

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 connections 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 affordable, high-quality 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, education and public transit options. Therefore, people often 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 ages 4 and younger in San Mateo County. The gap is expected to reach 14,000 spaces by the year 2025.ⁱ The average cost to build one child care space is \$40,711. For comparison, the cost to develop a parking spot in Silicon Valley ranges from \$25,000 to \$40,000.ⁱⁱ In total, it would cost approximately \$428 million to meet the projected child care space demand in 2025.ⁱⁱⁱ

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 eight percent of space is available, down from a 10 percent vacancy rate at the end of 2014. This marks the lowest vacancy rate for any quarter since 2001.^{iv} In 2015, commercial vacant land cost \$84 to \$122 per square foot in San Mateo County.^v To meet licensing requirements, there must be at least 25 square feet per child indoors and 75 square feet per child outdoors – 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 to \$244,000 – not to mention any building or programing costs.

A 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 at Silicon Valley Community Foundation, in partnership with the San Mateo County Office of Education and First 5 San Mateo County, convened the San Mateo County Child Care and Preschool Facilities Task Force (task force). The task force is consisting of a cross-section of San Mateo County and Bay Area leaders from the government, housing, education, business, faith-based and nonprofit sectors working together to develop a set of recommendations that address the urgent need for child care facilities in the region.

2016 San Mateo County Early Learning Facilities Needs Assessment

While the task force was engaging in its work, the San Mateo County Human Services Agency commissioned a study performed by Brion Economics to examine current and projected child care supply and demand, assess current child care providers' willingness and ability to expand programs, assess potential sites that may be used for child care and review possible financing strategies. The parallel timing of the study provided the task force with the most recent data available upon which to make its recommendations.

To view the final summary of the [San Mateo County Early Learning Facilities Needs Assessment \(assessment\)](#) and other companion documents, visit the San Mateo County Office of Education's [website](#).

Challenges and Solutions

The task force conferred with local and national experts to identify an exhaustive list of challenges and barriers that commonly 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 the 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** - Examples of public funding sources, which could be adopted countywide or by jurisdiction, are:
 - School district bonds
 - Parcel taxes
 - Sales taxes
- **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 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 ^{vi}	<ul style="list-style-type: none"> • City of San Mateo adopted a Commercial Development Fee for child care in 2004 • The fee rate is \$1.08/square feet for projects over 10,000 square feet that are one or more of the following: <ul style="list-style-type: none"> • New commercial development of superstructure • Addition of square footage to existing commercial development • Commercial tenant improvements requiring planning approval • The current balance of the impact fee fund is approximately \$1.2 million; the majority of those funds was generated in the last three to four years
South San Francisco ^{vii}	<ul style="list-style-type: none"> • City of South San Francisco adopted a child care impact fee in 2001 • As of June 30, 2014, approximately \$2 million in fees had been collected; \$650,000 in interest earnings has been credited to the program and \$620,000 has been expended on projects and program administration fees • Remaining balance after planned projects is \$1,995,688

- **Public-Private Partnership Grant Program** - San Mateo County has experience making small grants to facilities programs through The SmartKids Fund (SmartKids). The goal of SmartKids was to improve and expand the number of high-quality child care and preschool 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 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.

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 early child care and education. **The Big Lift and Measure K**, formerly Measure A, are a recent example.

The Big Lift is an initiative to close the achievement gap and improve third-grade reading proficiency in San Mateo County 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 funds from **Measure K**, a voter approved half-cent countywide sales tax, to establish the San Mateo County Early Learning and Care Trust Fund.

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 a child care or preschool facility to find affordable space. Several existing providers are also facing difficult decisions about whether they can continue to afford rising costs and keep their facilities open. There are a number of child care and preschool providers who have recently had to close facilities; this 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 center 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 assessment provided in-depth 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 the most 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 and preschool 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^{viii} identified possible existing sites that could be developed with a new early learning facility. The following types of locations for sites were the most frequently identified:
 1. Local education agencies, e.g., 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 as the organizations most willing 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.^{ix}

- **Inclusion of child care and preschool facilities spaces through large employers**
– A highlight of the assessment 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 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

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 Feb. 21, 2017, meeting, the San Mateo City Council identified child care facilities as one of the council's priorities for 2017 and 2018.

- **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.

Research: Employer-Sponsored Child Care Assistance Programs

A 2014 study^{viii} 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 among employees using an off-site center or who had no children.

Several 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 child care 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 said, "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.**"

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. [The study](#) illustrates the complexity, costs and variances between cities regarding child care zoning and permitting.

In order to address this challenge, the task force identified the following as the primary 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 processes 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 of 13 properties** and almost a two-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 money 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 an inadequate supply of child care facilities will need to be addressed using a multi-faceted and multi-sector approach. 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 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

To address the lack of a single entity responsible for addressing the need for more child care and preschool facilities in San Mateo County, the task force recommends the design and implementation of Build Up for San Mateo County's Children (Build Up). Build Up would be 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 to institute Build Up include:

- 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 Services 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)

“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, principal Brion Economics

San Mateo County Child Care and Preschool Facilities Task Force Members

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How to Get Involved

There are a number of ways to get involved in shaping Build Up:

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

For more information on the task force contact:

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ⁱ 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)

ⁱⁱ 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)

ⁱⁱⁱ 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)

^{iv} "Commercial real estate rates still skyrocketing: Market stays hot, as rates continue to increase and available space dwindles." *San Mateo Daily Journal* 7 April 2015. 1 March 2017

^v 2016 Early Learning Facilities Financing Strategy for San Mateo County. Brion Economics

^{vi} <http://www.cityofsanmateo.org/DocumentCenter/View/41982>

^{vii} South San Francisco Annual Impact Fee Report 2014-105. <http://www.ssf.net/DocumentCenter/View/9082>

^{viii} 2016 San Mateo County Early Learning Facilities Needs Assessment. Brion Economics.

^{ix} 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

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