

Child Care Facilities Fund

PROGRAM INFORMATION & PROJECT LOAN APPLICATION

CITY OF SAN MATEO
COMMUNITY DEVELOPMENT DEPARTMENT



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Introduction

Many families in San Mateo are challenged with the ability to find quality and affordable child care. To address that need, the City of San Mateo established a Child Care Development Fee. These legally restricted funds can provide financial assistance for the development or capital expansion of child care facilities. The required result is the increase of the number of high quality child care spaces within the City of San Mateo.

The resulting new child care spaces created with the assistance of these funds may serve families with children ages birth up to age 5 or school-age children, depending on the type of facility. A priority is also providing affordable tuition for families meeting the income criteria.

“Capital development” substantially means ‘bricks & mortar’ construction. These funds cannot be used for program materials or operating expenses. Funds can assist with the fees required to get through the Planning and Building permitting processes as well as the soft and construction costs. Funds could even assist in the purchase of property that will be used as a licensed child care facility. Family Child Care Homes (FCCH) wishing to start or expand may need landscaping to accommodate outdoor play space, or to modify a bathroom for children. These examples may also be possible.

STARTING LINE TIPS & QUESTIONS

Start with a conversation with a City Planner!

What is your project and where?

- Is the location within San Mateo City limits?
- Do you own the property?
- Do you know how many children, what ages, and how many staff you’re planning for your facility?
- Have you confirmed the Zoning Code allows child care facilities in your selected location?
- Is the program space located on the ground floor?
- Is there sufficient outdoor play space for licensing?
- Is there enough room for vehicles to move around; including the space needed for staff parking and space for the drop-off & pick-up of children?
- Do you need a Special Use Permit? If yes, do you understand the time needed and related costs?
- Will there be enough usable space inside to meet licensing requirements?
- Are there other building permit or child care licensing requirements of the facility based on the services you intend to provide, i.e. infant care?

Do you have a project plan & business plan?

- Have you researched your location regarding surrounding facilities and market competitors?
- Have you planned to serve at least 10-15% of your low-income families via sponsorships or subsidy?
- By CA law, obtaining this loan from the City will require you to use “prevailing wage” contractors. Have you planned for that level of expense in your project budget?
- Do you have a project budget that includes sufficient startup costs for all program specific equipment and supplies?
- Do you have a 5-year operational budget?
- Do you have some funding saved to leverage the loan request? Have you researched other funding opportunities?
- Is the title of the property clear and have you discussed the loan with any existing lienholders?

**For More Detailed Information
SAN MATEO CHILD CARE START UP GUIDE**

What Can We Do?

The more important question is, what do you want to do and where? Once you have answers to those first questions, then you will need to do the legwork and research to learn some of the legal requirements and estimates of the costs to make it happen. The sooner you start asking questions, the better. The truth is, it will probably take more time than you would like it to, so plan accordingly.

Here are examples of the types of projects that would be eligible for funds. If you don't see something you're hoping to do, we encourage you to talk with us about what you are interested in.

- Purchase of property to create a child care center.
- Tenant improvements in an existing structure to make it a child care center.
- Construction of a new center on property you already own.
- Expand an existing and currently operating center.
- Partnering with a developer to build out space in their development for a child care center.
- Creating a child care center within new housing developments.
- Minor improvements to establish a new family child care home (FCCH) or expand a small FCCH to a large FCCH. Examples: cleaning or improving the yard for a safe play area, making a restroom accessible to the children. (Must be owner occupied residence.)

City Child Care Facilities Site Assessment Program

One of the primary challenges for prospective providers is knowing if a certain property is viable and what kind of work is required to meet the code for child care facilities. To help meet that challenge, the City of San Mateo has developed a service that can help provide some key information you need to make your most important business decisions.

The Child Care Facilities Site Assessment Program is a cross-departmental team from the Building Division, Planning Division, Public Works Department, and the San Mateo Consolidated Fire Department. This team will assess a property, remotely or in person, to review for limitations and existing conditions that will require modifications. They will then prepare and provide you a summary report with their observations, requirements, and/or recommendations. This assessment and the information provided does not include every detail that may be encountered, nor is it any form of project approval. The service is to help applicants confirm decisions about the viability of the property, inform project planning, and inform the preparation of a sufficient budget.

IMPORTANT: All Child Care Facilities Fund (CCFF) loan applicants will be required to complete this process and include the report with your application. It will help assure the loan request amount will be appropriate to meet identified needs and provide supporting information for your budget.

To prepare for the site assessment, applicants will need to do some basic, initial planning and research. The Child Care Facilities Fund Site Assessment Report form is available on the City's [CCFF website](#) for all providers interested in requesting this service, whether applying for funds from the City or not. That website also hosts the Child Care Start Up Guide with a lot of additional information and resources to help gather the key information for your project. You will follow the instructions on the form to request a site assessment.

How Can We Use the Money?

You can see in the eligible projects listed in the *What Can We Do?* section. “Capital” expenses may include purchasing property and the costs of design and construction. It also includes items that are physically attached or a permanent part of the facility, such as fixed storage cabinets, sink and counter, toilets, installed outdoor play structure, etc.

Other important and eligible uses include paying for the professional fees for architectural design services and project management. Funds can assist with the planning fees, building permit fees, and related expenses charged by the City for your project. That’s why it’s important to understand what process you need to complete to get your building permit and the fees that apply to that process.

It’s also important for you to understand what you cannot do with the funds. It cannot be used for home additions for FCCH. Homeowners may do structural changes as is allowable with any home, but those are funded privately. No furniture and/or program items that could be moved out of the space. The following are not eligible for funds:

- Tables, chairs, bookshelves, cubbies, etc.
- Program materials such as toys, books, food, etc.
- Operational expenses including, but not limited to: utility costs, staff payroll, training expenses, etc.
- Structural additions or major remodels to FCCH. Examples: Cannot add any room on the house for the activity area. Cannot increase number of bedrooms to make room for activity area of child care program. Cannot fund major remodels to improve the house, such as a kitchen remodel.

What Are the City’s Priorities?

The City has established some priorities that it would like to see included in applicant proposals. These are key elements that will be assessed when determining a project’s eligibility and strength. These criteria are also important if there are competing applications for limited funds, those with the greater readiness and service levels are likely to receive the loan.

- the greatest number of new child care spaces
- the greatest number of new designated spaces for children from families with incomes less than 80% of the Area Median Income (AMI) as determined by the State of California. These incomes are adjusted annually and are available on the [Child Care Facilities Fund \(CCFF\) website](#).
- ability to leverage funding from additional private and/or public sources
- project readiness with the earliest estimated completion date

Tell Us More About the Loans

To assure the City can recover funds if a project is not successful, the funding for this program is required to be provided as a loan. The benefit is that there are some very favorable loan terms. The [CCFF website](#) has a copy of all of the loan documents and you should read through all of the documents in detail so you understand what you’ll be required to sign. It might feel a bit overwhelming, but here are the top three key pieces of information to know first:

- **Loans are interest free!**

All loans are zero percent (0%) interest. There will be no cumulative or compounding interest, there will be no interest charged to this loan.

- **Loans are deferred!**

A beneficial feature for this loan is that you are not making payments. You will not have any loan burden in your operating expenses.

- **Loans are forgivable!**

This means that as long as you meet some basic performance and reporting requirements, the loan will have an equal percentage of forgiveness each year. The loan term is either 5 years for loans \$200,000 or less, or 10 years for loans greater than \$200,000. There will not be a long-term burden on the property.

The forgiveness of the loan does require an annual report. Those requirements are detailed in the loan documents, but here are the basics:

1. Documentation of current child care licensing.
2. Reporting on numbers of market rate and subsidized spaces, both provided and filled.
3. Brief narrative of achievements, professional development for staff, and continuous quality improvement efforts.
4. Submit annual business tax returns, financial statements or audit.

What is “subordination”? It’s quite likely that your property has at least one loan already on title, such as a first mortgage. A “subordination” is the willing act of being in line behind the senior loans should there be property liquidation. The City of San Mateo is willing to subordinate the Child Care Fund Loan if there are no other outstanding issues shown on the property title. Be sure to talk with your lender(s) about this and their willingness to agree. It will require some additional paperwork to be prepared and signed by the City and is recorded to the property.

The bottom line is: if you don’t sell the property; stay licensed and in business; turn in your report annually as required; and, otherwise run your business and manage your property honestly and effectively, then for all intents and purposes this loan behaves as a ‘secured’ grant. The reporting isn’t expansive or difficult and is only required annually. The report form is both downloadable on the [CCFF website](#) and is the final exhibit in the loan documents. It’s important for you to take a good look at it to understand those ongoing expectations.

Who Can Apply?

The primary requisite is that the location of the child care facility or FCCH must be within the City of San Mateo and the applicant must be the property owner or property owner’s representative who is both willing and able to legally sign the loan documents.

- Organizations must not discriminate based on race, color, national origin, citizenship status, creed, religion, religious affiliation, age, gender, marital status, sexual orientation, gender identity, disability, veteran status or any other protected status under applicable law.

- Organizations with religious affiliations will be considered only if the proposal supports the attempt to address the needs of the wider community without regard to religious beliefs.
- Organizations must serve children birth through age 5 or school-age care and fall into one of the following categories:
 1. *Nonprofits / Faith-based Organizations*
Organizations that plan to or currently serve children from birth through age 5 or provide licensed school-age child care.
 2. *Schools / School districts*
Publicly funded schools and/or school districts with a National Center for Education Statistics (NCES) ID.
 3. *Private Child Care Centers / Family Child Care Homes (FCCH)*
Private child care centers or family child care homes with an Employer Identification Number (EIN) that plan to or currently serve children from birth through age 5, or after-school/school-age care.

How Do We Make It Happen?

The City is interested in your success as much as you are. The key is taking the time to research, ask questions, and plan your project so that you're as ready as you can be when you apply.

Most projects will require you to build your own team to help you make it happen. Each project's team will look different based on the size of the project, development and/or construction experience, knowledge, skills, and time available to manage it all. Knowing that there are various State and local requirements of all construction projects that you will need to meet, it is the City's expectation that you will have access to a skilled and knowledgeable person who is familiar with these requirements that can help lead you through the process.

Readiness to apply means you've done your research, read the program materials, talked with a planner to know what you can and can't do on the property, understand the scope and limitations of the planning and building requirements of your project, and have developed a project budget so you are prepared to request the appropriate loan amount.

There is a *Child Care Start Up Guide* on the City's [CCFF website](#) that provides more information about these topics along with other reference documents and links to other resources. Please be sure to familiarize yourself with the information available.

IMPORTANT – Prevailing Wage

Any time the City's money is a part of construction, it is a California Labor Code legal requirement that all contractors and subcontractors are paying the area's prevailing wage. This process requires contractors to registration with the Department of Industrial Relations (DIR) and document and monitor the proper wage payments. This requirement does impose some administrative burden that may impact the contractors' willing to take the job. Therefore, it is important to understand the requirements of this law, plan appropriately, check qualifications and references of contractors, and budget accordingly.

In “Section 2.10 State Prevailing Wages” of the Loan Agreement, this responsibility is assigned to the borrower to assure that all related laws are being followed. Please read through that section carefully early in your project planning in order to properly implement the requirements of the law.

The Loan Agreement and links to the DIR are provided in the City’s *Child Care Start Up Guide* available on the [CCFF website](#).

Proposal Submittal, Review & Approval

The invitation to submit a proposal is an ongoing and open process. If it is the City’s assessment that there are enough funds available to provide meaningful assistance, the application will be open and available on the City’s [CCFF website](#). There are no application deadlines, when you’re ready, you may apply. The details of the content required of your proposal are within the Project Application.

City staff will use the following review criteria to assess the eligibility and viability of the proposed project:

- Clarity of project description and project activities
- Clarity of how the proposed project will address any or all of the identified funding priorities
- Increased number of high-quality child care and/or preschool spaces in the City of San Mateo
- Achievable timeline that has identified all planning process and identifies target date facility will be completed and operating
- Clarity and completeness of budget documents and narrative
- Ability and likelihood to leverage financial, human and technical resources to complete the project within 2 years
- Identified project manager with the experience to lead the development process
- Organizational capacity to operationally implement the final project – including staffing, leadership and fiscal management
- Submittal of requested materials that support the proposal

Once an initial review of the proposal is complete, City staff will contact the applicant representative to request any clarification or additional information as needed. It is likely that there will be an in-person meeting requested to meet key project personnel, discuss details of the project proposal, the status of the application, and the details of the loan approval process as applicable. The staff will then make the decision to recommend or deny the project application. All applicants will be provided written documentation confirming the decision.

The City’s purchasing policy is that any action \$100,000 or greater is required to be approved by the City Council. Therefore, if necessary, planning for the time to get on the Council’s agenda will be part of the discussion with recommended project applicants. All loan documents must be fully executed by the borrower and are included in the City Council materials prior to approval.

Contact Information

For additional questions about the application materials or process, contact:

City of San Mateo, Community Development Department
childcarefacilitiesfund@cityofsanmateo.org; (650) 522-7164

PROJECT APPLICATION

Instructions

- ◆ Applicants are required to provide responses in the order and organizational format that matches the questions below; e.g., title the sections, number the responses as listed.
- ◆ All attachments must be clearly marked in top right corner of document with the question to which it applies, ex. A.5.
- ◆ The budget document is provided as a native Excel file with 3 worksheets to be completed.
- ◆ The budget worksheet must be returned in Excel format. The remainder of the completed application and all attachments are required to be submitted electronically in PDF format. All pages must be oriented top to bottom in a way that is applicable to the content.
 - Ex: If tables are in landscape orientation, must be oriented that way in application.

A. Organization & General Project Information

1. Legal name of applicant, either organization or individual
2. Identify the person who will be the single point of contact for this project and provide: Name, Title, Email, Phone Number.
3. City of San Mateo address and Assessor's Parcel Number (APN) for your project.
4. Provide documentation of property ownership or site control.
 - a) Copy of Grant Deed or Deed of Trust
 - b) Lease/Development Agreement that authorizes applicant to execute tenant improvements to property, secured with business or personal assets
5. Resolution in support of request from Board of Directors or comparable body for other types of entities, agencies, or organizations.
6. Board of Directors list including professional affiliation/position or proprietor curricula vitae, as applicable
7. Copy of proof of nonprofit status, as applicable
8. Brief statement of organization history, purpose, and goals as it relates to this project.
9. Copy of appropriate license or documentation of status for obtaining the appropriate State child care license required for the child care provider identified your project; if applicable, include how this project may change the type of license required.
10. List the project team consultants and/or individuals who will be managing this project and describe their experience with similar projects.
11. Include the child care provider's company name, primary responsible person's name, title, email, and phone number. As applicable, describe any partnerships between the borrowing organization and the child care provider. Include the responsibilities assigned to each party.
12. Describe the borrowing organization's plan to both implement and manage this project once complete, including the oversight of annual reporting detailed in the loan requirements.
13. Describe how the child care provider will assure the high quality, professional, and qualified levels of staffing needed in an ongoing basis.

B. Detailed Project Description

14. Describe the project. Include the following information at minimum:
 - a. Description of the location and current condition
 - b. Describe the specific changes to the property
 - c. Include square footage planned for both indoor and outdoor program areas
 - d. Describe the parking and pick up drop off areas
 - e. Include photos and any floor plans illustrating the property and intended changes
 - i. Needs to be clear and inclusive of all related property, but plans do not need to be formal architectural drawings
15. How will it result in the development, expansion or enhancement of high-quality child care and preschool facilities and increase the number of high-quality child care spaces available for children from birth through age 5 or for school-age children?
16. Describe the 3 most important characteristics that make this a “high-quality” program?
17. Provide the following information:
 - a. Current number of children served, if applicable
 - b. How many children will this project serve when complete
 - c. Ages of the children that will be served by this project
 - d. How many children from households with less than 80% AMI will be served in this project
 - i. How is the household income determined and confirmed
 - ii. How many of these households are new clients as a result of this project

C. Project timeline

18. Provide a project timeline up to and including the projected completion date.
19. Describe any potential barriers or specific challenges that could impact successful project completion.

D. Project budget

20. Complete all financial worksheets in the provided Excel document and submit the native Excel file.
 - a. Budget document is available for download on [CCFF website](#).
21. Provide a brief narrative summarizing the budget information and general description of the requested amount and its planned uses.

E. Attachments

22. A completed Child Care Facilities Fund Site Visit Report is required.
23. Provide coversheet list of all applicable attachments being provided in the order they were requested in the questions. Be sure to label each attachment as described in the Instructions.