



Creating Spaces for Children: The Importance of High Quality ECE Facilities

February 4, 2009

Today's Webinar

Three experts in the facilities financing field will discuss the success they have had in developing innovative financing models and building quality ECE facilities:

Gabriella DiFilippo: Vice President of Real Estate Services at the nonprofit real estate lender and a consultant at the Illinois Facilities Fund.

Amy Gillman: Senior Program Director of the Community Investment Collaborative for Kids (CLICK), the national child care facilities arm of the Local Initiatives Support Corporation (LISC)

Liz Winograd: Program Manager of California's Building Child Care Project (BCC), housed at Insight Center for Community Economic Development Center



LISC



*Community Investment
Collaborative for Kids*

Building Quality: Best Practices in Early Care and Education Facilities Development

Ingredients of Successful Facilities Development

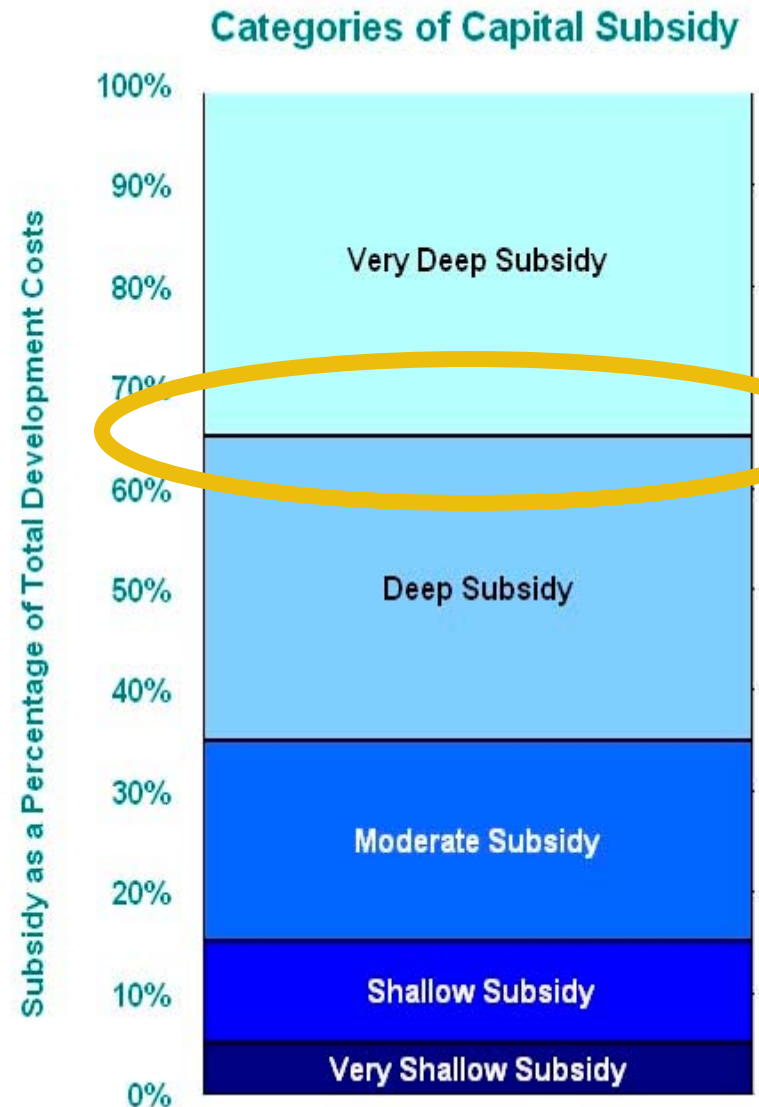


1. Affordable Financing
2. High Quality Design
3. Real Estate Development Expertise
4. Comprehensive Policy Direction



1. Financing Needs

- ▶ Provide a deep capital subsidy
- ▶ Use debt to spread the cost over the facility's useful life



The Connecticut Model

▶ Deep capital subsidy:

State pays approximately 70-80% of the capital cost

▶ Use debt to spread the cost:

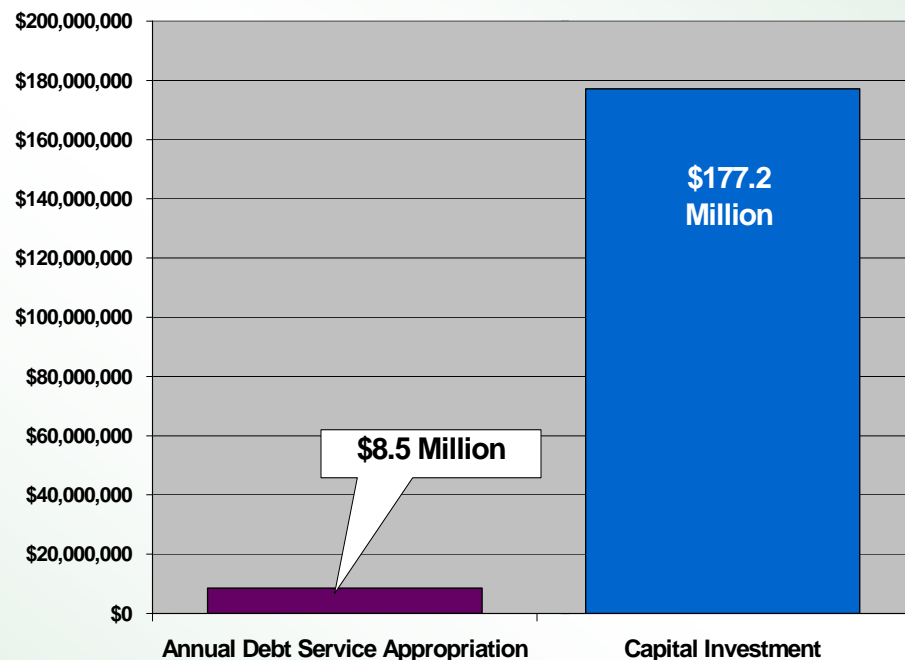
State issues 30-year revenue bonds

▶ Leverage the state investment:

Providers pay small proportion of debt and contribute at least 10% in grant funds

▶ Results:

- *\$8.5 million in state debt generates \$177 million in total capital for facilities*
- *57 facilities developed for over 9,000 children*



Financing Approaches

Shallow Subsidy

- ▶ Direct Loans
- ▶ Subsidized Loans
- ▶ Loan Guarantees

Deep Subsidy

- ▶ State debt service repayment
- ▶ Capital grants
- ▶ School construction funding



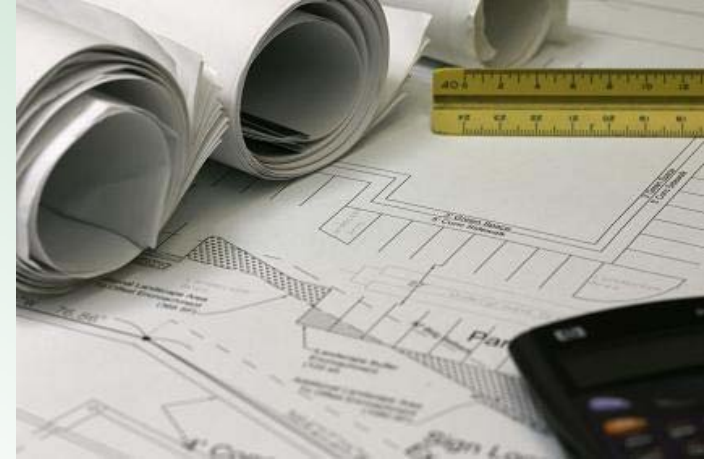
2. Achieving Quality Facility Design



- ▶ Deliver technical assistance and design workshops for providers, developers and project architects
- ▶ Conduct design reviews
- ▶ Create design standards
 - *Go beyond minimum licensing*
 - *Incorporate design features into state QRIS*

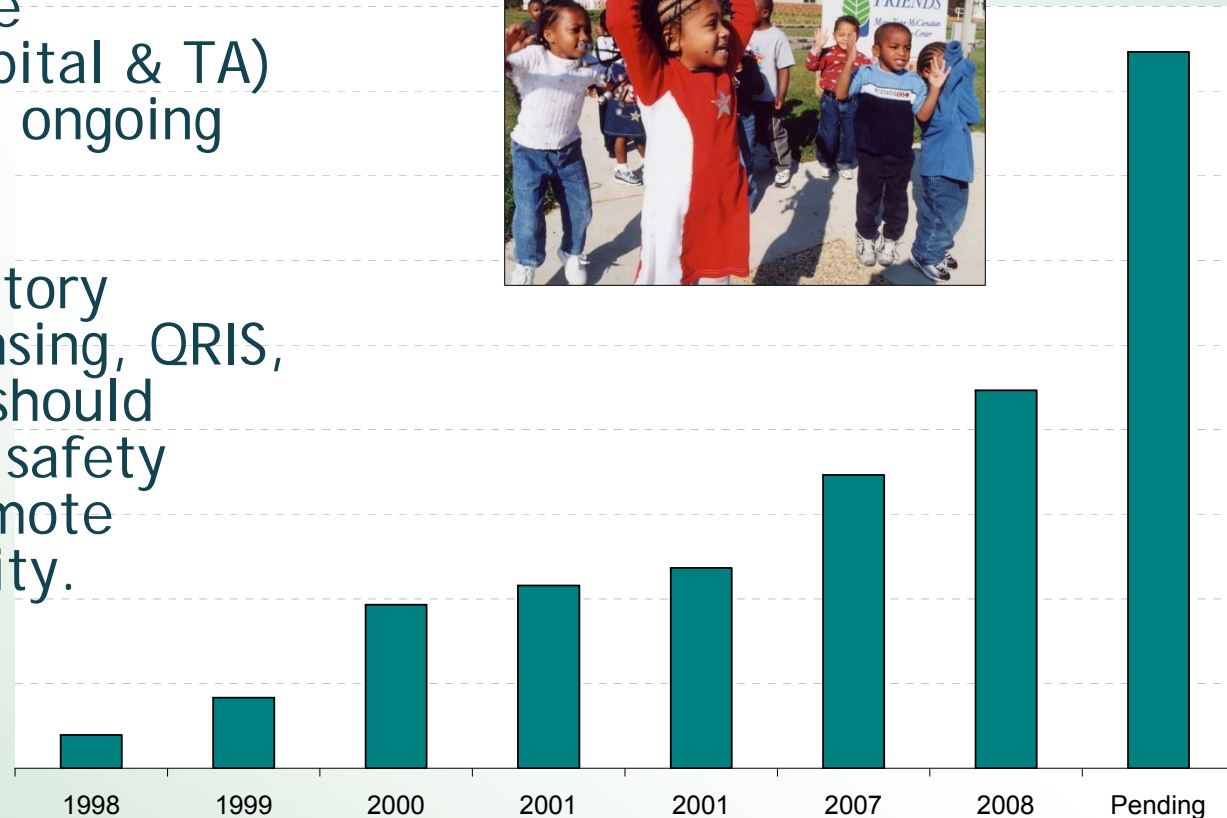
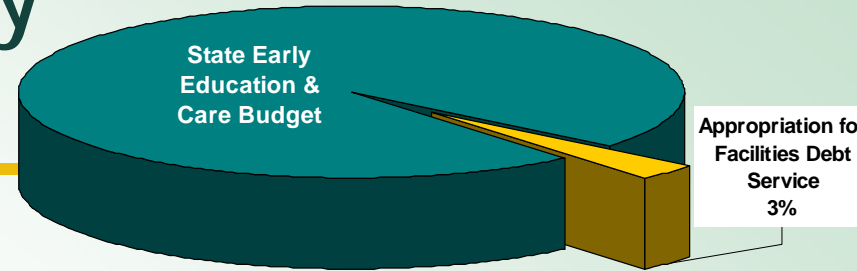
3. Real Estate Development Issues

- ▶ Who brings the real estate development expertise? Who makes design decisions and manages costs?
 - *Provider as Developer: Providers or school system develop facilities on their own*
 - *Private Developer: State or providers select a development partners*
 - *Public Developer: State agency develops facilities*
- ▶ Who owns the facility? How does the state protect its investment?
- ▶ Who operates the program and in what setting? How do you ensure a mixed delivery system?



4. Comprehensive Policy Direction

- ▶ The early education policy agenda must include capital needs
- ▶ Resources should be comprehensive (capital & TA) and available on an ongoing basis
- ▶ A supportive regulatory environment - licensing, QRIS, design standards - should address health and safety conditions and promote programmatic quality.



CICK Resources on Facilities

These publications are available at www.lisc.org:

- ▶ *Building Early Childhood Facilities: What States Can Do to Create Supply and Promote Quality*
- ▶ *Child Care Facilities: Quality By Design*
- ▶ *Resource Guides on Developing, Designing and Furnishing Early Childhood Centers and Creating Outdoor Playgrounds*
- ▶ *Meeting the Need, Accepting the Challenge: Developing Quality Early Education Facilities for Connecticut*

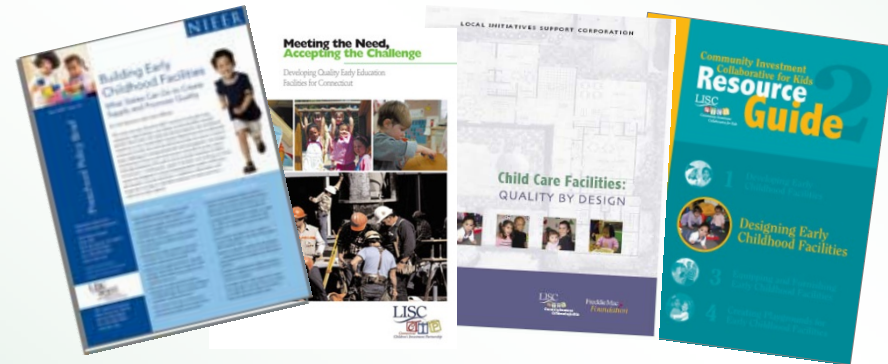
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Nonprofit financial and real estate resources

Where nonprofits come first

Children's Capital Fund

A Financing and Development Program for Early Childhood Education Facilities

February 4, 2008





Agenda

- I. Children's Capital Fund (CCF)
- II. Assessing Need
- III. Community Action Plans
- IV. Creating a Financing Program
- V. Selecting Quality Providers
- VI. Designing & Building Facilities
- VII. Measuring Impact
- VIII. Evaluating the Program



The Children's Capital Fund (CCF)

Project: Public-private partnership to develop early childhood education and care facilities in Chicago's highest-need communities

Timeline: Mayor Daley introduced in 2000; completed in 2007

Critical Real Estate Components:

- Needs assessment
- Community action plans
- Financing program
- Center design, financing, and construction oversight

Outcome:

- Nine new licensed early childhood education and care centers
- Existing centers expanded to create nearly 1,200 new slots for low-income children
- More than \$20 million leveraged in federal, state, and local funds, including \$2 million of below-market rate debt from IFF

Child Care Climate:

- Welfare reform in late 1990s
- Increase of low-income women in work force
- Increased need for full-day, full-year child education and care
- Significant decrease in half-day Head Start enrollment

Needs Assessment Study:

- IFF commissioned to assess full-day, full-year child care need among low-income Chicago families
- Documented unequal distribution of supply
- Identified community areas by greatest need to help set child care priorities

Needs assessment findings:

Action plan to address child care needs in top 20 high-needs communities

Plan Recommendations:

- Use existing assets to expand full-day care
- Increase licensed home provider networks
- Establish large, dedicated funding source (CCF) for grants and below-market loans to providers

Avondale

Community Characteristics

Avondale is located on the north side of the city and is bounded by the Chicago River to the east, Pulaski Road to the west, Addison Street to the north, and Diversey Parkway to the south. It shares its southern border with two other top-20 community areas: Logan Square and Hermosa. The Kennedy Expressway runs through the center of the community.

Housing is of generally modest quality. Roughly one-third of the housing is single-family and the rest of the units are predominantly small multi-family buildings containing two to six units. Most of the housing was constructed prior to 1950. Home sales have steadily increased in price and volume in recent years as real estate

developers discover the area's good access to public transportation.

Several new condominium and townhome developments have been completed in the last three years near the Kennedy Expressway.

Developers are also using access to the Chicago River as a selling point.

Many Avondale residents consider their neighborhood to be an extension of Logan Square.

A few small parks provide recreation opportunities, and several major shopping malls serve as commercial anchors.

Avondale has good public transportation access. Two CTA Blue Line El stops serve the community, as well as six major bus routes.

Population Trends and Characteristics

	1990	2000
Total Number of Residents	35,579	43,098
Total Number of Children Potentially Needing Care	5,464	
% of Children Qualifying for Head Start	12%	4%
% of Children in Households Earning up to 50% of State Median Income	31%	7%
% of Children in Households Earning between 50% and 80% of State Median Income	12%	4%

- Licensed Homes in a Network
- Licensed Homes
- Full Day Head Start
- Part Day Head Start
- Subsidized Full Day
- Private Pay Full Day
- Pre-K Chicago Public Schools
- Head Start in Chicago Public Schools
- CCF Gap
- Bus Route



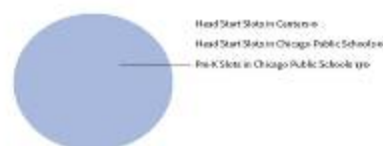
Race and Ethnicity



Avondale's population has increased greatly since 1990 and this trend is expected to continue. Once a Polish neighborhood, the area's Latino population has grown significantly. Latino families made up 37 percent of the population in the 1990 census and grew to 61 percent in 2000. This increase in population may be due to the gentrification forces in the North Center and Logan Square communities, which are pushing lower-income families north and west. The Chicago Public Schools has completed two elementary school additions and has committed to constructing new elementary schools to relieve overcrowding.

Existing Child Care Assets

Part-Day Child Care Assets¹ (170 Slots)



Full-Day Child Care Assets² (94 Slots)



Working Toward the Goal

Avondale has few child care assets. It has no center-based subsidized care, no Head Start and only one private-pay provider. The number of licensed homes is estimated to be close to the maximum that could be expected. Development of a new Family Resource Center will have the greatest impact on need. Because vacant land is scarce, development efforts should focus on identifying buildings for rehabilitation. Linkages with the Chicago Public Schools' efforts to secure land for new schools should also be explored.

	Infants and Toddlers	2-5 Year Olds
35% Goal	133	153
Existing Full-Day Child Care Slots	30	64
Building Upon Existing Assets to Meet the Goal		
Convert Part-Day Head Start to Full-Day	0	0
Expand Existing Centers *	0	0
Construct New Family Resource Centers **	0	100
Increase Certificate Use in Existing Private Pay Centers	0	0
Increase Licensed Home Slots	16	8
Total Slots Created by Building on Existing Assets	16	108
Slots Still Needed	88	Goal Met

- Development of a new Family Resource Center will have the greatest impact on meeting need.



¹ Based on 2000 data provided by CCHS, Day Care Action Council, and iFF research. Includes 70% of licensed homes and centers, plus the remainder up to 14% in the top 10 Chicago Early Childhood Care and Education Needs Assessment. The number of CCF slots is based on a survey of existing private pay centers as of August 20, 2000.

² There are no existing centers in Avondale. One CCF proposal was received for a new center, pending construction in 2005, which is the first construction.



CCF: Creating a Financing Program

Financing Goal:

- City provides 50% project costs in capital grants
- IFF finances 40% project costs with low rate loans
- Providers contribute 10% project costs

Capital Sources:

- Corporate Funds
- CDBG Funds
- HHS Funds
- City Revenue Bonds

Result:

IFF raised \$5 million in private capital to provide 15-year financing at 5%



CCF: Creating a Financing Program

Total Cost: \$35.0 million

Total Sources:

- \$16.1 million City of Chicago CCF Grant
- \$ 2.1 million IFF financing
- \$ 2.5 million Bank financing
- \$13.4 million Agency equity (\$9.5 mm in state funding)

Square Feet

Developed: 132,000

Request For Proposals

Created to select providers to own and operate the centers.

Key selection elements:

- Land or building in one of the top 20 communities
- Provider track record and financial strength
- Provider contribution
- Focus on providing infant and toddler care

- **Track record:** Program management for remaining early childhood education facilities delegated to IFF
- **Design Standards:** The Building Blocks of Design – A Handbook for Early Childhood Development Facilities (view at <http://iff.org/resources/content/1/4/7/documents/BBdesignmanual.pdf>)
- **RFPs issued:** Select architects with early childhood education facilities design expertise
- **Contracts:** held with architects and contractors
- **Project Management:** Oversaw entire development process to ensure quality throughout each project

- **Owner/Provider:**
Children's Home + Aid
- **Community Area:**
West Englewood
- **Total Square Feet:**
32,000
- **Slots Created:**
226
- **Total Project Cost:**
\$7,085,000
- **Sources of Funds:**
 - \$ 1,825,000 CCF Grant
 - \$ 4,500,000 State Grant
 - \$ 760,000 Provider Equity



- **Owner/Provider:**
Howard Area Community Center
- **Community Area:**
Rogers Park
- **Total Square Feet:**
12,600
- **Slots Created:**
148
- **Total Project Cost:**
\$4,143,000
- **Sources of Funds:**
 - \$ 1,706,000 CCF Grant
 - \$ 623,000 State Grant
 - \$ 1,814,000 Provider Equity





CCF: Concordia Avondale Campus

- **Owner/Provider:**
Concordia Lutheran Church
- **Community Area:**
Avondale
- **Total Square Feet:**
28,750
- **Slots Created:**
211
- **Total Project Cost:**
\$8,232,000
- **Sources of Funds:**
 - \$1,825,000 CCF Grant
 - \$4,500,000 State Grant
 - \$ 760,000 Provider Equity



Before:

- Avondale: No center-based subsidized licensed care
- West Englewood: Almost no center-based subsidized child care available
- Rogers Park: No center-based subsidized care for infants and toddlers

After:

- 1,194 new child care slots in nine Chicago community areas
 - Avondale: Concordia Lutheran Church created 211 new slots
 - West Englewood: Children's Home + Aid created 226 new slots
 - Rogers Park: Sheila Berner Center created 148 new slots

Challenges

- Debt-averse providers took longer to raise funds for project, adding to project costs
- City funding not streamlined, adding to project costs

Lessons Learned

- Require debt averse providers to identify all funds first
- Create intermediary to handle government funding flows



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Building Child Care Project



What We Do

BCC's ultimate goal is to build the child care field's capacity to meet California's enormous facilities gap. In order to achieve this goal:

- the BCC Project works as a centralized clearinghouse of information and services designed to improve and increase child care providers' access to financial resources for facilities development projects throughout the state of California

This clearinghouse approach uses a three-tier method:

- identifies resources to help with facilities development and financing
- improves the child care field's access to these resources
- works to expand the quantity and depth of resources available

Who We Are

The Four Collaborative Partners:

- **Insight Center for Community Economic Development**
 - plays a leadership role in creating systems that provide every child with access to high-quality, affordable, early care and education
 - experts linking economic development to ECE
- **California Child Care Resource and Referral Network**
 - works with 61 local member agencies
 - provides statewide perspective of child care trends and demands from data gathered from local R&Rs
- **The Children's Collabrium**
 - Contributes expertise in training professionals and others in the ECE field
- **Low Income Investment Fund**
 - Contributes financing expertise

Core Services & Outcomes

- Website www.buildingchildcare.org (140,000 hits per year)
 - Our website hits have increased over the eight years of our work.
 - Contains comprehensive information on facilities and financing strategies
 - Publications & Resources (Architect Referral list, Loan Resources, Child Care & Family Child Care Financial planning & Facilities Development Manual)
- Consultations
 - Toll Free Telephone Help-Line (we provide assistance to about 150 child care providers per year)
- In-depth Capital Financing Technical Assistance
 - Understanding lenders' required documentation
- Trainings
 - Maneuvering the Maze
 - Child Care Intermediary Trainings
- Promote State and Local Policy Strategies and Solutions
 - Educate policymakers and other stakeholders about barriers and solutions to facilities development and financing in California
 - “Strategies For Increasing Child Care Facilities Development and Financing”

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