City of San Mateo
Child Care Development Fee
Interim Child Care Fund Guidelines

The City of San Mateo recognizes that high quality childcare provides critical support for the economic growth of our families and community, and the intellectual and social development of our children. The City is committed to prioritizing and enhancing the supply of child care spaces for children of all ages.

It is the City's intent to explore any potential opportunities for increasing childcare spaces within the City through development partnerships or financial assistance, as legally permitted. This exploration can take place through conversations with planning project applicants, conversation with childcare providers, or any other nonprofit childcare related agencies.

This set of guidelines for the use of the Child Care Development Fund may be implemented through development agreements for new construction, development partnerships for reuse/expanded use of existing sites, inclusion in projects on City owned properties, and/or financial agreements with existing providers for capital improvements that would expand the number of child care spaces.

Revenue generation to this fund is based on applicable developments within the City and will vary over future years accordingly. The Mitigation Fee Act requires the City to identify projects that will use these funds within five (5) years of collecting the fees. Therefore, flexibility in policy application is warranted as there are several variables to project readiness and levels of assistance that may be available.

1. Program Background

A) History: Original fee implementation in 2004; Revised nexus study and ordinance adoption in 2021.

B) Ordinance (copied below for convenience):

Chapter 23.65 Child Care Development Fee

23.65.010 Purpose

The purpose of the childcare development fee is to fund the development of child care facilities in order to serve a need created by both commercial and residential development.

23.65.020 Fee

A childcare development impact fee, in an amount established by City Council resolution is imposed on all residential and commercial development, including new development, addition of square footage to existing development, and tenant improvements to existing structures if those tenant improvements require planning approval.

2. Assisted Project Eligibility

A) Priority should be given to projects that:
   1) Provide the highest number and/or most enduring number of designated spaces for children from families with incomes less than 80 percent of the Area Median Income (AMI)
   2) Have the highest levels of project readiness and construction commencement.

B) Types of potential applicants or project partners
   1) For-profit companies and businesses
   2) Nonprofit providers
   3) Faith-based organizations
   4) The City of San Mateo
   5) Other governmental agencies (i.e. school districts)

C) Types of eligible projects may include but are not necessarily limited to:
   1) Center acquisition
   2) New construction of center
   3) Tenant improvements to prepare existing structure for child care uses

4) Expansion of currently operating center
5) Improvements to establish new small family child care home (FCCH), must be owner occupied
6) Expansion of small FCCH to large FCCH, must be owner occupied.
7) Center within corporate campus
8) Center within new or existing commercial development
9) Child care within new housing developments

D) Eligible expenses do not include general operating costs, but may include:
1) Development or construction related costs
2) Capital equipment
3) Fixed furnishings

E) Financial support may be offered through following methods or any combination thereof:
1) Loans
2) Agreements

3. Project Commitment

A) Requisites for assistance include, but are not necessarily limited to:
1) Letter of request to City, including brief project description
2) Current year budget, start-up and operating budgets, as applicable
3) Copy of proposed child care center property deed or lease, as applicable
4) Resolution in support of request from Board of Directors or comparable body for other types of entities, agencies, or organizations
5) Board of Directors list or proprietor curricula vitae, as applicable
6) Copy of proof of nonprofit status, as applicable
7) Previous 2 fiscal year's audited financial statement
8) Copy of appropriate license or planned schedule for licensing upon facility start up

B) Final fund commitment will be based on, but not limited to, these elements:
1) Request is appropriate to project size
2) Demonstration and verification of financial need
3) Detailed project plan with timeline, site drawings and itemized cost estimate
4) The depth of affordability of child care spaces met with City assistance

4. Loans Terms

As noted in the Project Eligibility section, there are multiple ways the City may choose to fund the increase child care spaces. Loans are one of the established methods to provide financial assistance. The following provides a summary of the loan terms.

A) Signed agreement with the City specifying terms of assistance and remedies of default.

B) The terms of the loan are reflective of the expectation that a child care facility would have a viable business for at least ten (10) years.

- Zero percent (0%) interest
- Fully deferred / no payments required
- Forgivability requires borrowers to meet the annual performance requirements
  (a) Loan amounts $200,000 or less forgiven at 20% per year, 5-year loan
  (b) Loans greater than $200,000 forgiven at 10% per year, 10-year loan
- 30 years, total or remaining loan principal due if not already forgiven

The template loan documents will be available for review prior to application. Those documents reflect these and other standard loan terms, prevailing wage payment requirements for construction (as applicable), loan draw

requests from the borrower, and borrower paying vendors directly. Borrowers will be required to submit documentation confirming all construction / development has been completed (Certificate of Occupancy) and all liens have been released.

C) Loan Security
   1) Executed promissory note and loan agreement, and one of the following:
      (a) Secured with Deed of Trust against property
      (b) Secured with business and personal assets
   2) City may be willing to subordinate to senior lender as long as total loan to value (LTV) does not exceed 95%

D) Loan Repayment
   1) Loan due immediately upon cessation of operation as child care center or Family Child Care Home (FCCH)
   2) Loan due upon transfer of business ownership
   3) Loan due immediately upon default of agreement
   4) Fully amortized, no early payment penalty

E) Loan Modification
   1) If borrower desires to revise loan amount for construction needs or other special circumstances,
      (a) Modification request, includes a description of the reason & money
      (b) Staff determines allowability, develops recommendation
      (c) Approval obtained based on City's purchasing policy

5. City Staff Roles & Responsibility

A) Planning staff are encouraged to discuss possible child care facility inclusion opportunities with new, large development projects.
B) The prospective applicant will arrange with City staff a site visit, or submit materials such as photos, drawings, and/or videos that provide sufficient information for staff to conduct a technical property review. The prospective applicant will be provided a written summary of staff's findings, which will identify potential issues associated with the site/structure that could impact a project's ability to meet regulatory requirements or could be cost or time intensive. Completion of this step is not an authorization, but a service provided to any prospective applicant to aid them in better identifying budget considerations and project viability.
C) City staff will liaison with 4Cs-Child Care Coordinating Council, Build Up for San Mateo County, and/or other childcare related agencies, to identify eligible providers and potential expansion or development opportunities.
D) City staff will discuss development agreement options with potential partners.
E) City staff will administer funds.
F) City staff is responsible for monitoring compliance of terms of agreement and initiate action for noncompliance as delineated in signed terms of agreement.

6. Reporting Requisites

A) Borrower / partner will be required to provide reports to City as defined in loan or development agreement.
   1) Reporting may include, but not be limited to the following:
      (a) Proof of current insurance and license
      (b) Number of total child care spaces
      (c) Number of affordable/subsidized spaces
      (d) Submittal of annual financial statement