

Unified Vailsburg
Services Organization
Newark, New Jersey



FACILITIES FOR EARLY CARE & EDUCATION PROGRAMS

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Quality early care and education programs¹ benefit children, families, and communities. A considerable body of research demonstrates the value of high-quality early care and education to improving the life chances of poor children. In addition to helping individual children succeed in school and in life, these high-quality programs save more than seven dollars for every one dollar invested in downstream costs on welfare, juvenile justice, and special education.² According to Nobel laureate economist James Heckman, early education programs are economic development because they produce a return on public investment greater than is possible through business or sports facilities, which receive federal bond funding.

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Nonprofits, Community Facilities & Services | Facilities for Early Care & Education Programs

CDFI SUCCESS STORY

**Leviticus 25:23
Alternative Fund Inc.,
Local Initiatives
Support Corporation,
and New Jersey
Community Capital**

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Although it is home to an apartment complex that houses 10,000 people, the Ivy Hill neighborhood of Newark's Vailsburg section lacked even a single child care facility for its preschool children. That was a situation the Unified Vailsburg Services Organization (UVSO) was determined to change.

Founded in 1972, UVSO is a neighborhood-based human community development agency that provides a wide range of programs and services to build a stronger and more stable Vailsburg. When UVSO decided to build a new child care facility in Ivy Hill—and realized it would need a lender that would finance almost 100 percent of the project's costs—it turned to three local CDFIs with a longtime commitment to economic development in Vailsburg.

Since the early 1990s, the three CDFIs—Leviticus 25:23 Alternative Fund Inc., Local Support Initiatives Corporation, and New Jersey Community Capital—had financed several community development projects for UVSO, including a six-classroom child care facility in another part of Vailsburg. For the Ivy Hill project, the three partnered to provide \$4.8 million in construction financing. Prudential is providing permanent financing.

With 14 classrooms for preschool and infant/toddler care, the new Ivy Hill facility is providing an invaluable service to the neighborhood—and enabling apartment owners to attract new tenants who need a preschool nearby. "Leviticus, New Jersey Community Capital, and Local Support Initiatives Corporation have been critical to UVSO's success," says Michael Farley, UVSO's Executive Director. "They have opened doors and given UVSO momentum to complete these projects. If they had said no, if their risk tolerance was lower, I don't know that we'd be in real estate development of any kind."

Recent analyses carried out in multiple states make clear the importance of the early care and education sector to local economies: licensed programs create jobs, contribute tax dollars, and generate expenditures on goods and services. In New York State, for example, licensed early care and education contributes \$4.7 billion to the state's economy and employs 119,000 people.³ In addition, early care and education supports parents' ability to work or go to school without worrying about the well-being of their children. The Urban Institute's 2002 National Survey of America's Families indicates that 73 percent of children with employed mothers are cared for by someone other than their parents.⁴

Recognition of these multiple benefits has resulted in the investment of billions of federal dollars in early care and education programs, primarily through three programs under the U.S. Department of Health

and Human Services: Head Start, the Child Care and Development Fund (CCDF), and Temporary Assistance to Needy Families (TANF) block grants. In addition, nearly 40 states make investments in programs that provide early education opportunities, such as publicly funded preschool for three- and four-year old children. These investments, often in collaboration with federally funded programs, support the ability of parents to work and improve a family's overall economic situation.

Yet the supply of suitable spaces to house these programs has not kept pace with the growth of the sector, and the shortage is especially severe in low-income communities—both urban and rural. For example, according to a 2007 report by the Advancement Project, California currently lacks preschool-suitable spaces for approximately 117,000



ABOUT DAVID RAYNOR

David Raynor has been Executive Director of the Leviticus 25:23 Alternative Fund Inc. since 1999. The Leviticus Fund is a community development financial institution lending to developers of affordable housing and nonprofit facilities, especially child care centers. Before joining the Leviticus Fund, Mr. Raynor spent nine years at the Highbridge Community Life Center in the Bronx, where he worked in technology development and adult education, among other areas. He also spent seven years in Venezuela, working on a community development project with the Maryknoll Lay Missioners. His principal work in Venezuela was the development of a food cooperative. Mr. Raynor began his career with the Xerox Corporation, where he spent 10 years in sales, marketing, and sales management. Mr. Raynor holds a BA in economics from Fordham University. His board service includes current membership on the board of Pius XII Youth and Family Services and past membership on the Jesuit International Volunteers board.

ABOUT MARIE YOUNG

Marie Young is Managing Director of Child Development and Education Programs at the Low Income Investment Fund (LIIF). Ms. Young is responsible for overseeing all of LIIF's child care and education programs. Before joining LIIF in December 2003, she was Principal Consultant at MBY Consulting, providing consultation to foundations and governmental agencies on system building to improve the well-being of young children and their families. For seven years prior, she was at the David and Lucile Packard Foundation, serving as Senior Program Manager of Children, Families, and Communities. There she led the design and implementation of grant programs (\$60 million) in child health, economic security, child and youth development, child welfare, family support, and policy advocacy. Ms. Young has also founded and directed child care programs and taught early childhood education at the community college level. She currently serves as the chair of the National Children's Facilities Network and was the chair of the National Early Childhood Funders Collaborative. Ms. Young received a BA from Stanford and an MSW from UCLA.



(21 percent) of its four-year olds, with most of the deficit occurring in low-income communities.⁵

Although many important factors contribute to child care program quality, the physical environment is one ingredient that planners and policymakers often overlook. Field research conducted at a Connecticut child care center documented how quality facilities result in more one-on-one teacher-child interaction, more productive play with fewer conflicts among children, higher staff morale, and lower staff turnover—all of which are established indicators of program quality.⁶ Despite these findings, it is rare to find high-quality early learning centers designed to meet the unique needs of very young children, especially in low-income neighborhoods where programs typically occupy makeshift, surplus, or donated space such as church basements or storefronts, and out-of-date school buildings designed for older children.

Early care and education spaces should be located where parents will use the services. Especially for low-income families, both urban and rural programs must be near home or work or on transportation routes to be accessible. Locating the programs alongside affordable housing, schools, transit hubs, and other family services increases accessibility, contributes to “smart growth,” and can reduce real estate development costs.

Unlike the K-12 education system or affordable housing sector, the early care and education field lacks the funding and organized infrastructure to design, develop, finance, and maintain appropriate buildings to support the type of quality programming that leads to improved life chances for young people

and to societal savings. Barriers that the federal government can address fall into two broad categories: financial and real estate development capacity.

- **Financial barriers.** Programs serving low-income communities are highly dependent on public operating subsidies, which are generally too low to cover the true cost of running a quality program and do not include an allowance for occupancy expenses. As a result, the programs have insufficient revenue available to pay market rate rents or debt for appropriate space. Neither can they access sources of capital such as the school construction grants that some states make to subsidize public school construction.

With no consistent and effective financing system or funding source, the child care field cannot address their physical capital needs and create the kind of environments that support quality programs.



- **Barriers to real estate development capacity.** Compounding the problem, the same budget constraints prevent early care and education providers from supporting more than the most minimal administrative and management structure. Few directors have the time or expertise to devote to a facility project or the middle managers to assign to the endeavor.

Recognizing the barriers to early care and education supply and quality, a growing number of non-profit community development financial institutions (CDFIs) have stepped in to fill the void. CDFIs have been devising innovative financing approaches that tap small amounts of public funds to bring substantial private investment to low-income neighborhoods for affordable housing and other pressing needs. As intermediaries, CDFIs then channel those resources to smaller community-based organizations to help them carry out housing or economic development projects. Twenty-five of these child care facilities intermediaries have formed the National Children's Facilities Network, working together to craft innova-

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tive solutions to build the supply and quality of child care in low-income urban and rural communities across the country.

In their role as intermediaries, CDFIs have recently sought to use community-based financing and development strategies to overcome the challenges faced by early childhood education providers. CDFIs also deliver specialized technical assistance on all aspects of facilities design, development, and financing.

The key ingredient for those efforts is flexible public funding to encourage private-sector partnerships. Public funding plays a critical role because it often acts as the equity capital essential to filling the financing gap needed to bring a project to fruition.

CURRENT Government Policies

The federal government currently provides \$10 billion annually for Head Start and the CCDF. Those funds subsidize program operations for low-income families but are insufficient to cover the full cost of hiring experienced and well-qualified staff and creating a suitable physical environment for staff and children.

ABOUT AMY GILLMAN

Amy Gillman is Senior Program Director of the Community Investment Collaborative for Kids (CICK), the national child care facilities arm of the Local Initiatives Support Corporation (LISC). She created CICK 12 years ago to improve the supply and quality of early care and education in low-income neighborhoods through investments in facilities. Since then, CICK has consulted to several state governments on facilities-financing programs, worked to establish two LISC-run statewide child care facilities funds, and spurred more than \$200 million in new investments in quality facilities for 15,000 children across the country. Ms. Gillman is a frequent presenter on child care facilities financing and development at national and regional conferences, and she has coauthored several publications on child care facilities design, development, and financing. In addition, she has played a leadership role in the National Children's Facilities Network as the chair of its executive and public policy committees. Before joining LISC, she specialized in social welfare policy at the Community Service Society of New York and managed international community development programs at the Pan American Development Foundation and World Learning in Washington, DC. Ms. Gillman has an MA from the Yale School of Management and did her undergraduate work at Wesleyan University.



POLICY

Recommendations

Although the federal government provides resources to support the operation of early care and education programs, it has never provided a dedicated source of capital to help providers develop well-designed and appropriately located facilities. In fact, the rules governing the CCDF forbid its use for facilities. Early care and education providers have not had access to any federally supported resources for technical assistance to ensure that they create facilities that are viable, cost-effective, and of the highest possible quality.

The few capital resources that can be used for early care and education facilities are modest, and their use is limited geographically or to certain types of projects. Some financing is available through the U.S. Department of Agriculture to finance centers in rural communities with populations less than 20,000, but no comparable resource is available for urban or higher-density rural communities. Head Start programs historically had access to one-time capital grants, but with only a few exceptions, those funds are no longer available. A limited portion of the Low Income Housing Tax Credit can be used to support the development of community service space, including early care and education centers, in affordable housing developments. Some CDFIs are currently advocating an increase in the percentage of project costs that can be covered by this financing. Community development block grants provided by the U.S. Department of Housing and Urban Development can be used for early care and education centers, if early care and education is identified as a priority in the public planning process. That funding, however, has multiple uses and is highly competitive.

Without a consistent and effective financing system or capital subsidies, providers are left to pursue piecemeal approaches, cobbling together small donations and grants from a variety of sources. With no consistent and effective financing system or funding source, the child care field cannot address their physical capital needs and create the kind of environments that support quality programs.

The federal government must play a more active role in stimulating facilities investments. Otherwise, the benefits of early education—academic achievement and long-term savings in remedial programs, to name just two—will not be fully realized. ■

- Create a pool of flexible capital for the acquisition, improvement, renovation, or construction of quality early care and education facilities in the appropriate federal agency, such as the U.S. Department of Housing and Urban Development, U.S. Department of Health and Human Services, or the U.S. Department of Education.
- Target funding to experienced CDFIs that understand real estate planning and financial packaging, and can leverage private resources for early care and education facilities. CDFIs can provide low-cost loans and grants to early care and education providers to develop quality facilities, and will provide specialized technical assistance on project planning, budgeting, fundraising, and design. CDFIs can package these resources with private funding to leverage public investment with more substantial investment.

- 1 The phrase "early care and education" encompasses the broad array of programs serving children from birth through age five, including Head Start, prekindergarten, and child care.
- 2 Lynn A. Karoly, M. Rebecca Kilburn, James H. Bigelow, Jonathan P. Caulkins, and Jill S. Cannon, "Assessing Costs and Benefits of Early Childhood Intervention Programs," RAND Corporation, http://www.rand.org/pubs/monograph_reports/MR1336 (spring 2001).
- 3 Child Care Inc., "Investing in New York City: An Economic Analysis of the Early Care and Education Sector" (2004).
- 4 The National Survey of America's Families (NSAF) gathered information on more than 100,000 people from 40,000 representative households in 1997, 1999, and 2002. NSAF is part of the Urban Institute's Assessing the New Federalism project. For more information, go to <http://www.urban.org/center/anf/>.
- 5 "California's Preschool Space Challenge," Advancement Project Los Angeles, http://www.advanceproj.org/preschool/exec_summ.pdf (February 2007).
- 6 Tony Proscio, Carl Sussman, and Amy Gillman, "Child Care Facilities: Quality by Design," Local Initiatives Support Corporation, <http://www.lisc.org/content/publications/detail/815> (June 2004).