



# SAN MATEO COUNTY CHILD CARE AND PRESCHOOL FACILITIES TASK FORCE

Final Report and Recommendations, May 2017

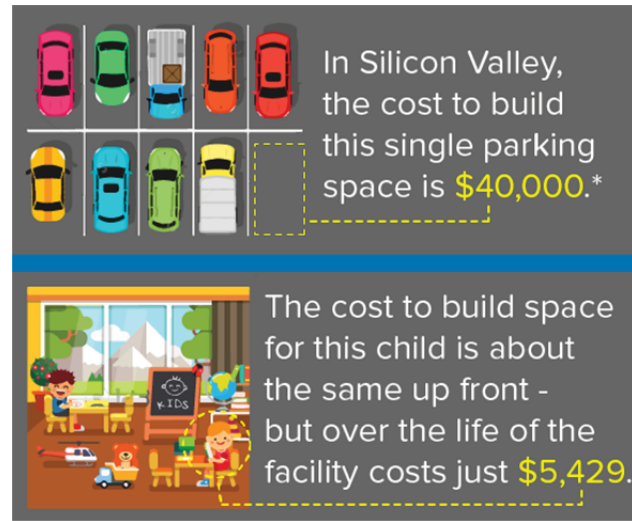
## Need and Background

Regional planning advocates have long recognized the connection between affordable housing, traffic congestion, jobs and education as key drivers of where families choose to live. The shortage of affordable high-quality child care and preschool facilities must also be a part of the equation.

The lack of high-quality affordable child care is impacting a large segment of San Mateo County's workforce, which in turn impacts transportation and housing. It is exceedingly rare for a neighborhood to have affordable housing, job opportunities, high-quality child care and education and public transit options. Therefore, people often have to sacrifice at least one of these elements to make ends meet.

As of 2015 there was a shortage of 10,800 child care and preschool spaces for children aged birth through age four, meaning there are close to 11,000 children in San Mateo County who need child care or preschool but there is currently not a space to serve them. The future growth of this gap is expected to approach 14,000 spaces by the year 2025<sup>i</sup>. The average cost to build one child care space is \$40,717. In total, it would cost approximately \$428 million to meet the unmet demand in 2025.<sup>ii</sup>

The high cost of real estate and limited available land are factors that greatly influence the supply of child care and preschool facilities in high-cost counties, such as San Mateo. In 2015, the average rental price for a square foot of commercial space across the county was up almost 20 percent from 2014. Square footage has become incredibly difficult to come by throughout the county, as only 8 percent of space is available, down from a 10 percent vacancy rate at the end of 2014. This marked the lowest vacancy rate for any quarter since 2001<sup>iii</sup>. A recent review of commercial vacant land costs in San Mateo County showed that the price per square foot of land in 2015 ranged from \$84-\$122<sup>iv</sup>. To meet licensing requirements, there must be at least 25 square feet per child indoors and 75 square feet per child outdoors for a total of 100 square feet per child. To create only one classroom of 20 children at a total of 2,000 square feet, the cost for the land alone ranges from \$168,000-\$244,000 – not to mention any building or programming costs.



\*The cost to develop one parking space in the San Francisco Bay Area ranges from \$25,000-\$40,000.

A recent 2016 survey identified “difficulty finding an available site” and “lack of funding” as the top two barriers child care and preschool providers face when exploring program development or expansion. The same survey also highlighted that owners of at least four San Mateo County child care sites are facing closure or displacement due to the increasing cost of rent.

The shortage of child care and preschool facilities in San Mateo County will not be solved by the child care sector alone. For this reason, in 2016, the Center for Early Learning, in partnership with San Mateo County Office of Education and First 5 San Mateo County, convened the San Mateo County Child Care and Preschool Facilities Task Force, consisting of a cross-section of San Mateo County and Bay Area leaders from the government, housing, education, business, faith-based and non-profit sectors to develop a set of recommendations that addresses the urgent need for child care facilities in the region.

### **2016 San Mateo County Early Learning Facilities Needs Assessment**

Throughout 2016, during the same time frame the San Mateo County Child Care and Preschool Facilities Task Force was engaging in its work, San Mateo County Human Service Agency commissioned a study performed by Brion Economics that examined current and projected child care supply and demand, surveyed current child care providers’ willingness and ability to expand programs, assessed potential sites that may be used for child care and reviewed possible financing strategies. The parallel timing of the study provided the task force with the most up-to-date data available upon which to make its recommendations.

The final summary of the San Mateo County Early Learning Facilities Needs Assessment and other companion documents can be found on the San Mateo County Office of Education’s website:

<http://www.smcoe.org/learning-and-leadership/early-learning/child-care-partnership-council/child-care-and-early-learning-needs-assessment.html>

## Challenges and Solutions

The task force conferred with local and national experts to identify an exhaustive list of challenges and barriers that commonly exist, which hinder a community's ability to increase the supply of high-quality child care and preschool facilities despite tremendous demand.

The task force narrowed down this initial list to the following four challenges based on San Mateo County's unique needs and current landscape. In addition, the task force explored possible solutions specific to each of the challenges.

### **CHALLENGE: No public funding for child care and preschool facilities**

Historically, there has been no state or local funding to support child care and preschool facilities in San Mateo County.

With this clear lack of financial support for child care and preschool facilities, the task force researched three possible strategies for generating local sustainable funding for facilities:

- **Local Tax Measures** A number of possible local public funding sources that could be used to fund child care facilities were reviewed. These could be adopted countywide or by jurisdiction. Examples of public funding sources are:
  - School district bonds
  - Parcel taxes
  - Sales taxes

#### **Local Example: The Big Lift and Measure K**

San Mateo County has experience with pursuing local tax measures and utilizing some of the funds for the purpose of early care and education. **The Big Lift and Measure K**, formerly Measure A, are a recent example.

**The Big Lift** is a PreK-3<sup>rd</sup> grade initiative with a focus of improving 3<sup>rd</sup> grade reading proficiency via critical interventions starting with increasing the quality and number of preschool spaces in the regions of greatest need. Work began in 2013 after the Board of Supervisors agreed to allocate \$15 million in **Measure K** funds to establish the San Mateo County Early Learning and Care Trust Fund. **Measure K**, approved by voters in 2012 and renewed in 2016, is a half-cent countywide sales tax to support essential county services, maintain critical facilities and launch innovative initiatives.

- **Developer Impact Fees** – Counties and cities have the option of imposing fees on developers to fund infrastructure and public facilities projects. Developer impact fees are exclusively for capital improvements serving new development to offset the impact of a particular project or new growth. Two cities in San Mateo County have a child care impact fee to help fund early learning facilities:

Municipality	Developer Impact Fee
San Mateo <sup>v</sup>	<ul style="list-style-type: none"> <li>• City of San Mateo adopted a Commercial Development Fee for child care in 2004</li> <li>• The fee rate is \$1.08/sq. ft. for projects over 10,000 sq. ft. that are one or more of the following:               <ul style="list-style-type: none"> <li>○ New commercial development of superstructure</li> <li>○ Addition of square footage to existing commercial development</li> <li>○ Commercial tenant improvements requiring planning approval</li> </ul> </li> <li>• The current balance of the impact fee fund is approximately \$1.2 million and a large bulk of those funds was generated in the last three to four years</li> </ul>
South San <sup>vi</sup> Francisco	<ul style="list-style-type: none"> <li>• City of South San Francisco adopted a child care impact fee in 2001</li> <li>• As of June 30, 2014, approximately \$2.0 million in fees has been collected; \$650 thousand in interest earnings has been credited to the program and \$620 thousand has been expended on projects and program administration fees</li> <li>• Remaining balance after planned projects is \$1,995,688</li> </ul>

- **Public-Private Partnership Grant Program** - San Mateo County has experience with small grant facilities programs through *The SmartKids Fund*. *SmartKids* was focused on improving and expanding the number of quality child care and early learning spaces and facilities. It was administered by San Mateo Child Care Coordinating Council with funding from First 5 San Mateo County and San Mateo County Human Services Agency (HSA) from 2001-2012. Approximately 1,800 new spaces were created in 150 childcare centers and homes over the years and more than 50 renovation projects were completed in partnership with Rebuilding Together.

## **CHALLENGE: San Mateo County real estate costs**

San Mateo County has experienced a rapid and dramatic increase in real estate costs, making it extremely difficult for providers interested in opening up a new child care center or preschool to find affordable space. Several existing providers are also facing difficult decisions about whether or not they can continue to afford rising costs and keep their facility open. There are a number of child care and preschool providers who have recently had to close facilities; which continues to exacerbate San Mateo County's shortage.

The San Mateo Early Learning Needs Assessment examined the construction costs per child care space depending on the type of construction project:

- New or existing commercial space – average cost \$53,800 per space
- New building construction – average cost \$43,183 per space
- Employer-based centers – average cost \$41,033 per space
- Expanding existing centers – average cost \$37,003 per space
- Portable buildings – average cost \$25,412 per space

The needs assessment provided in-depth analysis on the evaluation of reuse/re-designation of existing space and employer-based centers. While these two types of construction projects are not the most economical in terms of average cost per child care space, the task force considered these two solutions as most readily feasible given the shortage and high-cost of available land for new building construction. In addition, the task force also considered policy levers that would ensure cities consider child care facilities in future development.

- **Evaluation of reuse/re-designation of existing space** – In Fall 2016, a San Mateo County Early Learning Facilities Stakeholder Survey and Provider Survey<sup>vii</sup> identified possible existing sites that could be developed with a new early learning facility. The following types of locations for sites were the most likely to be mentioned:
  1. Local education agencies (LEA) – local county office of education, school districts
  2. Faith-based organizations
  3. Community college sites
  4. Community centers
  5. Affordable housing developments

It is important to note that the survey identified faith-based organizations and school districts to be the most willing organizations to provide new child care and preschool facilities. Both entities tend to have missions and values that align with the provision of child care and preschool and often have either building space or land available to support such facilities<sup>viii</sup>.

- **Inclusion of child care and preschool facilities spaces through large employers** – A highlight of the 2016 San Mateo County Early Learning Facilities Study was that many larger companies have the financial capacity, land and building space to meet some of the needs of their employees and to provide additional child care and preschool facilities for the community.

**Major San Mateo County Employers Currently with On-site Child Care Centers or Partnerships with Local Centers**

- City of Daly City, Daly City
- Electronic Arts, Redwood Shores
- Genentech, South San Francisco
- Gilead, Foster City
- Mills Peninsula Medical Center, Burlingame
- County of San Mateo, Redwood City
- San Francisco Airport, Burlingame
- Oracle, Redwood City
- USGS, Menlo Park

**Research: Employer Sponsored Child Care Assistance Programs**

A 2014 study published in the Journal of Managerial Psychology found that **employee performance was higher and absenteeism was lower** among employees using on-site child care than employees using an off-site center or who had no children.

Several San Francisco Bay Area companies offer either on-site or near-site child care to their employees. These companies say that providing an easy and affordable option for childcare is a tool **for recruitment, retention and overall job satisfaction.**

On its South San Francisco campus, Genentech has offered on-site child care for years. In a 2012 San Francisco Business Times article, a senior HR representative shared, "Having our onsite childcare centers located on our South San Francisco campus, **allows working parents the flexibility they need while caring for a child and the peace-of-mind they require to know their child is nearby and properly cared for.**"

Nicole L. Gullekson, Rodger Griffeth, Jeffrey B. Vancouver, Christine T. Kovner, Debra Cohen, (2014) "Vouching for childcare assistance with two quasi-experimental studies," Journal of Managerial Psychology, Vol. 29 Issue: 8, pp.994-1008, doi: 10.1108/JMP-06-2012-0182

- **Inclusion of child care and preschool facilities in municipal General Plans and future development** - With the rapid increase in the number of commercial real estate developments and other regional planning efforts throughout San Mateo County, it is imperative cities consider child care facilities in future development.

**Up-and-Coming City Leaders: San Carlos and San Mateo**

In January 2017, the **San Carlos City Council** directed the Planning Department and City Manager to look further into how the city can support developing more child care, including looking at their code and regulations, permitting process, and potential levers to pull to include more child care in new developments.

At its February 21, 2017, meeting, the **San Mateo City Council** identified child care facilities as one of the Council's priorities for 2017-2018.

**CHALLENGE: Child care and preschool facility permits are expensive and cumbersome to acquire**

In 2007, the Child Care Coordinating Council of San Mateo County conducted a child care land use study, which inventoried local land use policies and planning procedures related to child care in 19 of the 21 jurisdictions in the county. A summary of the study, which shows the complexity, costs and variances between cities on child care zoning and permitting, can be found at this link: [http://www.smcoe.org/assets/files/learning-and-leadership/early-learning/4Cs\\_Child\\_Care\\_Land\\_Use\\_2007.pdf](http://www.smcoe.org/assets/files/learning-and-leadership/early-learning/4Cs_Child_Care_Land_Use_2007.pdf)

In order to address this challenge, the task force identified the following as the primary necessary action steps:

- **Work with appropriate entities at the state and local levels to ease the permitting process and reduce permit fees and/or provide tax credits for child care**
- **Review permitting process throughout the county to determine how to fast-track zoning and permitting processes for child care programs**

**Case Study: Toddle**

Toddle, a preschool for 24 children, opened in March 2015 after a **two-year facility search (13 properties)** and almost **2-year permitting and remodel** of a house. The owners of Toddle **invested approximately \$2.5 million** in facility acquisition, permitting, and construction costs to renovate the building for preschool use. **Most child care operators do not have the resources to make this kind of investment of dollars or time.**



**CHALLENGE: Child care and preschool facilities are a part of a community infrastructure that no single entity has the responsibility to address**

The task force acknowledges that the issue of child care facilities is so complex that efforts to address the issue will need to be multi-faceted and will need champions across multiple sectors. However, due to the lack of a single entity responsible for early childhood development, there historically has not been a unified and coordinated effort to increase the supply of child care and preschool facilities. The task force recommends:

- **A unified and coordinated countywide effort focused solely on the development and sustainability of child care and preschool facilities in San Mateo County. This effort will provide focus on and commitment to eliminating the facility shortage through:**
  - Staff that will oversee all aspects of advocating for more facility development in San Mateo County
  - A communications and advocacy plan to increase general awareness of the facility shortage

## The Build Up Initiative

In order to address the lack of a single entity or agency that has responsibility to address the need for more early care and early learning facilities in San Mateo County, the task force recommends the design and implementation of *Build Up for San Mateo County's Children (Build Up)*, a unified and coordinated countywide effort focused solely on the development and sustainability of child care and preschool facilities in San Mateo County. Initial steps in instituting *Build Up* include the:

- Development of a comprehensive communications plan
- Establishment of a staff position focused on generating sustainable revenue for facility development, advocating for policies and incentives that support facility development and expansion, and developing a model that other communities can adopt

*Build Up* will be seed funded through a private-public partnership, that may include, but is not limited to the following partners - Center for Early Learning, County of San Mateo, First 5 San Mateo County, San Mateo County Human Service Agency and San Mateo County Office of Education.

*Build Up* will initially focus on the following key strategy areas and priority recommendations:

- **Reinforce and/or implement current and new policies and incentives:** Work with cities and the county to include child care in their general plans, review permitting and zoning policies and prioritize inclusion of child care in future developments. Collaborate with local and state representatives who support the issue.
- **Reuse/re-designate existing space:** Work across sectors - school districts, the county, businesses, municipal government, etc. - to identify and prioritize unused existing space.
- **Provide child care through large employers:** Provide technical assistance to employers interested in providing on-site child care to their employees
- **Generate revenue for facility development:** Pursue local tax measures (e.g., bond measures to raise funds for child care development) and assist child care providers in drawing down funds from already established funds (e.g., San Mateo and South San Francisco child care impact fees)

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*Overall, San Mateo County has been a leader in trying to connect the planning and real estate fields with the child care industry. These recommendations provided by the task force will help San Mateo County reach its goal to make child care another commonly funded and accepted public service and facility, just like parks, roads, libraries, schools and other basic infrastructure* – Joanne Brion, principle Brion Economics

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### **San Mateo County Child Care and Preschool Facilities Task Force Members**

Ben Cohn	Office of Assemblymember Mullin
Bernie Vidales	Jefferson School District
Bruce Bean	The Trafton Group
Dave Pine	San Mateo County Board of Supervisors
David Cattivera	Rebuilding Together
Emily Loper	Bay Area Council
Francesca Segre	Office of Assemblymember Rich Gordon
FrederickArn Hansson	San Mateo County Planning Commission
Gloria Hernandez	Ravenswood Elementary School District
Greg Mediati	City of South San Francisco
Harvey Schloss	SMCOE Child Care Partnership Council & Congregation Beth Am
Heather Cleary	Peninsula Family Service
Heather Stewart	City of San Mateo
Jennifer Sweeney	MidPen Housing
John Ward	John M. Ward and Associates
Mark Herbert	Small Business Majority
Matt Regan	Bay Area Council
Matthew Tinsley	Santa Clara County Office of Education
Meg Clark	Home and Hope
Rosanne Foust	SAMCEDA
Susan Neufeld	Bridge Housing
Vu-Bang Nguyen	Silicon Valley Community Foundation (SCVF)

### **San Mateo County Child Care and Preschool Task Force Advisors**

Avo Makdessian	Center for Early Learning, SVCF
David Fleishman	San Mateo Child Care Coordinating Council
Gina Quiney	Office of Supervisor Carole Groom
Jean-Marie Houston	San Mateo County Office of Education
Jenifer Clark	First 5 San Mateo County
Kristen Anderson	City of Redwood City
Michelle Blakely	First 5 San Mateo County
Michelle Sioson Hyman	Center for Early Learning, SVCF
Sarah Kinahan	Co-chair, Facilities Committee, Child Care Partnership Council
Randy Torrijos	Office of Supervisor Dave Pine

## How to Get Involved

There are a number of ways to get involved in shaping *Build Up for San Mateo County's Children*.

1. Spread awareness about the dire need for child care and preschool facilities in San Mateo County
2. Donate to *Build Up for San Mateo County's Children*
3. Engage with San Mateo County's Child Care Partnership Council
4. Volunteer on a *Build Up for San Mateo County's Children* workgroup

For more information on the San Mateo County Child Care and Preschool Task Force contact:

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<sup>i</sup> 2016 San Mateo County Early Learning Facilities Needs Assessment. Brion Economics. [http://www.smcoe.org/assets/files/learning-and-leadership/child-care-partnership-council/Facilities%20Needs%20Assessment%202016%20\(ELFNAR\)/2513%20Exe%20Sum%20CC%20SMC%20FINAL%202.22.17-2.pdf](http://www.smcoe.org/assets/files/learning-and-leadership/child-care-partnership-council/Facilities%20Needs%20Assessment%202016%20(ELFNAR)/2513%20Exe%20Sum%20CC%20SMC%20FINAL%202.22.17-2.pdf)

<sup>ii</sup> 2016 San Mateo County Early Learning Facilities Needs Assessment. Brion Economics. [http://www.smcoe.org/assets/files/learning-and-leadership/child-care-partnership-council/Facilities%20Needs%20Assessment%202016%20\(ELFNAR\)/2513%20Exe%20Sum%20CC%20SMC%20FINAL%202.22.17-2.pdf](http://www.smcoe.org/assets/files/learning-and-leadership/child-care-partnership-council/Facilities%20Needs%20Assessment%202016%20(ELFNAR)/2513%20Exe%20Sum%20CC%20SMC%20FINAL%202.22.17-2.pdf)

<sup>iii</sup> <http://www.smdailyjournal.com/articles/news/2015-04-07/commercial-real-estate-rates-still-skyrocketing-market-stays-hot-as-rates-continue-to-increase-and-available-space-dwindles/1776425141274.html>; date pulled 3/1/2017

<sup>iv</sup> 2016 Early Learning Facilities Financing Strategy for San Mateo County. Brion Economics

<sup>v</sup> <http://www.cityofsanmateo.org/DocumentCenter/View/41982>

<sup>vi</sup> South San Francisco Annual Impact Fee Report 2014-105. <http://www.ssf.net/DocumentCenter/View/9082>

<sup>vii</sup> 2016 San Mateo County Early Learning Facilities Needs Assessment. Brion Economics.

<sup>viii</sup> 2016 San Mateo County Early Learning Facilities Needs Assessment . Brion Economics.