annual and total costs.

**Table 3-2 Summary of New Demand for Early Care Spaces and Costs**

| Item | Early Care Demand 2028 Total Infants / Toddlers |
|---|---|
| Unmet Need for Childcare Spaces as of 2028 (1) | 18,828 |
| Study Target - Number of Spaces | 18,828 |
| Average Facility Cost of per Space (2) | $31,047 |

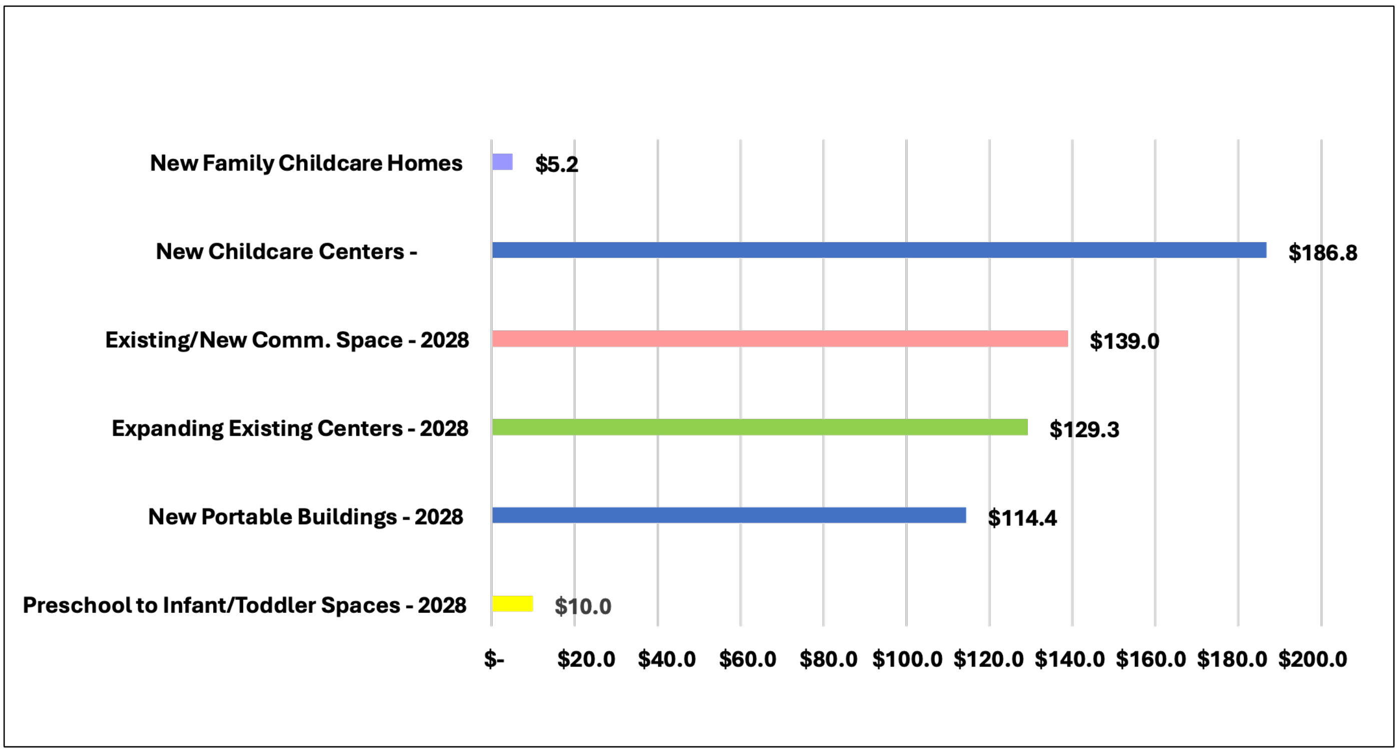
| Total Cost of Childcare Spaces *(Figures rounded to nearest $1000)* | **$584,556,000** |
|---|---|
| Program Administrative Costs (2%) | $11,691,000 |
| **With Administrative Costs (2%)** | **$596,247,000** |
| Average Cost per Space w Admin. Costs | $31,668 |
| Average No. of Spaces per Year (3) | 1,833 |
| Average Cost per Year (3) | $59,625,000 |

(1) See Appendix Table E-1 for summary of shortage in 2028.

(2) See Table 6-1; based on recent average childcare costs adjusted for inflation and the mix of spaces to be developed.

(3) Assumes a 10-year development plan. Sources: Brion Economics, Inc.

### Exhibit 3-2 Total Costs to Meet Unmet Demand in 2028 for Infant/Toddler Spaces by Type of Building/Center (in millions $)




## B. Possible Funding Options

The following describes some possible public funding sources that could be used to fund new ECE facilities. These mechanisms could be adopted countywide or by jurisdiction. The following discussion and analyses assume they are adopted countywide. This section focuses on sales tax add-ons, parcel taxes, and developer impact fees as possible funding mechanisms. Grant programs, foundation funding, and other funding through employer-provided care are also discussed.

### i. Sales Tax Add-Ons

Special add-on sales taxes are usually proposed and used for a specific purpose and require two-thirds approval by voters. Countywide transportation is the most common purpose, but add-on sales taxes can also be for general fund purposes, which only require majority approval. Frequently, add-on sales taxes are dedicated to law enforcement, fire, or emergency medical services. There can also be measures to extend existing special purpose add-on sales taxes, such as Measure K (November 2016) in Santa Clara County (see discussion below). Between 2001 and 2013, nine out of ten extensions of add- on sales taxes passed in California[24]. Examples of a Sales Tax Add-On are discussed below.

#### *a. Alameda County Children's Sales Tax Add-On*

Measure C, which was approved by voters in 2020, includes a half percent (0.5%) sales tax that would raise an estimated $150 million per year to provide support and enhancements for childcare, Preschool, early education, and pediatric health care in Alameda County. The funds will be divided 80/20 into two sub-accounts, a Pediatric Health Care Account (20%), overseen by a citizen oversight committee, and a Child Care, Preschool, and Early Education Account (80%), administered by First 5 Alameda County (First 5)[25]. The sales tax add-on will sunset after 20 years. Measure C was approved by 64% of voters in March 2020 and then contested in court. Plaintiffs argued that California law requires a 66% vote for local governments to raise taxes for a specific purpose, like childcare. Local officials argued that only a simple majority is needed if a tax measure was put on the ballot by voters and not by the local government. The Alameda County Supreme Court agreed with local official in July 2022.

#### *b. County of San Mateo Sales Tax Add-On*

San Mateo County has an additional 0.5% sales tax levy that was approved in November 2012 as Measure A. In November 2016, Measure K was approved by voters, extending the Measure A sales tax for an additional 20 years to 2043. The current Measure K is generating approximately $80 million per year and was originally estimated to generate $60 million per year. The funds are used to ensure Santa Mateo County's quality of life by retaining and improving critical facilities and services, such as: providing affordable homes for seniors, people with disabilities, veterans, and families; enhancing public transit; combating human trafficking; addressing sea level rise; maintaining safe schools and neighborhoods; high-quality Preschool and reading programs; park maintenance; and low-income healthcare[26]. San Mateo County recently released a report about Measure K summarizing the benefits of the measure[27]. As of FY 2021-22, the measure generated a total of $109.8 million. The Early Learning and Care Trust Fund has received a total of $37.4 million from FY 2013/2024 to FY 2021/2022 from Measure K funds.

### ii. ECE Sales Tax Add-On Estimates

Table 3-3 estimates the revenue that a sales tax add-on of 0.25% for childcare facilities could generate. Current retail taxable sales in Santa Clara County totaled $46.1 billion in 2022 (most recent data available) and a 0.15% sales tax add-on would generate an estimated $67.0 million annually after accounting for administrative costs, or $1.34 billion over 20 years.

Using bond financing to fund 100% of existing unmet needs for Infant/Toddler care in Santa Clara County, or $596.2 million (including administrative costs at 2%) and repaying it through sales tax add-on revenues, requires an annual repayment of $60.3million. Sales tax revenues would generate $67.0 million, a surplus of approximately $6.7 million annually. These monies could be used to reduce the cost of care to families, increase early care workforce wages, purchase land, or other ECE-related purposes.

24 A*n Overview of Local Revenue Measures in California Since 2001*, The California Local Government Finance Almanac. Updated March 10, 2014. http://www.californiacityfinance.com/LocalMeasuresSince01.pdf

25 https://www.fundingthenextgeneration.org/nextgenwp/wp-content/uploads/2021/01/Alameda-Measure-C-FAQ- Final.pdf

26 https://ballotpedia.org/San_Mateo_County,_California,_Sales_Tax,_Measure_K_(November_2016)

27 https://www.smcgov.org/ceo/news/ten-years-progress-report-measure-k-half-cent-sales-tax

The gross bond proceeds supported by the 0.15% sales tax add-on total $691.6 million (including financing and issuance costs). Financing assumptions include 6.0% capitalized interest, 7.0% reserve, and 3.0% issuance costs. Total payments, including interest, over 20 years are $1.2 billion. Based on these figures, the average additional annual cost per person in Santa Clara County is estimated at about $34 per year or a total of $673 over 20 years. This analysis excludes business-to-business taxable sales, which would also be subject to the increased sales tax rate. So, the actual cost per person would be less.

**Table 3-3 Potential Sales Tax Add-On Initiative Model**

| Item | % | Amount |
|---|---|---|
| **Current Retail Taxable Sales in County - 2022 (1)** | | $46,068,182,502 |
| Additional Sales Tax Rate | 0.15% | $69,102,274 |
| Administrative Costs | 3.00% | ($2,073,068) |
| Net Annual Proceeds | | $67,029,206 |
| **Proceeds Over 20 years in Constant Dollars** | | **$1,340,584,111** |
| **Bond Financing** | | |
| Infant/Toddler Construction Costs | 100% | $584,556,000 |
| Program Administration | 2% | $11,691,000 |
| **Subtotal Bond Proceeds Needed** | | **$596,247,000** |
| Capitalized Interest | 6% | $35,770,000 |
| Reserve | 7% | $41,740,000 |
| Issuance Costs | 3% | $17,890,000 |
| **Subtotal, Gross Bond Amount** | 16% | **$691,647,000** |
| Annual Payment Required | 6% | $60,300,000 |
| Payment Supported by Additional Sales Tax | | $67,030,000 |
| Additional Sales Tax Surplus or (Shortfall) | | $6,730,000 |
| Net Bond Proceeds Supported by Additional Sales Tax | | $649,790,000 |
| **Total Payments over 20 years** | | **$1,206,000,000** |
| Surplus or (Shortfall) (2) | | $53,543,000 |
| **Average Cost per Household** | | |
| Population in County - 2023 (3) | | 2,053,745 |
| Current average Taxable Sales per person | | $22,431 |
| Average Sales Tax Paid per person per year (4) | 9.13% | $2,048 |
| **Annual Additional Cost per person per year** | | **$33.65** |
| Cost over 20 years per person | | $673 |
| Percent of Average Annual Sales Tax Paid | | 1.60% |

(1) From CA Board of Equalization - Annual Taxable Sales – 2022 https://www.cdtfa.ca.gov/dataportal/dataset.htm?url=TaxSalesByCounty Additional taxable sales are available from business-to-business activity but not included here.

(2) A surplus would help guard against inflation; however, increasing cost of goods, and thus taxable sales, will also guard against increases in project costs.

(3) CA Department of Finance E-5 Report, Jan. 2, 2022 Note the cost per person would decrease overtime as population increases.

(4) The actual rate may vary by City within the County based on local policy.

Sources: CA Board of Equalization; CA Department of Finance; Brion Economics, Inc.

### iii. Parcel Taxes

Parcel taxes are excise taxes on real property based on either a flat per-parcel rate or a varying rate depending on use, size, and/or number of units such as square feet of building space on each parcel. Parcel taxes can be used for any municipal purpose, and the majority of those proposed in California have been for public safety or medical services[28]. In California, increasing or extending a parcel tax, which is imposed for a special purpose, requires two-thirds approval by voters based on Proposition 218 which was passed by voters in 1996[29]. In a study by the California Local Government Finance Almanac of the 396 parcel tax ballot measures in California between 2002 and 2013, 108 or 45% of them passed. Another 103, or 26%, passed with over 55% of the "yes" vote but failed to achieve the two-thirds majority. The remaining 113, or 29%, received less than 55% of the "yes" vote. This review also found that the most successful parcel tax measures were broad-based public safety measures that allowed funds to be used for police, fire, and medical services[30].

Parcel tax rates are normally weighted in some capacity, such as by size of parcel, density of development of parcel, or demographics of parcels. Rates often vary by land use depending on the nature of the services to be funded. Parcel taxes are commonly used to finance municipal bonds that are sold to fund infrastructure such as school projects or new parks and open spaces. The annual revenues from the parcel tax are used to make annual debt service payments and cover administration costs and required reserves.

According to a California City Finance presentation, the California Constitution only allows two types of taxes imposed upon a parcel of property[31]:

- Ad valorem property tax
- Special tax receiving two-thirds voter approval

A publicly issued parcel tax initiative requires two-thirds voter approval regardless of how (or if) the proceeds are restricted. However, a citizen-driven parcel tax initiative only requires a majority of 50% or more approval.

Other parcel tax requirements include:

- Flat per-parcel rate, per land use, size of parcel, or number of units and sqft of development
- To distinguish from property tax, the ordinance should be an excise tax for revenue-raising purposes on the use of municipal services (rather than property ownership).
- Rates should show rough proportionality to the use of services.

Assessment districts are similar to parcel taxes and may be created to impose assessments or special taxes that require majority approval. However, a civil engineer's report is required to demonstrate the special benefit being conferred to the parcels being assessed. Assessment districts are commonly used for infrastructure whose cost can be directly apportioned to individual properties; these types of assessment districts are not well-suited to facilities such as childcare that provide a broader general benefit.

#### *a. City of Oakland Children's Initiative*

The City of Oakland adopted a parcel tax to fund ECE needs in the city in 2018. The Oakland Children's Initiative collects an annual parcel tax to support childcare and Preschool programs in the city, as well as to provide some

28 A*n Overview of Local Revenue Measures in California Since 2001*, The California Local Government Finance Almanac. Updated March 10, 2014. www.CaliforniaCityFinance.com
29 https://www.californiataxdata.com/pdf/Proposition218.pdf
30 Ibid
31 http://www.californiacityfinance.com/CSMFOrevFunTwo190207p.pdf

money for college access. It is estimated that the fund raises over $30 million annually. The money goes toward expanding access to high-quality Preschool, initially prioritizing programs for young children in Oakland Unified School District and the City of Oakland Head Start. The Initiative was challenged in court by a property owner group but was approved by the State Appeals Courts[32].

### iv. ECE Parcel Tax Estimates

One way for Santa Clara County to address the identified need is to adopt a parcel tax that would be earmarked for childcare facilities. As discussed above, this would have to be done as a ballot initiative and would require a two-thirds "yes" vote to pass.

Table 3-4 calculates potential parcel tax revenue. In this example, the revenue is estimated to fund 100% or $596.2 million of the total cost of developing the unmet need for Infant/Toddler spaces in Santa Clara County as of 2028[33]. For simplicity, we assume the parcel tax would be a flat average tax per parcel on all residential and non-residential uses. The total number of parcels in Santa Clara County is 485,431 as of 2022/2023. The current total assessed value in Santa Clara County is about $605.8 billion. Financing assumptions include 6.0% capitalized interest, 7.0% reserve, and 3.0% issuance costs. A parcel tax with bond financing would generate a total gross bond amount of $691.6 million, including issuance costs. The annual payment to fund this level of bond payment would equal about $60.3 million per year. The costs divided by existing parcels result in an average parcel tax of $124 per parcel per year, as shown in Table 6-4. Over 20 years this would generate the required $1.2 billion (including interest) to pay back the bond measure. This potential annual parcel tax represents a 1.4% increase in the average single-family/condo residential parcel paid in Santa Clara County, based on a current average assessed value of $862,000. The gross bond amount as a percent of the total current assessed value is 0.11%.

**Table 3-4 Potential Parcel Tax Model**

| **Current Assessed Value (1)** | **Number of Parcels** | **Value** |
|---|---|---|
| Total Single Family/Condo | 431,197 | $371,637,797,771 |
| Total Multi-Family Housing | 21,103 | $62,107,030,115 |
| Commercial/Industrial | 33,131 | $172,022,618,812 |
| **Total, All Parcels** | **485,431** | **$605,767,446,698** |
| **Bond Financing** | | **Amount** |
| Infant/Toddler Construction Costs | | $584,556,000 |
| Program Administration (2%) | | $11,691,000 |
| **Total Bond Proceeds Needed** | | **$596,247,000** |
| **Financing Costs** | **Rate** | **Amount** |
| Capitalized Interest | 6.00% | $35,770,000 |
| Reserve | 7.00% | $41,740,000 |
| Issuance Costs | 3.00% | $17,890,000 |
| **Subtotal, Gross Bond Amount** | 16.00% | **$691,647,000** |
| Annual Payment | 6% | $60,300,000 |
| **Total Payments over 20 Years** | | **$1,206,000,000** |
| **Annual Cost per Parcel** | | **$124** |

32 State appeals court rules in favor of Oakland's embattled Measure AA tax (sfchronicle.com)

33 Includes 2% administrative costs.

| | | |
|---|---|---|
| Revenue over 20 Years | | $1,206,000,000 |
| Gross Bond Amount as Percent of Total Assessment Value | | 0.11% |
| Average Single Family/Condo Assessed Value in County | | $861,875 |
| Current 1% property Taxes | | $8,619 |
| Parcel Tax as % increase in average residential property taxes | | 1.40% |

See https://www.sccassessor.org/forms-and-publications/annual-report/item/523-annual-report-2022-2023, page 20. This is a simple allocation of costs by parcel, the actual assessments would be weighted by parcel size and density. Current Assessed Value is not the current market value of property due to Proposition 13. Affordable housing projects could be exempt if they include childcare. Senior housing could be exempt. Would exclude vacant land, rural and agricultural parcels.
Sources: Brion Economics, Inc

If a parcel tax were to be adopted, it would require a detailed financial study to allocate the costs to early care facilities based on the services required by various land uses, similar to a nexus study for developer impact fees. The costs of employee demand would be met by residential uses for those employees who work and live in Santa Clara County for example. The cost of non-resident employees (discussed in Chapter 2) could be levied on non-residential parcels. Thus, the actual parcel rate could vary from this illustration. It would also need to be decided if the goal is to raise 100% of the funding required to meet the unmet need or some smaller amount.

### v. ECE Developer Impact Fees

Counties and cities have the option of adopting developer impact fees to fund infrastructure and public facilities projects under Government Code 66000 or the Mitigation Fee Act (MFA). Development impact fees are exclusively for capital improvements serving new development to offset the impact of a particular project or new growth and cannot fund existing deficiencies. Nor can a city charge new development for higher standards than currently exist in a community. In order to adopt a fee, it is necessary to identify the additional capital facilities needed to maintain the current level of service for the applicable improvements. Higher standards of service can be adopted if there is a plan to bring existing development up to that standard. A developer impact fee is calculated based on projected facilities costs and then distributed across land use based on expected growth, normally over a 20-year period. Developer impact fees are adopted by local decision-makers, such as a city council or board of supervisors by resolution and ordinance before they can be levied on future development projects in a jurisdiction. Building departments normally implement and collect developer impact fees when building permits are pulled but they can also be paid at the certificate of occupancy issuance in rare cases.

#### *a. ECE Development Impact Fee Estimates*

While development impact fees cannot fund existing shortfalls, impact fees can be levied on new development to fund the impact of the development, as discussed above. Table 3-5 shows a simple calculation of the early care requirement for new residential uses between 2023 and 2028, based on countywide population ABAG projections discussed in Chapter 2. As shown in Table 3-5, based on an estimated population increase in Santa Clara County of about 116,400 residents over the next five years and a "persons per household" estimate of 2.81, it is likely that an additional 41,414 residential units will be developed during the same time period. New development will generate childcare demand for an additional 1,405 Infant/Toddler children, of which an estimated 437 are expected to require a licensed Infant/Toddler space.

Assuming 100 sqft per child of indoor space and 75 sqft of outdoor space per child, about 43,700 sqft of building space and about 32,800 sqft of outdoor space will be required to meet the new demand for spaces. If a project provides childcare space in lieu of the fee, it should be equivalent to 1.1 sqft of indoor space per residential unit and 0.8 sqft of outdoor space per residential unit.

**Table 3-5 Childcare Requirement for Future Residential Growth - 2023 to 2028**

| Item | Assumptions | Amount (2023-28) |
|---|---|---|
| Total Residential Population Growth in County (1) | | 116,373 |
| Persons per Household Factor (1) | | 2.81 |
| New Residential Units | | 41,414 |
| Dwelling Units Subject to Fee | | 41,414 |
| Estimated 0-4 Yr. Old Children - % of Total Population (2) | 6.10% | 1,405 |
| Need for New Early Care Spaces from New Res. Units | 31% (3) | 437 |
| Required Indoor Childcare Space from New Res. Units (4) | | 43,694 |
| Required Outdoor Childcare Space from New Res. Units (5) | | 32,771 |
| Required Indoor Childcare Space per Residential Unit | | 1.1 sqft |
| Required Outdoor Childcare Space per Residential Unit | | 0.8 sqft |

(1) Based CA Department of Finance, Average Persons per Household, E-5 Report, Jan. 1, 2022.

(2) Children, 0-4 years old, is 6.1% of total population at 2028. Difference between 2028 and 2023 need or net growth.

(3) Represents demand for center-based and FCCH spaces. See Table E-1.

(4) Assumes an average building sqft per space based on quality standards, including State licensing requirements, support areas: halls, storage, restrooms, kitchen, etc.

(5) Assumes average outdoor per space based on state licensing requirements

Sources: Brion Economics, Inc.

Based on the above assumptions, the average cost per childcare center space of $31,047 and a need for 437 new spaces, the potential total Infant/Toddler spaces for new residential development would cost $13.8 million, including a 2% administrative cost. Allocated evenly to the 41,414 new residential units, the implied impact fee per unit totals $334, as shown in Table 3-6. In an actual nexus study, the fee would vary by type of residential unit or density and apply to commercial uses as well. This calculation is a simple average cost per dwelling unit, countywide, and excludes land costs.

**Table 3-6 Early Care Impact Fee Estimate per Residential Unit**

| Item | Assumptions | Amount |
|---|---|---|
| Total Need for Infant/Toddler ECE Spaces - 2023 to 2028 | 437 | |
| Average Cost per Early Care Space | $31,047 | |
| Cost of Early Care Spaces | | $13,565,971 |
| Administration Costs | 2% | $271,319 |
| Total Program Costs | | $13,837,291 |
| Costs included in Impact Fee Program | 100% | $13,837,291 |
| New Residential Units - 2023-2028 | | 41,414 |
| **Estimated Fee per Residential Unit (1)** | | **$334** |

(1) This is an illustrative estimate of what an early care development impact fee would be; a fee nexus study would need to be prepared for adopted by each city in Santa Clara County. The ECE development impact fee would be spread over non-residential development as well, and thus the residential impact fee would be less. In addition, most Impact Fee programs would include the need for Preschool and school-age spaces.

Source: Brion Economics, Inc.

### vi. Community Benefits Programs (CBPs)

Community benefit zoning and other community benefits programs represent newer land use mechanisms that cities and counties are employing to garner public improvements, services, and facilities from new development in exchange for high-density or other special development approvals. In some cases, this type of program is responding to rapid growth and attempts to mitigate some of the impacts of growth on communities. There is a wide range of CBPs, and some of these programs attempt to capture a portion of the additional real estate value created by higher-density development from projects. Benefits can be provided directly within or near the project development, or payments can be made to the city by the developer at some agreed-upon amount. Some city CPBs have established a fee, such as $20 per sqft, on additional development beyond a certain threshold or height.

The City of Berkeley recently started levying a CBP fee for new residential buildings over 75 feet tall in the downtown area[34]. Some cities such as Millbrae have created a list of community benefits that a developer can provide in exchange for additional density in and around the BART station but allow the developer to negotiate which services or facilities they will provide through a development agreement[35]. The City of Menlo Park adopted Community Benefit Zoning in the General Plan update for the area east of the Bayshore Freeway 101 and will require additional community benefits on any new commercial development over the allowable 45% Floor Area Ratio[36]. As discussed further below, Redwood City has utilized CBPs as a means of adding new childcare facilities.

The strategy behind CBPs is that the city receives some sort of additional benefit above and beyond the normal impact fees, conditions of approval, and other building fees new development must pay. These types of programs are still relatively new but becoming more popular. The types of improvements or services provided include:

- Additional affordable housing, beyond baseline requirements
- Parks and open space
- Childcare facilities
- New community facilities such as senior centers, recreation amenities, childcare, etc.
- Green Building Standards, such as LEED gold or platinum
- Contributions to job training programs, homeless services, youth mentoring, etc.
- Bike parking, bike, and pedestrian trails, etc.
- Transportation improvements and Transportation Demand Management (TDM) programs
- Shuttles and special connection services from train and BART stations, etc.

In general, CBPs allow for a range of community benefits and flexibility for developers. In some cases, a "competition" is set for a limited amount of development approval, and the projects with the best community benefits package may be selected. Community benefits can be "negotiation-based" through a development agreement or other similar document or "plan-based" and set by resolution and ordinance[37]. While we are not aware of childcare being identified in a community benefits program, childcare represents a broad community benefit that could be eligible for this sort of program.

34 See Ch. 23.204 Commercial Districts | Berkeley Municipal Code

35 See Millbrae Station Area Specific Plan: http://www.ci.millbrae.ca.us/home/showdocument?id=7200

36 See https://menlopark.gov/files/sharedassets/public/community-development/documents/appraisal-instructions_1-10- 19.pdf

37 See "Development Management Overview," prepared for the City of Cupertino by Economic & Planning Systems, Inc. and Burke, Williams & Sorensen, LLP (June 24, 2015); includes an overview of CBPs and several case studies.

### *a. Redwood City Community Benefits Program*[38]

Partnership Redwood City provides community benefits through a wide range of partnerships. Through ongoing collaboration with businesses, community groups, residents, property owners, and developers, this program delivers affordable housing, improved schools, parks, transportation systems, programs for the arts, and support for special programs and events. These partnerships ensure that all community members will benefit from new development and investment in Redwood City. The City's Mixed-Use Transitional Zoning District also has a CBP that includes childcare facilities. A certain number of points are required for a development project to qualify for increased density or height depending on the project size. Projects with a 60-space center of 8,000 sqft or more get 4 points, and projects with a 30-space center and 4,000 sqft get 2 points. An additional 2 points are available for specialized programming including language immersion, serving children with special needs, or other specialized programming[39].

The basic requirements of the Redwood City community benefits program are:

- Ability to offer development incentives that will increase project value.
- Market demand for the additional development capacity that the incentive would create.
- Vacant or underused sites where development can occur.
- Sufficient additional economic value created by the incentive to cover the cost of desired benefits[40].

The following projects have recently taken advantage of the CBP and include childcare facilities:

- Elco Yards (approved) – with an 8,367 sqft childcare center
- Broadway Plaza (approved) – with a 10,000 sqft childcare center
- Arguello Street Mixed-Use (proposed) – with a 4,000 sqft childcare center
- Sequoia Station (proposed) – with a 10,000 sqft childcare center
- 1205 Veteran's Blvd (proposed) – with a 5,300 sqft childcare center

Community benefits programs are ideal in high real estate value areas such as Santa Clara County. As demonstrated by Redwood City CBPs can be very effective in generating new childcare facilities.

## vii. Employer-Based Childcare

Employer-based childcare can be solution to the need for early care for employees of larger businesses. Parents of Infants and Toddlers prefer to have their children close to their place of work if they are using licensed care. Typically, the employers provide the facility for the childcare operator or construct a new center on land they already own or in building space they own or lease. In this situation, the childcare operator or provider does not have the expense of providing the facilities and, thus, can operate at a higher margin. They may pay rent, however. Often the employer subsidizes the employees' childcare fees at some percentage or offers other support in the form of maintenance costs. Often, employer-sponsored childcare centers also offer spaces to the community to ensure that the centers are operating at or close to full capacity. The fact that the employer generally provides space for childcare equates to a "subsidy" regardless of whether they subsidize monthly fees for the employees or lease costs. Employer-based childcare is considered an employee benefit, and there are various options for employers who want to help their employees with childcare. Not all employers provide actual physical space for

38 See https://www.redwoodcity.org/business/partnership-redwood-city

39 Per email with Lindy Chan, Redwood City, 8.22.23; see City Resolution #15817. http://documents.redwoodcity.org/PublicWeblink/DocView.aspx?dbid=0&id=392816&page=1&cr=1

40 https://www.redwoodcity.org/departments/community-development-department/planning-housing/planning- services/partnership-redwood-city/partnership-redwood-city-faqs

childcare, although some do.

Employer-based support is typically comprised of these options:

- Building on-site or nearby employer childcare centers for employees, resulting in an increase in the number of available childcare spaces in the local community.
    - There are different options for operating the centers: they can be operated by the company itself, through a childcare management firm, or by a non-profit childcare provider.
- Subsidizing operating costs and/or tuition at employer-sponsored childcare centers.
- Purchasing a percentage of spaces for employees to use at an existing center.
- Subsidizing waitlist priority for their employees at existing childcare centers.
- Subsidizing childcare tuition at existing childcare centers.

A recent State of California study identified two main business-related motivations for employer investment in on site or near-site childcare, (i), addressing the shortage of childcare facilities, and (ii), recruiting and retaining a highly qualified talent pool[41]. The 2016 National Study of Employers found that only 7% of U.S. employers provided on site or near-site childcare and that such care is provided far more often by large employers (20 percent) than by small employers (5 percent; Matos et al, 2017). The rate at which employers provide childcare remained the same between 2012 and 2016, with an average of 7 percent of employers. This same study found that employers are much more likely to provide support, such as Dependent Care Assistance Plans (56 percent) and access to information to help locate childcare in the community (41 percent), than to provide on site or near-site care[42]. The most commonly cited challenges for establishing on site or near-site childcare are the cost, the lack of space, and the complex permitting process in California[43]. Building on these considerations, research shows the following factors that facilitate the establishment of on site or near-site childcare:

- A large number of employees: Small businesses are missing important economies of scale required to build a childcare facility, often lacking the staff and financial resources to support the cost, time, and administrative burden of establishing and running an on site childcare program.
- Unionization: Unionized workers have higher rates of access to employer-supported childcare and can support the establishment of childcare facilities, for example at the Palcare Center at San Francisco Airport.
- Partnering with nonprofit employers and governments: Collaborating with other employers can help solve the demand question. Designing the program to include state-subsidized childcare can help make the tuition affordable for a wider range of employees.
- Ownership of space makes the development of childcare facilities much easier.
- Governmental and educational institutions: Universities and community colleges are prime locations for employer-supported childcare. If applicable, students from child development programs could also help augment the regular staff and help reduce the cost of care.

Based on research conducted, both quantitative and qualitative interviews with employers and pioneers in the field, the State's California for All Kids initiative recommends the following policies:

- Raise the awareness of already existing federal tax credits for employers, which allow them to claim up to 25% of the amount spent on childcare services as a tax credit and to amortize start-up expenses throughout 60 months.

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41 https://californiaforallkids.chhs.ca.gov/assets/pdfs/Employer_Role_in_Establishing_Child_Care_Facilities.pdf Page 4 and 5

42 https://californiaforallkids.chhs.ca.gov/assets/pdfs/Employer_Role_in_Establishing_Child_Care_Facilities.pdf page 3

43 California For All Kids: The Employer's Role in Establishing Child Care Facilities. https://californiaforallkids.chhs.ca.gov/assets/pdfs/Employer_Role_in_Establishing_Child_Care_Facilities.pdf, accessed 8.18.23.

- Establish a state tax credit in California taking Colorado or Georgia as a blueprint. Georgia offers employers a 75% annual tax credit on operating expenses and provides a 100% tax credit on capital costs for the construction of a center. Recent State research found businesses are more likely to provide childcare where there are tax benefits to do so.
- Support public-private partnerships by providing technical assistance and planning grants to encourage partnerships between large and small employers, government, educational institutions, and other organizations.
- Allow employers as candidates for state-funded and federally-funded facilities grants, which can be more attractive to small businesses than tax credits.
- Maintain the quality while increasing regulatory flexibility to address challenges in the permitting process and licensing requirements, specifically pertaining to the requirement for outdoor space in downtown areas and the lack of flexibility to accommodate innovative and high-quality design.

Table 3-7 summarizes the largest employers in Santa Clara County, including estimates of the number of employees. A few of these employers offer ECE or some support such as access to Dependent Care Assistance Plans. The largest employers in Santa Clara County were identified using data from the California Employment Development Department[44] and the Silicon Valley Business Journal[45]. Subsequently, research on employee benefits for childcare was conducted, referring mostly to the websites of these companies themselves. Out of 27 companies, detailed information could be found for 20 companies, four of which did not provide any childcare benefits at all.

- Six employers provide either childcare on site or run their own childcare centers for employees.
- Five companies partnered with local childcare providers (most often KinderCare) and offer reduced tuition rates for their employees (10-15% reduction). Often this benefit is combined with access to emergency backup care for children and other dependents like elderly parents and other extensive benefits for caregivers, from gifts and mentoring for expecting mothers at Tesla[46], to up to 12 weeks of paid parental leave to take care of a sick child at Intel[47], to support for parents of children with special needs at Adobe[48].
- The third most common option offered by four companies was pre-tax childcare saving plans. These work similarly to a Flexible Health Savings Account as they allow employees to set aside up to $5,000 pre-tax dollars a year to use for dependent care (children under 13 years and other dependents who are physically or mentally unable to take care of themselves)[49].
- The County of Santa Clara further has an Employee Child Care Assistance Program where qualifying employees (full-time employees earning less than $119,999 per year) receive partial reimbursement for childcare costs[50] in addition to access to Dependent Care Assistance Plans[51].

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44 State of California - Employment Development Department: Major Employers in Santa Clara County. https://labormarketinfo.edd.ca.gov/majorer/countymajorer.asp?CountyCode=000085, accessed 8.10.23.

45 Silicon Valley Business Journal: https://www.bizjournals.com/sanjose/subscriber-only/2021/07/09/largest-silicon-valley- employers.html, accessed 8.11.23 and https://www.bizjournals.com/sanjose/subscriber-only/2023/07/21/employers- silicon-valley.html, accessed 8.12.13.

46 https://en-tesla-babies.kramermadison.com/blogs/news/tesla-babies-resources, accessed 8.16.23.

47 https://tootris.com/edu/child-care-assistance/corporate/intel/, accessed 8.16.23.

48 https://tootris.com/edu/child-care-assistance/corporate/adobe/, accessed 8.16.23.

49 https://employeeservices.sccgov.org/employee-benefits/life-and-financial-benefits/dependent-care-assistance-program-dcap#:~:text=The%20DCAP%20program%20allows%20you,to%20save%20on%20these%20expenses, accessed 8.16.23.

50 https://employeeservices.sccgov.org/employee-benefits/life-and-financial-benefits/ecap-2023, accessed 8.16.23.

51 See Santa Clara County's DCAP https://employeeservices.sccgov.org/employee-benefits/life-and-financial-

**Table 3-7 Largest Employers in Santa Clara County – Childcare Benefits**

| Employer Name | Location | Industry | # of Employees in Santa Clara County | Child Care Benefits |
|---|---|---|---|---|
| Alphabet Inc. / Google LLC | Mountain View | Internet Software | 36,603 (1) | Paid parental leave, subsidized backup childcare (12) |
| Tesla Motors Inc. | Palo Alto | Electric Vehicle Manufacturer | 30,000 (21) | Reduced rate at partner programs, back up child care program (22) |
| Apple Inc. | Cupertino | Computers-Electronic-Manufacturer | 25,000 (1) | Pre-tax child care savings (4) |
| County of Santa Clara | San Jose | Public Administration | 22,000 (2) | Pre-tax child care savings, employer-funded reimbursements for child care (3) |
| Stanford University | Stanford | Higher Education | 16,963 (21) | Child Care Centers for employees (23) |
| Cisco Systems Inc. | San Jose | Computer Hardware | 10,000+ | On-site child care (6) |
| eBay Inc. | San Jose | Internet & Catalog Shopping | 10,000+ | None (7) |
| Applied Materials Inc. | Santa Clara | Semiconductor Manufacturing Equipment | 5,000-9,999 | No details available |
| Intel Corp | Santa Clara | Semiconductor Devices | 5,000-9,999 | Reduced rate at partner programs, back up child care program (10) |
| Lockheed Martin Space Systems | Sunnyvale | Satellite Equipment & Systems | 5,000-9,999 | None (13) |
| Lumileds | San Jose | Lighting Fixtures-Supplies & Parts | 5,000-9,999 | No details available |
| NASA | Mountain View | Federal Government-Space Research & Technology | 5,000-9,999 | On-site child care (14) |
| Prime Materials | San Jose | Semiconductors & Related Devices | 5,000-9,999 | No details available |
| Adobe Inc. | San Jose | Publishers-Computer Software | 1,000-4,999 | Reduced rate at partner programs, back up child care program (11) |

benefits/dcap- 2023.

| | | | | |
|---|---|---|---|---|
| Advanced Micro Devices Inc. | Santa Clara | Semiconductor Devices | 1,000-4,999 | Pre-tax child care savings, back up child care program (15) |
| Analog Devices Inc. | San Jose | Semiconductor Devices-Wholesale | 1,000-4,999 | Pre-tax child care savings, back up child care program (16) |
| California's Great America | Santa Clara | Amusement & Theme Parks | 1,000-4,999 | No details available |
| Fujitsu Laboratories | Sunnyvale | Laboratories-Research & Development | 1,000-4,999 | No details available |
| Intuitive Surgical Inc. | Sunnyvale | Orthopedic Prosthetic / Surgical Appliance | 1,000-4,999 | Reduced rate at partner programs (17) |
| Lucile Packard Children's Hosp | Palo Alto | Hospitals | 1,000-4,999 | Child Care Centers for employees (23) |
| Netapp Inc. | San Jose | Computer Storage Devices | 1,000-4,999 | None (18) |
| Nvidia Corp | Santa Clara | Computer-Software Developers | 1,000-4,999 | Reduced rate at partner programs, back up child care<br><br>program (19) |
| SAP Center | San Jose | Stadiums Arenas & Athletic Fields | 1,000-4,999 | No details available |
| Super Micro Computer Inc. | San Jose | Computers-Electronic-Manufacturers | 1,000-4,999 | No details available |
| Va Palo Alto Health Care | Palo Alto | Government-Specialty Hosp Ex Psychiatric | 1,000-4,999 | On-site child care (20) |
| Flextronics International | Milpitas | Semiconductor Devices | 1,100 (8) | None (9) |
| Christopher Ranch LLC | Gilroy | Agriculture/Garlic | 1,000 | Head Start program operated by SCCOE |

(1) These are employee counts for the entire Silicon Valley, some of which is San Mateo County. Based on Silicon Valley Business Journal (2021): https://www.bizjournals.com/sanjose/subscriber-only/2021/07/09/largest-silicon-valley-employers.html, accessed 8.11.23

(2) About Our County. https://employeeservices.sccgov.org/sites/g/files/exjcpb531/files/about-our-county.pdf, accessed 8.11.23

(3) https://employeeservices.sccgov.org/employee-benefits/life-and-financial-benefits/ecap-2023

(4) https://theoutline.com/post/1623/here-are-apple-s-child-care-benefits

(6) https://newsroom.cisco.com/c/r/newsroom/en/us/a/y2008/m10/cisco-unveils-integrated-on-site-health-care-child-care and-fitness-facility-for employees.html#:~:text=The%20LifeConnections%20Center%20will%20provide,offerings%20in%20a%20single%20 location.

(7)https://www.fatherly.com/love-money/ebay-best-places-work-new-dads

(8) https://flex.com/careers/united-states/milpitas

(9) https://flextronics.wd1.myworkdayjobs.com/en-US/Careers/details/Technical-Program Manager_

WD171405?primaryLocation=5cef661d12840183187dd2d24553427e
(10) https://tootris.com/edu/child-care-assistance/corporate/intel/
(11) https://tootris.com/edu/child-care-assistance/corporate/adobe/
(12) https://9to5google.com/2023/12/07/google-day-care-centers/
(13) https://www.lockheedmartin.com/en-gb/careers/life-at-lockheed-martin.html
(14) https://www.ameschildcare.org/
(15) https://www.amd.com/system/files/documents/us-benefits-at-a-glance-regular-exec-intern-coop.pdf
(16) https://www.analog.com/media/en/company-csr/adi-2022-benefits-at-a-glance.pdf
(17) https://careers.intuitive.com/en/who-we-are/benefits/
(18) https://www.builtincolorado.com/company/netapp/benefits
(19) https://www.nvidia.com/content/dam/en-zz/Solutions/benefits/documents/NVIDIA-Care.com-Membership.pdf
(20) https://www.va.gov/ohrm/worklifebenefits/vachildcare.asp#California
(21) https://www.bizjournals.com/sanjose/subscriber-only/2023/07/21/employers-silicon-valley.html
(22) https://en-tesla-babies.kramermadison.com/blogs/news/tesla-babies-resources
(23) https://cardinalatwork.stanford.edu/benefits-rewards/worklife/children-family/site-early-childhood-education-programs
Source: State of California - Employment Development Department: Major Employers in Santa Clara County. https://labormarketinfo.edd.ca.gov/majorer/countymajorer.asp?CountyCode=000085, Brion Economics, Inc.

Some other examples of employer-provided childcare are discussed below:

- Stanford University[52] partners with three childcare operators to manage the six campus childcare centers. The operators are independent organizations known for their expertise in delivering quality care and education for young children. Stanford offers 920 early care spaces (Infant through Preschool) for its staff, faculty, and students. This equals about one early care space per 18.5 employees, based on the estimate of total employees in Table 3-7.
- Kids on Campus[53], located at the Santa Clara University campus, has been in operation since 1969 and began as a babysitting co-op. The center is now a licensed childcare center, serving 20 Infants/Toddlers, and 45 Preschool children.

Partners in Santa Clara County could consider developing an in-depth study of employee-based childcare needs and opportunities. When large office complexes or projects are being provided, childcare should be considered and requested of developers, particularly if the city has a community benefits program and/or a development agreement is being considered.

## viii. Grants, Loan Funds, and Foundations

There are various grant programs and foundations that could provide funding for new ECE projects as well. While these are possibilities, it is not possible to estimate how these sources might be leveraged in Santa Clara County.

### *a. Community Development Block Grant*

Community Development Block Grant (CDBG) funds from the Federal Housing Urban Department (HUD) provide grants to smaller units of local government to help preserve affordable housing, provide services to the most vulnerable individuals in society, and help create and retain jobs. There are challenges to getting CDBG funds for childcare projects, but they have funded some childcare projects in different cities and counties in California.

52 https://cardinalatwork.stanford.edu/benefits-rewards/worklife/stanfords-site-child-care-system-and-worklife-office
53 See https://www.scu.edu/kids-on-campus/

Some of the challenges include timelines of application and funding and having a shovel-ready project that can spend the money in the year allocated.

### *b.Silicon Valley Community Foundation*

The Silicon Valley Community Foundation (SVCF) is a center of philanthropy that partners with donors to strengthen the common good locally and throughout the world. SVCF's Early Childhood Development department partners with Santa Clara and San Mateo Counties on ECE issues[54], including funding grants, research, and studies. SVCF has funded a wide variety of ECE projects over the years including support for the Local Planning Councils' Needs Assessment and other initiatives, such as the FCCH Grant Programs discussed elsewhere in this report[55].

### *c. Heising-Simons Foundation*

The Heising-Simons Foundation is a family foundation based in Los Altos and San Francisco, California. The Foundation works with its many partners to advance sustainable solutions in climate and clean energy, enable groundbreaking research in science, enhance the education of our youngest learners, and support human rights for all people. The foundation has made grants for a number of recent childcare-related projects in California and in particular the Bay Area[56]. They support Build Up California as well as the University of California at Berkeley's Center for the Study of Child Care Employment.

## C. Financing Strategy

Section B above outlines several possible funding mechanisms and strategies that could be used to develop new ECE facilities in Santa Clara County. These are options that would need to be considered in more depth or would apply to specific projects, cities, or countywide. In the case of Developer Impact Fees, this mechanism would need to be adopted by each city and the CSC separately. Given the small amount of developable land within the unincorporated areas of Santa Clara County, developer fees are not a viable mechanism for the CSC as a jurisdiction. Other mechanisms, such as Community Benefit Programs (CBPs), Development Agreements, or employer-based care, need to be reviewed on a city-by-city basis. These mechanisms could be of benefit, but it is difficult to quantify and predict how many spaces might be provided via these options. With CBPs, developers have a range of community benefits that they can offer, and there is no guarantee that they would choose childcare compared to other benefits.

As discussed above, there are six main types of early care facilities envisioned in the Cost Model. Exhibit 3-4 summarizes the amount by type of facility. In order to convert the number of spaces into new early care facilities, the average size in terms of spaces per facility type is calculated.

- Build New Centers: The average number of spaces per center is 64 spaces, which is a typical sized childcare center based on state licensing. Assuming an average of 64 spaces per center, a total of 44 new childcare centers are required. If the average size is larger, then fewer centers would be required.
- New Family Child Care Homes[57]: Assuming an average of 3 Infant/Toddler spaces per FCCH, a total of 1,884

54 https://www.siliconvalleycf.org/nonprofits/grants/early-childhood-development

55 Silicon Valley Community Foundation website viewed August 2, 2023.

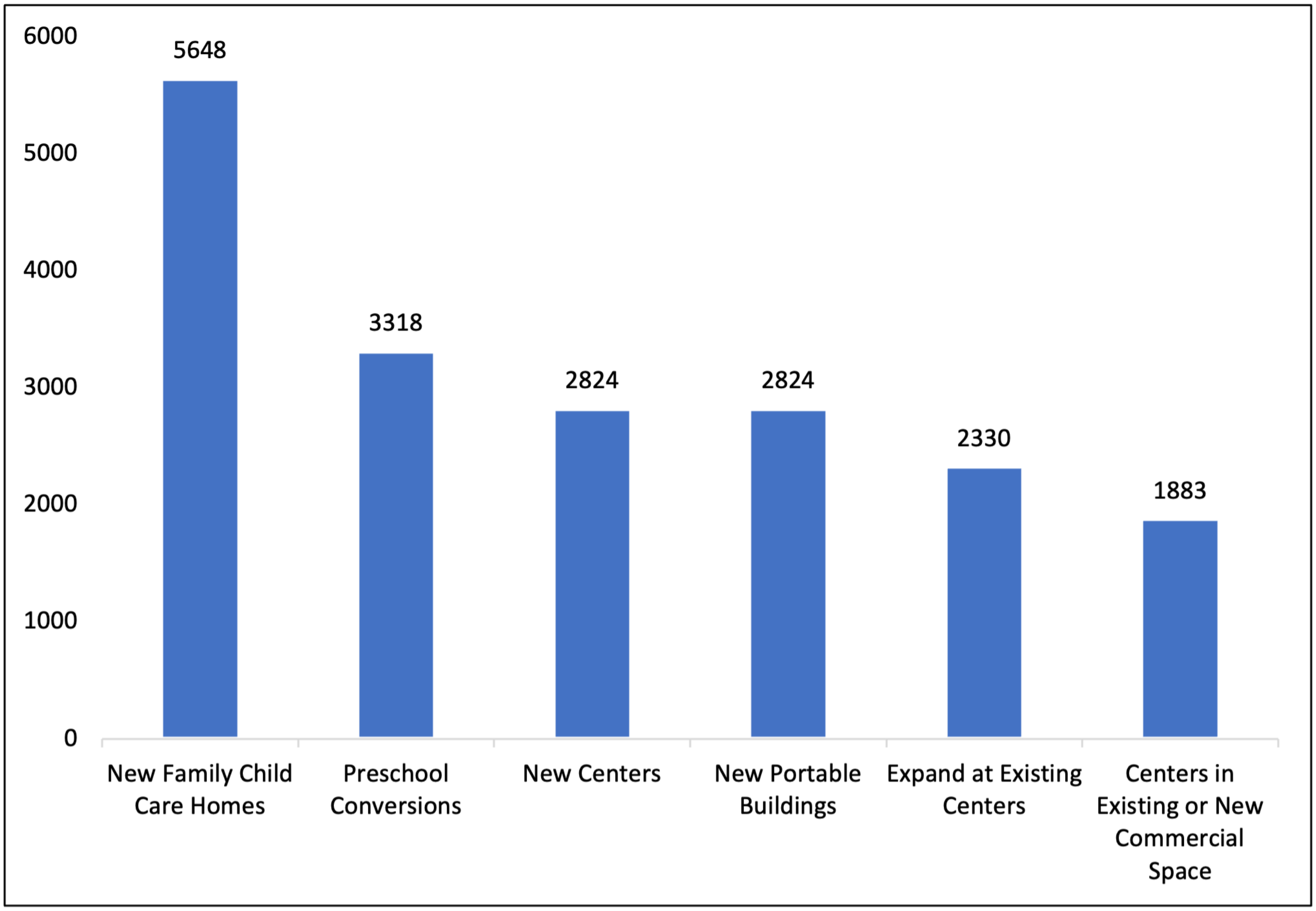
56 See https://www.hsfoundation.org/about/

57 12 spaces per FCCH represents the mid-point between a small and large FCCH, however, a 12-space FCCH requires a license for a large FCCH. These new facilities would generate new Preschool and School Age spaces as well.

new homes are required.

- New Centers in Commercial Space: Assuming an average size of 64 spaces per center, a total of 29 new childcare centers in commercial space, either new or existing, is required.
- Expansion at Existing Centers: To accommodate 1,883 new spaces would require 53 existing centers to add 36 spaces each or increase to an average of 100 spaces per center.
- New Portable Buildings: The average number of spaces per portable is 40[58]. Assuming this rate, a total of 71 new portables would be required. Depending on the size of the portable and how many classrooms it could serve, fewer new portable buildings could be required.
- Conversion of Surplus Preschool Classrooms to Infant/Toddler Classrooms. With the advent of TK and its expected uptake in the next five years, there is a projected surplus of Preschool spaces in most cities in Santa Clara County. Conversion is a low-cost strategy for increasing the supply of Infant/Toddler spaces in Santa Clara County.

### Exhibit 3-4 Required Spaces by Facility Type




Using the average sizes presented above, 1,884 new FCCHs and 282 new centers would be required to meet 100% of the unmet need for Infant/Toddler care in Santa Clara County. ECE partners could, of course, target less

58 See Appendix E.

than 100% of the unmet need presented here. This study analyzes 100% not only to show the magnitude of the need but also the possible solutions by type of facility and provider. The analysis assumes that 415 Preschool classrooms would be converted to Infant/Toddler rooms in cities with a surplus of Preschool spaces in 2028. A 24-space Preschool classroom can support a minimum of eight Infants/Toddlers.

### i. Potential Financing Mechanisms

The three main financing methods that could be quantified and implemented, as discussed above, include parcel taxes and/or sales taxes for existing shortfalls and development impact fees for growth and new development. The following provides an example of how these mechanisms could be used to fund the childcare needed in the next five years in Santa Clara County. For this analysis, we assume the entire "need" is funded, but the CSC and cities could decide to fund less than the full requirement.

As analyzed above in Section B, either of these methods could generate sufficient revenue to fund the existing shortfall of early care facilities serving Infants/Toddlers. These funds would then need to be allocated to different types of facilities, providers, and entities tasked with implementing the plan.

- Sales Tax: The per-person amount of a sales tax add-on per year would be on average about $34 per person or $95 per household, based on the average persons per household figure of 2.81 countywide.
- Parcel Tax: The parcel tax is estimated at $124 per parcel, on average countywide.

The total cost of funding the projected shortfall of Infant/Toddler spaces of 18,828 is about $584.6 million in current dollars. ECE partners would need to conduct further research regarding the receptivity of residents and businesses to approving either a sales tax add-on initiative or a parcel tax initiative. Each of these measures requires two-thirds voter approval, although resident-generated initiatives can be approved by a simple majority.

### ii. Conclusions

As discussed above, this is a comprehensive cost estimate and assumes public financing of all needs in 2028. The need in 2028 was chosen because there are projected demographic changes that, combined with the uptake of TK by 4-year-olds, will reduce the need for early care spaces over current conditions countywide[59]. Other methods and funding mechanisms may be employed to meet the existing and future demand for early care. These include employer-based and financed care, low- or no-interest loans from the State, capital grants or other foundation funding, private childcare funding, school district funding, and other development contributions through CBPs and DAs. The purpose of this analysis is to show the totality of the need and costs and demonstrate that if the CSC and cities were to employ these three common funding mechanisms, it would be possible to fund the unmet need for early care serving children 0 to 3 years old.

The community could decide to use one of these mechanisms or adopt a policy to fund less than 100% of the unmet need at some reduced amount, with the assumption that others will step in to fund the rest, such as the federal government and/or the State. It is difficult to predict how many spaces would be provided with the many mechanisms and funding sources discussed in this study, but it does illustrate that there are ample methods available.

In conclusion, there are many possible combinations of mechanisms that could be used to fund the unmet need for ECE facilities in Santa Clara County. Different mechanisms could be more palatable in some cities over others. Market research into the viability of each mechanism should be undertaken to evaluate the public receptiveness to each measure and amount. In addition, more detailed assessments of each mechanism's cost to households and

59 As discussed in Chapter 2, some cities will see a net increase in need overall.

businesses would need to be prepared, particularly with parcel taxes. The parcel tax should be based on per sqft of building space and not land and consider the types of land uses. It could exclude senior housing, vacant land, etc. Individual cities may choose to use other methods or combinations of funding mechanisms. For instance, a city could choose to use just a parcel tax for existing shortfalls and a Developer Impact Fee for costs associated with new growth. The key purpose of this analysis is to start framing the possible financing tools that can be applied to fund the significant need for ECE facilities that exist in Santa Clara County currently, and which will only increase over time. If a countywide tax were implemented, it would represent a comprehensive method to funding the unmet need. Some sort of commission would need to be established to determine how funding would be allocated to cities as well as specific projects and types of facilities.

# SECTION TWO: ADDITIONAL CONSIDERATIONS

## 4. Early Care Survey Summaries

Several surveys were either conducted or consulted for the ECEFS. These surveys focused on various aspects of ECE providers' needs, interest in expansion, and barriers to expansion. Further, a Partner Survey was conducted targeting key individuals, organizations or agencies, and businesses in Santa Clara County regarding ECE and its importance to their employees. The surveys associated with this Study include the following:

- Center-Based Provider Survey, including both single and multiple-site providers, conducted by the SCCOE.
- Family Child Care Home Survey, conducted in English and Spanish by the SCCOE.
- Average Tuition Rate Survey, conducted for the LPC's 2023 Countywide Child Care Needs Assessment, which included questions about accessibility and inclusion.
- CSC Employee Child Care Survey, conducted by the Public Consulting Group on behalf of the CSC in 2020.
- Partner Survey, targeting planners, business owners, nonprofits, and local decision-makers in Santa Clara County, conducted by Brion Economics.

This chapter summarizes the results of each survey, including response rates and key takeaways, and includes a section on results related to the desire to expand ECE facilities, potential sites, and other information. Appendix C provides copies of the survey instruments and the detailed results or summaries of results of the CSC Employee Child Care Survey.

### A. Center-Based Provider Survey

Brion Economics worked closely with the Integrated Data, Research & Evaluation Department of the SCCOE which conducted the survey of center-based providers. All center-based providers for which the SCCOE has an email (294 contacts) were invited to take part in this survey, focusing on assessing their capacities, the state of their facilities, their intention to expand their facilities, and perceived barriers in this process. The survey was open from May 9th to June 13th, 2023. In total, 80 surveys were filled out by 68 providers, amounting to a response rate of 27%. Providers with multiple locations were asked to fill out one survey per location; however, most only completed one survey for one of their locations (see Table 4-1 for more details). Certain questions were omitted in the survey instrument for providers with multiple locations, resulting in different numbers for the same questions. The following tables, therefore, reference two different question numbers. This summary will focus on the questions of building size, facility condition, building type, ownership, and rent conditions. The detailed results of the survey, including answers to the questions of capacity and waitlist, can be found in Appendix C.

**Table 4-1 Contacted Providers, Response Rate, and Details on Respondents - Center-Based Provider Survey 2023**

| | Number | Percent |
|---|---|---|
| Providers Contacted | 294 | |
| Started Surveys | 80 | |

| **Response Rate** | **27%** | |
|---|---|---|
| Empty Surveys | 6 | 7.5% |
| Total Completed Surveys | 74 | |
| Providers with one location | 53 | 77.9% |
| Providers with multiple locations | 15 | 22.1% |
| **Total Providers** | **68** | 100% |

Source: Santa Clara County Office of Education, Brion Economics, Inc.

The average gross indoor square footage, i.e., including all building space like hallways, utility rooms, and storage, among the 34 centers that answered this question, was 4,717 sqft; the median was 3,429 sqft. Per licensed childcare space, the average square footage was 67, and the median was 69 (see Table 4-3). The outdoor area per licensed childcare space ranged from a low of 15 sqft to a high of 667 sqft with an average of 96 sqft per child. Roughly half, or 46%, of the centers have ownership of their facilities, 52% rent, and one center had cost-free access to their facility. Rent per sqft ranged from $0.85 to $7.06 with an average of $2.83.

**Table 4-2 Tenure at Current Location - Center-Based Provider Survey**

| | Years |
|---|---|
| Average | 18 |
| Median | 13 |
| Minimum | 0 |
| Maximum | 80 |

Source: Santa Clara County Office of Education, Brion Economics, Inc.

Programs have been situated at their facilities for an average of 18 years. Most of the programs have not encountered any problems renewing their lease (79%). The terms and the amount of rent, however, changed for the majority that have already renewed their lease (70%). Four respondents anticipate problems with renewing their lease.

**Table 4-3 Summary of Gross Indoor and Outdoor Sqft - Center-Based Provider Survey**

| | Sqft | Sqft / Child |
|---|---|---|
| **Indoor Gross Square Footage** | | |
| Average | 4,717 | 67 |
| Median | 3,429 | 69 |
| Minimum | 1,100 | 38 |
| Maximum | 15,000 | 104 |
| **Outdoor Space** | | |
| Average | 8,110 | 96 |
| Median | 5,300 | 71 |
| Minimum | 1,000 | 15 |
| Maximum | 31,183 | 667 |

Source: Santa Clara County Office of Education, Brion Economics, Inc.

**Table 4-4 Summary of Lease Data - Center-Based Provider Survey**

| | Amount | Percent |
|---|---|---|
| **Ownership** | | |
| Ownership (Q20/23) | 24 | 46% |
| Rent/Lease (Q21/24) | 27 | 52% |
| Other (Q22/25) | 1 | 2% |
| Total | 52 | 100% |
| **Rent (Q23/26)** | | |
| Average Monthly Rent | $9,815 | |
| Median Monthly Rent | $9,000 | |
| Average Rent per Sqft. (1) | $2.83 | |
| Median Rent per Sqft. | $2.25 | |
| Minimum Rent per Sqft. | $0.85 | |
| Maximum Rent per Sqft. | $7.06 | |
| Average term of lease in years (Q24/27) | 7.86 | |

(1) Based on answers to questions on the center's gross indoor square footage. (n=15) Source: Santa Clara County Office of Education, Brion Economics, Inc.

**Table 4-5 Lease Renewal - Center-Based Provider Survey**

| Questions | Answer Options | | |
|---|---|---|---|
| **Have you been able to renew your lease?** | **Yes** | **No** | |
| Amount | 19 | 5 | |
| Percentage | 79.17% | 20.83% | |
| **Did the terms and rent amount change?** | **Yes** | **No** | **Not Applicable** |
| Amount | 16 | 2 | 5 |
| Percentage | 70% | 9% | 22% |
| **Do you anticipate any problems renewing your lease?** | **Yes** | **No** | **Not sure** |
| Amount | 4 | 14 | 7 |
| Percentage | 16% | 56% | 28% |

Source: Santa Clara County Office of Education, Brion Economics, Inc.

A third of the centers surveyed were located in faith-based buildings (32%), followed by 24% in converted commercial buildings, 16% in school district-owned buildings, and 12% in converted residential homes. Other building types were below 10% (see Exhibit 4-1).

Asked about their facility's condition, detailing different areas and their respective needs for repair, the majority rated the condition as adequate or excellent. Areas that needed repair most often were the outside play area (30%) and the support space (including storage and the mechanical room, 22% combining "needs to be done" and "inadequate scores"). For more details, please refer to Exhibit 4-2[60].

60 Different categories from the survey were combined for this graph.

**Exhibit 4-1 ECE Facility Type - Center-Based Provider Survey**

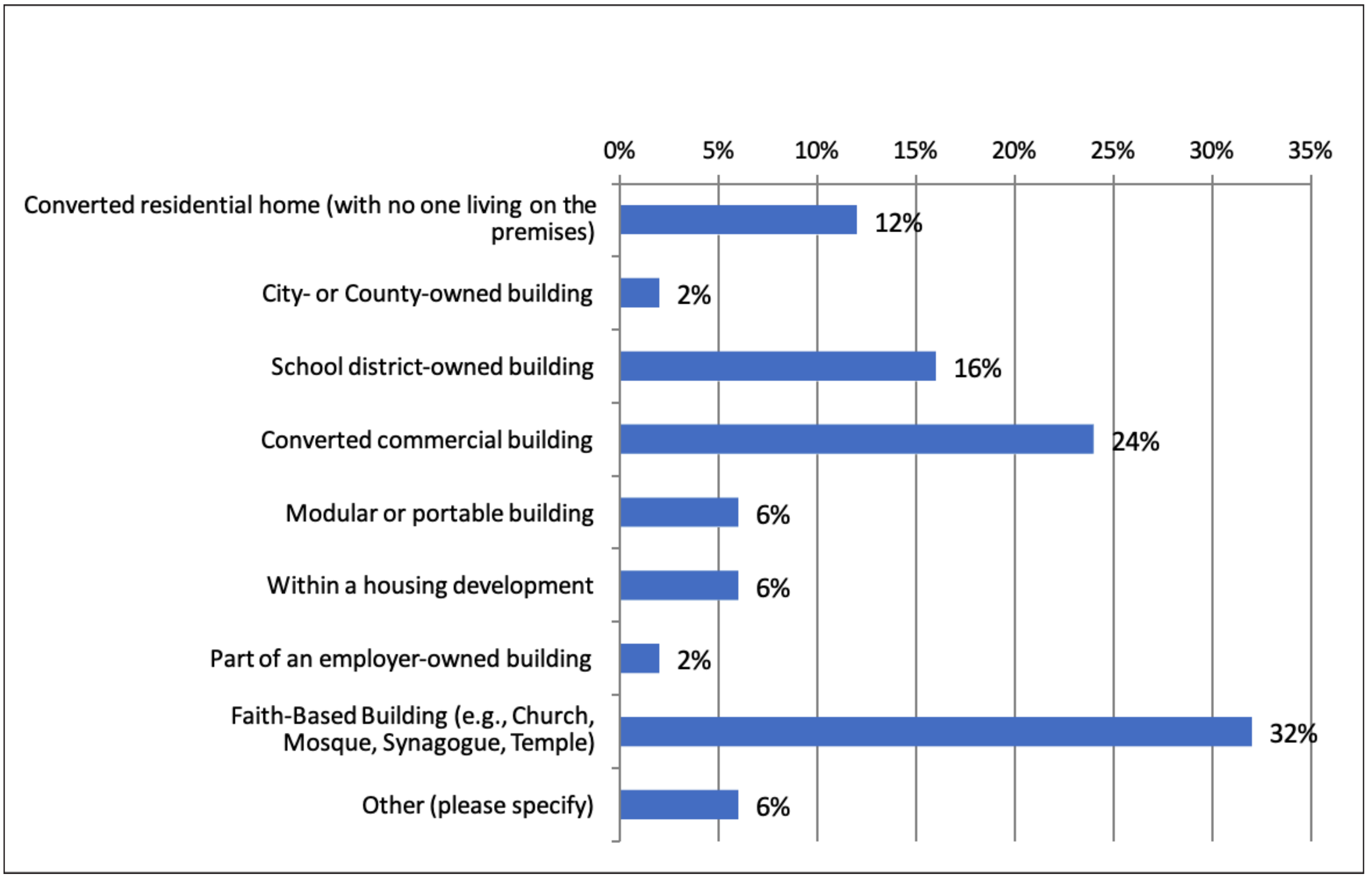
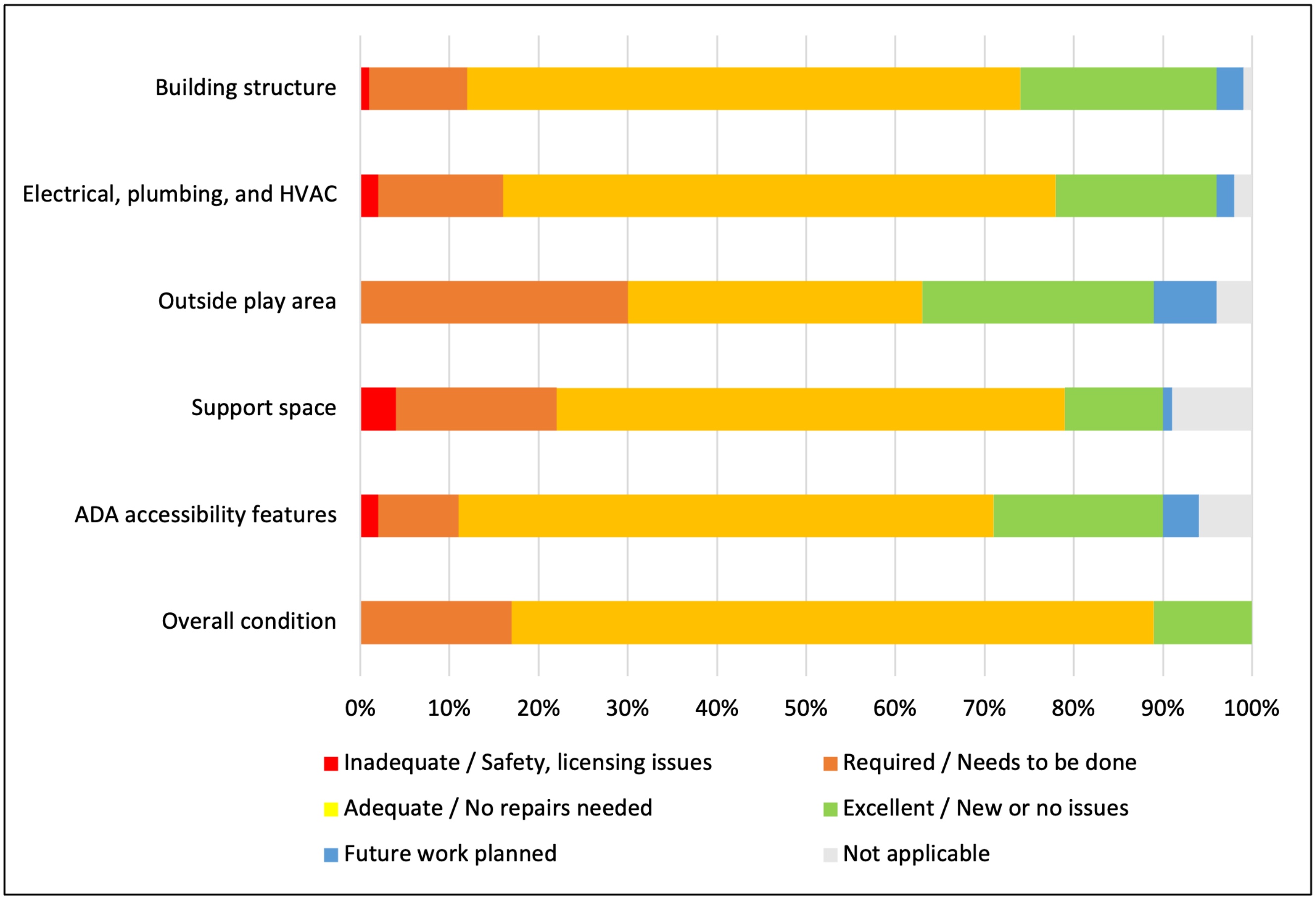


**Exhibit 4-2 ECE Facility Condition**




## B. Family Child Care Home Survey

As part of this Study, the Integrated Data, Research & Evaluation Department of the SCCOE conducted a survey of FCCHs in Santa Clara County focused on the state of their facilities, their intention to expand their facilities, and perceived barriers in this process. A total of 727 out of 1,215 FCCHs were contacted. The survey was open from June 13th to July 14th, 2023. A total of 197 providers answered the survey, amounting to a response rate of 27%. The survey was sent out in both English and Spanish; 30.5% completed the survey in Spanish and 69.5% in English (see Table 4-6 for more details).

**Table 4-6 Contacted Providers, Response Rate, and Details on Respondents – FCCH Survey**

| | Number | Percent |
|---|---|---|
| Providers Contacted | 727 | |
| Spanish Surveys Completed | 60 | 30.5% |
| English Surveys Completed | 137 | 69.5% |
| **Total** | **197** | **100%** |
| **Response Rate** | **27%** | |
| **Capacity of Providers** | | |
| Small FCCHs | 57 | 28.9% |

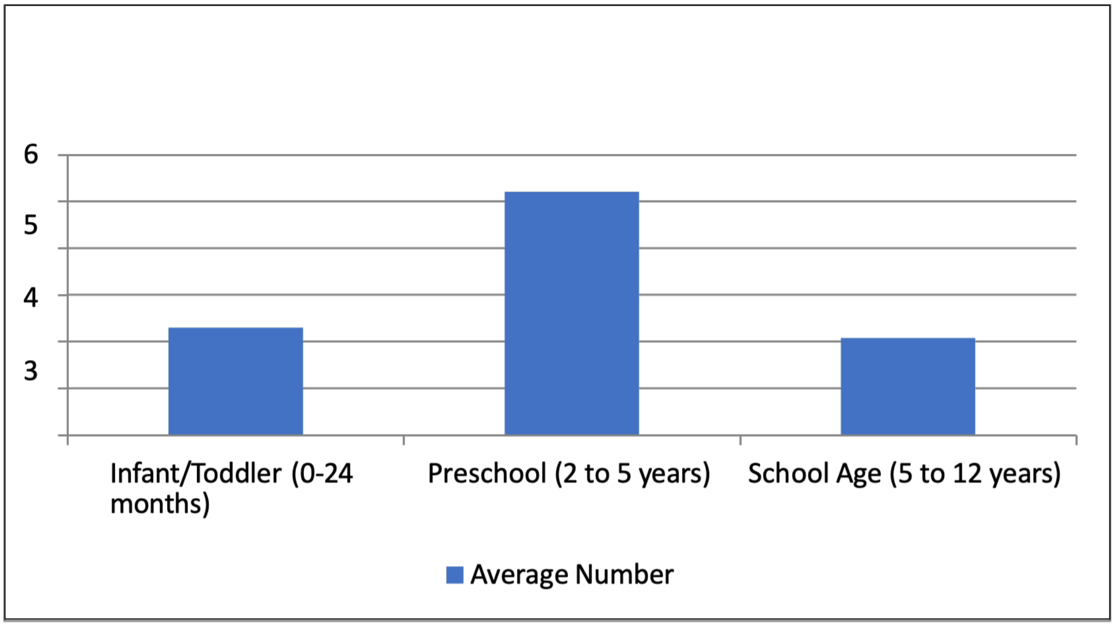
| | | |
|---|---|---|
| Large FCCHs | 89 | 45.2% |
| No Answer | 51 | 25.9% |

Source: Santa Clara County Office of Education, Brion Economics, Inc.

This summary will focus on the questions of building size, facility condition, building type, ownership, and rent conditions. The detailed results of the survey, including answers to the questions of capacity and waitlist, can be found in Appendix C.

Of the respondents, 57 were small FCCHs (28.9%) and 89 large FCCHs with 14 children as capacity (45.2%); the remaining 25.9% of respondents did not answer this question (Table 4-6). On average, the FCCHs had 5 Preschoolers, 2 Infants/Toddlers, and 2 School-Age children enrolled.

**Exhibit 4-3 Enrollment by Age - FCCH Survey**




More than one third of respondents were not part of an FCCH Network (37.42%), about a third (33.55%) are part of different networks like Kidango Family Child Care Home Network and Mandala Children's Family Child Care Home Network, and 29.03% did not know whether they were part of a network (see Exhibit 4-4). About half of the providers (53.3%) own the house in which they operate the FCCH, 17.8% rent it, and 28.9% chose not to answer this question. Of those renting, the average duration of their lease is 12.41 years (see Table 4-7).

**Exhibit 4-4 FCCH Network Participation – FCCH Survey**

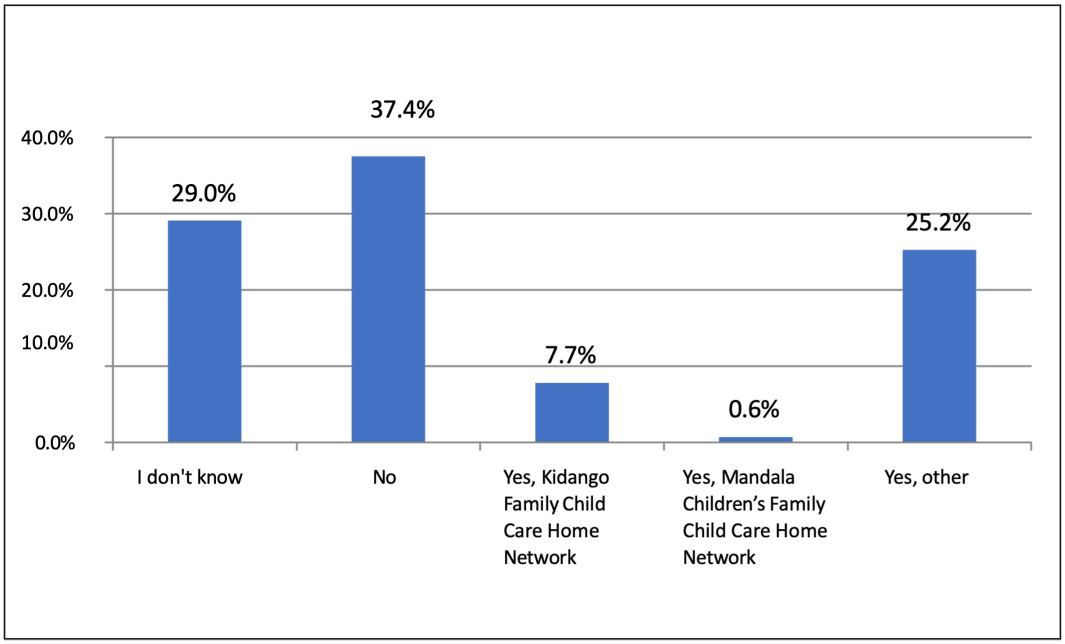



**Table 4-7 Summary of Ownership/Lease - FCCH Survey**

| | Amount | Percent |
|---|---|---|
| **Ownership** | | |
| Ownership (Q8) | 105 | 53.3% |
| Rent/Lease (Q9) | 35 | 17.8% |
| No Answer (Q8 and Q9) | 57 | 28.9% |
| **Total** | **197** | **100%** |
| Average term of lease in years (Q10) | 12.41 | |

Source: Santa Clara County Office of Education, Brion Economics, Inc.

Roughly half the providers did not have any repairs underway at the moment (45.45%). Among the areas that were currently being repaired, improvements to the classroom or interior play space ranked first (32.17%), followed by general interior repairs and modernization (30.07%) and repairs to the exterior (27.97%) (see Exhibit 4-5 for more details).

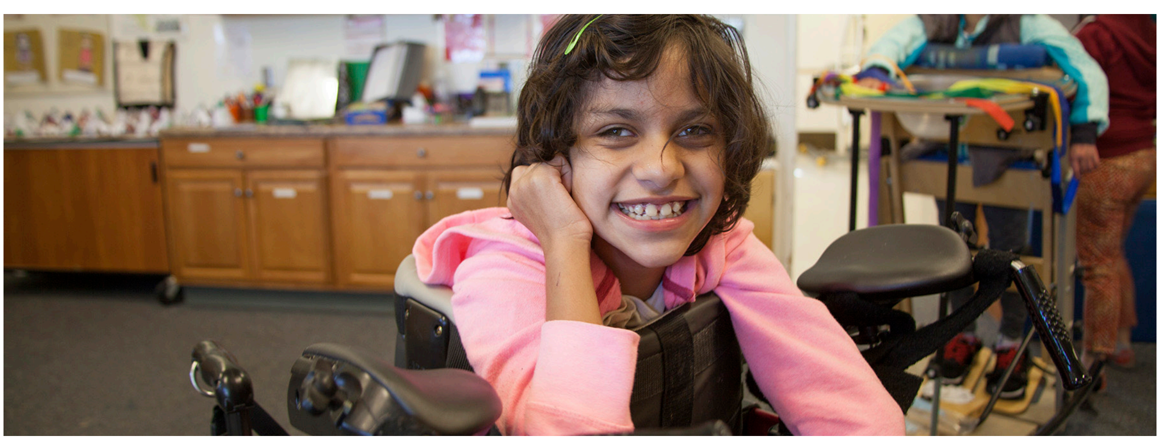
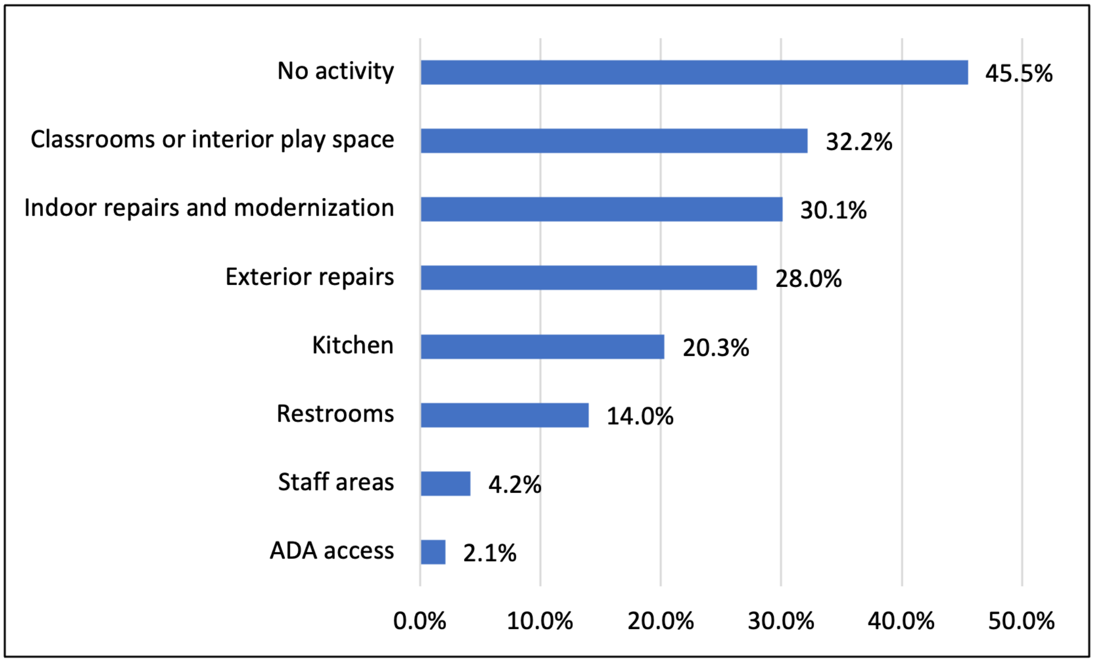


**Exhibit 4-5 Current Facility Repair Activity – FCCH Survey**




## C. Average Tuition Rate Survey – Accessibility and Inclusion

From the end of April until mid-May 2023, Indigo Project (the consultants to the LPC) conducted an Average Tuition Rate Survey among ECE providers as part of the countywide Needs Assessment. Two questions related to the general need for repairs and the specific need for renovations to support access for children with disabilities were added to inform the ECEFS[61]. The survey was anonymous, was offered in both English and Spanish and was sent to licensed childcare centers and FCCHs. A total of 134 responded to the survey, of which 48 were childcare centers and 86 FCCHs (see Table 4-8).

**Table 4-8 Information on Survey Respondents - Average Tuition Rate Survey 2023**

| Type of Provider | Language of Survey | | Total |
|---|---|---|---|
| | English | Spanish | |
| Licensed Childcare Center | 44 | 4 | 48 |
| Family Child Care Home | 62 | 24 | 86 |
| *Subtotal* | *106* | *28* | |
| **Total Respondents** | | | **134** |

Source: Santa Clara County Office of Education - Childcare Average Tuition Rate Survey 2023 by Indigo Project, Brion Economics, Inc.

More than two-thirds of providers (68%) answered that their facilities needed repair or renovation, 10% were unsure, and 20% stated that no repairs were needed at this point. These answers were similar between FCCHs and childcare centers, with FCCHs noting slightly more need for repair (71%) (see Table 4-9).

61 Santa Clara County Child Care Average Tuition Rate Survey 2023 available at https://www.sccoe.org/supoffice/lpc/Documents/Reports/Average_Rate_Survey_Brief_Digital.pdf

**Table 4-9 Number of Providers Needing Repair or Renovation - Average Tuition Rate Survey 2023**

| Type of Provider | Need Repair or Renovation | Not Sure If Repairs / Renovation Are Needed | No Repairs Needed | Total |
|---|---|---|---|---|
| Licensed Childcare Center | 32 | 4 | 12 | 48 |
| % Center | 67% | 8% | 25% | 100% |
| Family Child Care Home | 59 | 9 | 15 | 83 |
| % FCCH | 71% | 11% | 18% | 100% |
| **Total (n=131) (1)** | **91** | **13** | **27** | **131** |
| Percent Total | 68% | 10% | 20% | 98% |

(1) In total, there were 134 respondents to the survey. 3 FCCHs chose not to answer this question. Source: Santa Clara County Office of Education - Childcare Average Tuition Rate Survey 2023 by Indigo Project, Brion Economics, Inc.

Exhibit 4-6 shows in detail which areas need repair the most, comparing FCCHs to childcare centers. Outdoor (54.5%) and teaching areas (41.8%) rank first and second, followed by appliances and systems (36.6%), toilets and changing areas (32.1%), and the eating areas (25.4%). In FCCHs, appliances and systems are in greater need of repair (41.9%) than toilets and changing areas (33.7%).

About one-third of FCCHs (34%) and one-quarter of childcare centers (25%) need to adapt their spaces to accommodate the needs of children with disabilities. Another 31% of FCCHs and 23% of centers are not sure if their space needs to be adapted (see Table 4-10). The most common areas that need to be adapted are the play areas (31.2%), entrance and exit areas (28.4%), toilet and changing areas (23.9%), and eating areas (19.4%). There are slight differences in the needs of FCCHs and centers (see Exhibit 4-7).

**Table 4-10 Number of Providers Needing to Adapt Space for Children with Disabilities - Average Tuition Rate Survey 2023**

| Type of Provider | Need to Adapt | Not Sure | No Need to Adapt Space | No Answer | Total |
|---|---|---|---|---|---|
| Licensed Childcare Center | 12 | 11 | 25 | | 48 |
| % Center | 25% | 23% | 52% | | 100% |
| Family Child Care Home | 29 | 27 | 27 | 3 | 86 |
| % FCCH | 34% | 31% | 31% | 3% | 100% |
| **Total** | **41** | **38** | **52** | **3** | **134** |
| Percent Total | 31% | 28% | 39% | 2% | 100% |

Source: Santa Clara County Office of Education - Childcare Average Tuition Rate Survey 2023 by Indigo Project, Brion Economics, Inc.

**Exhibit 4-6 Areas Needing Repair - Average Tuition Rate Survey 2023**

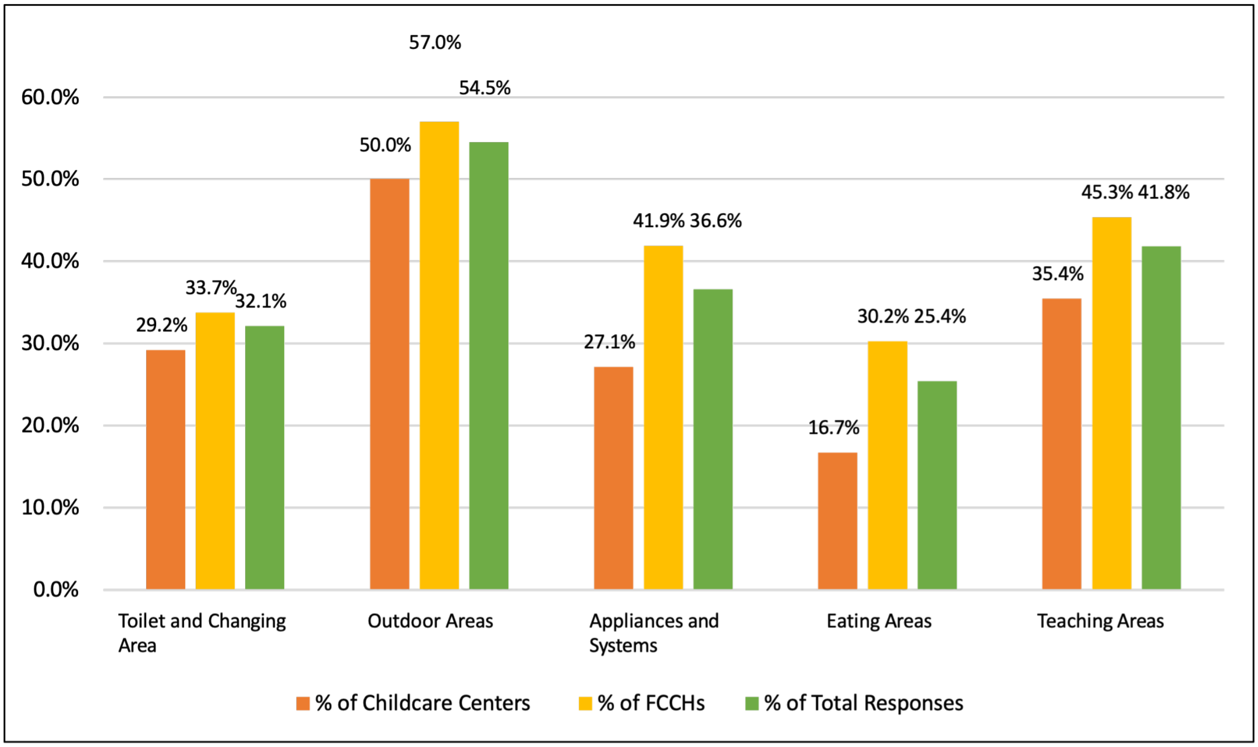
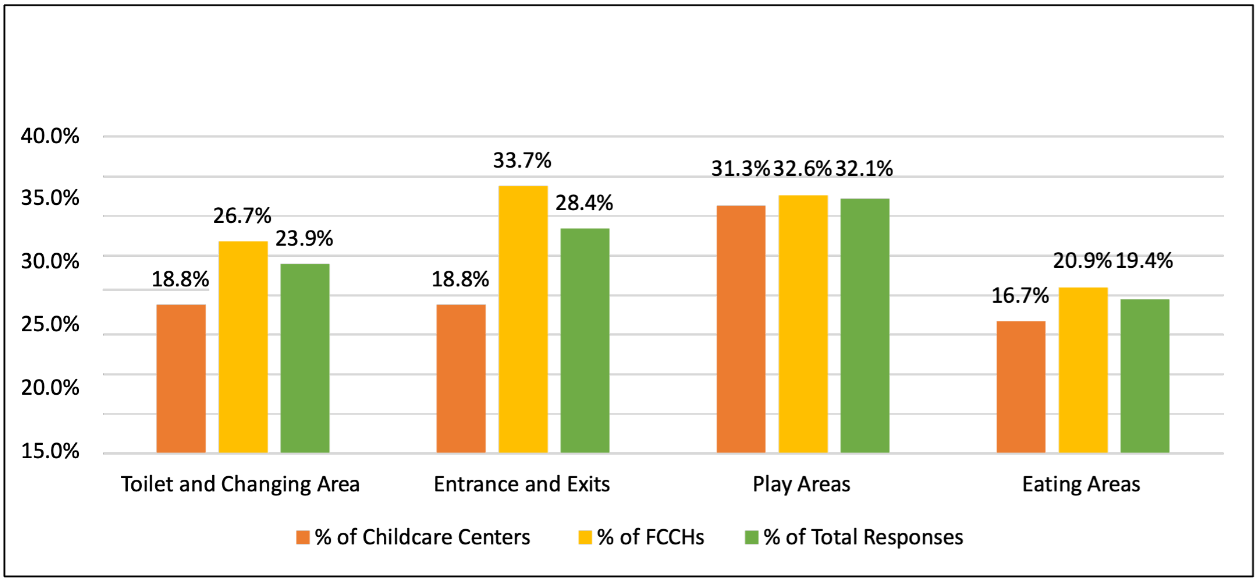



**Exhibit 4-7 Areas Needing Adaptation for Children with Disabilities - Average Tuition Rate Survey 2023**



## D. County of Santa Clara Employee Child Care Survey[62]

In 2020, the Public Consulting Group (PCG) surveyed CSC employees regarding the following issues:

- Effects of childcare on job performance.
- What childcare services families currently use and need.
- Factors influencing the choice of programs.
- Barriers to accessing care.
- The extent of employees' awareness of the Dependent Care Assistance Program (DCAP) benefit.

Out of 21,964 CSC employees invited to the survey, 2,963 completed the survey (response rate of 13.5%). Participants took, on average, 15 minutes to complete the survey. Aside from temporary workers, all employees, regardless of race, ethnicity, job role, or number of children in the household, were surveyed. Because of the large amount of demographic data, the CSC could provide PCG on their employees, all results were weighted by sex, race, and ethnicity and assigned to budget units to reflect all employees of the CSC.

About 60% of CSC employees have at least one child living in their homes. According to survey results, 6.5% of all employees place themselves into the broader category of LGBTQ+ (Lesbian, gay, bisexual, transgender, or genderqueer). About 39% of LGBTQ+ employees report having children under the age of 18 in their homes[63]. The average number of children per employee is two. No age, gender, race, or ethnic group had notably more or fewer children than others on average. A total of 57% of employees with children feel they do not successfully balance work and childcare most of the time. Employees felt that balancing work and childcare had the greatest impact on punctuality and schedules. It had the least impact on the likelihood of disciplinary action. Roughly half the employees (52%) felt that their employer was aware of their needs regarding childcare. Male (48%), African Americans (43%), LGBTQ+ (46%), and younger employees (aged 22-29, 31%) were less likely to feel that their employer was aware of their needs.

Most employees with children (87%) need childcare while at work. More than three-quarters of employees with children (78%) say their childcare needs are met most or all of the time. The most common kinds of childcare used by employees with children were full-day care (53%) and before-/after-school care (52%). Childcare from a relative was the most commonly used type of childcare by employees with children. LGBTQ+ employees are more likely to have a relative in their home to care for children (61%). A relationship exists between the age of the employee and their likelihood to feel that their childcare needs are "always" met. The most cited reasons for childcare not being available was that it was not available during the time needed or for sick care.

Quality, cost, and safety were the topics employees with children most likely ranked as most concerning. More than two-thirds of employees report their children spend 30 to 59 hours per week in childcare. On average, employees spend about $370 each week on childcare and travel around 50 minutes to get from home to childcare to work. Before-/after-school programs and sick care programs are the type of childcare that employees most frequently report needing.

Almost half of employees (45%) say that the inability to find childcare has limited the hours they work. Among part-time employees, 65% say they have limited their hours due to childcare. More than half of employees under 40 (52%) say childcare has limited the hours they work. Almost two-thirds of employees (62%) stated that the lack of childcare has prevented them from accepting a promotion, additional responsibilities, or other career advancement. Fewer males with children report this (56%) than females (65%). Younger employees are

62 For more details, see Public Consulting Group (2020): Santa Clara County Childcare Survey Summary Report.

63 These numbers are the results after weighting was applied. The actual rate of these identities in the population might be different if a true census was taken.

also more likely to report this as true (22 to 29: 74%; 30 to 39: 68%), along with Hispanic employees (69%). On average, employees miss an hour or more of work, three days a month, because of unmet childcare needs.

By a large margin, employees with children feel that flextime is the most important policy to help them with childcare challenges. Of the proposed policies, financial support and on site or near-site childcare are the most popular options. Only 14% of employees report using the Dependent Care Assistance Program (DCAP), most commonly because employees are not aware of it[64].

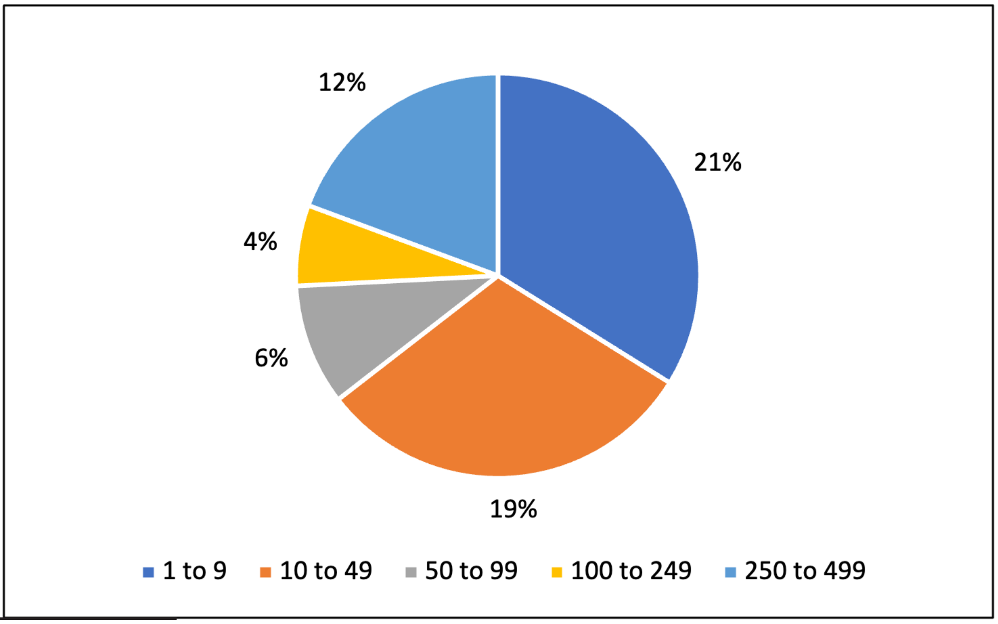
## E. ECE Partner Survey

As part of the preparation of the ECEFS, Brion Economics conducted a survey of key partners soliciting their input concerning ECE in Santa Clara County. The goal was to collect a wide variety of different views and perspectives on the topic, collect information on the impact of the lack of childcare on the local economy, and collect ideas for potential sites for future ECE facility development.

A countywide list of partners was researched and compiled for this effort, including city planners, large employers, major hospitals, workforce organizations, and housing organizations and developers (affordable housing and market-rate). Furthermore, the survey was shared with all members of the Strong Start coalition, the Silicon Valley Council of Nonprofits, and the Chambers of Commerce in San José and Gilroy. Partners were invited to answer the survey from July 21st to August 21st, 2023.

Exhibit 4-8 shows the percentage of the different partner groups from the 53 responses based on their responses in the survey. Roughly a third of respondents (32%) were nonprofits, 17% were businesses and employers operating in Santa Clara County, and 15% were staff from local public agencies. In the category of "other" were eight respondents who identified themselves as parents and a few concerned citizens. No hospitals, housing developers, or faith-based organizations participated in the survey.

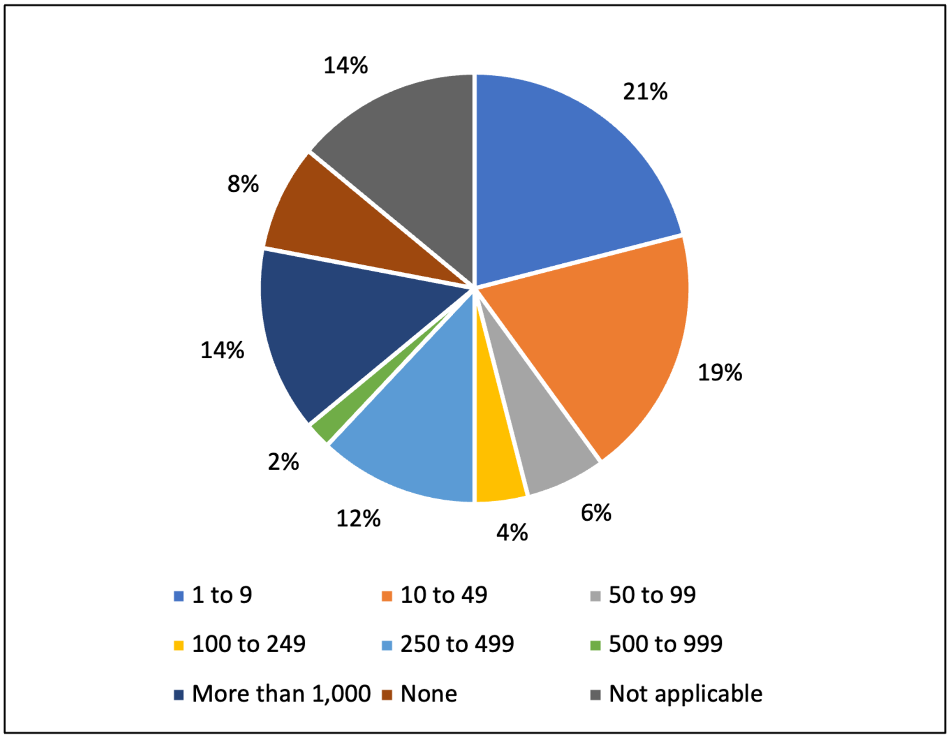
**Exhibit 4-8 Participant Identification – ECE Partner Survey**




64 The DCAP benefit allows CSC employees to set up a dedicated amount to pay for childcare and expenses related to other dependent care with tax-free dollars, similar to a Health Flexible Spending Account. For more information: https://employeeservices.sccgov.org/employee-benefits/life-and-financial-benefits/dependent-care-assistance-program- dcap, accessed July 31, 2023.

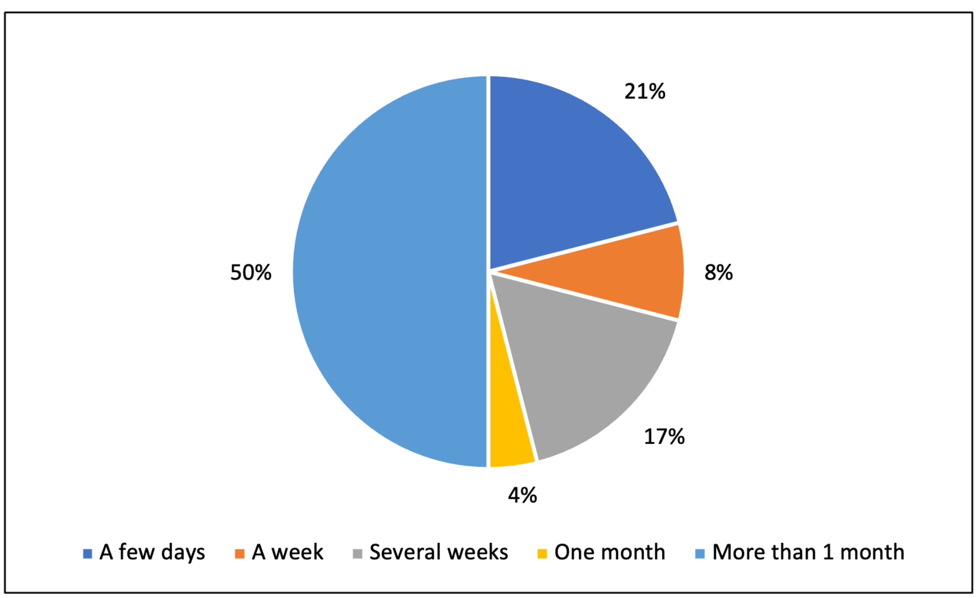
About a quarter of respondents (22% combining "Not applicable" and "None") did not manage any staff in Santa Clara County; another 21% had 1 to 9 employees, 19% 10 to 49 employees, and 14% 1,000 or more employees (see Exhibit 4-9).

**Exhibit 4-9 Employee / Staff count by Respondent – ECE Partner Survey**




The first part of the survey focused on the impacts of the lack of childcare on the ability to work for respondents themselves and their employees. In response, 42% answered that the availability of childcare has impacted their personal ability to work. Of these, 50% were not able to work for more than a month. In the comments, many of these respondents explained that they left their jobs and careers for years in order to take care of their child(ren) (Exhibit 4-10).

**Exhibit 4-10 Amount of Work Missed in the Last Year Due to Lack of Childcare – ECE Partner Survey**



Of those who manage staff or employees, 59% confirmed that the availability of childcare has impacted their staff in the last five years (Exhibit 4-11). About a third of employees (33%) missed a few days of work, another 28% missed one week of work, and 22% missed several weeks (see Exhibit 4-12). A further 42% of respondents managing staff confirmed that the lack of childcare has affected their ability to recruit staff, 35% were not sure about this, and 23% denied that the lack of childcare had impacted their ability to recruit staff. About a third (31%) had employees resign or decline a promotion due to a lack of childcare in the last five years, 38% did not experience this, and 31% were not sure.

**Exhibit 4-11 Negative Impact of Availability of Childcare on Employees – ECE Partner Survey**

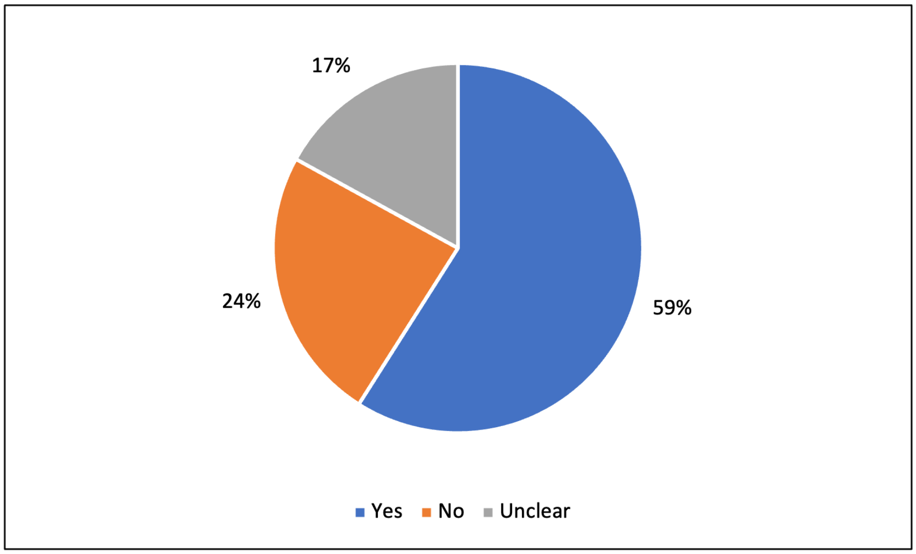
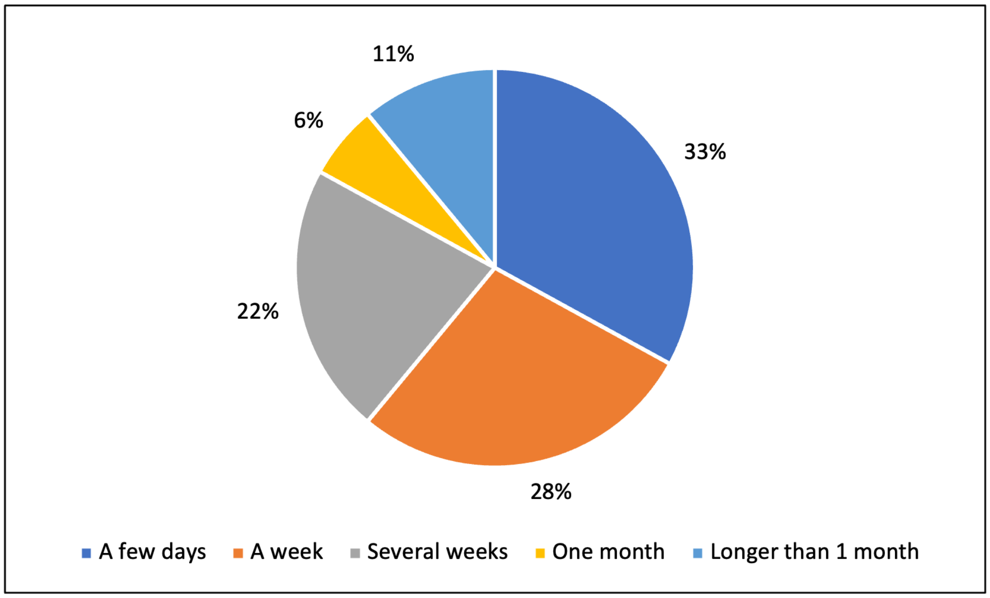


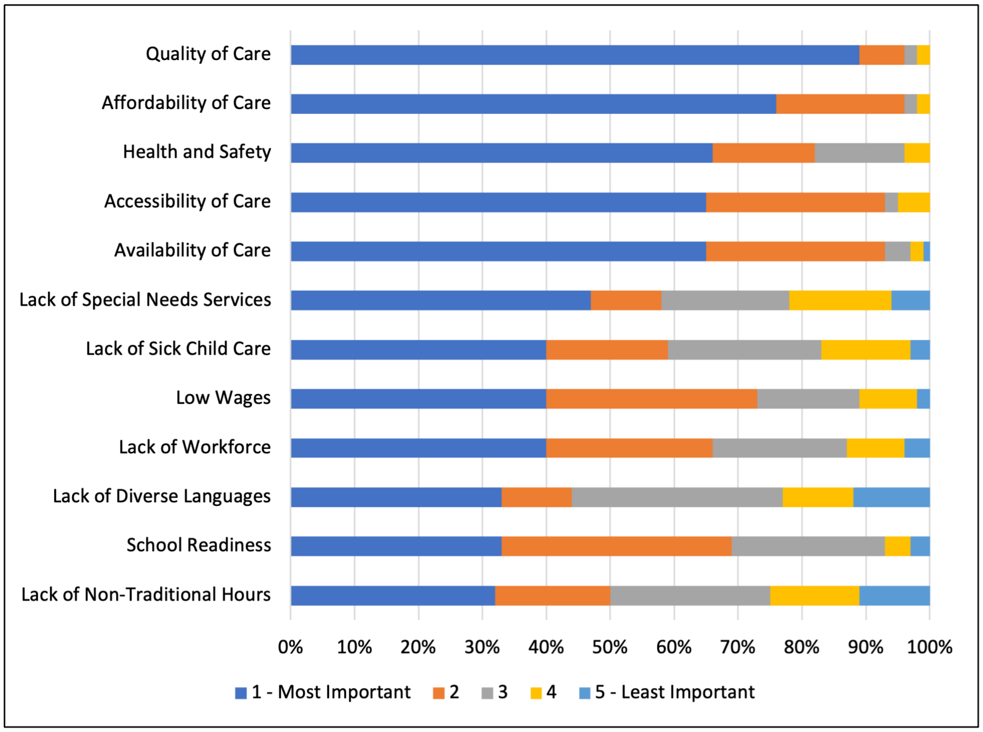

**Exhibit 4-12 Employee Absence Duration due to Lack of Childcare – ECE Partner Survey**



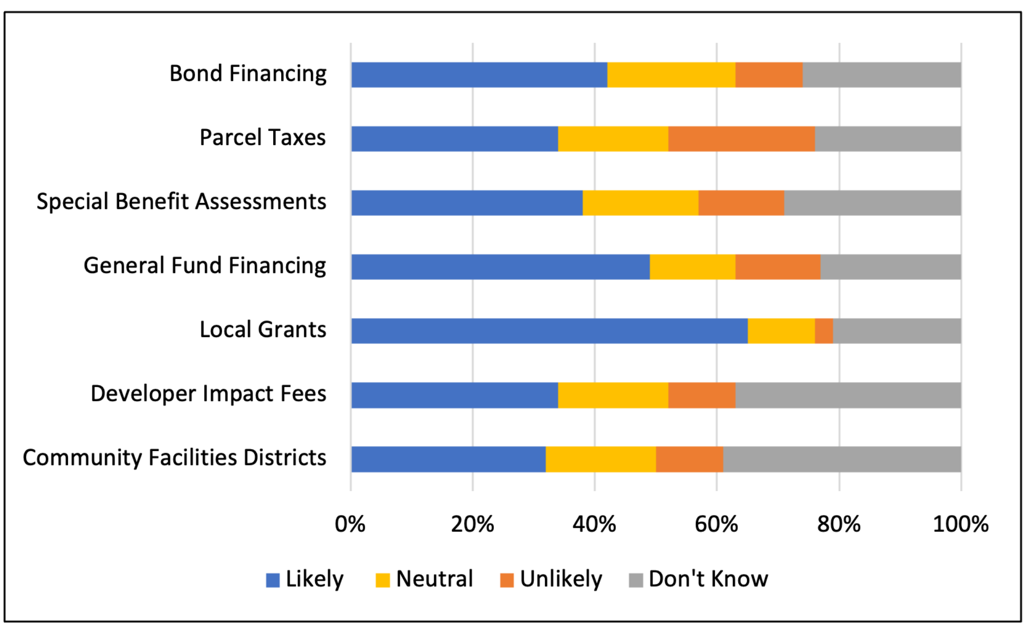

When asked to rank certain issues regarding ECE in terms of their importance to employees and staff, quality ranked first (most important to 89%), followed by affordability (76%). Availability, accessibility of care, and health and safety ranked closely together, with approximately 66% each as the most important (see Exhibit 4-13 for more details).

Five respondents were public agency staff working for the CSC, the City of Milpitas, and FIRST5 Santa Clara County. Considering the lack of responses from different cities to this survey, the results asking about different policies in the county/city are not representative of the actual policies in place and will not be discussed in detail.

**Exhibit 4-13 Employee Ranking of Importance of Various Aspects of Childcare – ECE Partner Survey**



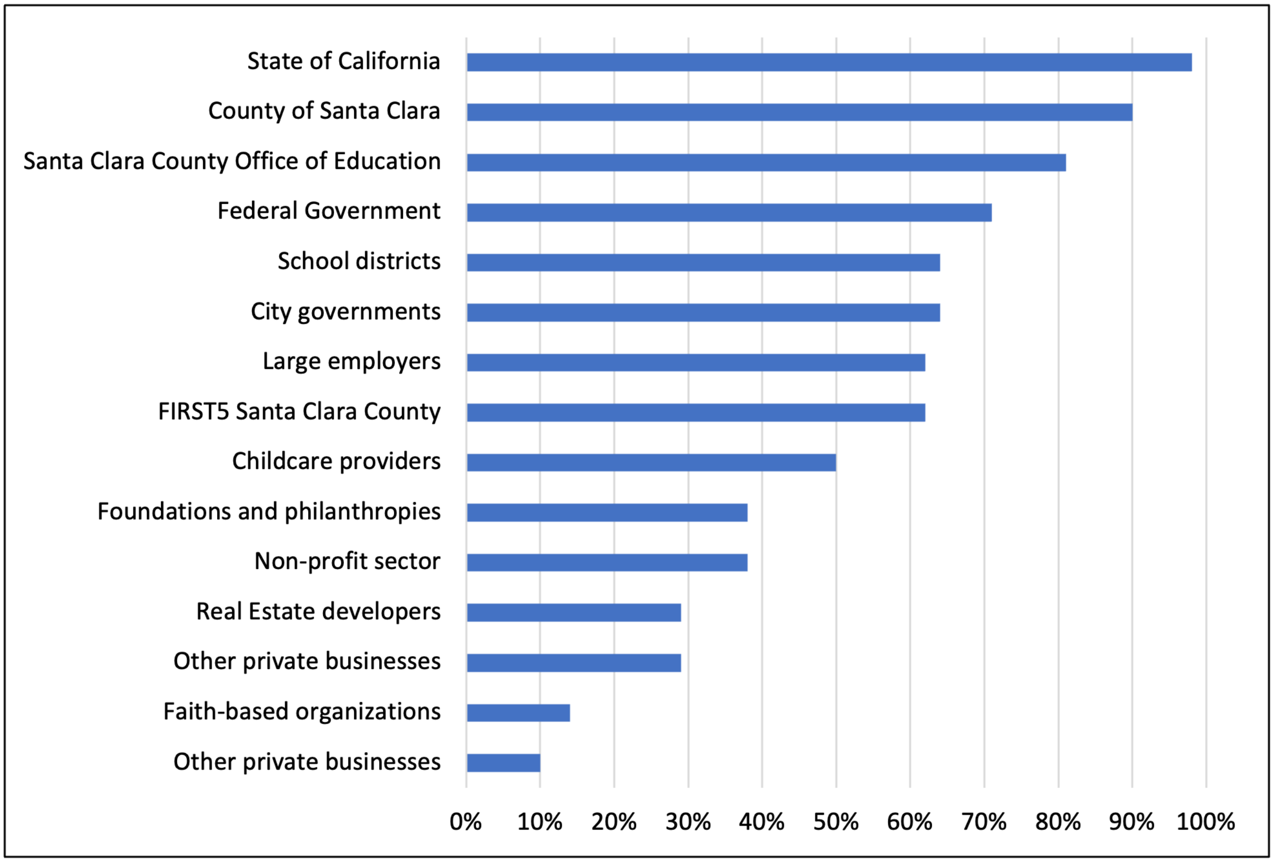

## Exhibit 4-14 Personal or Organizational Support for Financing Mechanisms – ECE Partner Survey



Among all the organizations and partners surveyed, local grants were considered the most likely instrument they would use to support childcare, followed at a distance by General Fund financing (see Exhibit 4-14).

Exhibit 4-15 shows who respondents deemed responsible for ensuring the supply of childcare. Government actors like the State of California, CSC, the federal government, local city governments, and school districts rank highest (between 98% to 64%). Nearly two-thirds of respondents (62%) also agreed that large employers have a responsibility to supply childcare, ranking before childcare providers themselves at 50%. Other actors of the private sector, like nonprofit organizations, faith-based organizations, or foundations, had much lower rates.

**Exhibit 4-15 Entities Perceived to be Responsible for Ensuring the Supply of Quality Childcare – ECE Partner Survey**




A total of 19 respondents would like to be part of a coalition focused on childcare in Santa Clara County. The collected information from the survey was shared with the SCCOE and will be used to expand existing coalitions to help meet the need for childcare.

## F. Interest in Expansion and Potential Sites

This section reports results relating to the need or desire for providers to expand their facility or open a new facility based on results from both the Center-Based Provider Survey and the FCCH Survey conducted in 2023. It also includes information gathered in the Partner Survey discussed above. In total, 38 providers who are currently planning to expand and are able to expand were identified; 11 are center-based providers, and 27 are FCCHs. The majority would like to expand their current facility within the next year (see Table 4-11 for more details).

### Table 4-11 Count of Providers Planning to Expand - Center-Based Provider and FCCH Surveys

| Where would you like to expand? (3) | Center-Based Providers (1) | FCCHs (2) |
|---|---|---|
| At the current facility | 6 | 18 |
| A new site, not identified yet | 4 | 7 |
| A new site already identified | 1 | 1 |
| No answer given | 0 | 1 |
| **Total** | **11** | **27** |
| **When are you planning to expand? (4)** | | |
| Within a year | 5 | 10 |
| 1-2 years | 4 | 8 |
| 3-4 years | 0 | 2 |
| Unknown | 2 | 7 |
| **Total** | **11** | **27** |

(1) This includes respondents who answered "Yes" to Q7 (multiple locations) or Q10 (one location) "Are you planning to expand?" and "Yes" to Q10 (multiple locations) or Q13 (one location) "Do you currently have the ability to expand?".

(2) This includes respondents who answered "Yes" to Q12 "Are you planning to expand?" and "Yes" to Q15 "Do you currently have the ability to expand?".

(3) Results are from Q12/15 from the Center-Based Provider Survey 2023 and Q17 of the FCCH Survey 2023.

(4) Results are from Q9/12 from the Center-Based Provider Survey 2023 and Q14 of the FCCH Survey 2023.
Source: Santa Clara County Office of Education, Brion Economics, Inc.

Another 120 providers were identified as potentially expanding. This includes both providers that are planning to expand but are currently unable to and providers that may be considering expansion. Of these, 28 are center-based providers and 92 FCCHs. Roughly half would like to expand at their current locations. 21 indicated wanting to expand within the next year, 40 in the next one to two years, and 10 in the next 3 to 4 years (for more details, see Table 4-12).

### Table 4-12 Count of Providers Potentially Expanding - Center-Based Provider and FCCH Surveys 2023

| | Center-Based Providers | | FCCHs | | Total |
|---|---|---|---|---|---|
| | Maybe Planning to Expand (1) | Planning to Expand, But Unable to (2) | Maybe Planning to Expand (3) | Planning to Expand But Unable to (4) | |
| **Where would you like to expand? (5)** | | | | | |
| This center location | 14 | 3 | 37 | 9 | *63* |
| A new site | 2 | 0 | 3 | 0 | *5* |
| Same part of the city | 2 | 1 | 19 | 12 | *34* |
| Different part of same city | 1 | 1 | 5 | 1 | *8* |
| Outside of City | 0 | 2 | 1 | 2 | *5* |
| No Answer | 1 | 1 | 2 | 1 | *5* |
| **Total** | **20** | **8** | **67** | **25** | ***120*** |
| **When are you planning to expand? (6)** | | | | | |
| Within a year | 5 | 2 | 8 | 6 | *21* |
| 1-2 years | 9 | 4 | 25 | 11 | *49* |
| 3-4 years | 0 | 0 | 8 | 2 | *10* |

| | | | | | |
|---|---|---|---|---|---|
| Unknown | 6 | 2 | 26 | 6 | *40* |
| **Total** | **20** | **8** | **67** | **25** | ***120*** |

This includes respondents who answered "Maybe" to Q7 (multiple locations) or Q10 (one location) "Are you planning to expand?".

(1) This includes respondents who answered "Yes" to Q7 (multiple locations) or Q10 (one location) "Are you planning to expand?" and "No" or "Not Sure" to Q10 (multiple locations) or Q13 (one location) "Do you currently have the ability to expand?".

(2) This includes respondents who answered "Maybe" to Q12 "Are you planning to expand?".

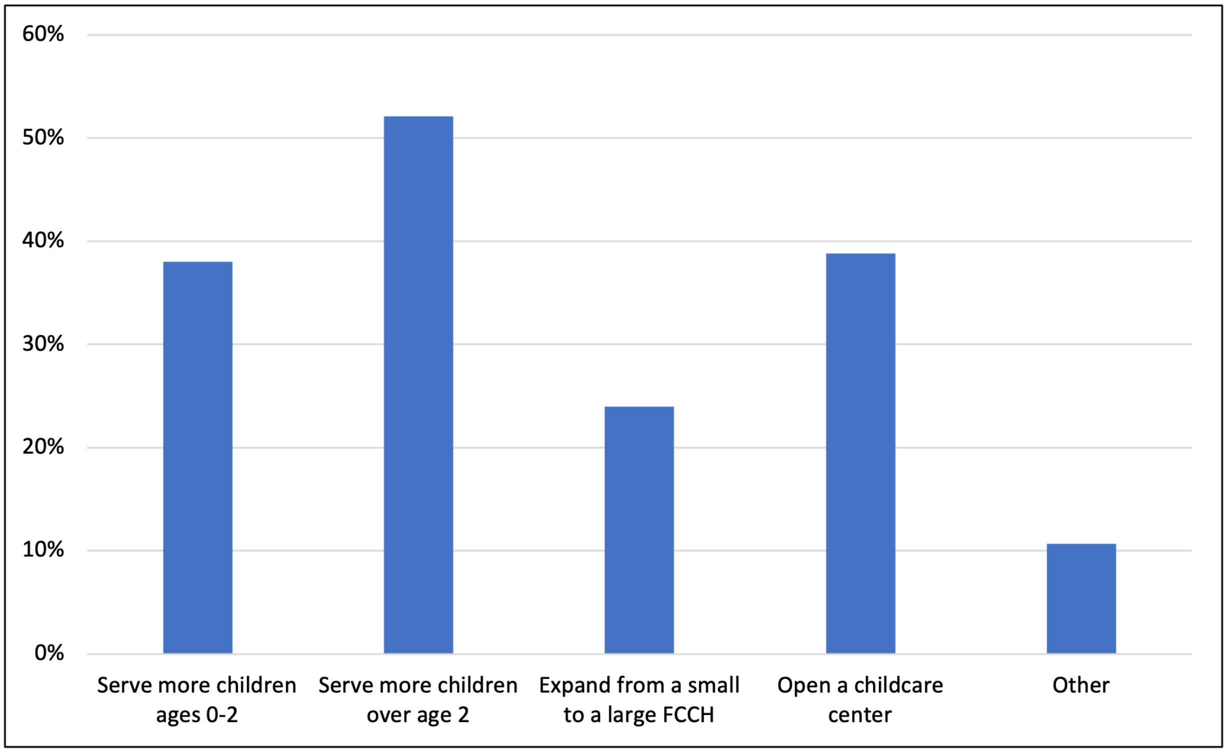
(3) This includes respondents who answered "Yes" to Q12 "Are you planning to expand?" and "No" or "Not Sure" to Q15 "Do you currently have the ability to expand?".

(4) Results are from Q12/15 or Q15/18 from the Center-Based Provider Survey 2023 and Q17 of the FCCH Survey 2023.

(5) Results are from Q9/12 from the Center-Based Provider Survey 2023 and Q14 of the FCCH Survey 2023.

Source: Santa Clara County Office of Education, Brion Economics, Inc.

**Exhibit 4-16 Preferred Means of Expansion - Center-Based Provider and FCCH Surveys 2023**




Among FCCHs, about half the respondents (52.1%) want to expand to serve more children over the age of 2, and 38% would like to serve more children under the age of two. Of the respondents, 38.8% would like to open a childcare center, which is more common than wanting to expand from a small to a large FCCH (24%, see Exhibit 4-16).

Center-based providers were asked exactly how many spaces they were planning to add. In total, 1,277 places could be added over the next years. Of these places, 872 (or 68%) are for Preschool children, 257 (or 20%) for Infants/Toddlers, and 148 (or 12%) for School-Age children (see Table 4-13).

**Table 4-13 Number of Spaces Center-Based Providers Are Planning to Add by Age Group - Center-Based Provider Survey 2023**

| | Maybe Planning to Expand (1) | Planning to Expand (1) | Total |
|---|---|---|---|
| Infant / Toddler | 80 | 177 | 257 |
| Preschool | 230 | 642 | 872 |
| School Age | 12 | 136 | 148 |
| **Total** | **322** | **955** | **1,277** |

Based on answers to questions Q8/11.

Source: Santa Clara County Office of Education, Brion Economics, Inc.

Two questions in the surveys inquired about challenges and barriers to expansion. One was asked to providers actively pursuing expansion (Exhibit 4-17), and another one to providers who were considering expansion but were unable to implement these plans at the moment (Exhibit 4-18). Comparing FCCHs with center-based providers, it is most noticeable that lack of financing is mentioned as the biggest challenge for FCCHs, with 70% of FCCHs actively pursuing expansion and 66% of FCCHs considering expansion. Lack of financing is only a barrier for 16% of centers actively expanding. For centers considering expansion, lack of financing, with 37%, is the most important challenge but at a much lower rate than for FCCHs. Not being able to afford available real estate options is the second most significant barrier for FCCHs (19% for those pursuing expansion plans and 48% for those considering expansion), while centers mentioned other barriers not listed as response options, such as the lack of qualified staff and the lack of demand for their services. Lack of expertise in managing projects was not a barrier for center-based providers at all but ranked third among FCCH providers currently expanding. Centers currently expanding have more issues with the public permitting process (16%), licensing questions (16%), and owner approval (11%).

Overall, providers are largely supportive of having a countywide service that can assist providers with facility questions, training, and support (Exhibit 4-19). In an effort to support expansion plans, 25 centers and 78 FCCHs agreed to include their names in a public list as an ECE provider that is considering expansion. The Partner Survey further identified five organizations that might include ECE programs in their facilities and a total of 12 respondents wanted to receive information on how the SCCOE can support developing an ECE facility.

**Exhibit 4-17 Challenges Experienced by Providers Actively Pursuing Expansion[65] - Center-Based Provider and FCCH Surveys 2023**

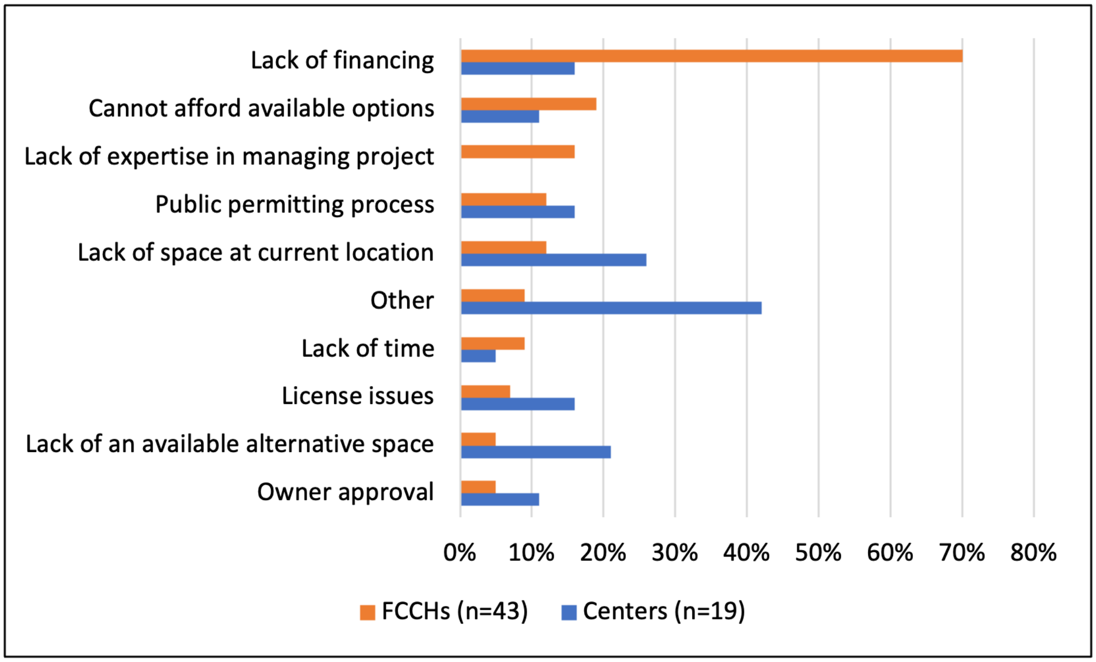
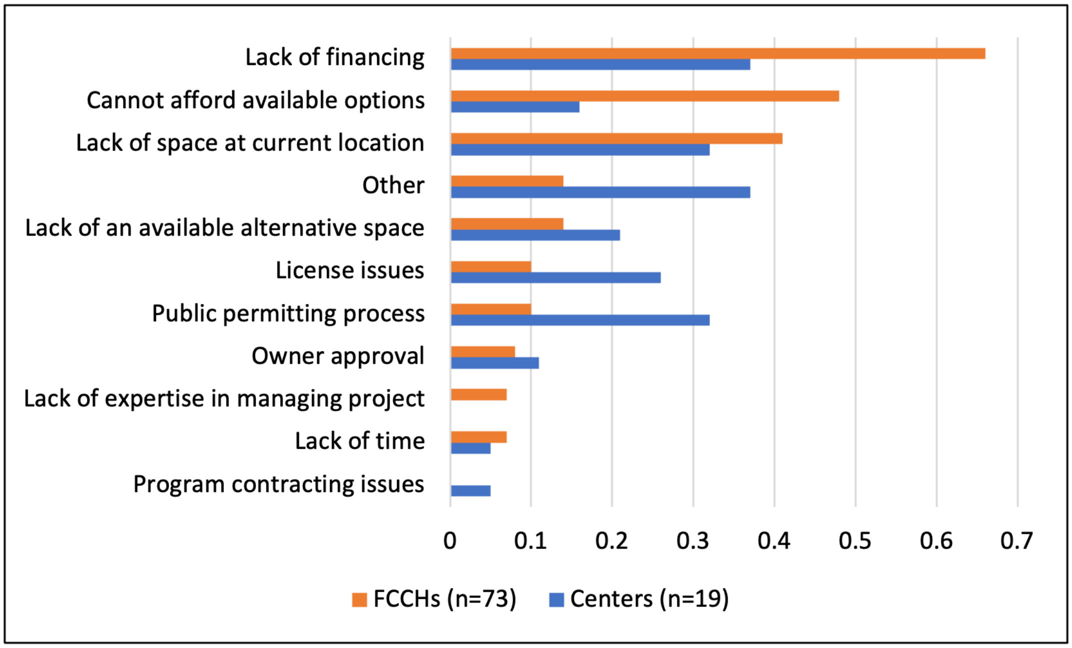


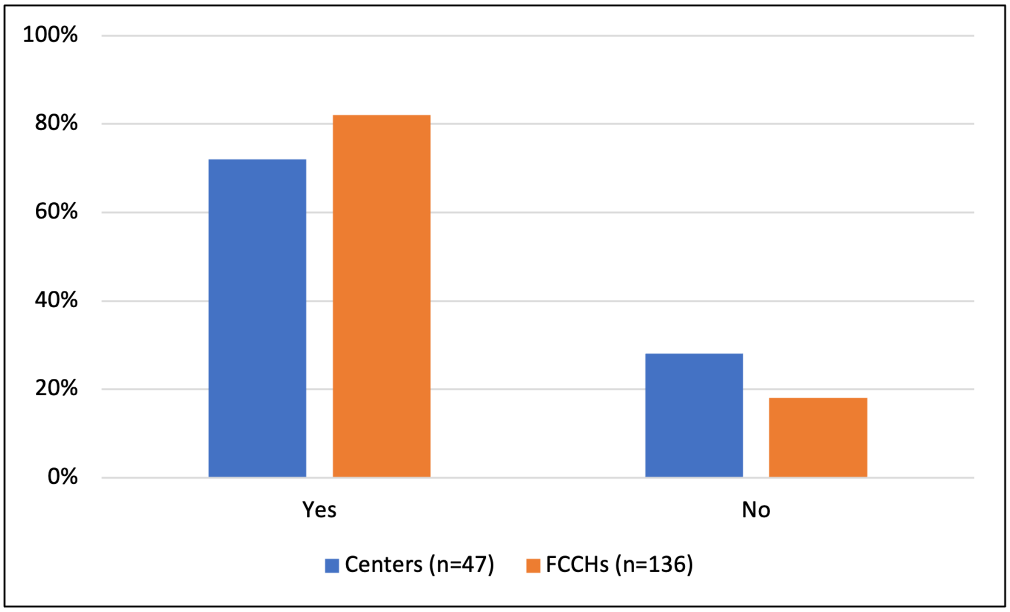

**Exhibit 4-18 Challenges Perceived by Providers Considering Expansion[66] - Center-Based Provider and FCCH Surveys 2023**




65 These results are from questions 13 or 16 in the center-based provider survey and question 18 from the FCCH survey. Both surveys were conducted by the SCCOE in May – July 2023.

66 These results are from questions 14 or 17 in the center-based provider survey and question 19 from the FCCH survey. Both surveys were conducted by the SCCOE in May – July 2023.

**Exhibit 4-19 Support for a Facilities Training and Technical Assistance Service**




## i. Possible ECE Sites from Surveys

The Center-Based Provider Survey, the FCCH Survey, and the Partner Survey asked respondents to share any ideas of potential sites for future ECE facility development. Twenty-one sites were identified and could be investigated for their viability (see Table 4-14). More than half of these sites (12 out of 21) are in San José, three in Sunnyvale, two in Mountain View, and one each in Gilroy and Santa Clara. For two locations, the specific city has not been identified. At least five sites are already existing childcare facilities and two of these are also listed on the list of providers interested in expansion. An additional 10 respondents indicated that they knew of a location without giving more details. More sites could potentially be identified when contacting these respondents.

**Table 4-14 Potential Sites for ECE Facilities**

| Survey | Name of the location | Location (address) |
|---|---|---|
| Center-Based Providers | Champion Kinder International School | 1055 Sunnyvale Saratoga Road, Sunnyvale |
| Center-Based Providers | Laurel Play Gardens | 1050 Park Avenue, San Jose |
| Center-Based Providers | Mountain View Whisman School District Office | 1400 Montecito Avenue, Mountain View |
| Center-Based Providers | | 1980 Fruitdale Ave, San Jose |
| FCCH | Giving Tree Montessori | 2555 Moorpark Ave, San Jose |
| FCCH | | Near Goodwill store on McKee Road, San Jose |
| FCCH | Reach Montessori Preschool | 2490 Story Rd, San Jose |
| FCCH | Deepa Patel | 1694 Belleville Way, Sunnyvale |
| Partner | Silicon Valley African American Signature Project | San Jose |
| Partner | | 777 West San Carlos, San Jose |
| Partner | Tamien Station Housing Project | San Jose |
| Partner | | Moffett Park, Sunnyvale |

| | | |
|---|---|---|
| Partner | Roots Clinic | 1898 The Alameda B, San Jose |
| Partner | Gavilan College | Gilroy |
| Partner | Mexican Heritage Plaza | 1700 Alum Rock Ave, San Jose |
| Partner | Civic Center | unclear |
| Partner | Day Worker Center of Mountain View | 113 Escuela Ave, Mountain View |
| Partner | Winchester Blvd and Stevens Creek Road | Santa Clara |
| Partner | Development project in Cambrian Park | San Jose |
| Partner | Inca Homes, LLC | San Jose |
| Partner | Fairgrounds | unclear |

Source: Brion Economics, Inc.

# 5. Building Quality Facilities

Quality facilities serve as support for the ECE program, enabling delivery of high-quality early learning and care. Just as a high-quality program meets the needs of all children, a quality facility supports developmentally appropriate, culturally informed, and inclusive practices. Quality facilities need not be expensive, but they do require an understanding of the developmental needs of children and the operational requirements of ECE programs. Licensing regulations, designed to address health and safety concerns, serve as a floor for facilities quality, rather than as a standard to be met. The following section provides information, examples, and guidance on creating ECE facilities that support quality instruction, inclusive practices, and meet the growing challenges of climate resilience.

## A. ECE Design Guidelines and Site Requirements

ECE providers in many communities are finding that "affordable" space for housing childcare centers is no longer available in the typically used school classrooms or church buildings. This requires them to seek space in other types of buildings that may not be as suitable or easily remodeled to meet the many State and local regulations controlling childcare[67]. Community Care Licensing definitions, requirements, and capacity limits by type of provider are included in Appendix F.

### i. General Requirements

A childcare facility serving children under 3 years old requires ground-floor building space and outdoor space for children's activity yards, staff parking, and parent drop-off/ pick-up.

#### *a. Interior building space*

California regulations require a minimum of 35 sqft of "classroom activity" space per child, exclusive of internal classrooms secondary and tertiary spaces, such as restrooms, teacher support areas, storage, and circulation. Additional square footage is also required for the balance of the center, such as offices, adult restrooms, the

67 This section of the ECEFS owes much to "Finding Sites for Child Care Centers", prepared by Kristen Anderson, Ph.D., retired Redwood City Child Care Coordinator, June 1999, revised September 2005, and October 2008. New supplemental information has been collected by BEI for this Study as needed to reflect new licensing requirements and changes in State law.

entrance, meal prep, janitorial closet, and material and large equipment storage. The average total square footage per child for centers tends to be 75 to 100 sqft. The average sqft per child of existing center-based providers from this Study's survey is 67 sqft (see Chapter 4 – Section A). The average sqft calculated from the childcare centers used to estimate average cost estimates per space equals 115 sqft per space. The average sqft per space for portable examples used in the cost estimates is 81 sqft (see Chapter 3 and Appendix D for more detail). Hence the sqft per space can vary significantly.

#### *b. Children's outdoor yards*

Licensing standards require 75 sqft per child for age-appropriate outdoor activities. Each age group is required to have a separate yard. A facility serving Infants and Toddlers, two-year-olds, and three-year-olds typically will have three separate outdoor yards. Licensing waivers can be obtained under certain circumstances to have less square footage, for example, by limiting the number of children using the yard at one time. Preschool-age groups often share a playground with different hours of use[68]. In some cases, nearby public parks and open spaces can count towards the open space requirements of childcare centers. Though it is possible to locate a center above the ground floor, emergency exiting requirements are very complex and expensive, such as having an additional exterior stairwell dedicated for childcare center use (State Fire Marshal Code). Roof-top playgrounds have been developed to serve older children but are not ideal environments since natural features (trees, sand, and grass) are challenging to include.

#### *c. Parking*

Each city and county specifies parking requirements for childcare center staff. Additional short-term parking is needed for parents dropping off and picking up children and is typically located close to the center's entrance. However, it should be noted that this can vary depending on the type of program provided. A part-day only Preschool, program where all children attend from 9:00 AM to 11:30 AM, for example, will have a higher, short-term parking need than a full-day program, where parents drop off and pick up children over a two- to three-hour period at the beginning and end of the day. Childcare in office parks/commercial areas may have less parking impact from parents who work on-site and/or who use public transit.

#### *d. Other considerations*

There should not be excessive noise, air, or hazardous conditions within close vicinity (e.g., vehicle exhaust, hazardous materials, etc.), both for safety reasons and attractiveness to potential users. Sites adjacent to a freeway or airport are questionable, as would buildings in some industrial/manufacturing areas. Local planning or fire departments have information on businesses that have permits for hazardous materials on site.

### ii. Zoning

Cities and counties have zoning laws that specify what types of uses are permitted and not permitted in different areas. Types of zones include residential (from very dense, like multifamily dwellings, to least dense, like single-family residences or estates), commercial, industrial, office park, etc. ECE centers may be permitted, required to obtain a conditional use permit (involving fees and a public hearing), or not permitted in each type of zone. It is

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68 There have been cases where waivers were approved by Community Care Licensing in areas where no outdoor playground space was available to share another center's playground or use a nearby park if facilities were suitable for the ages served, and a higher level of supervision was provided. However, these are undesirable alternatives that may not be approved by a local Licensing office.

important to contact the local planning department to identify where childcare programs, both center and home-based, may be located before looking for a site.

#### *a. Family Child Care Homes*

Family Child Care Homes (FCCHs) can serve up to 8 children (small) or up to 14 children (large), depending on the age mix. They are located in residential property, often the home of the provider. As of January 1, 2020, the State implemented SB 234, which addressed local restrictions on large FCCHs, to give them the same protections as small FCCHs. SB 234 restricts the extent to which local governments and individuals can burden or prevent the use of a residence for the purpose of operating a Family Child Care Home[69]. A summary of the code requirements includes that it[70]:

1. Voids written provisions relating to real property that restrict the conveyance, encumbrance, leasing, or mortgaging of real property for use or occupancy as a family daycare home. (HSC section 1597.41 (a).)
2. Forbids any attempt to deny or restrict the leasing, renting, or mortgaging of family daycare homes. (HSC section 1597.41 (b).)
3. Requires that the use of a home as a family daycare home, operated under the standards of state law, in a residentially zoned area shall be considered a residential use of the property for the purposes of all local ordinances, regulations, and rules, and shall not fundamentally alter the nature of the underlying residential use. (HSC section 1597.42.)
4. Prohibits local jurisdictions from requiring a business license, fee, or tax for the use of all family daycare homes. (HSC section 1597.45(b).)
5. Protects all family home types (small-to-large) by requiring that large FCCH (caring for up to 14 children) be treated as residential uses just as small FCCH (caring for up to 8 children) are under existing law. (HSC sections 1596.78 (b), 1596.78 (c), 1597.45 (a).)
6. Requires that local ordinances or nuisance abatements shall not distinguish family daycare homes from other homes with the same zoning designation, except as otherwise provided in the bill. (HSC section 1597.45 (e).)

In summary, SB 234 reduces burdens on FCCHs in California. FCCH providers must still apply for a State license and follow any other procedures required by the State Department of Social Services in California under existing law. This legislation may require the cities and the CSC to update zoning and other municipal codes, as well as their zoning permit forms, business license forms, and other supportive materials, to come into compliance with SB 234.

### iv. Co-Locating Childcare within Single and Multi-Residential Housing

It makes sense to develop childcare facilities within or near housing developments. This can include both child-care centers and FCCHs. There are several excellent resources, including guidelines for ECE facilities in housing developments, which outline the various design issues, challenges, and benefits.

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69 https://www.cdss.ca.gov/inforesources/child-care-licensing/resources-for-providers/family-child-care-home-providers-remedies-for-housing-discrimination

70 https://opr.ca.gov/docs/20220920-OPR_SB234_Factsheet.pdf

### *a. Including FCCH in Multi-Unit Developments*

The Low Income Investment Fund (LIIF) recently issued Including Family Child Care in Affordable Housing: Policy, Design and Financing Considerations in December 2022[71] with recommendations for including units specifically designed to accommodate FCCH providers in multi-unit housing developments. These include the following design considerations and guidelines:

1. Expanded indoor floor plans: Most states only regulate minimum square footage requirements per child in centers, but children served in FCCHs also benefit from having ample room to play individually, participate in group activities, or rest. In FCCHs, developers should seek to allocate at least 50 square feet per child of usable play space to ensure the quality of care.
2. Durability: Spaces that serve children may wear and tear faster than normal living spaces. In units that developers intend to lease to FCCH providers, they may want to select higher quality and easier-to- clean materials and equipment to reduce maintenance issues later. Granite or quartz kitchen counters and wood or tile flooring in play space with area rugs layered on top generally represent best practice.
3. Noise and insulation: In selecting materials for FCCH units, developers may also seek to add additional insulation and sound-absorbing elements to reduce background or street noise in the program space. Particularly for FCCH providers that serve Infants, having a cozy, quiet space is critical. These changes also help to protect other residents in nearby units or homes from noise disturbances.
4. Separation of living and care spaces: Where possible, FCCH units should allow some separation of living spaces and areas where children will be served. Recent studies have shown that the burnout many FCCH providers experience is driven by the difficulty separating personal space from space intended for childcare. Incorporating design elements or modifying floor plans so that rooms in the home where children are served are clearly distinguished from those where the provider lives and relaxes can boost long-term sustainability of the business. For example, locating a bathroom with child- sized fixtures adjacent to play areas can help providers separate personal areas from those related to the program. Beyond floor plans, home design should also include extra storage spaces to ensure sleeping cots, toys, and other program materials can easily be put away at the end of the day.
5. Lines of sight and sound: Units should be as open as possible to ensure providers can effectively supervise children while they cook, take individual children to the bathroom, supervise during nap time, or do laundry. Partitions in FCCHs should be shorter than those in typical homes to ensure sight lines across rooms or spaces, especially the kitchen and living room or program area.
6. Natural light and ventilation: Substantial research suggests that children benefit physically and emotionally from natural light and that variations in light from multiple windows and directions can support active play and learning. Where possible, FCCHs should be in corner units or homes that receive ample sunlight. At least some windows should also be positioned at child height or be in places where providers could install safe platforms or lofts for children to look outside. If possible, windows should also be able to open to bring fresh air and ventilation into the program space when appropriate.
7. Easy exits and fire safety: Situating FCCHs on the ground floor of apartment buildings or homes is typically best practice and, in some states, may be required by licensing agencies but is not required in California. Developers should seek to strategically place childcare units so that they have at least two doors with direct outdoor access and clear exit plans in case of fires or other emergencies.
8. Engaging and accessible outdoor areas: Beyond compliance with basic fire safety protocols, FCCH units should be located so that providers can seamlessly incorporate outdoor learning and play activities into their programs. In multi-family buildings, where outdoor space may be at a premium, developers may consider

71 https://www.liifund.org/wp-content/uploads/2022/11/FCC-Co-location-Handbook-11.30.22-compressed.pdf

allowing providers to reserve common spaces or building playgrounds during certain times of the day, and small private patios or courtyards should be made available for the childcare units. Especially in places with harsh weather and high temperatures, adding shade structures to both private and shared outdoor play spaces is also critical.

### v. Including ECE Centers in Affordable Housing Developments[72]

As part of Build Up Riverside County's strategy to create high-quality spaces for childcare programs by co-locating them within affordable housing developments a resource guide was created in 2023 specifically for developers and their architects to use during the initial planning stages of incorporating ECE centers into affordable housing. This "Foundation Planning Guide" was developed with the Low Income Investment Fund (LIIF), First 5 Riverside County, Kathryn Tama, Eileen Monahan, and consulting design architect Abode Communities. Appendix D includes several design templates from this study, including Preschool classrooms and Infant/Toddler rooms from this guide.

The guide's easy-to-use content, templates, and typologies offer insights into design metrics, spatial and security- based relationships required for childcare centers, building arrangements, building codes, State licensing, and quality requirements. The typologies were developed to be easily replicated and maximize the ground floor of single and double-corridor multi-story buildings and are readily adaptable to building types commonly used in affordable housing.

Ten ECE center configurations/typologies are presented along with various siting options that developers can use interchangeably depending on site conditions and are appropriate for both urban and suburban conditions. The options are teamed with open space, on-grade parking, courtyards, and outdoor play yards.

The typologies are based on four age-appropriate classroom templates that were created to meet the State's licensing and ECE quality rating requirements, be easily replicated, and fit into the shape and size of typical affordable housing buildings. The typologies are a combination of specific types and number of classrooms needed as children age through the center's programs. Additional square footage is required for the center's secondary and tertiary spaces, such as offices, adult restrooms, entrance, meal prep, staff lounge, janitorial closet, storage, meeting space, corridors, etc. Therefore, the square footage presented is not based on a per- child metric.

Due to the high demand for Infant/Toddler care and Preschool shifting to the school districts through TK, the typologies prioritize serving Infants and Toddlers and feature flexible Preschool classrooms to serve younger children in the future by providing plumbing and space for diaper changing.

The center typologies have fewer Preschool classrooms and a significantly higher percentage of Infant and Toddler classrooms (50%) than the typical childcare centers (33%). This results in fewer children served with a similar total square footage of a typical center.

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72 See Appendix D: Tama, Kathryn and Toro, Noel. Foundational Planning Guide for Incorporating Child Care in Affordable Housing Developments: ECE Center Typologies. First 5 Riverside County and Low Income Investment Fund, 2023. [Foundational Planning Guide for Incorporating Child Care in Affordable Housing]()

## B. Accessibility, Inclusion, and Equity

According to the latest available federally reported data (U.S.D.E., 2023), just under 27% of young children with disabilities (ages 3-to-5, and not in kindergarten) in California spend any time in a regular early learning program, with most of these children receiving services in a segregated setting (e.g., a separate class, separate school, or another clinical location). This figure places California second-to-last in terms of early childhood inclusion, measured as a percentage of young children with disabilities who spend any time in a general education program, compared to all other reported states and territories. This data suggests that California is not routinely serving children in the appropriate least restrictive environment (LRE), a mandate of the Individuals with Disabilities in Education Act (IDEA) of 2004. A key recommendation from the County's Early Learning Master Plan mid-implementation review[73] is:

Expand efforts to partner with families of children with disabilities by researching their needs, identifying, and expanding the number of early learning programs that are prepared for the inclusion of children with special needs, and encouraging early intervention providers and special education programs within LEAs to align family partnership efforts across general and special education.

### i. Recent Funding Addressing Inclusion

The SCCOE received a $5.5 million grant in FY 18-19[74] from the California Department of Education (CDE) for the Inclusive Early Education and Expansion Program (IEEEP) in response to the following four program priorities:

1. A demonstrated need for expanded access in low-income communities as demonstrated by serving high-need zip codes.
2. Represent a consortium of local partners.
3. Demonstrate the ability to serve students with a broad range of disabilities, including those with severe disabilities.
4. Plan to serve children with disabilities in proportion to their rate of identification, similar to LEAs in the region.

With this funding, SCCOE, in collaboration with 20 consortium members, is increasing access to inclusive ECE settings for 242 zero-to-five-year-old students in high-need zip codes in Santa Clara County. The SCCOE is working on the following structural facility improvements at the identified sites:

1. Glenview Early Learning Facility: Gateway/Glenview is in the Gilroy Unified School District. At Gateway/Glenview, the SCCOE will add two modular licensed classrooms – one will be a match (1,200 square feet), one modular office/training space (1,200 square feet)- and renovate two existing licensed classrooms for children ages 3-to-5 years old. In addition to these projects, the SCCOE will renovate/repurpose an existing 4,237-square-foot building. This renovation will create four new licensed classrooms for children ages 0-to-3 years old. This project will also require the installation of an additional parking lot that will provide four ADA parking stalls, require ADA access, and provide 36 additional parking spaces. These improvements will create 40 new 3-to-5-year-old slots and 32 new 0-to-3-year-old slots and improve the existing classrooms for 40

73 https://www.sccoe.org/elmp2017/Documents/ELMP_Report_Rv_Proof6.pdf
74 Funding Results: Inclusive Early Education Expansion Grant FY 2018-19 (CA Dept of Education)

existing slots. The Gateway/Glenview facility will become an ECE center that will serve the entire community of Gilroy and South Santa Clara County. It will include a training space for SCCOE staff to provide professional development and instruction that supports inclusion. The training space will be used by educators, partner agencies, parents, and community members to support parent engagement and inclusive activities.

2. Stonegate Early Learning Facility: Stonegate is in the Franklin McKinley School District. The SCCOE will add an additional modular licensed classroom for 0-to-3-year-old students and improve the outdoor recreation areas by making them more accessible and conducive to a universal inclusive early learning environment. These improvements will add 16 new 0-to-3-year-old slots and improve the learning opportunities for 60 children ages 3-to-5 years old.
3. Ridder Park: Ridder Park is the central office of the SCCOE and is located in the Orchard School District. The SCCOE will convert 2,400 square feet of unused classroom space to three licensed classrooms for children ages 0-to-3 years, one outdoor accessible (ADA-compliant) playground, and a center-specific parking lot. The Ridder Park Early Learning Center will provide an additional 24 slots for students ages 0-to-3 years old.
4. Hollister: The SCCOE will renovate two existing licensed classrooms in the Hollister School District to make them ADA-compliant. These improvements will allow for inclusion and improve the learning opportunities for 40 children ages 0-to-5 years old.

## ii. Key Considerations for Inclusive Facilities[75]

This section describes key physical improvements and equipment needed to create childcare spaces that are inclusive of children with disabilities.

### *a. Ease of Circulation and Mobility*

- Doorways, indoor/outdoor pathways, classrooms, bathrooms, and other spaces are accessible for children and adults who use wheelchairs, walkers, crutches, or other mobility devices.
- Safe, unobstructed pathways and trails are needed for children with visual impairments to independently navigate their classroom, as well as explore their outdoor spaces.
- Flooring (and outdoor surfacing) is smooth and well-maintained for the safety of mobility devices, as well as for children who are visually impaired or very physically active.

### *b. Established Activity Spaces and Areas*

- Classrooms are constructed with clear, well-defined spaces and areas that actively engage children in their intended use.

75 See https://buildupsmc.com/solutions/ and https://drive.google.com/file/d/1IBmB_UT3v_MmWcqGul6armpmjxKWKGFe/view

- Spaces are designed for small groups or pairs of children to engage together without disruption from their peers. Children with delays in social skills and/or language development especially benefit from these smaller, more intimate environments.
- Spaces are available, in both the indoor and outdoor environment, for children who become overstimulated and seek areas where they can retreat to, rest, and distance themselves from undesirable visual, auditory, and olfactory (smell) stimulations.
- Space dedicated for large group activities that allow all children, including those in wheelchairs or special seating, to sit comfortably and reach the learning materials, if any.

### *c. Auditory Environment*

- The noise level is low enough that children and staff can hear each other without shouting.
- Noise is controlled by quiet fans, HVAC equipment, acoustic wall/ceiling tiles, soft furnishings that absorb sound, and/or other methods.
- Self-flushing toilets can be useful for children with motor or balance issues but may be frightening for children with auditory sensitivities.
- Bathrooms are designed to decrease the echo, if possible.

### *d. Visual Environment*

- Maintain an uncluttered visual environment (including walls, windows, and tops of furniture) to help prevent over stimulation and support individuals with sensory disorders.
- Ensure natural light from windows and skylights is the main source of lighting, supplemented, where necessary, with appropriate activity/task area electrical lighting.
- Avoid fluorescent lighting whenever possible, as it negatively impacts children and adults, especially those with visual impairments.
- Walls and floor coverings are neutral colors, with only limited accents, to avoid over stimulation.

### *e. Air Quality*

- Ventilation from windows provides fresh air for health reasons, weather permitting. HVAC systems, intended to supplement ventilation, are well-maintained with cleaning and appropriate filters to reduce impacts on children with respiratory diseases.
- Sources of mold, mildew, and moisture leaks are immediately addressed to prevent serious health impacts on children and adults, especially those with chronic diseases.

### *f. Equipment and Furnishings*

- Bathroom fixtures and classroom sinks are appropriate heights and spacing for the intended user.
- When children's feet cannot reach the floor, it becomes very difficult for them to perform new or challenging fine motor tasks, such as writing and cutting. Support the child's learning environment by providing access to a variety of seating and table options, including furniture, floor, or specialized seating in both the classroom and outdoor spaces.

- Varied table heights and chair sizes that match accordingly are critical for accommodating wheelchairs and children who may experience postural or fine motor challenges.
- Furniture and large play materials are stable and safely allow children to use them as support in "pull-to-stand" movements.
- Shelving units for play materials can be adapted to be accessible to children who cannot reach down to low shelves (e.g., a child who uses a wheelchair for mobility) and close to the ground for children who may not be able to stand.
- Sufficient classroom storage is available for specialized/adaptive equipment and materials for children with special needs, as well as for extra, rotated play materials to avoid cluttered shelves and countertops.

## C. Climate Change Resiliency

Climate change is significantly impacting the childcare industry, as highlighted in several recent articles examining how climate change affects childcare and education[76]. Extreme weather events and air pollution caused by climate change can pose health risks to children, leading to increased absenteeism in ECE programs and schools. Young children are particularly vulnerable to the effects of climate change, such as heat waves and natural disasters because "their rapidly developing bodies and minds render them uniquely vulnerable to the kind of environment-related risks that are both contributing to and being driven by the changing climate. This is particularly the case between birth and the age of five[77]." Events nationwide have highlighted the various connections between early childhood and climate change[78] and recent studies have shown the detrimental effects of climate change on children's brain development[79]. ECE facilities need to be designed or renovated in ways that maximize their climate resilience by upgrading their air filtration systems, improving heating and air conditioning to deal with weather extremes, installing back-up power, and providing clean water sources. During the COVID-19 pandemic, ECE was recognized as an essential service. ECE facilities should be considered a part of the community's emergency infrastructure and be funded and maintained accordingly.

### i. Key Considerations for Climate-Resilient ECE Facilities

The specific climate resilience considerations for an ECE facility should be based on the likely risks of the facility location. Within Santa Clara County, the CSC Office of Sustainability has identified sea level rise, extreme wet and dry periods, extreme heat, and increased wildfires and wildfire smoke as local effects of climate change[80]. Given that the expected life span of ECE facilities can be longer than forty years, anticipating and mitigating the challenges of climate change should be built into any new construction projects. ECE facilities design should consider the following key features:

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76 Pizza, A. (2022, Jun 1). *Does Climate Change Affect Childcare and Education? This Expert Thinks So.* See https://brightly.eco/blog/how-climate-change-affects-childcare-and-education

77 Capita.org. (2023, Aug 5). *Addressing the Impact of Climate Change on Young Children.* https://www.capita.org/climatechange

78 Sullivan, E. (2022, Nov 22). *Early Childhood and Climate Change Are Connected in More Ways Than You Might Think.* EdSurge.com. https://www.edsurge.com/news/2022-11-22-early-childhood-and-climate-change-are-connected-in-more-ways-than-you-might-think

79 Perera, F. (2022, Nov 21). *What Climate Change Is Already Doing to Children's Brains.* https://time.com/6234580/climate- change-children-brain-development/

80 https://sustainability.sccgov.org/climate-resilience-programs-and-resources

### *a. Thermal Comfort and Air Quality*

- Correctly sized HVAC systems with programable controls that include air filtration systems (i.e., MERV-13 or higher filters) and high ventilation rates (at least five changes per hour). Or, alternatively, stand-alone air filtration systems that meet these standards.
- Weather stripping, storm windows and doors, or replacements with high-efficiency ratings, based on climate zone location to provide insulation, and screens to increase fresh air circulation.
- Ceiling fans to increase air circulation and comfort.
- Insulation to mitigate heat gain and insulate ducts in unconditioned space.
- Shaded outdoor areas provide safe outdoor play space through shade structures, sails, and/or plantings.
- Insulating attic spaces to the correct R-value and insulated ducts in unconditioned space.
- Ventilating roof spaces.
- Painting roofs and walls with light colors to reduce heat gain.
- Using energy-efficient window coverings.

### *b. Electrical Efficiency and Reliability*

- Ensuring all electric equipment, systems, and appliances are energy efficient.
- Adding solar panels, battery storage, and electrical car charging stations where practicable.
- Including backup power systems for storm, fire risk, or heat-related electricity outages.

### *c. Water Efficiency*

- Installing low-flow and water-efficient faucets and fixtures.
- Using smart irrigation and/or soil moisture-based controllers, low-flow drip and sprinklers, and laundry graywater for landscaping, if permitted.
- Landscaping with native plants and xeriscaping.

### *d. Fire Resistance*

- Building with fire-resistant materials
- Using Class A roof assemblies and noncombustible coverings for any roof replacement.
- Ensuring gutters and leaf guards are made from non-combustible materials.
- Fitting house vents with corrosive-resistant metal mesh screens.
- Creating defensible space around buildings, e.g., no combustible litter and trimming tree branches that overhang the roof.

### *e. Extreme Weather*

- Consider whether window protection is necessary.
- Use metal roofing that is resistant to impact.
- In areas where high winds are possible, consider using building materials and designs resistant to wind or

strapping walls to the foundation.

- Do not develop ECE facilities in or near flood-prone areas or those vulnerable to sea-level rise.

# 6. ECE Policy and Program Case Studies

This Chapter provides a series of brief case studies that provide examples of innovative ways to address communities' need for childcare and issues such as funding and financing. These case studies on local city or county efforts, employer-provided childcare, and current and recent grant programs supporting childcare, may help to inform the Recommendations and Next Steps discussed in Chapter 7 below.

## A. Family Needs Assessment – City of Palo Alto

In June 2019, the City of Palo Alto conducted a Family Needs Assessment[81] focusing on the areas of quality of life in Palo Alto, the ECE landscape, access and inclusion in Palo Alto, and community services, resources, and support. Data were gathered from 18 key informant interviews, 41 interviews with ECE providers, and 661 survey respondents from a quantitative mail survey sent to Palo Alto families. To ensure the feedback of historically underrepresented families, three focus groups were conducted with low-income families, immigrant families, and families with children who have special needs (group size between 7 to 15 participants).

Research participants agreed that convenient, high-quality ECE exists in Palo Alto, but often was difficult to access due to long waitlists, program limitations, and costs. Almost all surveyed providers indicated having a waitlist. Participants who self-identified as middle-income families reported not being able to afford full tuition, while also not qualifying for financial aid. Families from focus groups expressed concern about the shortage of culturally sensitive childcare options and the lack of childcare programs for children with special needs. Several indicated that very few childcare providers will accept children with special needs without a full-time aide also being provided, which can be cost-prohibitive for many families.

For ECE providers, their major challenge was recruitment and retention of staff, followed by the inability to expand capacity due to space constraints, meeting the changing needs of diverse populations, and managing the high expectations and demands of parents in the community. ECE providers identified the low wages and lack of benefits, commute time to work, and living costs in Palo Alto and the surrounding communities as the greatest challenges to recruitment.

Regarding the challenge of expanding capacities, providers had the following recommendations:

- Local grants for educators and centers to update and expand their facilities.
- Explore federal grants for schools, daycares, and after-school programs.
- Reduce permit fees for childcare centers.
- Require companies that are building in the community to have childcare built in.
- Make compliance with local regulations for providers easier and faster.
- Partner with businesses to repurpose unusable areas as childcare centers.

Focus group participants identified several strengths related to access and inclusion in Palo Alto, including access to low-income housing, high-quality public schools, free or reduced-cost activities offered at the libraries, and a playground that welcomes children who have special needs. Parents of children with special needs reported

81 Analytic Insight (2019): Palo Alto Families Needs Assessment. https://www.cityofpaloalto.org/files/assets/public/community-services/human-services/programs-resources/palo-alto- final-report-6-19-19-final.pdf, accessed August 9, 2023.

feeling isolated from other parents in the community, because of the perception that parents of "typically developing children" do not understand the experiences of parents of children who have special needs.

## B. Childcare Impact Fee - South San Francisco

The City of South San Francisco adopted a Childcare Development Impact Fee in November 2001 to provide new development's share of funding for new and expanded childcare facilities. Funds have increased annually due to inflation, increased building costs, and the pace of new development. The Impact Fee balance as of June 2023 was approximately $14.5 million. The fees have helped finance the construction and expansion of two city-operated childcare facilities and updating and renovating playground facilities, significantly increasing the number of available childcare spaces in South San Francisco.

In 2020, South San Francisco engaged in SHAPE SSF, a community-wide effort to update the 1999 SSF General Plan. SHAPE SSF 2040 included community input and outreach to gather citizen needs. Childcare was identified as a significant community need. The City Council approved the development of a Childcare Master Plan[82] that was approved June 2022 and includes over 140 recommendations specific to childcare planning and services in South San Francisco.

## C. Issue Advocacy - Build Up San Mateo County

Build Up San Mateo has identified an overall goal of creating 3,000 new childcare spaces countywide over the next several years. The initiative has identified six key messages[83] to use in its advocacy for increasing the capacity of ECE facilities in San Mateo County:

1. Shortage: San Mateo County has a tremendous shortage of early learning facilities for all ages and income levels that impact families, children, and the County's economic prosperity.
2. Approach: Build Up SMC seeks to alleviate the childcare shortage through a four-part approach: reuse of existing available space, the inclusion of childcare in new developments, partnerships with large employers, and generating new capital funds.
3. Collaboration: Build Up San Mateo staff, partners, and volunteers who work with cities, developers, employers, school districts, and faith-based organizations on solutions for including childcare. For example, Build Up San Mateo recently sent letters to each City outlining how they can address childcare needs through their Housing Element General Plan updates[84].
4. Workforce Stability: Childcare is a solution to workforce issues such as work-life balance, absenteeism, employee retention, and productivity.
5. Quality of Life: Having high-quality childcare, Preschool, and after-school care available makes a community more friendly and sustainable and improves the quality of life for people who live and work in the community.
6. Essential Services: Childcare availability is an important piece of community infrastructure that is interrelated with housing and transit because childcare sites near housing, jobs, and transit reduce traffic congestion and commute times, allow families to live and work in the same community and complements a

82 https://www.ssf.net/home/showpublisheddocument/26763/637915930210130009

83 From https://buildupsmc.com/advocate/, as viewed on July 15, 2022.

84 https://www.smcoe.org/about/child-care-partnership-council/

city's business development and retention strategies.

Build Up San Mateo served as a model for a new Build Up California statewide effort, administered by the Low Income Investment Fund (LIIF).

## D. Industrial Policy - Creating Helpful Incentives to Produce Semiconductors (CHIPS Act)

The federal Creating Helpful Incentives to Produce Semiconductors (CHIPS) Incentives Program leverages public dollars to implement a unique childcare requirement. Semiconductor manufacturers that apply for more than $150 million of CHIPS direct funding must outline a strategy for providing facility and construction workers with access to quality, dependable, affordable childcare. Santa Clara County has at least 11 semiconductor manufacturers that would qualify for this program including Advanced Micro Devices, Applied Materials, and Intel Corp.

The Childcare Requirement is flexible and allows companies to choose the type of childcare services that best suit their needs. Companies can choose to provide on-site childcare facilities, partner with local childcare providers, or offer other types of childcare assistance. The CHIPS Act also provides funding to help companies establish and maintain childcare programs. Under the CHIPS Act, companies must provide a Childcare Plan that is both (i) affordable, accessible, reliable, and high quality, and (ii) responsive to workers' needs, as defined in the Act. The CHIPS Program Office encourages applicants to craft access to childcare plans in tandem with community partners, including state and local governments and local groups with expertise in administering childcare.

The SCCOE is well positioned to offer support to these businesses to participate in the CHIPS program and provide technical support to address the childcare requirements associated with the grant program. Outreach to these companies to determine interest and eligibility should be considered as a means to leverage the substantial Federal funds available through the CHIPS program.

## E. Public Funding – Infrastructure Development Grant Program

On July 23, 2021, the California Legislature enacted the Child Care and Development Infrastructure Grant Program, a $350.5 million investment in childcare infrastructure across the State of California administered in the form of grants by the California Department of Social Services (CDSS). The CDSS is providing $200.5 million in grants for minor construction, renovations, and repairs to address health and safety concerns and $150 million in a separate grants program for major repair or construction of childcare facilities.

### i. Minor Renovation and Repair Grant Program[85]

The Minor Renovation and Repair Grant program provided grants for minor renovations repairs, modernization, or retrofitting of existing childcare facilities to increase or recover capacity with the goal of preserving, enhancing, or expanding existing childcare spaces. To be eligible[86] required being a licensed childcare provider in California,

85 https://www.cdss.ca.gov/inforesources/child-care-and-development/infrastructure-grant-program/minor-renovation-and-repairs#Res

86 California Department of Social Services (2022): Request for Applications. IGP RFA 1: Minor Renovations and Repairs Grant Program. https://www.cdss.ca.gov/Portals/9/CCDD/RFA-IGP.pdf, accessed August 7, 2023.

located in California, and serving children and families in California that had been in operation for at least one year prior to August 1, 2021, and to serve children from low-income families or (plan to) provide subsidized childcare within certain defined programs[87]. Local Education Agencies, school districts, and community colleges were excluded, as well as Family, Friends, and Neighbor (FFN) programs.

The following funding criteria applied[88]:

- Projects were preserving, expanding, or enhancing spaces for children ages 0-to-5.
- The grant funds were necessary to complete the project.
- The applicant had proof of site control for the entire term of the grant.
- The project had no funding gaps and could be completed within 120 days of being granted the funds.
- The applicant had to apply and obtain all necessary approvals and permits for the proposed project.
- The financial and organizational viability of the childcare program operation for the term of the grant was guaranteed by the provider.

Childcare centers could request up to $249,999, FCCHs up to $75,000 in grants. The awarded amounts of the grants were determined based on the following factors:

- Scope of the project.
- Regional building costs.
- The use of universal design to provide inclusive environments.
- The need to meet licensing or health and safety standards.
- The proportion of children receiving subsidies.
- The total number of children (to be) served.

Awardees were required to provide childcare services at the locations where the funds were used for a period of years following the notification of the grant award (four years for childcare centers, and two years for FCCHs).

Santa Clara County childcare providers were awarded a total of $7.26 million in grant dollars, as shown in Table 6-1. About 55% of this amount, or $4 million, was awarded to childcare center-based providers and $3.26 million to FCCH. Providers in San José received about 64% of the total awards or $4.6 million. There were 201 applications received from Santa Clara County, of which 37 were fully funded, 133 were partially funded, and 31 were not funded.

### ii. Construction and Major Renovation

CDSS also issued a Construction and Major Renovation Grant Program with $150 million in grants for construction or major renovation of childcare facilities. These funds supported extensive alterations, structural changes, and/or major renovations to existing childcare facilities, and for construction to build new childcare spaces. The grant must be used to increase licensed spaces by:

- Renovating or building an existing facility by adding classrooms.
- Constructing a brand-new center-based facility.
- Replacing a facility lost due to a state or federally-declared disaster.
- Expanding Small FCCH to Large FCCH Homes.

87 For more detailed information on eligibility criteria, please refer to California Department of Social Services (2022): Request for Applications. IGP RFA 1: Minor Renovations and Repairs Grant Program.
88 https://www.cdss.ca.gov/Portals/9/CCDD/RFA-IGP.pdf, accessed August 7, 2023.

These programs provide a model for how public funds can be distributed to support non-public childcare providers meet their facility needs.

**Table 5-1 Minor Renovation and Repair Grant Awards in Santa Clara County**

| City/Area | Child Care Centers | Family Child Care Homes | Total Awards | Percent of Total Awards |
|---|---|---|---|---|
| Campbell | $140,000 | $2,826 | $142,826 | 2.0% |
| Cupertino | | $22,408 | $22,408 | 0.3% |
| Gilroy | $67,000 | $193,283 | $260,283 | 3.6% |
| Los Altos | | $52,920 | $52,920 | 0.7% |
| Milpitas | $44,645 | $175,858 | $220,503 | 3.0% |
| Morgan Hill | $49,150 | $94,021 | $143,171 | 2.0% |
| Mountain View | $263,032 | | $263,032 | 3.6% |
| Pleasant Hill | $187,520 | | $187,520 | 2.6% |
| San Jose | $2,283,684 | $2,394,264 | $4,677,948 | 64.4% |
| San Martin | | $25,300 | $25,300 | 0.3% |
| Santa Clara | $486,515 | $158,461 | $644,976 | 8.9% |
| Saratoga | $185,000 | $10,617 | $195,617 | 2.7% |
| Sunnyvale | $111,298 | $134,655 | $245,952 | 3.4% |
| **Total Awards** | **$3,997,844** | **$3,264,614** | **$7,262,458** | **100.0%** |
| Percent by Type | 55% | 45% | 100% | |

Sources: Low Income Investment Fund (Grant Administrator); Santa Clara County Office of Education, Strong Start; Brion Economics, Inc.

The ECE community in Santa Clara County is well positioned to advocate for additional state funds for ECE facilities given its experience with the IDG grant program, the County of Santa Clara's Childcare Expansion Grant Program, the SCCOE's IEEEP funded projects, and its leadership role in ECE advocacy.

## F. Hospitals and Childcare - Saint John's Providence Medical Center

The majority of hospital workers are women and the largest occupation in the healthcare sector is registered nurses, followed by aides, with women accounting for more than 85% of those jobs[89]. During the COVID-19 Pandemic, a lack of childcare became a critical issue for hospitals and medical centers. Hospitals and healthcare systems continue to face a staff recruitment and retention crisis that is particularly acute for nurses. Some hospitals are addressing this need by providing on-site childcare[90]. Saint John's Providence Medical Center in Santa Monica is an example of childcare being provided directly on-site by a major hospital. It provides 49 full-day childcare spaces for its employees and the community, including a minimum of 21 Infant/Toddler spaces, and the program operates at a minimum annual capacity of 85%.

- Childcare tuition is capped to not exceed the tuition charged by other full-day non-profit Infant/Toddler and

89 See [How hospitals leveraged on-site child care during the pandemic in a bid to drive retention | Healthcare Dive]

90 [One way to retain health care workers: offer child care - STAT (statnews.com)]

Preschool programs in the City of Santa Monica with a comparable level of service and quality of care.

- Subsidies are provided based on 25% of its possible gross revenue using average tuition rates applied to all 49 spaces with priority for such subsidies to Providence Saint John's employees first and Santa Monica residents, second.
- Enrollment priority is to (1) children of Providence Saint John's employees and contractors, (2) children of Santa Monica residents, and (3) children of those working in Santa Monica.
- Providence Saint John's conducts ongoing outreach to inform employees and the community about the childcare program.

At last report, 26 of the spaces were utilized by Providence Saint John's workforce and the remainder were occupied by children of residents of Santa Monica or workers in Santa Monica. Employees were using 44% of Infant spaces, 55% of Toddler spaces, and 57% of Preschool spaces. The hospital's workforce at the time of the study totaled about 3,000.

Santa Clara County has a number of large hospitals and medical centers. Only one of these (Stanford University Medical Center) currently provides childcare services or programs for their employees.

Hospitals are some of the largest employers in the County and, like other large employers, it can make sense for them to offer services directly on site, partner with other nonprofits to provide services, or private childcare businesses. Ideally, having a childcare center at five of the major hospitals in the County, which would serve employees 24 hours per day, would address some of the unmet need and could be considered part of the community's emergency response infrastructure. These facilities can be on site or nearby. Childcare should be considered in any long-range expansion plans of hospitals as well.

## G. Creative Finance - Mission Driven Finance - CARE Project

Mission Driven Finance (MDF), a national community development finance institution, has launched an innovative program that will purchase homes to be used as FCCH by experienced providers identified and supported by on-the-ground community partners. The Care Access Real Estate program[91] enrolls providers that support families under 100% of the area median income and those located in communities with insufficient childcare supply. After 2 years of leasing the CARE properties, tenants can purchase the home at below market rate. MDF will offer them the property at less than the market rate, or 50% less the appreciation over the two years[92]. CARE is a childcare facilities investment vehicle designed to:

- Expand the supply of quality childcare, especially for overlooked and under-resourced families and communities.
- Increase the resilience of childcare businesses by providing stable leases as a childcare-friendly landlord.
- Build the wealth of childcare providers by creating opportunities to expand their business and own their facility.

At the time of writing, MDF is launching CARE as a $100 million+ target real estate investment trust (REIT) currently operating in Las Vegas, San Diego, and Michigan, with the goal of acquiring and stabilizing over 500 properties within 10 years. CARE intends to work toward an IPO into a public REIT to bring investment capital into the child care system. Determining whether CARE could support FCCH in Santa Clara County could be a step towards expansion of Infant and Toddler care.

91 https://www.missiondrivenfinance.com/invest/early-care-education/care-investment-trust/

92 *Hostile Housing Landscape, Solutions Emerge to Support Home-Based Child Care Providers* by Emily Tate Sullivan for EdSurge.com, July 27, 2023.

## H. State Policy - Paid Family Leave in California

Paid Family Leave (PFL) indirectly addresses the need for Infant care by allowing parents to stay home with their new-born Infants, without the stress and impact of lost income. When public agencies and larger employers adopt PFL they indirectly reduce the need for formal Infant care. California was the first state to pass legislation creating a paid family leave (PFL) program in 2002 (with benefits starting in 2004). Since then, the following states have also implemented paid family and medical leave: Colorado, Connecticut, Delaware, Massachusetts, Maryland, New Jersey, New York, Oregon, Rhode Island, Washington, and the District of Columbia[93]. See Appendix H for a summary of other states' PFL program benefits.

The California PFL is a fully employee-funded program integrated with the State Disability Insurance (SDI) program. Every employee must contribute 0.9% of their wages to the program, which is withheld by the employer as a payroll tax. PFL in California provides partial wage replacement for people to take care of an ill family member, to bond with a new child, or in case of a qualifying event of a family member's military deployment. The benefit payments range between 60 to 70% of the weekly wages earned 5 to 18 months before the claim and are paid up to eight weeks. Eligibility is independent of citizenship or immigration status[94]. PFL is available to fathers, mothers, and adoptive or foster parents. For new parents to take leave, the child must have been born or adopted within the last 12 months. In general, the following eligibility criteria apply:

- One must be employed or actively looking for work at the time the family leave begins.
- The recipient has not taken the maximum of eight weeks of PFL in the last 12 months.
- The recipient has earned at least $300, from which SDI was deducted, in the past five to 18 months.

It is important to note that PFL does not provide job protection, however beneficiaries' jobs might be protected under the federal Family and Medical Leave Act or the California Family Rights Act.

## I. Local Policy - City Childcare Coordinators

In California, some cities have or previously had a childcare coordinator on staff. These positions can be full-time or part-time and often involve other related responsibilities and program management benefiting children and families. The role of a childcare coordinator is to work with multiple departments and decision-makers to directly address the need for childcare in their communities and provide a key bridge between decision- and policy-makers, local developers, and other non-profits and the childcare industry. Within Santa Clara County, the City of Palo Alto provides childcare information through its Office of Human Services. In neighboring San Mateo County, the City of Redwood City had a childcare coordinator for more than 25 years. Appendix G includes a typical job description for a childcare coordinator.

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93 https://www.ncsl.org/labor-and-employment/state-family-and-medical-leave- laws#:~:text=11%20states%E2%80%94California%2C%20Colorado%2C,paid%20family%20and%20medical%20leave, accessed July 24, 2023.

94 https://edd.ca.gov/en/disability/faq_pfl_eligibility/, accessed July 24, 2023.

# 7. Findings and Recommendations

## A. ECEFS Findings

### i. Prioritize developing facilities for children ages 0 to 2.7 years (Infants and Toddlers).

The results of the Needs Assessment (Chapter 2) indicate that in 2028, there will be unmet demand for 19,000 Infant/Toddler care slots and no unmet demand for Preschool slots countywide. Within a minority of cities, notably San Jose, there will continue to be unmet need for preschool spaces. This finding is based on current information and stated assumptions – most importantly that TK enrollment will stabilize at 50% of eligible children – and may require revision as circumstances change. Given this finding, the focus for ECE partners in Santa Clara County should be on the comparative lack of access to care for Infants and Toddlers, that is, in part, due to a lack of facilities for these children. The ongoing rollout of universal TK combined with the decline in the number of Preschool-age children living in Santa Clara County, requires partners to build new or convert existing facilities to serve these younger children. The Cost Model presented in Chapter 3 makes specific assumptions about the distribution of Infant/Toddler spaces among different construction types in order to derive an overall cost. However, these assumptions should not be considered targets. Determining how best to meet the identified needs should be, and is likely to be, a process of planning and evolution in response to changing circumstances and new opportunities.

### ii. Local public funding is necessary to address the need for Infant/Toddler facilities.

As stated above, the Cost Model presented in Chapter 3 makes specific assumptions about the distribution of Infant/Toddler spaces among different construction types in order to derive an overall cost. It also relies on current cost of construction information reflecting recent childcare projects in Santa Clara County and does not include the cost of land acquisition. Depending on the exact mix of construction types, construction inflation, the cost of land, and the amount of the unmet need addressed, the cost of creating these new Infant/Toddler spaces could vary widely. As a result, this estimate should be considered illustrative rather than determinative. Given the assumptions and constraints of the model, the cost of providing ECE facilities to serve 19,000 Infants/Toddlers is estimated to be close to $600 million. This cost is substantial and beyond the capacity of philanthropy, individual employers, or the childcare sector. While each can make a contribution, substantially closing this gap will require dedicated public funds. Chapter 3 goes on to model the options of a special sales tax or countywide parcel tax to raise these funds. These models suggest that either a 0.15% sales tax or $124 parcel tax would raise the revenue necessary to meet the need. There are 17 local sales tax measures on the March 2024 primary ballot, all of which propose higher rates than 0.15%, and of the 67 sales tax measures on the 2022 general election ballot approximately two-thirds were passed[95]. In the past 20 years, 57% of parcel tax measures and 64% of school parcel taxes on California ballots passed[96]. These data suggest that securing public funding to meet this need would require significant effort but is plausible and that the amounts required are relatively modest given the fiscal capacity of Santa Clara County.

95 https://ballotpedia.org/Sales_tax_in_California#2022

96 https://ballotpedia.org/Parcel_tax_elections_in_California

### iii. New and converted ECE facilities must support quality practices, allow inclusive access for children with disabilities, and be climate resilient.

ECE facilities, including FCCH, are part of the community's infrastructure and should be designed in alignment with existing best practices to support the healthy development of all children. Well-designed facilities can support provision of high-quality childcare programs, making it easier for staff to engage in responsive, back-and-forth, interactions with children, facilitating exploration, play-based learning, and communal meal times. Similarly, lack of access to the outdoors, poor lighting, or a lack of space to organize activities can be a barrier to supporting children's physical, social-emotional, and academic progress. Actions to increase Santa Clara County's childcare facilities' capacity should be accompanied by efforts to increase its quality. Quality programs are programs that can meet the needs of all children, including those with disabilities. As a matter of equity, as well as public policy, ensuring that childcare spaces are accessible and inclusive of children with disabilities should be a priority. In many cases, this requires relatively simple changes such as better light control, more attention to paths of travel, or ensuring that there is a quiet space that still allows visual supervision. Considerations of access and inclusion should be part of any public funding of childcare facilities in Santa Clara County. Finally, as a part of public infrastructure, it is important the ECE facilities be intentionally built to be climate resilient. The County of Santa Clara has determined that extreme heat, prolonged periods of drought and rain, and increased wildfires with negative effects on air quality are all more likely to occur in future. Ensuring that childcare facilities, many of which are in operation for decades, can continue to keep children safe and healthy during these challenges is extremely important. Prior, public-funded programs like the state's Infrastructure Development Grants and the County of Santa Clara Childcare Expansion Grant program provide data on provider needs and experience in how to support renovation, repair, and construction projects across facility types. Ensuring that this information and expertise is captured and made available to the field through ongoing training and technical assistance is a sustainability challenge but also an important opportunity.

### iv. Addressing the facilities needs of the ECE community in Santa Clara County requires building a sustainable, multi-sector infrastructure of resources and expertise.

Funding, designing, and building ECE facilities is a complex challenge. There are very few providers with sufficient resources and scale to meet this challenge with internal resources and expertise. In Santa Clara County, the overwhelming majority of licensed providers are FCCH with 1-3 staff who typically work long hours on direct care. Within the ECE community, there are individuals with significant expertise, agencies and organizations with experience of their own projects, and initiatives that have developed resources, but no systems-level infrastructure that addresses this challenge. This need was identified in the 2017 countywide ELMP[97] and re-iterated in the recent ELMP mid-implementation review[98]. Ideally, there would be a network of dedicated ECE facilities staff across various organizations in the county implementing a variety of strategies, programs, and policies to ensure that access to facilities is not a constraint on access to care. Such a network could include representation from cities, ECE providers, public agencies, and philanthropy and more broadly, property developers, community development and housing agencies, anchor institutions, business and labor. Santa Clara County has an active and aligned constellation of ECE partners and such a network could be an extension of these existing efforts or a new collaboration. However, meeting the challenge of developing the required ECE facilities requires a group focused on addressing this specific issue with the time, resources, and staffing to address a variety of countywide and city-specific strategies, lead policy advocacy, and support multi-sector collaboration, over a lengthy effort. Current - Build Up San Mateo and Build Up California - and previous efforts

97 https://www.sccoe.org/elmp2017/2017%20ELMP/ELMP%20-%20Full%20Plan.pdf

98 https://www.sccoe.org/elmp/Documents/ELMP_Report_Brief_Proof3.pdf

such as Local Investment in Child Care Project (LINCC)[99] [100] and the Building Child Care (BCC) project provide models for how such a collaboration could work.

## B. Recommendations

### i. Create an ECE Facilities Training and Technical Assistance Resource

A necessary step to building the ECE facilities infrastructure described above is to fund and staff an ECE Facilities Training and Technical Assistance resource center, as called for in the ELMP. Such a project requires dedicated staff with expertise in childcare planning and policy as well as planning, development, and public finance. It would likely take two to three staff and ideally, it would be housed within a countywide public agency with ECE expertise. The focus of this resource would be to:

- Work with providers that want to expand or open new facilities. This could include expanding existing business training to include facilities topics such as city permitting processes, developing how-to guides for renovating preschool spaces to serve younger children, or holding meet-ups between providers, local elected officials, and planning staff to discuss ECE facilities needs.
- Advocate for ECE facilities policy and prepare policy briefs for local decision-makers.
- Build relationships between providers, city planning departments, school districts, large employers, and the broader community to increase understanding of the need for quality ECE facilities.

Such a resource would be a natural extension of this ECEFS and existing initiatives in Santa Clara County (e.g. SCCOE's Strong Start initiative, Build the Future, the Childcare Expansion Grant Project) and would be a point of connection and coordination with other partners locally and statewide.

### ii. Further Evaluation of Local Funding Models

An important next step to address the need for local funding identified in this ECEFS would be to evaluate each proposed funding mechanism further, including conducting market research and polling to assess the feasibility of getting a parcel tax or sales tax add-on passed by voters. This additional evaluation could include:

- Determining the most appropriate mix of building types (e.g. FCCH, preschool to infant toddler conversion, expansion of existing centers) to address need, program quality, feasibility, and opportunities in Santa Clara County,
- Developing more detailed estimates of the revenue that would be raised by the various measures. For example, the parcel tax estimate provided in this ECEFS assumes that all parcels are taxed at the same rate. A fully developed proposal could base the rate on square footage of building space, would consider the types of land uses, and could exclude senior housing or vacant land.
- Establishing a working group that could determine how much of the funding gap any local funding measure should address, creating a governance model for how any funding would be disbursed, and addressing the challenges of an initiative campaign including fund raising.

Such an evaluation would be building on long-standing interest in Santa Clara County in developing a local funding measure to support ECE and could also draw from the successful efforts in other Bay Area counties.

99 https://www.sccoe.org/depts/educational-services/early-learning-services/Documents/Linking%20Childcare-Transportation%20and%20Land%20use.pdf

100 https://labs.aap.cornell.edu/sites/aap-labs/files/2022-09/Anderson%26Dektar_2010.pdf

### iii. Continue and Expand Outreach to Cities

Cities have substantial control over land use and planning with direct effects on ECE providers through permitting and business regulation, and indirect effects through housing and other policy. Many cities already operate license-exempt childcare programs or offer supports to ECE providers (see Table 7-1). ECE partners in Santa Clara County should continue their outreach to cities through:

- Expanding the existing FCCH informational flyer for cities into a city-specific childcare profile that includes steps cities can take to support ECE providers. These profiles can be shared with policymakers and leadership or presented in public meetings to prompt consideration of the role that cities can play in ensuring access to quality ECE for their residents.
- Providing education on recent changes to the law on FCCHs. Many city planners and FCCH providers are not aware of recent changes at the State level regarding land use policies and the removal of restrictions regarding FCCHs. Licensed FCCHs (small and large) are considered a residential use of property in California, not a business or commercial use. Landlords, mobile home parks, and Homeowners Associations (HOAs) cannot prohibit, refuse to rent/sell to, evict, or otherwise treat FCCH renters/owners differently from other residents (with limited exceptions) and local governments cannot require use permits or business licenses for FCCHs. Protections are spelled out in Health & Safety Code §1597.40 et seq[101].
- Advocating for childcare-friendly policies in cities' General Plans. Including policies supportive of ECE in or near housing is a straightforward way for cities and counties to contribute to creating sustainable communities where families with young children can thrive. While childcare policies in planning documents are becoming more common, many cities still do not specifically address the need. Build Up San Mateo has collected General Plan language addressing childcare that could be used as models for cities in Santa Clara County[102].

**Table 7-1 Current Childcare Supports by City**

| City | Childcare Services or Related Support | Links |
|---|---|---|
| CAMPBELL | City-operated Preschool | https://www.campbellca.gov/352/Pre-School |
| CUPERTINO | City-operated Preschool | https://www.cupertino.org/our-city/departments/parks- recreation/educational-programs/Preschool |
| LOS ALTOS | City-operated Preschool | https://www.losaltosca.gov/parksrec/page/tiny tots-staff |
| MORGAN HILL | City-operated Preschool | https://www.morganhill.ca.gov/815/Preschool-Program |
| MOUNTAIN VIEW | Child care center operated by the city; serves 100 - 0 to 5 year olds, including children w special needs. Offers subsidies for low income residents. | https://www.mountainview.gov/our-city/departments/city-managers- office/human-services/childcare-services |
| PALO ALTO | Overview of child care resources provided by human services | https://www.cityofpaloalto.org/Departments/Community-Services/Human-Services/Child-Care-Resources |
| | Resources for ECE Professionals | https://www.cityofpaloalto.org/Departments/Community-Services/Human-Services/Resources-for-Families-and-Teachers-of-Young- Children/Early-Childhood-Professionals |

101 https://buildupsmc.com/wp-content/uploads/2022/08/Build-Up-SMC-Brief-Housing-Related-and-Facilities-Improvement-Resources-for-Family-Child-Care-Home-Providers.pdf

102 https://buildupsmc.com/wp-content/uploads/2020/04/General-Plan-Child-Care-Language.docx

| | | |
|---|---|---|
| | How to open a child care center | https://www.cityofpaloalto.org/files/assets/public/community-services/human-services/programs-resources/child-care-planning-guide-palo-alto.pdf |
| **SAN JOSE** | City-operated Preschools | recreation-neighborhood-services/programs-activities/sj-recreation- Preschool |
| | Guide to permits and licenses for child care businesses | https://www.sanjoseca.gov/home/showpublisheddocument/15465/638249487368348347 |
| **SUNNYVALE** | City-operated Preschool | https://www.sunnyvale.ca.gov/recreation-and-community/classes-and-activities/Preschool |
| | Overview page relevant for parents and providers | https://www.sunnyvale.ca.gov/city-services/customer-resources/child- care-children-and-teens |
| | Overview of child care permitting process | https://www.sunnyvale.ca.gov/home/showpublisheddocument/1486/637820847505170000 |
| | Guidelines for commercial child care centers | https://www.sunnyvale.ca.gov/home/showpublisheddocument/1488/637820847508070000 |
| | Being a Good Neighbor Tips for child care centers | https://www.sunnyvale.ca.gov/home/showpublisheddocument/334/637 812531677670000 |

Sources: Various City Websites as viewed, August 2023; Brion Economics, Inc.

### iv. Engage with Large Employers on Childcare and ECE Facilities

As presented in Chapter 3, a number of large employers in Santa Clara County already provide some childcare support for their employees. However, these supports could be expanded by leveraging current opportunities for collaboration between these organizations and ECE partners.

- The CHIPS Act requires that semiconductor manufacturers that apply for more than $150 million of CHIPS direct funding must provide access to high-quality child care for facility and construction workers. Subsequently, Applied Materials announced a $4 billion investment in Sunnyvale[103]. Implementation of the CHIPS Act provides an opportunity for ECE partners to engage with these large employers on all aspects of the mixed delivery system and to provide technical assistance as they plan and execute the childcare requirements attached to Federal funding.
- The County of Santa Clara has a long-standing interest in the possibility of providing childcare for its 22,000 employees. Prior surveys of their employees (see Chapter 4) indicated that fewer than 25% of employees ages 40 to 49 reported that their childcare needs were being met. For employees ages 30 to 39, only 17% said their childcare needs were being met. And for employees ages 20 to 29, only 10% reported that their needs were being met. Almost half of employees (45%) say that the inability to find childcare has limited the hours they work and 42% of employees reported missing 1 to 5 days of work in the past month because they could not find or afford childcare. Ongoing efforts by the CSC to address this could result in greater employee supports that could serve as a model or encourage other public agencies and employers to meet this need.

These recommendations could be supported by additional efforts that reflect opportunities discussed earlier in this report. Examples include:

- Encouraging cities to hire childcare coordinators to assist existing and new ECE providers.
- Conducting land use and General Plan Audits of all cities in Santa Clara County to identify childcare-friendly policies and make recommendations on how cities can be more childcare-friendly.

103 https://ir.appliedmaterials.com/news-releases/news-release-details/applied-materials-launches-multibillion-dollar-rd-platform

- Holding a workshop for planning staff, housing developers, and ECE providers explore how to add childcare facilities to planned and proposed housing projects, including market-rate and affordable housing projects, and commercial projects.
- Hosting webinars and workshops for current providers on existing resources on ECE facilities quality, accessibility, and climate resilience.
- Consulting with local hospitals on the potential for local hospitals to add childcare facilities to their sites or sponsor new centers near their sites and create a partnership with those willing to build new ECE facilities.
- Evaluating the potential sites for expansion identified in this Study.

As this ECEFS illustrates, the delivery of early care in Santa Clara County is complex and challenging, but the need is great. The shortage of early care spaces is significant and will continue to increase unless new programs, policies, and funding sources are identified and implemented.

# 8. Appendices

This ECEFS includes the following Appendices under separate cover.

Appendix A: Existing Early Care Supply and Demand - 2023

Appendix B: Future Early Care Supply and Demand - 2028

Appendix C: Study Survey Instruments and Detailed Results

1. Center-Based Provider Survey
2. Family Child Care Home (FCCH) Survey
3. County Employee Childcare Survey
4. ECE Partner Survey

Appendix D: Childcare Center Design Templates

Appendix E: Supporting Data for Financial Analysis

Appendix F: Definition of Childcare Providers and Licensing Requirements

Appendix G: Paid Family Leave Benefits Matrix by State

Appendix H: Typical Childcare Coordinator Job Description

Appendix I: FCCH Grant Programs and General Plan Policy Examples

# Santa Clara County
# **Early Care and Education**

# FACILITIES STUDY FINAL REPORT



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