

Sustaining the Unsustainable:

The Imperative for Innovative Financing for Child-Care Facilities

March 29th, 10am-11am PDT / 1pm-2pm EDT



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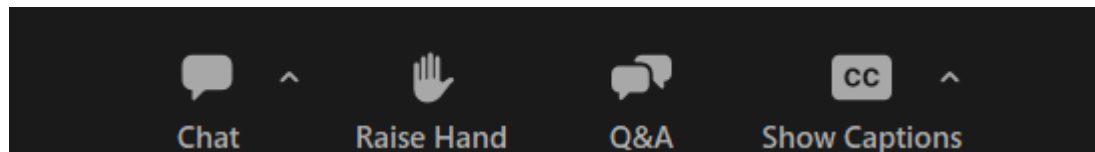
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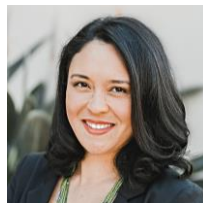
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SPEAKERS



Joselyn Cousins
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Federal Reserve Bank of
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Local Initiatives Support
Corporation (LISC)



September Jarrett
Heising-Simons
Foundation



Eileen Calderon
Child Development Associates

A photograph of two young children outdoors. In the foreground, a young girl with dark skin and curly hair is smiling and looking towards the camera. She is wearing a white t-shirt with horizontal stripes in blue, green, and yellow. She is holding a clear plastic ball with green paint designs. In the background, another child is partially visible, wearing a grey t-shirt with a red and white graphic that says "Blue Label 1965". The background is a blurred outdoor setting with green grass and a building.

LISC: Forging Opportunity for Educators and the Children & Families They Serve

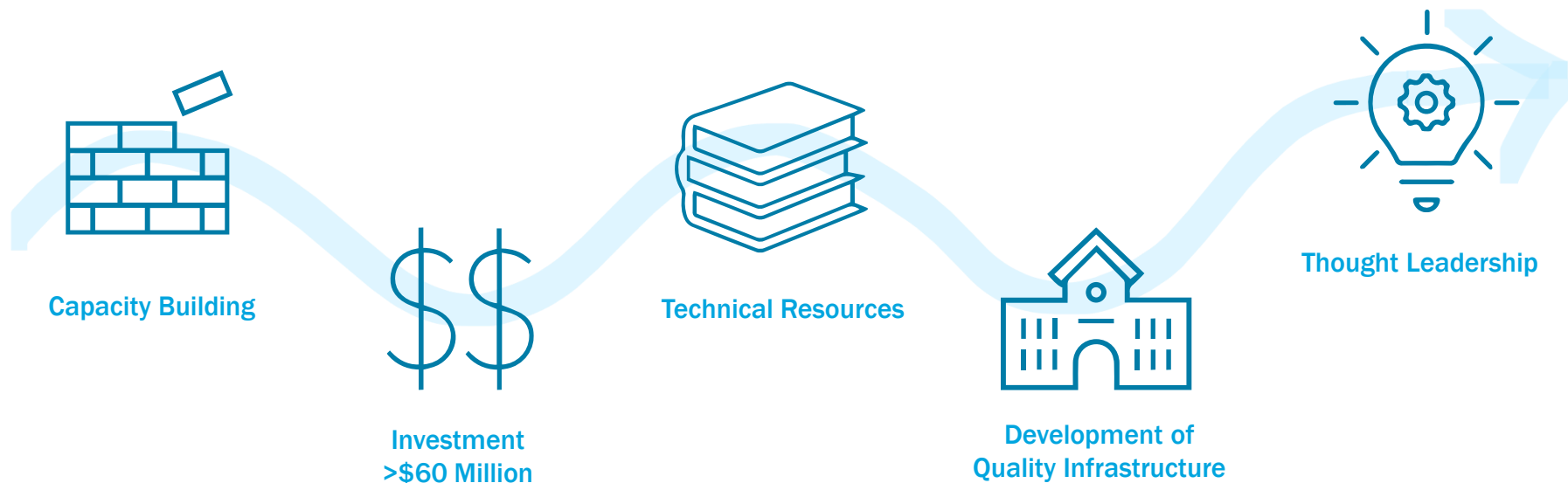
LISC

About LISC: Connecting Communities with Resources

- LISC is a financial intermediary committed to community development
- LISC is an investor, capacity builder, convener, and innovator



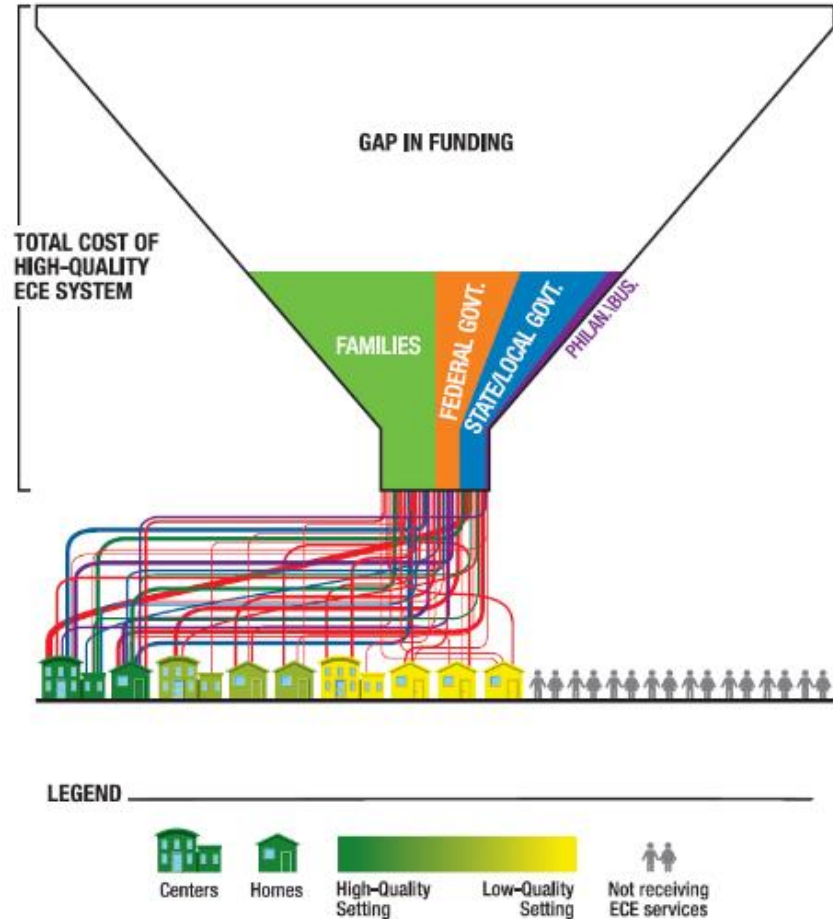
LISC's Multidecade Mission to Support the ECE Field



ECE Financing Landscape

[Transforming the Financing of Early Care and Education](#)

National Academies of Sciences, Engineering, and Medicine. 2018.



Child Care & Early Learning Policy Priorities

- **Dedicated Facilities Funding**
 - ✓ Dedicated, stand-alone public-sector funding to support the acquisition, construction, and renovation of child care facilities.
- **Facilities Needs Assessment**
 - ✓ Comprehensive National Facilities Needs Assessment on the condition, quality, and availability of child care facilities across the country.
- **Technical Assistance & Capacity Building**
 - ✓ Dedicated resources for technical assistance and business capacity building for intermediaries to scale and replicate sector supports.
- **Community Development Finance Alignment**
 - ✓ Policies that incentivize utilization of community development financing tools to support child care and early learning capital projects and businesses
- **Increased Public Sector Operating Support**
 - ✓ Increase in public funding for the entire Child Care and Early Learning Sector



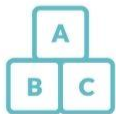
Photo credit: <https://stock.adobe.com/>

Creating opportunities for families, children, and
child care providers to succeed

About CDA

Child Development Associates (CDA) is a community-based nonprofit in San Diego supporting:

- **6,700 Families**
- **12,900 Children**
- **3,400 Child Care Providers**



Subsidized child care services to achieve self-sufficiency



Healthy meal reimbursement and technical assistance



Whole-family and dual generation support and services



The child care challenges experienced by families and child care providers are defined by a low supply of early care and education workers, cost inflation for both staff and services, lack of small business support, low wages and benefits for providers, and a persistent shortage of affordable child care options for families.

Child care providers support the healthy development and well-being of children.

How can we support them and their business?



Obstacles:

- Rising costs of purchasing or renting buildings
- Local zoning, permit, and licensing requirements
- Lack of technical assistance for navigating the process
- Landlord and renovation barriers

CARE San Diego Candidate Testimonials:

"Startup costs and renovations are very high. I don't have that kind of money saved. I've been a child care provider for 15 years."

"I want to grow my business, but I barely make enough to cover my rent and business expenses."

"I have great ideas for my daycare, but my landlord doesn't allow me to make renovations or upgrades to the house."

"I don't qualify for any rent affordability programs."



Opportunity:

- Community-based partnerships that provide trust
- Technical assistance and support programs for effective small business operation
- Supportive and understanding landlord
- Capital opportunities tailored to the unique needs of providers
- Dual generation benefit



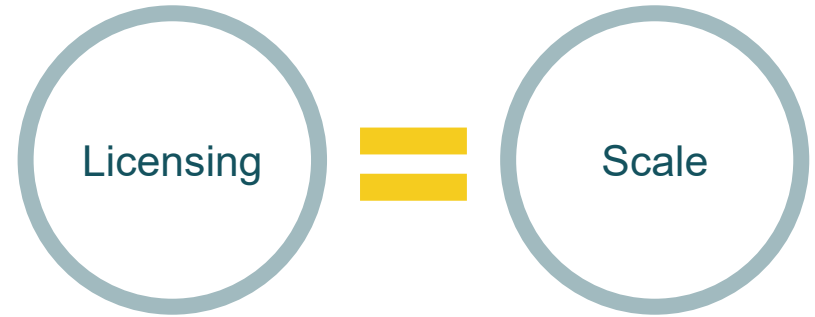


Supporting Child Care Providers with Real Estate

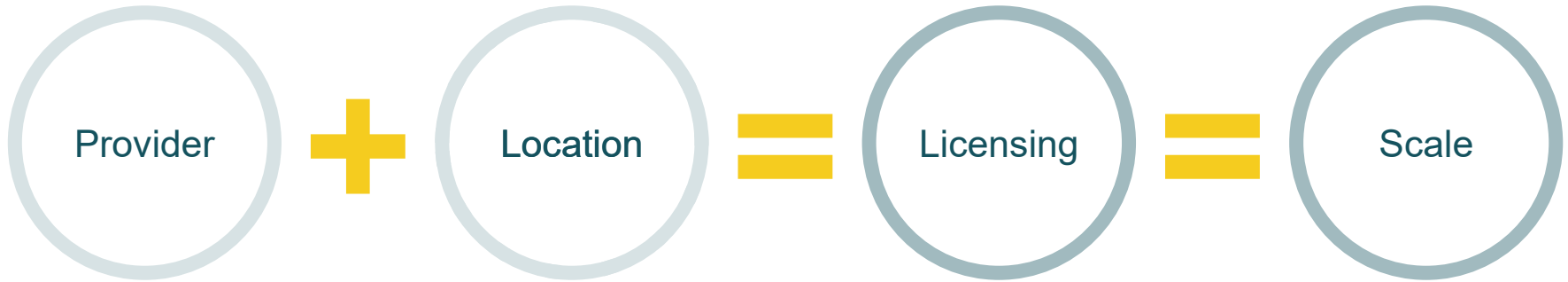
@MDFinanceSD



Why focus on real estate for child care?



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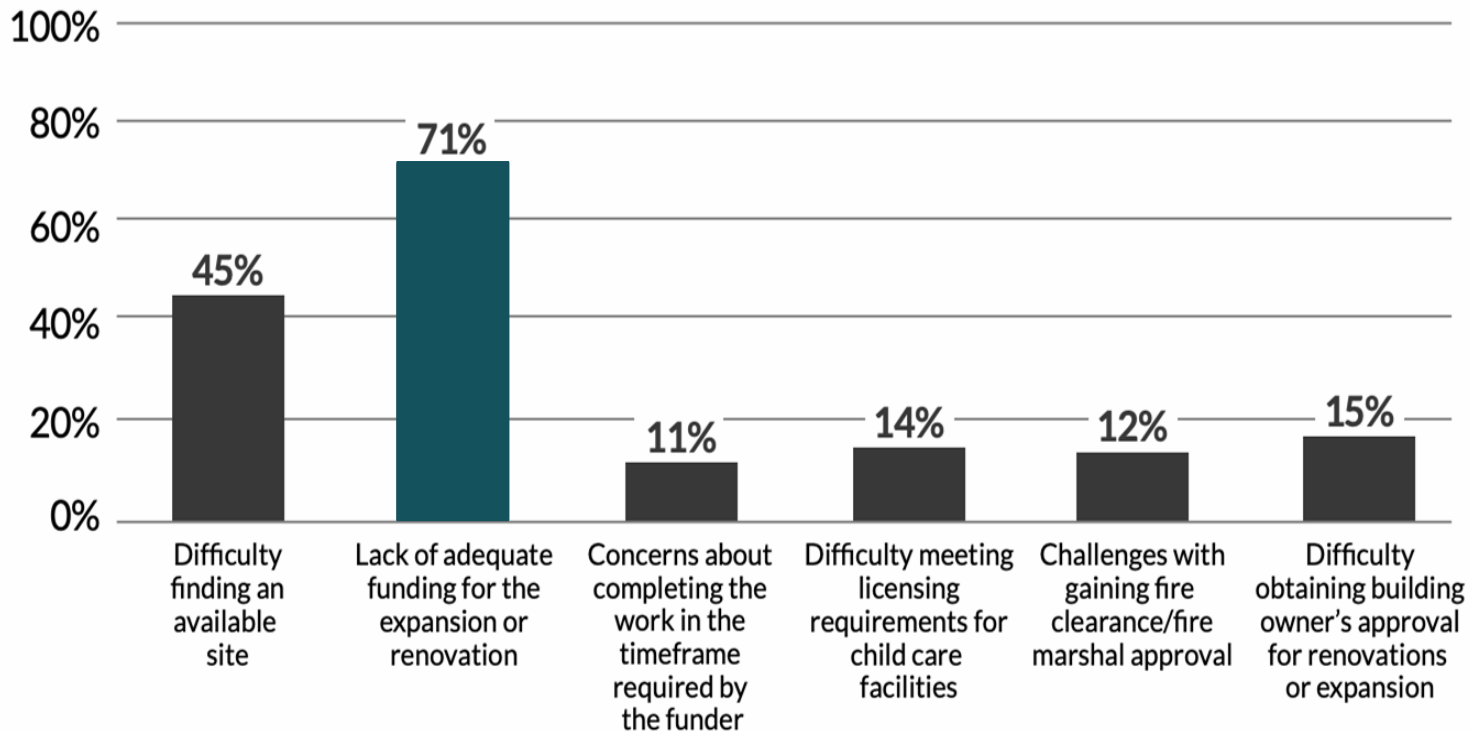


Why focus on real estate for child care?





Real estate is a major barrier



Source: 2019 Provider Survey, Preschool Development Grant Needs Assessment californiaforallkids.chhs.ca.gov/resources. Centers that had considered expansion but had not proceeded were asked what were the barriers to their expansion aspirations.

Why focus on real estate for child care?



Unstable, unfavorable leases

- Providers stressed about lease or landlord have to split their focus
- Possible displacement discourages providers from investing in their space

Real estate financing & complexity—major barriers

- Difficult for providers to qualify for financing
- Overwhelmingly complex & risky requirements

Need a new path for investors

- Small business loans = high risk mitigation requirements
- Expansion projects often seen as too small or too risky



The Care Access Real Estate (CARE) model



1

quality licensed child care capacity

by creating dedicated child care properties that enable providers to scale



2

stability of child care businesses

by being a child care-friendly landlord & other support resources



3

wealth of child care providers

by providing the opportunity to purchase after 2+ years renting & sharing the appreciation of the asset

The Care Access Real Estate (CARE) model



National portfolio of child care real estate

- Half commercial child care centers
- Half residential child care homes (by asset value)

Partnering with strong care ecosystems

- Wraparound support for providers to grow scale and quality
- Sourcing quality providers poised for growth

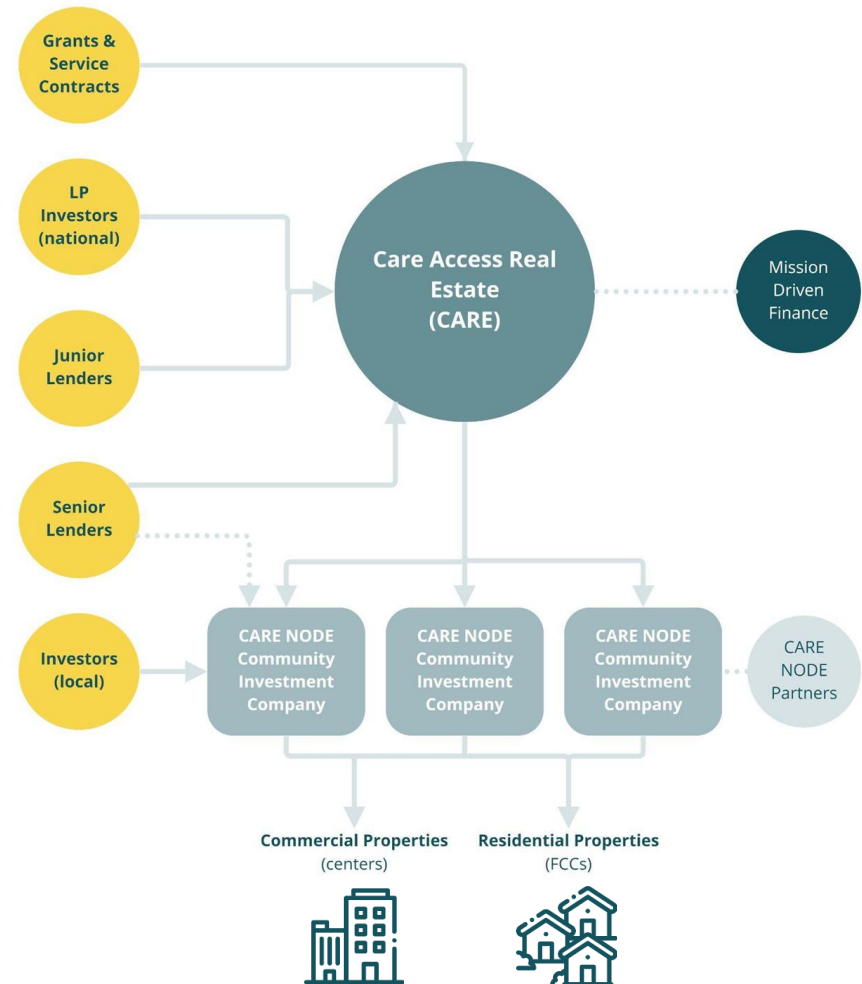
Deep roots in equity creates opportunities

- Layering in government funds in a unique federal moment
- Off-market and/or below-market acquisitions

CARE investment structure

CARE's national-local hybrid structure **magnifies provider voice** and allows for local investment and support.

Each Community Investment Company (CIC) is connected to an anchor child care ecosystem partner, other child care and technical assistance system partners, public agencies, and impact investors.



Why a Real Estate Investment Trust (REIT)?



“Most REITs have a straightforward business model: The REIT leases space and collects rents on the properties, then distributes that income as dividends to shareholders.” — Investopedia

Long-term hold = stability

- Not incentivized to pump up, then sell off a portfolio
- Investor goals of steady yield match providers' needs of stable rent

Familiarity = scale

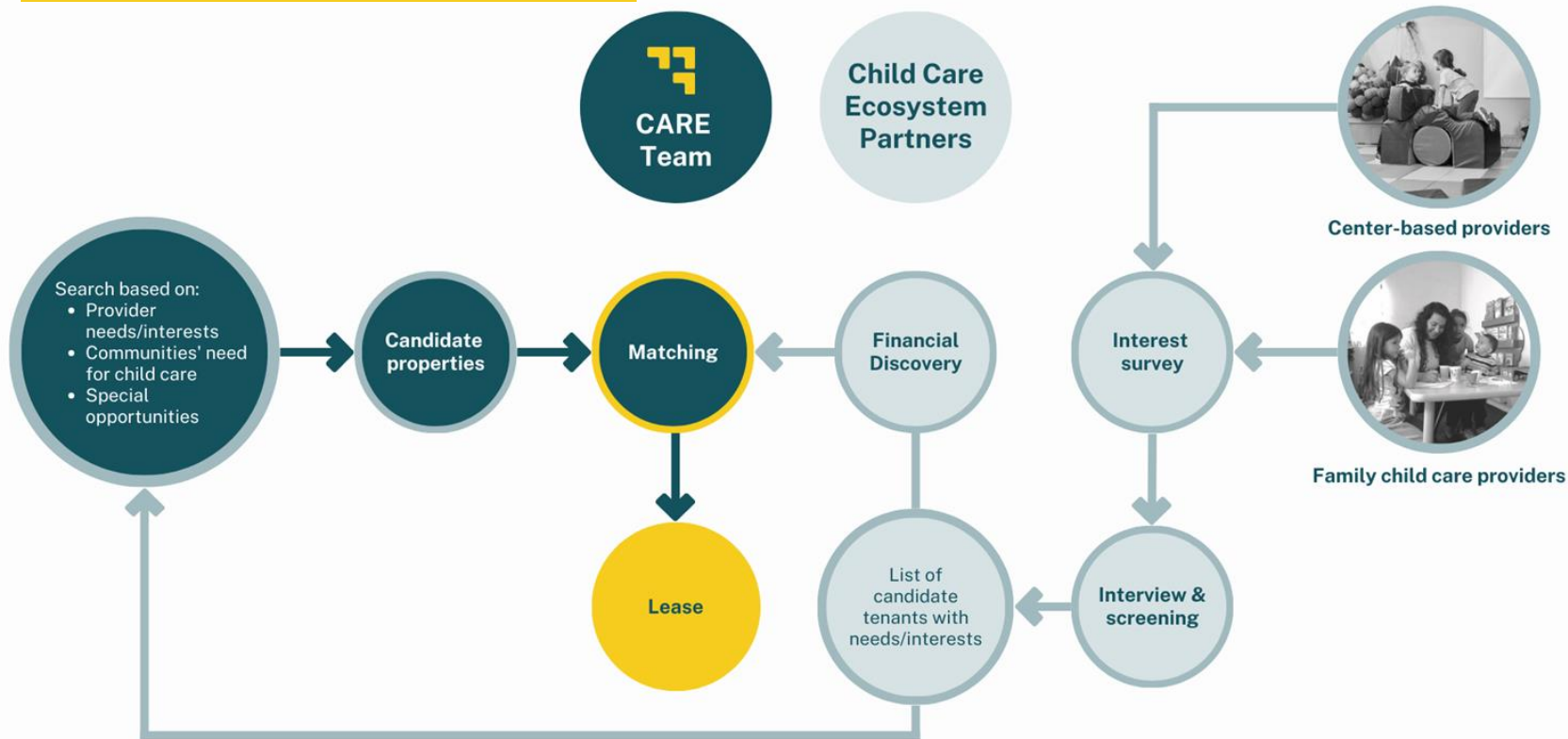
- Common portfolio holding for large institutional investors
- Specialty REITs in healthcare properties, senior housing, and biotech already exist demonstrating targeted impact-focused real estate portfolios can work
- Unlike private funds with a 99 investor limit, REITs require 100+ investors after year 1, making scale a core feature

Private → public = long-term liquidity





CARE matching process



Potential CARE sites



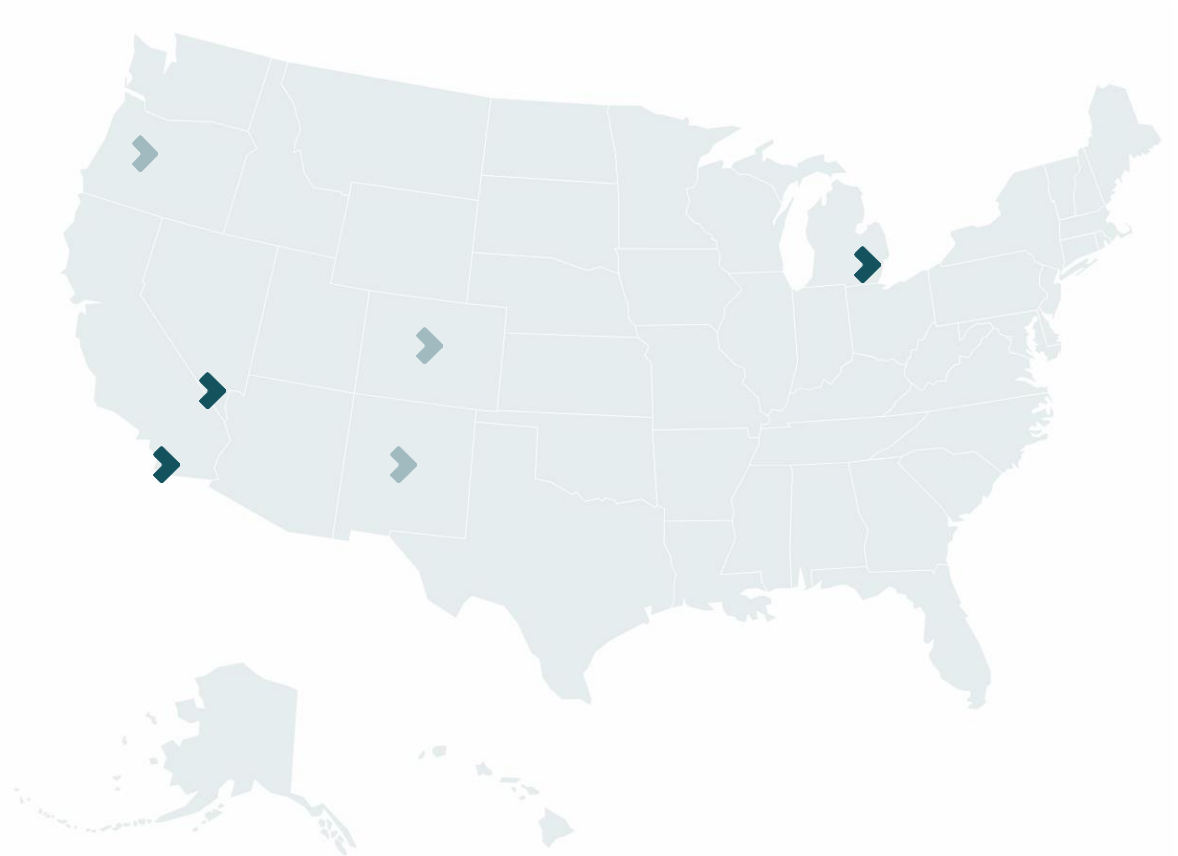
➤ Phase I

- San Diego County, CA
- Clark County, NV
- Southeast MI
- Nationwide with Wildflower Schools

➤ Phase II*

- Supportive provider ecosystems and local government support
- Real estate opportunities that meet REIT acquisition specifications
- Notable capital appetite

**unconfirmed & subject to change*





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Recognitions



Recent press

- 12/22 [Quality jobs count: three key investment factors to advance economic equity](#)
- 06/22 [Housing market is yet another obstacle for San Diego's struggling child care industry](#)
- 05/22 ['There's so many families that need care': Childcare providers on help to expand services](#)
- 03/22 [The childcare economy is broken, and women are bearing the brunt](#)
- 02/22 [New study highlights skyrocketing cost of child care](#)

Fellowships



PURPOSE



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