

**TO: Program Planning and Development
Committee**

DATE: 2/26/03

FROM: WIB Staff

For Action

For Information

For Discussion

SUBJECT: Child Care Initiative-Packard Foundation

PROPOSED MOTION(S): To support the community collaboration of agencies working with the Packard Foundation by contributing \$1,000 to fund an economic impact report showing how the Child Care Industry affects Merced County.

DISCUSSION: The committee received information about the Packard Foundation at its 1/29/03 meeting. The Packard Foundation is meeting with a collaboration of agencies in Merced County to promote the initiative. The Department of Workforce Investment will be participating on behalf of the WIB. An initial step for Merced County is to do an Economic Impact Report in order to participate fully in the initiative. In 2003, the David and Lucillie Packard Foundation and its partners will launch California's Affordable Buildings for Children's Development (ABCD) Initiative enabling childcare centers in California to meet the costs of facilities development and assist them with their long-term real estate financing needs. ABCD will employ four key strategies in the following order, the first three to begin in 2003:

- 1. The ABCD Fund**
- 2. ABCD Development Assistance**
- 3. ABCD Connections**
- 4. ABCD Campaign to Sustain Child Care**

ATTACHMENT(S): The ABCD Fund paper, ABCD Development Assistance paper, ABCD paper



In 2003 the David and Lucile Packard Foundation and its partners will launch the Affordable Buildings for Children's Development (ABCD) Initiative to build a comprehensive and sustainable financing system for quality child care facility development in California, utilizing existing organizations and adapting a proven model drawn from the affordable housing development system.

The goals of ABCD are to

- Enlist new and diverse partners such as employers, health care providers, housing owners to provide support such as sites or other resources,
- Increase the number and ability of child care operators to develop child care centers,
- Achieve multi-fold increases in public and private capital investments in child care, and
- Create the capacity to significantly increase the number of licensed quality child care spaces in California.

ABCD will employ four key strategies, the first three of which will begin in 2003:

1. The **ABCD Fund**, managed by the Low Income Investment Fund, to provide technical assistance, grants and loans for child care centers, feasibility planning, acquisition, and construction costs, and long-term real estate financing needs;
2. **ABCD Development Assistance** to utilize the expertise of regional community developers to increase statewide the construction of child care facilities within educational, health, and housing facilities. Partners include Bridge Housing, Child Development, Inc., Community Housing Works of San Diego, Los Angeles Community Design Center, and Mercy Housing California;
3. **ABCD CONNECTIONS** to strengthen the facilities development expertise of child care center operators and intermediaries and to improve the regulatory and funding environment to support child care facilities as a top priority;

The ABCD Fund

The ABCD Fund enables child care centers in California to meet the costs of facilities development, and assists them with their long-term real estate financing needs. The ABCD Fund is managed by the Low Income Investment Fund and is a component of California's ABCD Program, the comprehensive child care facilities financing system being launched in January 2003.

Recognizing the need for low-cost financing for feasibility planning, acquisition, construction and beyond, the ABCD Fund offers financial products which together deliver capital to fully meet facilities development needs:

- Planning grants ranging from \$10,000 to \$20,000 are available for early-stage project feasibility analysis. Grants will cover expenses such as architectural and development consulting services, engineering analyses and other third-party work to determine project feasibility and/or to develop pro forma budgets and financing plans.
- Predevelopment loans of up to \$100,000 are designed to provide child care center operators or facilities developers the early-stage funding they need to undertake development projects and bring them to the point of starting construction. These loans will support typical predevelopment costs, including Phase I and II environmental assessment, inspections, architectural and consultant services, permits, loan and legal fees, as well as acquisition costs in some cases. The terms will include 3 percent deferred interest and repayment periods of up to 3 years.
- Interest-only loans for acquisition, construction, rehab, etc. are designed to enable worthwhile projects to come to fruition. These non-amortizing loans of up to \$1 million are to provide capital on an interim basis until the project can be refinanced with a permanent loan. The terms will include average interest rates of five percent with maximum interest rates of eight percent and repayment periods of up to three years.
- Amortizing loans will provide long-term real estate financing for projects that have successfully completed the facilities development process. These loans will have amortizations of up to 40 years, repayment periods of up to ten years, and average interest rates of five percent with maximum interest rates of eight percent.

The ABCD Fund also provides technical assistance during each phase of the development process, helping borrowers navigate the financing market and providing referrals to facilities development resources.

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DEVELOPMENT ASSISTANCE

One key strategy of ABCD is to utilize the expertise of regional community developers to increase the construction, remodeling, and expansion of child care facilities within educational, health, and housing developments in some of the highest need areas in California. The Development Assistance strategy addresses the ABCD initiative goals to

- Enlist new and diverse partners such as employers, health care providers, housing owners to provide support such as sites, while increasing the interest and commitment of community development intermediaries, and
- Create the capacity to significantly increase the number of licensed quality child care spaces in California.

As a first step, the Foundation invited five real estate developers- Bridge Housing, Child Development, Inc., Community Housing Works of San Diego, Los Angeles Community Design Center, and Mercy Housing California-to participate in the ABCD Development Assistance initiative. These particular developers were chosen because of their histories of including child care in housing and community facilities and their ability to do more, their development expertise, geographical coverage, and ability to influence other community developers.

In December 2002, the Foundation made grants of \$100,000 over two years per organization, with the expectation that each will contribute to building the child care facilities development system and will plan and construct new child care centers— 25 in total in two years. All of the developers will (1)participate in activities to learn about the child care industry, (2)develop partnerships with child care intermediaries to build enduring capacity to develop child care spaces, and (3)encourage child care provider partners to work closely with the Low Income Investment Fund, the financial clearinghouse for the ABCD Fund.

The developer grants require matches of \$100,000 each. We are actively seeking those matches at this time. The grants are mainly used for personnel, outreach and marketing, and written materials to enlist new partners to provide support for child care facilities development.

The specific activities of each developer are described below.

CHILD DEVELOPMENT, INCORPORATED (CDI)

Campbell, CA.

CDI will produce materials and models designed to encourage school districts to develop more pre-kindergarten programs. In addition, CDI will work with directly with school districts to plan, design, and construct 10 new licensed child care centers offering pre-kindergarten and before and after school care initially in Riverside and San Bernardino Counties, and later in Orange County. CDI will also