



## MEMORANDUM

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To: Kristen Anderson, Jenifer Clark, and Nirmala Dillman – Study Committee Members  
cc: Edwin Chan, Human Services Agency, San Mateo County  
Sarah Kinahan, Child Care Consultant (former Study Committee Member)

From: Joanne Brion, Brion Economics Team

Subject: FINAL ELF Financing Strategy for San Mateo County; BE #2513 - SMC

Date: February 21, 2017

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### INTRODUCTION

Building upon work completed during 2016 as part of the greater child care needs assessment and identification of potential early learning facility (ELF) sites in San Mateo County, this technical memorandum discusses different financing strategies that can be utilized to help fund the development of early learning facilities in the County. The goal is to alleviate the current and future shortage of licensed child care spaces in the County. Given the high costs of land and construction, combined with the low profit margins associated with the child care industry, providing quality, licensed care is a challenge faced by communities throughout California. Understanding different financial mechanisms that can help offset costs is important in trying to create additional licensed ELF spaces. This memorandum is organized into the following sections and includes two appendices.

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## Study Qualifications

This study evaluates possible funding mechanisms and solutions that could be utilized to meet the unmet need for new child care facilities in San Mateo County. There is any number of combinations of mechanisms that could be employed to meet existing shortfalls in the County and future growth through 2025. Each city could adopt a different approach or the cities could partner with the County and prepare a Countywide Developer Fee Nexus Study similar to the one recently prepared in the County for affordable housing. For this analysis the following qualifications should be kept in mind.

- The study takes a “worst-case” approach and assumes all unmet demand is met by some sort of public funding mechanism, countywide. Actual costs will be less.
- Some child care will be provided by the private sector and employers, and thus the unmet need will be less.
- Some child care center projects may cost less, due to individual circumstances.
- If more “pay-as-you-go” methods are used, financing and bond issuance costs will be less.
- Some mechanisms, such as community benefit programs or foundation funding, could be utilized, which would reduce costs.
- If cities and the County were to reduce the land use and permitting barriers to developing child care this could also reduce costs.
- The cost estimates are based on real project costs for various recent child care center projects (by type), adjusted for inflation. Actual costs may vary, and land costs are excluded.

## Background

As demonstrated in the child care needs assessment portion of this study, there is currently a shortage of licensed child care spaces in San Mateo County, and this shortage will increase over the next 10 years if additional child care spaces are not created. As of 2015, there was a shortage of approximately 3,000 infant spaces and 7,800 preschool spaces. Assuming no additional spaces are developed, by 2025 this shortage will increase to 3,700 infant spaces and 10,300 preschool spaces. Some of this need will be met by family child care homes (FCCHs). From 2015 to 2025, there will be a net new demand for 261 infant spaces, and 2,153 preschool spaces, for a total of 2,414 ELF spaces associated with growth.

For this study, in order to determine the demand for ELF spaces, we assume that 27% of the need will be met by FCCHs, and 73% by formal child care centers, based on the total 2015 distribution of supply in the County. The same assumptions are applied to future demand (see Charts below).

Summaries of the estimated costs associated with meeting current shortfalls and future demand for additional child care, and the various financing mechanisms that can be utilized and possibly implemented, are discussed below.

**Current Shortfall in ELF Spaces – Ages 0 to 4 – at 2015**

COUNTYWIDE	Child Care as of 2015		
	Under 2 Years Old	2 to 4 Year Olds	Total, 0 to 4 Years
<b>EXISTING SURPLUS/(SHORTAGE) at 2015</b>	<b>(3,006)</b>	<b>(7,783)</b>	<b>(10,789)</b>
% Distribution	27%	73%	100%
Percentage of Demand Met by Existing Facilities/Spaces	56%	71%	68%
Shortage of Family Child Care Home Spaces	<b>(1,813)</b>	<b>(1,173)</b>	<b>(2,986)</b>
Shortage of Center-Based Spaces	<b>(1,193)</b>	<b>(6,609)</b>	<b>(7,802)</b>

**Projected New Demand for ELF Spaces – Ages 0 to 4 – at 2025**

COUNTYWIDE	Child Care as of 2025		
	Under 2 Years Old	2 to 4 Year Olds	Total, 0 to 4 Years
<b>EXISTING SURPLUS/(SHORTAGE)</b>	<b>(3,663)</b>	<b>(10,318)</b>	<b>(13,981)</b>
% Distribution	26%	74%	100%
Percentage of Demand Met by Existing Facilities/Spaces	51%	65%	62%
Shortage of Family Child Care Home Spaces	<b>(2,209)</b>	<b>(1,555)</b>	<b>(3,765)</b>
Shortage of Center-Based Spaces	<b>(1,454)</b>	<b>(8,762)</b>	<b>(10,216)</b>

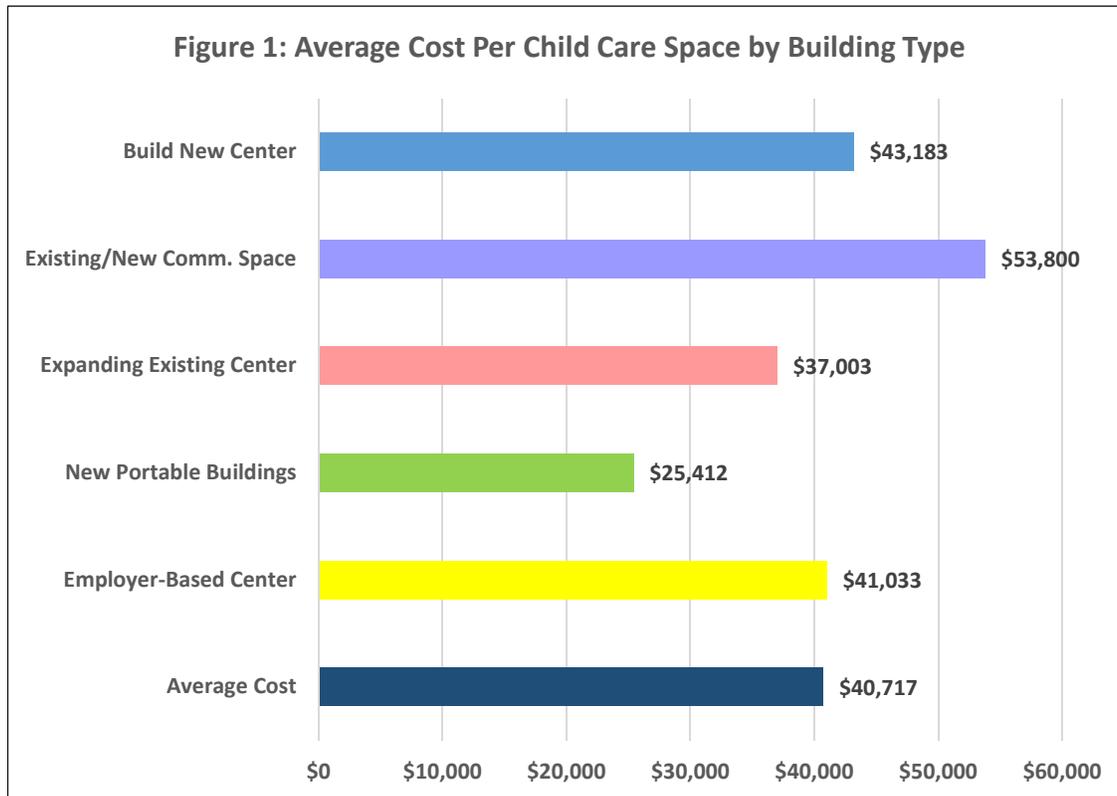
**FUNDING NEED**

The average cost per child care space in San Mateo County varies depending on the type of construction project. That is, costs vary by new construction, existing building expansion, set up of portable buildings, etc. It is assumed that the future development of new spaces to meet unmet demand would be broken down into the following proportions for the purpose of estimating costs:

- 40% - New center construction
- 20% - New or existing commercial space
- 15% - Expanding existing centers
- 20% - Portable buildings
- 5% - Employer-based centers

These assumptions apply to both unmet demand as of 2015 and projected new demand from 2015 to 2025. The actual distribution will may vary.

The overall average cost for all types of spaces is \$40,717 based on the distribution above. The average cost by type of development is shown in **Figure 1** below. Data on recent child care center projects was collected as part of this effort to develop average child care costs per space, for the five types of construction above.



The estimated cost of developing child care spaces by type and age in order to meet current unmet demand (2015) for children birth through four years old is calculated in **Table 1**. Based on the *San Mateo County Child Care Needs Assessment, Supply and Demand Analysis – 2015 and 2025*, completed in June 2016, there is a current shortage of 1,193 infant spaces (birth to two years) and 6,609 preschool spaces (three and four year olds) in child care centers countywide for a total of 7,802 new child care spaces.<sup>1</sup>

Building a new child care center (i.e., new free standing building) is estimated to cost \$43,183 per space, on average.<sup>2</sup> It is assumed that 40% of infant and preschool demand would be met through

<sup>1</sup> These numbers refer only to estimated demand for child care center spaces; family child care home demand is not included here as the funding described is solely for child care center development, as discussed in the Introduction.

<sup>2</sup> New construction can be less expensive than older existing buildings, due to the cost of upgrading to current building codes; this is an average cost of the two types.

new construction, including 477 infant spaces and 2,644 preschool spaces, totaling 3,121 spaces. The total cost associated with building new child care for 3,121 spaces is \$134.8 million.

Developing child care spaces in new or existing commercial space is the most expensive option. Due to building code upgrades, and other special safety requirements, it costs approximately \$53,800 per child care space on average. It is assumed that 20% of infant and preschool demand would be met this way, including 239 infant spaces and 1,322 preschool spaces, totaling 1,560 spaces overall. The total cost associated with this is \$84.0 million.

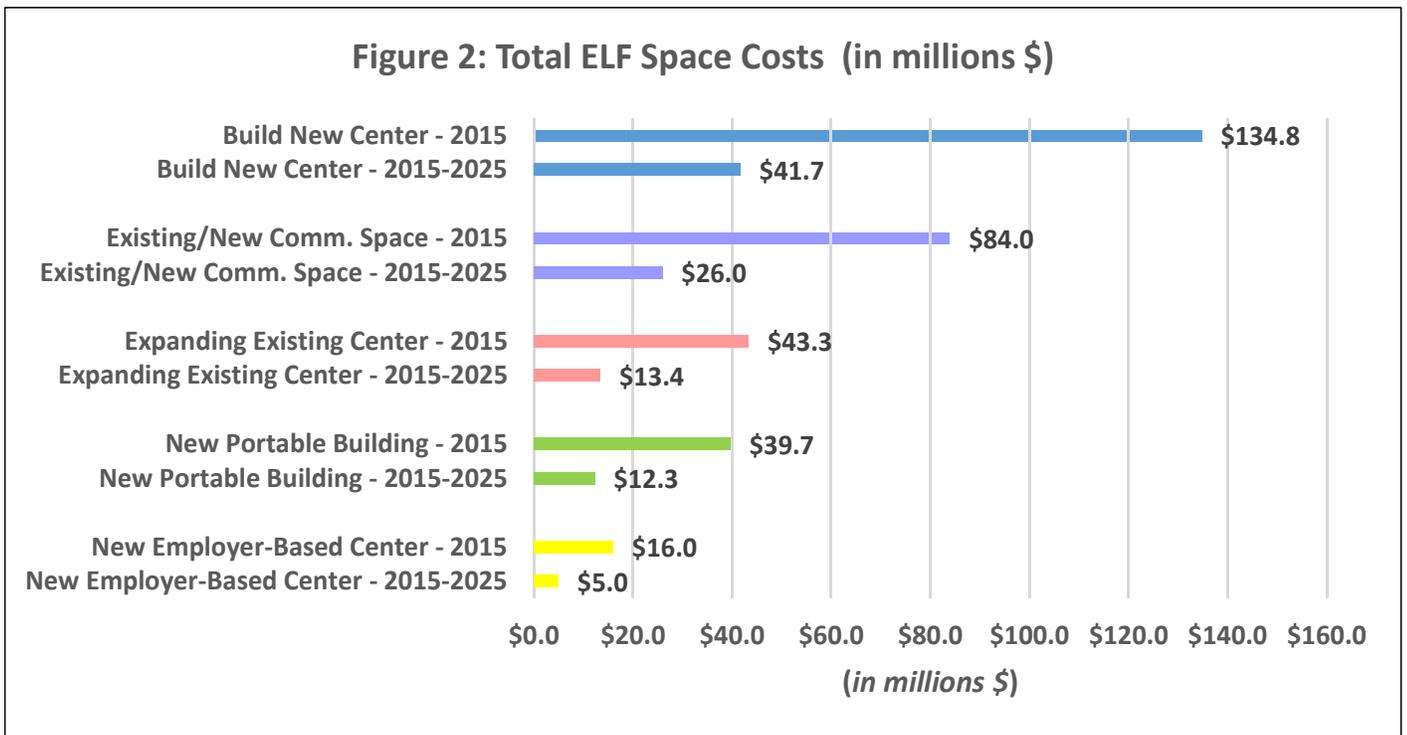
Existing child care centers that may want to expand are assumed to meet another 15% of demand for both infant and preschool age children. Given that the average cost per child care space is \$37,000, it would cost \$43.3 million for existing centers to expand and meet the needs of 179 infants and 991 preschool children (1,170 spaces total).

The use of portable buildings is the least expensive option at approximately \$25,400 per child care space. It is assumed that 20% of unmet demand would be met by using portable facilities, serving 239 infants and 1,322 preschool children, totaling 1,560 spaces. Portable buildings would likely be placed at school sites but could be used at church or other private sites and would cost about \$39.7 million in total.

Employer-based centers are estimated to meet 5% of demand, providing 60 infant spaces and 330 preschool spaces, totaling 390 spaces overall. The average cost per space is approximately \$41,000, for a total cost of \$16.0 million to provide employer-based center spaces. Employer-based care can be more expensive depending on the level of tenant improvements (Tis) required and fixture and furnishing design choices.

In total, it would cost approximately \$317.7 million to meet the unmet demand of 7,802 spaces for children birth to four years old in San Mateo County in 2015, an average of \$40,717 per child care space, based on the assumptions on type of development discussed above.

**Table 2** presents the same distribution of required new ELF spaces as for existing shortfalls, and using the same costs per space by type, the total cost equals, \$98.3 million. The total spaces required over the next ten years equals 2,414. **Figure 2** shows total costs by type of building at 2015 and the incremental new costs for demand from 2015 to 2025, or expected growth over the next 10 years.



**Table 3** summarizes the costs of meeting 100% of the unmet child care demand for children birth to four years old in San Mateo County at 2015 and 2025. At 2025, there would be an estimated demand for 1,454 new infant spaces and 8,762 new preschool spaces, or a total of 10,216 new ELF . As discussed above, the average cost per space is \$40,717 and the estimated cost to provide spaces to meet all of the demand at 2025 is \$416.0 million. An administrative cost of 3% (\$12.5 million) is added to the construction cost, for a total of \$428.4 million. Assuming the total number of spaces is built over 10 years in equal increments, there would be 145 infant spaces and 876 preschool spaces built each year, for a total of 1,022 annually. The annual cost for each year is estimated at \$42.8 million.

**Table 1**  
**Estimated Child Care Costs by Type of Space and Age: Unmet Need in 2015**  
**San Mateo Countywide ELF Study - 2016**

Type of Facility or Program	Average Cost per Space by Facility Type	Birth to 2 or Infant	3 to 4 or Preschool	Total, 0 to 4 Years Old	Percent of Totals
<i>figures rounded to nearest \$1000</i>					
<b>Target Number of Center-Based Spaces (1)</b>		<b>1,193</b>	<b>6,609</b>	<b>7,802</b>	
1. Build New Centers: % of Spaces - # Needed	40%	477	2,644	3,121	40.0%
Costs (2)	\$43,183	\$20,608,000	\$114,165,000	\$134,773,000	<b>42.4%</b>
2. Existing or New Commercial Space: % of Spaces - # Needed	20%	239	1,322	1,560	20.0%
Costs (3)	\$53,800	\$12,837,000	\$71,117,000	\$83,954,000	<b>26.4%</b>
3. Expand at Existing Centers: % of Spaces - # Needed	15%	179	991	1,170	15.0%
Costs (4)	\$37,003	\$6,622,000	\$36,685,000	\$43,307,000	<b>13.6%</b>
4. New Portable Buildings: Spaces Needed	20%	239	1,322	1,560	20.0%
Costs (5)	\$25,412	\$6,063,000	\$33,591,000	\$39,654,000	<b>12.5%</b>
5. Employer-Based Centers	5%	60	330	390	5.0%
Costs (6)	\$41,033	\$2,448,000	\$13,560,000	\$16,008,000	<b>5.0%</b>
<b>Total Spaces</b>		<b>1,193</b>	<b>6,609</b>	<b>7,802</b>	<b>100%</b>
<b>Total Costs</b>		<b>\$48,578,000</b>	<b>\$269,118,000</b>	<b>\$317,696,000</b>	<b>100%</b>
<b>Average Cost by Age Group</b>		<b>\$40,718</b>	<b>\$40,717</b>	<b>\$40,717</b>	

Note: This is an estimate of new spaces by type; actual development may occur at a different ratio.

Totals or averages might vary slightly due to rounding.

- (1) Unmet demand is based on findings from the San Mateo County Early Learning Facilities Needs Assessment - June 2016, prepared by Brion Economics, Inc. for the County of San Mateo, Human Services Agency. See: <http://www.smcoe.org/learning-and-leadership/early-learning/child-care-partnership-council/early-learning-facility-needs-assessment-resources.html>
- (2) See Appendix Tables A-5 for detailed project cost estimates, gathered from recent projects.  
Based on average costs per space, adjusted to 2016 dollars.
- (3) See Appendix Tables A-6 for detailed project cost estimates, gathered from recent projects.  
Based on average costs per space, adjusted to 2016 dollars.  
  
Due to commercial building, costs include the required Change of Use Permit, its associated fees, required site environmental studies, and remediation costs – all of which make the overall cost significantly higher than other options.
- (4) Expansion at existing centers can vary depending on the circumstances, and whether new bathrooms are required.  
Represents the average of portable, new construction, and renovation of existing commercial and residential costs per space.  
Does not assume all existing providers expand at their existing location; new sites and locations are assumed.
- (5) See Appendix Tables A-7 for detailed project cost estimates, gathered from recent projects.  
Based on average costs per space, adjusted to 2016 dollars.
- (6) See Table A-8 for employer-based cost estimates.

Sources: Kathryn Tama; Brion Economics, Inc.

**Table 2**  
**Estimated Child Care Costs by Type of Space and Age: Unmet Need 2015 to 2025**  
**San Mateo Countywide ELF Study - 2016**

Type of Facility or Program	Average Cost per Space by Facility Type	Birth to 2 or Infant	3 to 4 or Preschool	Totals, 0 to 4 Years Old	Percent of Totals
<i>figures rounded to nearest \$1000</i>					
<b>Target Number of Center-Based Spaces (1)</b>		<b>261</b>	<b>2,153</b>	<b>2,414</b>	
1. Build New Centers: Spaces Needed	40%	104	861	965	40.0%
Costs (2)	\$43,183	\$4,504,000	\$37,186,000	\$41,690,000	<b>42.4%</b>
2. New Centers in Existing or New Commercial Space: Spaces Needed	20%	52	431	483	20.0%
Costs (3)	\$53,800	\$2,805,000	\$23,165,000	\$25,970,000	<b>26.4%</b>
3. Expand at Existing Centers: Spaces Needed	15%	39	323	362	15.0%
Costs (4)	\$37,003	\$1,447,000	\$11,949,000	\$13,396,000	<b>13.6%</b>
4. New Portable Buildings: Spaces Needed	20%	52	431	483	20.0%
Costs (5)	\$25,412	\$1,325,000	\$10,941,000	\$12,266,000	<b>12.5%</b>
5. Employer-Based Centers	5%	13	108	121	5.0%
Costs (6)	\$41,033	\$535,000	\$4,417,000	\$4,952,000	<b>5.0%</b>
Total Spaces		261	2,045	2,414	100%
<b>Total Costs</b>		<b>\$10,616,000</b>	<b>\$87,658,000</b>	<b>\$98,274,000</b>	<b>100%</b>
<b>Average Cost by Age Group</b>		<b>\$40,717</b>	<b>\$42,860</b>	<b>\$40,717</b>	

Note: This is an estimate of new spaces by type; actual development may occur at a different ratio.

- (1) Unmet demand is based on findings from the San Mateo County Early Learning Facilities Needs Assessment - June 2016, prepared by Brion Economics, Inc. for the County of San Mateo, Human Services Agency. See: <http://www.smcoe.org/learning-and-leadership/early-learning/child-care-partnership-council/early-learning-facility-needs-assessment-resources.html>
- (2) See Appendix Tables A-5 for detailed project cost estimates, gathered from recent projects.  
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- (3) See Appendix Tables A-6 for detailed project cost estimates, gathered from recent projects.  
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Due to commercial building, costs include the required Change of Use Permit, its associated fees, required site environmental studies, and remediation costs – all of which make the overall cost significantly higher than other options.
- (4) Expansion at existing centers can vary depending on the circumstances, and whether new bathrooms are required.  
Represents the average of portable, new construction, and renovation of existing commercial and residential costs per space.
- (5) See Appendix Tables A-7 for detailed project cost estimates, gathered from recent projects.  
Based on average costs per space, adjusted to 2016 dollars.
- (6) See Table A-8 for employer-based cost estimates.

Sources: Kathryn Tama; Brion Economics, Inc.

**Table 3**  
**Summary of New Demand for Child Care Center Based Spaces and Costs**  
**San Mateo Countywide ELF Study - 2016**

Item	Child Care Demand - 2015 to 2025		
	Under 2 Years Old	2 to 4 Year Olds	Total, 0 to 4 Years
Unmet Need for Center Based Spaces as of 2015	1,193	6,609	7,802
New Demand for Center Based Spaces - 2015 to 2025	261	2,153	2,414
Study Target as % of Total	100%	<b>1,454</b>	<b>8,762</b>
Average Facility Cost per Space (1)		<b>\$40,718</b>	<b>\$40,717</b>
<b>SUMMARY OF COST ESTIMATES</b>			
<i>figures rounded to nearest \$1000</i>			
Total Cost of Child Care Spaces	\$59,194,000	\$356,776,000	\$415,970,000
Program Administrative Costs	3%	\$1,776,000	\$10,703,000
<b>With Administrative Costs</b>		<b>\$60,970,000</b>	<b>\$428,449,000</b>
Average No. of Spaces per Year	(2)	145	876
Average Cost per Year	(2)	<b>\$6,097,000</b>	<b>\$36,747,900</b>

(1) See Table 1 and 2; based on recent average child care costs, adjusted for inflation.

(2) Assumes 10 year development plan.

Sources: Brion Economics, Inc.

## LAND COSTS

It is important to note that these costs do not include the cost of land, which could be significant. **Appendix A** includes information on recent land values for commercial and residential land in the County. For this analysis, we assume that land would be provided at low cost or no cost, or that providers would rent space in existing buildings. In general, new child care is provided on school sites or faith-based organization sites, with affordable housing projects, or on other public land. If child care is required as part of new large developments of a certain size, this would remove the land cost barrier that many providers face.

Land costs in San Mateo County are some of the highest in the Bay Area and the State. While this study did not include gathering market data on land cost, we have summarized some land transaction data in the County from 2015.<sup>3</sup> **Appendix Tables A-9** and **A-10** summarize the transaction data from 2015 for commercial land and multi-family residential land.

<sup>3</sup> See *San Mateo County Linkage Fee Nexus Study* prepared by Vernazza Wolfe Associates, Inc., and from Strategic Economics for the grand nexus study for affordable housing that was recently approved by the County.

Average commercial land costs in 2015 ranged from a low of \$61 per sqft to a high of \$194 per sqft; the average cost was about \$122 per sqft of land. Multi-Family residential land sold for a low of \$52 per sqft to a high of \$236 per sqft; the average cost was about \$136 per sqft of land.

It is likely that land costs are higher now. Given that land costs vary significantly by location, conditions, and zoning, we are excluding land costs from this analysis. It is important to remember that land costs and land availability pose significant barriers to the development of child care centers in the County. Child care is competing with office, residential, and retail development in a real estate market that is very strong due to the strength of the high-tech and social media industry.

## EMPLOYER-BASED CHILD CARE

Currently there are nine companies or employers that provide child care to their employees in some capacity. These companies/employers provide building space or financial support for a total of 1,680 child care spaces in the County, as shown in **Table 4**. Of these total spaces, 84% are available to employees and 16% to the community or students. More detail on employer-based care is provided in **Appendix B**. These spaces represent about 36% of our current 2015 estimated non-resident demand for child care spaces which total 4,269 spaces; however, it is likely that some of these spaces are filled by employees who live in San Mateo County. In general, the employers provide the facility for the child care operator, or construct a new center on land they already own or in building space they own or lease. In this situation, the child care operator or provider does not have the expense of providing the facilities and thus, can operate at a higher margin. Often the employer subsidizes the employees' child care fees at some percentage or offers funding in the form of maintenance costs. Most of the employer-sponsored child care centers in the County also offer spaces to the community to ensure that the centers are operating close to full capacity. The fact that the employer generally provides space for child care equates to a "subsidy" regardless of whether they subsidize monthly fees for the employees as well.

Also, shown in **Table 4** are the total estimated employees for each business or organization and the percent of employees that use child care compared to the estimate of total employees. Overall, 4.17% of employees are using an employer-provided child care center. It is commonly held that employee demand for child care range from 3% to 5%, for comparison.

Employer-based child care is considered an employee benefit, and there are various options for employers who want to help their employees with child care. Not all employers provide actual physical space for child care, although some do, such as Genentech. Employer-based support is typically comprised of these options:

1. Building on-site or near-site employer children's centers for employees, resulting in an increase in the number of available child care spaces in the local community;
  - There are also options for operating the centers: they can be operated by the company itself, through a childcare management firm, or by a non-profit child care provider;
2. Subsidizing operating costs and/or tuition at employer-sponsored children's centers;

3. Purchasing a percentage of spaces for employee use at an existing center;
4. Subsidizing waitlist priority for their employees at existing child care centers; and
5. Subsidizing child care tuition at existing child care centers.

**Table 4**  
**Existing Employer Based Child Care in San Mateo County**  
**San Mateo Countywide ELF Study - 2016**

Employer Name	City	Operator	Number of Child Care Spaces			Total Local Employees	Percent of Total Employees (3)
			Employees	Community	Total Spaces		
1 City of Daly City	Daly City	Building Kidz	8	48	56	800 (1)	0.98%
2 Electronic Arts	Redwood City	Kinder Care at Work	102	-	102	1,550	6.58%
3 Genentech	South San Francisco	Bright Horizons	883	-	883	9,800	9.01%
4 Gilead	Foster City	Bright Horizons	64	43	107	3,115	2.06%
5 Mills Pen Med Center	Burlingame	at SFO; 8% of 130 slots	10	-	-	2,500	0.42%
6 San Mateo County	Redwood City	MDS Our Place	74	32	106	5,472	1.36%
7 SFO - Airport	Burlingame	Palcare (2)	83	36	130	1,460	5.70%
8 Oracle	Redwood City	Kinder Care at Work	99	39	138	6,750	1.47%
9 SM Community College	Daly City/San Mateo	College Operated (4)	79	79	158	2,235	3.53%
<b>Total Child Care Spaces</b>			<b>1,403</b>	<b>277</b>	<b>1,680</b>	<b>33,682</b>	<b>4.17%</b>
Percent Distribution			84%	16%	100%		

Data collected in January 2017. See Appendix A for more detailed information.

(1) Most recent employee data 2014: <http://payday.revealnews.org/city/daly-city/>

(2) This center provides spaces for the Mills Peninsula Community Hospital and San Mateo County employees as well.

(3) Excludes community use or spaces.

(4) Centers serve students as well; assumes 50/50 split.

Sources: Kathryn Tama; Brion Economics, Inc.

## Potential Candidates for Employer-Provided Child Care

There are a number of larger employers in the County not listed above that could be targeted for employer-based child care, as follows:<sup>4</sup>

1. **SLAC National Accelerator Center**, U.S. Department of Energy, Menlo Park – research and technology, 1,400 staff and 300 researchers.<sup>5</sup>
2. **Facebook, Inc.**, Menlo Park – social media/tech. Estimated 7,500 employees and growing.
3. **Forced Dump Debris Box Svc**, Burlingame – garbage collection. Estimated 1,000 employees per EDD.
4. **Franklin Resources**, San Mateo – asset management, 9,100 employees in 35 countries.
5. **Franklin Templeton Investments**, San Mateo – investment company, 9,100 employees in 35 countries.

<sup>4</sup> See California State Economic Development Departments (EDD) list of largest employers in San Mateo County: <http://www.labormarketinfo.edd.ca.gov/majorer/countymajorer.asp?CountyCode=000081>

<sup>5</sup> [https://www6.slac.stanford.edu/sites/www6.slac.stanford.edu/files/slac\\_by\\_the\\_numbers\\_factsheet\\_2016\\_final.pdf](https://www6.slac.stanford.edu/sites/www6.slac.stanford.edu/files/slac_by_the_numbers_factsheet_2016_final.pdf)

6. **Guckenheimer, Inc.**, Foster City – marketing programs and services. Estimated employees – NA.
7. **Hyatt Regency**, Burlingame – hotels/lodging. Estimated employees – NA.
8. **Kaiser Permanente**, Redwood City and South San Francisco – medical services/hospitals. Estimated 3,900 peninsula employees.
9. **Loften North America**, Burlingame – aluminum foil manufacturer. Employee count – NA.
10. **Lucille Packard Children’s Hospital**, Menlo Park – health care facilities. Estimated 3,390 employees.
11. **Motif, Inc.**, San Mateo – business services. Estimated employees – NA.
12. **Safeway, Inc.** (based in Pleasanton) – grocery stores. Estimated 2,200 peninsula employees.
13. **San Mateo Community College District (3 campuses)** – Skyline Campus in Daly City has center open to students and faculty. College of San Mateo campus has state-subsidized center for students. Cañada College- no center but interested; they are one of the 7 sites evaluated as part of this study. Estimated 2,285 employees.
14. **San Mateo Medical Center**, San Mateo – hospital. Estimated employees – NA.
15. **SRI International, Inc.**, Menlo Park – research and technology, 2,100 employees.
16. **U.S. Interior Department**, Menlo Park – government offices, 70,000 employees in 2,400 locations.
17. **Visa, Inc. and VISA USA, Inc.**, Foster City – credit card services. Estimated 3,500 peninsula employees.
18. **Visa International Services Association**, Foster City – associations. Estimated 1,800 employees.<sup>6</sup>

### **Other Large Employers with facilities/campuses in San Mateo County**

19. **Stanford University (SU)** – not in San Mateo County but Stanford is building a new administrative campus in Redwood City (begun in summer 2016) which will include a 120-child center for employees. SU has multiple centers on the main campus in Palo Alto. Estimated 13,400 peninsula employees.
20. **Stanford Health Care** – hospital/medical center not in SMC but has large Outpatient Clinic facility in Redwood City. Medical center employees may have access to one or more centers on campus. Estimated 10,000 peninsula employees.

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<sup>6</sup> <http://listings.findthecompany.com/l/9696352/Visa-International-Service-Association-in-Foster-City-CA>

## PUBLIC IMPROVEMENT FUNDING SOURCES

The following describes some possible public funding sources that could be used to fund child care facilities. These could be adopted countywide or by jurisdiction.

### Parcel Taxes

Parcel taxes are excise taxes on real property based on either a flat per-parcel rate or a varying rate depending on use, size, and/or number of units on each parcel. Parcel taxes can be used for any municipal purpose, and the majority of those proposed in California have been for public safety or medical services.<sup>7</sup> In California, increasing or extending a parcel tax, which is imposed for a special purpose, requires a two-thirds approval by voters, based on Proposition 218 which was passed by voters in 1996.<sup>8</sup> In a study by the California Local Government Finance Almanac of the 396 parcel tax ballot measures in California between 2002 and 2013, 108 or 45% of them passed. Another 103, or 26%, passed with over 55% of the “yes” vote but failed to achieve the two-thirds majority. The remaining 113, or 29%, received less than 55% of the “yes” vote.<sup>9</sup>

The review also found that the most successful parcel tax measures were broad-based public safety measures that allowed funds to be used for police, fire, and medical. Parcel tax rates are normally weighted in some capacity, such as by size of parcel, density of parcel, or demographics of parcels. Rates also often vary by land use depending on the nature of the services to be funded. Parcel taxes are often used to finance bonds that are sold to fund either school projects or new parks and open space. The annual revenues are used to make annual debt service payments and cover administration costs and required reserves.

Assessment districts are similar to parcel taxes, and may be created to impose assessments or special taxes that require majority approval. However, a civil engineer’s report is required to clearly demonstrate the special benefit being conferred to the parcels being assessed. Assessment districts are commonly used for infrastructure whose cost can be directly apportioned to individual properties; these types of assessment districts are not well-suited to facilities such as childcare that provide a general benefit.

### Sales Tax Add-Ons

Special add-on sales taxes are usually proposed and used for a specific purpose and require a two-thirds approval by voters. Countywide transportation is the most common purpose, but add-on sales taxes can also be for general fund purposes, which only require majority approval. Frequently, add-on sales taxes are dedicated to law enforcement, fire, or emergency medical services.

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<sup>7</sup> *An Overview of Local Revenue Measures in California Since 2001*, The California Local Government Finance Almanac. Updated March 10, 2014. [www.CaliforniaCityFinance.com](http://www.CaliforniaCityFinance.com)

<sup>8</sup> <https://www.californiataxdata.com/pdf/Proposition218.pdf>

<sup>9</sup> *An Overview of Local Revenue Measures in California Since 2001*, The California Local Government Finance Almanac. Updated March 10, 2014. <http://www.californiacityfinance.com/LocalMeasuresSince01.pdf>

There can also be measures to extend existing special purpose add-on sales taxes, such as Measure K (November 2016) in San Mateo County (see discussion below). Between 2001 and 2013, nine out of ten extensions of add-on sales taxes passed.<sup>10</sup> An example of a Sales Tax Add-On is discussed below.

## County San Mateo Sales Tax Add-On

The County has an additional a 0.5% sales tax levy that was approved in November 2012 as Measure A. **In November 2016, Measure K was approved by voters, extending the Measure A sales tax for an additional 20 years, or to 2043.** The current Measure A is generating approximately \$80 million per year and was originally estimated to generate \$60 million per year.

### Measure K Ballot Language

To ensure San Mateo County quality of life by retaining/improving critical facilities/services, such as: providing affordable homes for seniors, people with disabilities, veterans, families; enhancing public transit; combatting human trafficking; addressing sea level rise; maintaining safe schools and neighborhoods; high-quality preschool and reading programs; park maintenance; and low-income healthcare, shall San Mateo County extend the existing half-cent sales tax, without increasing the rate, providing \$85,000,000 annually for 20 years that the State cannot take away?

A “yes” vote on Measure K would continue the Measure A Sales Tax within the boundaries of San Mateo County at a rate of one-half cent for an additional twenty years, through March 31, 2043.

A “no” vote on this measure would not allow the Measure A Sales Tax to be extended, and the Measure A Sales Tax would expire on March 31, 2023.<sup>11</sup>

### Description of Ballot Measure

In November 2012, San Mateo County voters approved Measure A, which created a one-half cent sales and use tax (the “Measure A Sales Tax”) for a period of ten years. By its terms, Measure A Sales Tax funding is currently scheduled to expire in 2023. Under Measure K, the Board of Supervisors proposed to extend the existing retail sales and use tax imposed by Measure A for twenty years at the current tax rate of one-half cent, meaning that the sales tax would continue until March 31, 2043. This tax would continue to be imposed on retail transactions and uses, as defined by Chapter 5.152 of the San Mateo County Ordinance Code. The County’s stated reason for extending the sales tax is to continue supporting many services and programs such as: providing affordable housing to seniors, people with disabilities, veterans, and families; developing other long-term solutions to the affordable housing crisis; maintaining transit services for the elderly and people with disabilities; combatting human trafficking; maintaining emergency operations and 911 police, fire, and paramedic dispatch; maintaining child abuse protection programs; maintaining healthcare for low-income children, seniors,

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<sup>10</sup> *An Overview of Local Revenue Measures in California Since 2001*, The California Local Government Finance Almanac. Updated March 10, 2014. <http://www.californiacityfinance.com/LocalMeasuresSince01.pdf>

<sup>11</sup> [https://ballotpedia.org/San\\_Mateo\\_County,\\_California,\\_Sales\\_Tax,\\_Measure\\_K\\_\(November\\_2016\)](https://ballotpedia.org/San_Mateo_County,_California,_Sales_Tax,_Measure_K_(November_2016))

and people with disabilities; maintaining fire and emergency medical/paramedic response; maintaining preschool, afterschool, and library programs for children and teens; addressing the effects of sea level rise; keeping County parks open; maintaining countywide gang and drug task forces; and providing neighborhood health clinics.<sup>12</sup>

## Developer Impact Fees

Counties and cities have the option of adopting developer impact fees to fund infrastructure and public facilities projects, under Government Code 66000 or the Mitigation Fee Act (MFA). Development impact fees are exclusively for capital improvements serving new development to offset the impact of a particular project or new growth, and cannot fund existing deficiencies. Nor can a city charge new development for higher standards than currently exist in a community. In order to adopt a fee, it is necessary to identify the additional capital facilities needed to maintain the current level of service for the applicable improvements. Higher standards of service can be adopted if there is a plan to bring existing development up to that standard. Costs associated with these new capital facilities are calculated and distributed across land use based on expected growth, normally over a 20-year period, and a developer impact fee is calculated based on projected costs. Developer impact fees are adopted by local decision makers, such as a city council or board of supervisors, before they can be levied on future development projects in a jurisdiction by resolution and ordinance.

Two jurisdictions in San Mateo County already assess a child care impact fee to help fund early learning facilities: South San Francisco and the City of San Mateo. This is one way to help local jurisdictions and child care providers offset the capital costs associated with developing licensed child care centers. Developer impact fees may augment other sources of funding as well.

## South San Francisco Child Care Impact Fee

The child care impact fee program was adopted by the City of South San Francisco in 2001, based on a nexus study which identified the need for new and expanded child care facilities in the City.<sup>13</sup> The fee includes a 5% administrative fee and is adjusted for inflation periodically. Based on the nexus study, the estimated cost for new and expanded child care facilities was \$43.9 million, of which 24.6% or \$11.3 million (including the 5% administrative fee) was attributable to new development in the City. The remaining 75.4% of the cost needed to be funded without the impact fee, either through the General Fund, grants, Community Development Block Grants (CDBGs), developer contributions, etc.<sup>14</sup> The most recent information available shows that \$2.5 million was collected in fees as of June 30, 2016, as well as \$670,000 in interest earnings. At that time, only \$620,000 had been spent on projects

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<sup>12</sup> Measure K Initiatives and Expenditures 2013-2016:

<http://cmo.smcgov.org/measure-k-initiatives-and-expenditures-2013-2016>

Measure K Links and Info:

<http://cmo.smcgov.org/measureK>

<sup>13</sup> Brion Economics, Inc., under our former name, Brion & Associates, prepared the nexus study for the City in 2001.

<sup>14</sup> See *Annual Impact Fee Report 2014-2015 for the City of South San Francisco for Fiscal Year 2014-2015*. Viewed online at <http://www.ssf.net/DocumentCenter/View/12891> on January 17, 2017.

and project administration fees. Also at that time, the City was running two licensed child care programs, with 640 people on the waitlist with a four year wait.

The City also anticipates an additional 5,000 residents in the City over the next five years, which will compound the child care demand issue. The impact fee fund has helped to complete four projects since its inception. As designated, the \$2.5 million in the fund will be spent to build additional child care facilities in the City, though additional funds will be required, either through the General Fund or other sources. General fund monies need to be designated and approved by the City Council. Additionally, the City passed Measure W to build a new recreational facility and the City is considering using child care impact fee funds to create child care space at the new facility.

## **City of San Mateo Impact Fee Program**

The City of San Mateo adopted a Commercial Development Fee for child care in 2004, which was amended in 2005. The fee is assessed on projects over 10,000 sqft that are either a new commercial development, an addition of sqft to an existing commercial development, or commercial tenant improvements (TIs) requiring planning approval. The fee rate as of FY 2016-17, per the Comprehensive Fee Schedule, is \$1.08 per sqft. The current balance of the impact fee fund is approximately \$950,000 and the large bulk of those funds (approximately \$875,000) were generated in the last three to four years,<sup>15</sup> as the market rebounded and building in Silicon Valley growth increased substantially. The City is interested in and obligated to spend these funds within five years. The City will may decide to put out a Request For Proposals if no projects come forward soon.

## **PROPOSED MECHANISMS**

For this analysis, we have not assumed that any employer-based child care will be provided although we know that some new centers are likely to occur in the future. The analysis below assumes that all demand from employers is funded through the impact fee option on new residential development. In practice, an impact fee would apply to non-residential development as well.

In this section, possible funding mechanisms are tested and quantified for use in funding child care in the County. Some mechanisms are appropriate for existing development or shortfalls, while others are appropriate for new development, given existing State laws and other regulations.

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<sup>15</sup> Information on the City of San Mateo's child care fee program provided by Heather Stewart, Senior Program Analyst, Community Development Department via email on August 11, 2016.

## Mechanisms for Existing Shortfalls

The following discusses two mechanisms that could be used to meet existing shortfalls in ELF spaces.

### Parcel Taxes

One way for San Mateo County to address its current shortfall is to adopt a parcel tax which would be earmarked for child care facilities. As discussed above, this would have to be done as a ballot initiative and would require a two-thirds “yes” vote to pass.

**Table 5** calculates potential parcel tax revenue. In this example the revenue is estimated to fund 25% or \$81.8 million of the total cost of developing the unmet need for child care spaces in San Mateo County as of 2015.<sup>16</sup> For simplicity, we assume the parcel tax would be on residential uses only. The total number of residential parcels in the County (single family, multi-family and vacant residential land) totals about 203,000 as of 2015/2016. The current total residential assessment value in the County is about \$133.6 billion. Financing assumptions include 6.0% capitalized interest, 7.0% reserve, and 3.0% issuance costs. A parcel tax with bond financing would generate a total gross bond amount of \$97.4 million, including issuance costs. With annual interest costs the total cost of the bond financing would be \$169.8 million. The annual payment to fund this level of bond proceeds would equal about \$8.5 million per year. The costs divided by existing residential parcels results in an average parcel tax of \$42 per parcel per year, as shown in **Table 5**. Over 20 years this would generate the required \$169.8 million (including interest). This potential annual parcel tax represents 0.07% of total current residential assessed value in the County.

### Sales Tax Add-On

Another potential financing mechanism is an additional sales tax add-on measure. **Table 6** estimates the revenue that a sales tax add-on of 0.25% for child care facilities could generate. Current retail taxable sales in San Mateo County totaled \$10.3 billion in 2014 (most recent data available) and a 0.25% sales tax add-on would generate an estimated \$25.4 million annually after accounting for administrative costs, or \$508.8 million over 20 years.

Using bond financing to fund 75% of existing child care need in the County, or \$245.4 million<sup>17</sup>, and repaying it through sales tax add-on revenues, requires an annual repayment of \$25.5 million. Sales tax revenues would generate \$25.4 million, a shortfall of approximately \$290,000 annually. The net bond proceeds supported by the 0.25% sales tax add-on total \$245.1 million. Total payments, including interest, over 20 years are \$508.8 million. Based on these figures, the average additional annual cost per household in the County is estimated at \$96 or a total of \$1,924 over 20 years.

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<sup>16</sup> Includes 3% administrative costs.

<sup>17</sup> Ibid.

**Table 5**  
**Potential Parcel Tax Method**  
**San Mateo Countywide ELF Study - 2016**

Item	No. of Parcels	2015-2016 Assessed Value
<b>Current Residential Parcels by Use</b>		
Single Family	184,474	\$118,894,789,575
Multi-Family	12,104	\$13,580,382,203
Vacant Residential Land	6,421	\$1,086,629,486
<b>Total, All Residential Parcels</b>	<b>202,999</b>	<b>\$133,561,801,264</b>
<b>Bond Financing</b>		
Net Proceeds Required (1)	25%	<b>\$81,806,720</b>
6.0% Capitalized Interest		\$5,840,000
7.0% Reserve		\$6,820,000
<u>3.0%</u> Issuance Costs		<u>\$2,920,000</u>
<b>16.0% Subtotal, Gross Bond Amount</b>		<b>\$97,390,000</b>
Number of Years	20	
6% Annual Payment		<b>\$8,490,000</b>
Total Payments over 20 Years		<b>\$169,800,000</b>
<b>Annual Cost per Parcel</b>		<b>\$42</b>
<b>Revenue over 20 Years</b>		<b>\$169,800,000</b>
<b>Percent of Assessment Value</b>		<b>0.07%</b>

Notes: *This is a simple allocation of costs by parcel.  
 The actual assessments would be weighted by parcel size and density.  
 Current AV is not current market value.  
 Senior and affordable housing projects could be exempt.  
 Excludes rural and agricultural parcels for this exercise.*

(1) Includes 3% administrative cost to manage funding program, countywide.

Sources: Brion Economics, Inc.

**Table 6**  
**Potential Sales Tax Method**  
**San Mateo Countywide ELF Study - 2016**

Item	Rates	2015-2016 Costs
<b>Current Retail Taxable Sales in County - 2014</b>		\$10,278,717,000
Additional Sales Tax Rate	0.25%	\$25,696,793
Less Administrative Costs	1.00%	\$256,968
Net Annual Proceeds		\$25,439,825
<b>Over 20 years in Constant Dollars</b>	<b>20</b>	<b>\$508,796,492</b>
<b>Bond Financing</b>		
Net Proceeds Required for Child Care (1)	75%	<b>\$245,420,160</b>
6% Capitalized Interest		\$17,530,000
7% Reserve		\$20,450,000
<u>3% Issuance Costs</u>		<u>\$8,770,000</u>
<b>16% Subtotal, Gross Bond Amount</b>		<b>\$292,170,000</b>
6% Annual Payment Required		<b>\$25,470,000</b>
Payment Supported by Additional Sales Tax		<b>\$25,440,000</b>
Additional Sales Tax Surplus or (Shortfall)		(\$30,000)
Net Bond Proceeds Supported by Additional Sales Tax		<b>\$245,130,000</b>
Total Payments over 20 years		<b>\$508,800,000</b>
<b>Surplus or (Shortfall)</b>		<b>(\$290,160)</b>
<b>Average Cost per Household</b>		
Number of Households in County - 2015		267,150
Average Taxable Sales per Household		\$38,475
Average Sales Tax Paid per Household	9%	\$3,463
Annual Additional Cost per Household		\$96
Cost per year over 20 years		\$1,924
Percent of Average Annual Sales Tax Paid		2.8%

(1) Includes 3% administrative cost to manage funding program, countywide.

Sources: Brion Economics, Inc.

## Grants, Loan Funds and Foundations

There are various grant programs and foundations that could provide funding for new ELF projects. While these are possibilities it is not possible to estimate how these sources might be leveraged.

### Community Development Block Grant

Community Development Block Grant (CDBG) funds from the federal Housing Urban Department (HUD) provide grants to smaller units of local government to help preserve affordable housing, provide services to the most vulnerable individuals in society, and help create and retain jobs. There are

challenges to getting CDBGs for child care projects, but they have funded some child care projects in different cities and counties in California, including San Mateo County. Annual entitlement funds go to the cities of Daly City, South San Francisco, San Mateo and Redwood City, and County of San Mateo for the remaining cities and incorporated areas. Some of the challenges include timelines of application and funding, and having a shovel-ready project that can spend the money in the year allocated.

### State Child Care Facilities Revolving Fund

This funding source can be used to address existing shortfalls or requirements of new development. The California Department of Education (CDE), Early Education and Support Division (EESD) administers the Child Care Facilities Revolving Fund (CCFRF).<sup>18</sup> This fund was established in 1997 pursuant to California *Education Code* Section 8278.3. The CCFRF is a lease-purchase program that provides funding to existing CDE child care contracting agencies for the acquisition of relocatable building facilities to support their child care and development programs. Applicant agencies receiving funds under the CCFRF General Facilities loans must repay the CDE over a ten-year period, interest free.

The CCFRF may be used for the purchase, transportation, and installation of relocatable buildings (including architect and inspection fees, site development, and site improvement costs). The maximum funding allowance is \$420,000 for a new, basic building typically consisting of three 12 by 40 foot sections. The maximum allowance may be increased and additional funds may be approved based on the number of additional sections added to increase capacity and serve additional children. The CCFRF provides up to \$140,000 for each additional 12 by 40-foot section beyond the typical basic building.

Due to the revolving nature of the CCFRF, applications are continuously accepted under the General Facilities Application process when funding is available. The EESD processes and funds these applications on a first-come, first-serve basis. Applicants must submit a separate application for each relocatable building for which funding is being requested.

While this is a good potential source for portables, the program is only available for State Contractors that provide subsidized child care, i.e., California State Preschool program and General Child Care funding (serving 0 to 13). In addition, this program doesn't provide adequate funding for non-child care space for administration, adult facilities, storage, etc.

### Silicon Valley Community Foundation

The Silicon Valley Community Foundation (SVCF) is a center of philanthropy that partners with donors to "strengthen the common good locally and throughout the world."<sup>19</sup> Individuals, families, and corporations create advised funds to help address community challenges. SVCF partners with nonprofits, government, and funders to make an impact on critical social issues. SVCF's Center for Early Learning (CEL) is interested in partnering with San Mateo County on this effort. It is not clear that

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<sup>18</sup> See <http://www.cde.ca.gov/fg/fo/r2/ccfrfgf1617rfa.asp>

<sup>19</sup> Silicon Valley Community Foundation website, viewed January 13, 2017.  
<http://www.ssf.net/DocumentCenter/View/12891>

they will directly provide funding for ELFs, but they might assist in an effort to procure funding from their partners for missions that they feel align with supporting the development of ELFs in order to help offset the costs of development.

In 2016, CEL convened a task force consisting of a cross-section of San Mateo County and Bay Area leaders from the government, housing, education, business, faith-based, and non-profit sectors to address the urgent need for appropriate child care facilities in the region. The task force acknowledged several challenges and a number of potential solutions to address them. The number one challenge the task force identified as a priority is:

“There is not a single public or private entity that has the responsibility to address the need for more early care and learning facilities in San Mateo County.

In order to address this challenge, the task force recommends the designation of a staff person whose primary role would be to focus on the following key strategy areas:

1. Generating revenue for facility development
  - *Priority Recommendation:* School districts should pursue bond measures to raise funds for child care development
2. Reusing/re-designating existing space
  - *Priority Recommendation:* San Mateo County cities, school districts, etc. should prioritize unused existing space for early care and learning facilities
3. Implementing policies and incentives
  - *Priority Recommendation:* Cities should include child care in their General Plans and prioritize inclusion of child care in future developments

SVCF partners with families, individuals and corporations to manage and facilitate their philanthropy. The organization connect donors’ interests to the most pressing needs, whether in Silicon Valley or around the globe. As a comprehensive center for philanthropy, SVCF shapes critical public policy issues, partners with nonprofit groups and institutions advancing the best ideas and directs resources swiftly and strategically toward unforeseen needs.”<sup>20</sup>

### Chan Zuckerberg Initiative – The Primary School Project in East Palo Alto

One of the Chan Zuckerberg Initiative’s main objectives is improving education. On their website they state, “We want to help provide every student, and every teacher, the opportunity to excel, and that means developing systems that meet students where they are and take them where they want to go, adapting to their academic interests and supporting their physical, social and emotional development along the way. The Chan Zuckerberg Initiative is already helping to build and deploy such personalized models and tools, empowering communities to give each child the education they deserve.”<sup>21</sup>

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<sup>20</sup> Ibid.

<sup>21</sup> Chan Zuckerberg Initiative website, viewed January 13, 2017. <https://chanzuckerberg.com/initiatives/>

While they do not specifically mention early education, the initiative could be looked at as a potential source of funding for ELFs. Chan and Zuckerberg have started The Primary School in East Palo Alto, which will serve children and families in East Palo Alto and Belle Haven with full-time school starting at age 3. Child care service is a key component of The Primary School’s model. The approach of the school is to provide primary education, health care, and early care to improve outcomes for underserved children.<sup>22</sup>

## Mechanisms for New Development

### Development Impact Fees

While development impact fees can’t fund existing shortfalls, impact fees can be levied on new development to fund the impact of the development, as discussed above. **Table 7** shows a simple calculation of the child care requirement for new residential uses between 2015 and 2025. As shown in **Table 7**, based on an estimated population increase in San Mateo County of 60,200 residents between 2015 and 2025, and a “persons per household” estimate of 2.77, it is likely that an additional 21,733 residential units will be developed during the same time period. New development will generate child care demand for an additional 3,192 children, of which an estimated 2,414 are expected to require licensed ELF spaces.

Assuming 100 sqft per child of indoor space and 75 sqft of outdoor space per child, 241,357 sqft of building space and 181,017 sqft of outdoor space will be required to meet new demand. If a project provides child care space in lieu of the fee, it should be equivalent to 11.1 sqft of indoor space per residential unit and 8.3 sqft of outdoor space per residential unit.

Based on the above assumptions, the average cost per child care center space of \$40,717, and a need for 2,414 new spaces, the potential total child care cost for new residential development is \$98.3 million. With an additional 3% administrative cost, the total increases to \$101.2 million. Allocated evenly to the 21,733 new residential units, the implied impact fee per unit totals \$4,658, as shown in **Table 8**. In an actual nexus study the fee would vary by type of residential unit or density and apply to commercial uses as well. This calculation is a simple average cost per dwelling unit, countywide, and excludes land costs.

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<sup>22</sup> The Primary School website, viewed January 13, 2017. <https://www.theprimaryschool.org/overview/>

**Table 7**  
**Child Care Requirement for Residential Uses**  
**San Mateo Countywide ELF Study - 2016**

Item	Assumptions Percents	Residential Uses at 2015	New Residential Uses 2015 to 2025
Total Residential Population		745,400	60,200
Persons Per Household Factors (1)		2.76	2.77
Total Residential Units		270,072	21,733
Estimated Total Children (2)		47,686	4,444
Children Needing Licensed Care (2)		33,792	3,192
Need for Center Based Care	see Table 2	7,802	2,414
City's Policy Target: % of Demand	100%		2,414
Dwelling Units Subject to Fee			21,733
<b>Child Care Requirement in Sqft by Land Use (3)</b>			
Building Space	100 sqft/space		241,357
Outdoor Space	75 sqft/space		181,017
<b>Child Care Space Requirement per Unit (4)</b>			
Building Space in Sqft			<b>11.1</b>
Outdoor Space in Sqft			<b>8.3</b>

(1) Based on ABAG Projections 2013.

(2) See Table A-2 for 2015 numbers; and Table A-3 for 2025. Net new numbers are the growth during the decade.

(3) Represents demand for center-based spaces and excludes Family Child Care Home space need.

Includes support areas: halls, storage, restrooms, kitchen, etc.

Outdoor requirement is based on State licensing requirements.

Represents the average sqft space requirement per unit, for indoor and outdoor space, respectively.

(4) If a project wanted to provide actual child care space, these are the ratios that would be provided per unit.

Sources: Brion Economics, Inc.

**Table 8**  
**Child Care Impact Fee Estimate - per Residential Unit**  
**San Mateo Countywide ELF Study - 2016**

Item	Assumptions	Child Care Need - 2015 to 2025
Total Need for Child Care Spaces		2,414
Average Cost per Child Care Space	\$40,717	
Total Child Care Center Costs		\$98,274,000
Administration Costs	3%	<u>\$2,948,220</u>
Total Costs		\$101,222,220
Percent of Cost from Development		100%
Costs include in Fee Program		<b>\$101,222,220</b>
New Residential Units - 2015-2025		21,733
<b>Estimated Fee per Residential Unit</b>		<b>\$4,658</b>

Sources: Brion Economics, Inc.

## Community Benefits Programs (CBPs)

Community benefit zoning and other community benefits programs represent new mechanisms that cities and counties are employing to garner public improvements, services, and facilities from new development in exchange for high density or other special development approvals. In some cases, this type of program is responding to rapid growth and attempts to mitigate some of the impacts of growth on communities. There is a wide range of CBPs, and some of these programs attempt to capture a portion of the additional real estate value created by higher density development from projects. Benefits can be provided directly by the development, or payments can be made to the city by the developer at some agreed-upon amount. Some CPBs have established a fee, such as \$10 or \$20 per sqft, on the additional development beyond a certain threshold or height. The City of Berkeley recently levied a CBP fee for new residential buildings over 75 feet tall in the downtown area.<sup>23</sup> Some cities such as Millbrae have created a list of community benefits that a developer can provide in exchange for additional density in and around the BART station, but allow the developer to negotiate which services or facilities they will provide.<sup>24</sup> The City of Menlo Park recently adopted Community Benefit Zoning in the General Plan update for the area east of the Bayshore Freeway 101 and will

<sup>23</sup> See Berkeley Municipal Code 23E.68.090E – Resolution 67,172 – N.S.  
[http://www.ci.berkeley.ca.us/uploadedFiles/Planning\\_and\\_Development/Level\\_3\\_-\\_ZAB/2015-09-10\\_ZAB\\_ATT2\\_2211%20Harold\\_Applicant%20Memorandum.pdf](http://www.ci.berkeley.ca.us/uploadedFiles/Planning_and_Development/Level_3_-_ZAB/2015-09-10_ZAB_ATT2_2211%20Harold_Applicant%20Memorandum.pdf)

<sup>24</sup> See Millbrae Station Area Specific Plan: <http://www.ci.millbrae.ca.us/home/showdocument?id=7200>

require additional community benefits on any new commercial development over the allowable 45% Floor Area Ratio.<sup>25</sup>

The notion of CBPs is that the city in question receives some sort of additional benefit above and beyond the normal impact fees, conditions of approval, and other building fees new development must pay. These types of programs are still relatively new but becoming more popular. The types of improvements or services provided include:

- Additional affordable housing, beyond baseline requirements
- Parks and open space
- New community facilities such as senior centers, recreation amenities, etc.
- Green Building Standards, such as LEED gold or platinum
- Contributions to job training programs, homeless services, youth mentoring, etc.
- Bike parking, bike and pedestrian trails, etc.
- Transportation improvements and Transportation Demand Management (TDM) programs
- Shuttles and special connection services from train and BART stations, etc.

In general, CBPs allow for a range of community benefits and flexibility for developers. In some cases, a “competition” is set for a limited amount of development approval, and the projects with the best community benefits package may be selected. Community benefits can be “negotiation-based” through a development agreement or other similar document or “plan-based,” and set by resolution and ordinance.<sup>26</sup> While we are not aware of child care being identified in a community benefits program, child care represents a broad community benefit that could be eligible for this sort of program.

## Redwood City Community Benefits Program

Partnership Redwood City is a unique program that provides community benefits through a wide range of City partnerships. Through ongoing collaboration with businesses, community groups, residents, property owners, and developers, this program will deliver benefits such as affordable housing, improved schools, parks, transportation systems, programs for the arts, and support for special programs and events. These partnerships ensure that all community members will benefit from new development and investment in Redwood City. Partnership Redwood City was created using community forums during 2014 and 2015 to determine the needs of the community. In February of 2015 the City Council adopted the program, which remains adjustable in order to respond to further input from the community. Development projects have paid impact fees and donated more than \$27. million to programs found in the Partnership Redwood City Program.

The requirements of the Redwood City community benefits program include:

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<sup>25</sup> See <https://www.menlopark.org/DocumentCenter/View/12613> part of ConnectMenlo, General Plan Update. October 2016.

<sup>26</sup> See “Development Management Overview,” prepared for City of Cupertino by Economic & Planning Systems, Inc. and Burke, Williams & Sorensen, LLP (June 24, 2015); includes overview of CBPs and several case studies.

- Ability to offer development incentives that will increase project value;
- Market demand for the additional development capacity that the incentive would create;
- Vacant or underused sites where development can occur; and
- Sufficient additional economic value created by the incentive to cover cost of desired benefits.<sup>27</sup>

Therefore, community benefits programs are ideal in high real estate value areas such as San Mateo County.

## Development Agreements

Development agreements (DAs) are contractual agreements between a developer and a jurisdiction that set standards and conditions that govern the development of a property. The developer gets certainty that the project won't be subject to any changes in zoning laws over the course of the development and in return, the developer is contracted to provide benefits, such as infrastructure improvements, public open space, or payment into funds such as "in lieu" fees.<sup>28</sup> DAs do not require nexus or any defined formula for what is included; rather it is completely negotiated and up to the two parties involved to define what is included and required. Given the time and expense in negotiating DAs, only large projects typically include this method. Jurisdictions in San Mateo County could require larger-scale projects to provide child care facilities or pay an in-lieu fee to help fund child care facilities through the DA process.

## Employer-Based Care

Given that San Mateo County is home to large tech-sector companies, employer-based care is something that could occur on a larger scale. As discussed above, there are a number of large companies or agencies that provide child care for their employees now. If employers of a certain size could be required through DAs, CBPs, or other mechanisms to provide on-site or off-site care for their employees (and even non-employees), the formidable capital costs that child care operators face could be somewhat alleviated.

Bright Horizons, which has over 1,000 centers in 42 states and the District of Columbia, has succeeded because it has convinced employers to "invest over a billion dollars, in either capital investments or subsidies, for their working families," according to Bright Horizons CEO Dave Lissy in an NPR interview that aired on January 3, 2017. Some employers that Bright Horizons has partnered with have established child care centers primarily for their workers, with the employers paying most, or even all,

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<sup>27</sup> <http://www.redwoodcity.org/departments/community-development-department/planning-housing/planning-services/partnership-redwood-city>

<sup>28</sup> Article, *The Rise of the Development Agreement*, January 11, 2015. <http://www.planetizen.com/node/73227/rise-development-agreement>

of the cost to build the facilities. This huge employer investment in facilities and subsidized care once the center is up and running is what allows these programs to succeed.<sup>29</sup>

Expanded employer-based care in San Mateo County could help alleviate the current child care shortage and address the future and increasing demand for child care.

## PROPOSED FINANCING STRATEGY

The above discussion outlines several possible funding mechanisms that could be used to develop new child care facilities in the County. These are options that would need to be considered in more depth or would apply to specific projects or cities. In the case of developer impact fees, this mechanism would need to be adopted by each city, and the County separately. The recent effort in San Mateo County to create a grand nexus study for affordable housing fees (both commercial and residential) is one model that could be applied to child care impact fees. A grand nexus study or model could be created that each city would adapt to their own circumstances. Other mechanisms such as community benefit zoning, development agreements, or employer-based care need to be reviewed on a city-by-city basis. These mechanisms could be of benefit but it is difficult to quantify how many spaces might be provided via these options. With CBPs, developers have a range of community benefits that they can offer up and there is no guarantee that they would choose child care.

The three main methods that could be applied and quantified, as discussed above include: parcel taxes, and sales taxes for existing shortfalls, and development impact fees for growth and new development. The following provides an example of how these mechanisms could be used to fund the child care needed today, in the near future, or the next 10 years in the County. For this analysis, we assume the entire “need” is funded but the County and cities could decide to fund less than the full requirement. **Table 9** summarizes the potential funding strategies quantified above by existing and future development, and by source – sales tax, parcel tax, and impact fee. For existing development, a countywide sales tax add-on and parcel tax could total \$327.2 million in child care funding. Impact fees on new development totaling \$101.2 million would cover much of the costs of new demand from 2015 to 2025. Finance and administrative costs for all sources total \$354.3 million. Combined capital and financing costs total \$782.8 million, utilizing all three financing options and including financing costs.

As discussed in above, this is a comprehensive cost estimate and assumes public financing of all existing need and future need over the next 10 years. In reality other methods and funding mechanisms may be employed to meet the existing and future demand for child care. These include employer-based and financed care, low or no-interest loans from the State, grants or other foundation funding, private child care funding, school district funding and other development contributions through CBPs and DAs. The purpose of this analysis is to show the totality of the need, and costs, and demonstrate that if the County and cities were to employ these three common funding mechanisms, it

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<sup>29</sup> NPR Program “Child Care Scarcity Has Very Real Consequences For Working Families” on All Things Considered, January 3, 2017. <http://www.npr.org/sections/health-shots/2017/01/03/506448993/child-care-scarcity-has-very-real-consequences-for-working-families>

is possible to fund child care. Additionally, none of these mechanisms represent a huge burden. To summarize, the funding mechanisms would result in the following rates:

- Countywide Sales Tax Add-On – average of \$96 per household per year<sup>30</sup>
- Countywide Parcel Tax - \$41 per residential parcel<sup>31</sup>
- Countywide Development Impact Fee – about \$4,600 per residential unit.

The County could decide to use one of these mechanisms or adopt a policy to fund 50% of need or some reduced amount, with the assumption that others will step in to fund the rest. It is difficult to predict how many spaces would be provided with the many mechanisms and funding sources discussed in this study but it does illustrate that there are ample methods available.

In conclusion, there are many possible combinations of mechanisms that could be used to fund child care. This analysis presents one possible combination at the county level. Individual cities may choose to use other methods or combinations. For instance, a city could choose to use just a parcel tax for existing shortfalls and a developer impact fee for costs associated with new growth. The key purpose of this analysis is to start to frame the possible financing tools that can be applied to fund the significant need for child care that exists in San Mateo County currently, and which will only increase over time.

**Table 9**  
**Potential Funding Strategy by Source**  
**San Mateo Countywide ELF Study - 2016**

Development/Method	Child Care Spaces Needed	Cost of New Spaces	Funding Mechanism			Total Funding
			Sales Tax	Parcel Tax	Impact Fee	
<b>Existing Development</b>	7,802	\$327,226,880				
Percent Funding			75%	25%	0%	100%
Sales Tax Rate or Assessment/Parcel			0.25%	\$42		
Funding			\$245,420,160	\$81,806,720	\$0	\$327,226,880
<b>New Development</b>	2,414	\$101,222,220				
Residential Impact Fee					100%	100%
Impact Fee/New Unit					\$4,658	
Funding					\$101,222,220	\$101,222,220
<b>Total Need &amp; Funding</b>	<b>10,216</b>	<b>\$428,449,100</b>	<b>\$245,420,160</b>	<b>\$81,806,720</b>	<b>\$101,222,220</b>	<b>\$428,449,100</b>
Percent of Need			57%	19%	24%	100%
Total Finance & Adm Costs			\$263,379,840	\$87,993,280	\$2,948,220	\$354,321,340
<b>Total Costs/Financing</b>			<b>\$508,800,000</b>	<b>\$169,800,000</b>	<b>\$104,170,440</b>	<b>\$782,770,440</b>

Sources: Brion Economics, Inc.

<sup>30</sup> This rate would be less because businesses and visitors generate sales tax as well, which would go towards the funding of child care.

<sup>31</sup> This rate could be less as well as the costs could be spread over commercial properties.

# APPENDICES

## Appendix A

### Appendix A: Table Index - Supporting Data on Child Care Demand and Costs San Mateo Countywide ELF Study - 2016

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Table A-1	Summary of Shortage of Child Care Center Spaces by Age - 2015
Table A-2	Existing Child Care Demand and Supply in 2015, Countywide
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Brion Economics, Inc.

**Table A-1**  
**Summary of Shortage of Child Care Center Spaces by Age - 2015**  
**San Mateo Countywide ELF Study - 2016**

City/Area	Shortage: Infant Center Spaces	Infant care Percentage of Shortage	Shortage: Preschool Center Spaces	Preschool Percentage of Shortage	Total Center- Based Space Shortage
Atherton	N/A	N/A	N/A	N/A	N/A
Belmont	(48)	14%	(289)	86%	(337)
Brisbane	N/A	N/A	(149)	100%	(149)
Burlingame	(73)	23%	(243)	77%	(316)
Daly City/Colma	(99)	7%	(1,253)	93%	(1,352)
East Palo Alto	(42)	7%	(582)	93%	(623)
Foster City	(27)	100%	N/A	N/A	(27)
Half Moon Bay Region	(3)	1%	(236)	99%	(240)
Hillsborough	N/A	N/A	(173)	100%	(173)
Menlo Park	(180)	35%	(338)	65%	(518)
Millbrae	0	0%	(154)	100%	(154)
Pacifica	(43)	13%	(280)	87%	(323)
Portola Valley	(26)	59%	(18)	41%	(45)
Redwood City	(232)	12%	(1,635)	88%	(1,867)
San Bruno	(38)	34%	(73)	66%	(110)
San Carlos	(62)	12%	(449)	88%	(511)
San Mateo	(90)	14%	(557)	86%	(647)
South Coast	(2)	N/A	N/A	N/A	(2)
South San Francisco	(63)	19%	(263)	81%	(326)
Woodside	N/A	N/A	(31)	100%	(31)
<b>Countywide</b>	<b>(1,193)</b>	<b>15%</b>	<b>(6,609)</b>	<b>85%</b>	<b>(7,802)</b>

Sources: Child Care Partnership Council of San Mateo County; Community Care Licensing; Brion Economics, Inc.

**Table A-2**  
**Existing Child Care Demand and Supply in 2015, Countywide**  
**San Mateo Countywide ELF Study - 2016**

COUNTYWIDE	Child Care as of 2015		
	Under 2 Years Old	2 to 4 Year Olds	Total, 0 to 4 Years
<b>EXISTING DEMAND</b>	<b>Child Care Demand</b>		
Estimated Total Children	19,008	28,678	47,686
Average LFPR/Adjustment Factor	71%		
Children With Working Parents	13,449	25,720	39,169
Licensed Care Demand Factor	37%		86%
Resident Children Needing Licensed Care	4,976	24,188	29,164
% of Total Resident Children Needing Licensed Care	26%	84%	61%
Children from Non-Resident Employees Needing Licensed Care	<u>1,845</u>	<u>2,784</u>	<u>4,629</u>
<b>Total Demand for Child Care Spaces</b>	<b>6,821</b>	<b>26,971</b>	<b>33,792</b>
% Distribution	20%	80%	100%
<b>EXISTING SUPPLY</b>	<b>Child Care Spaces</b>		
Family Child Care Home Supply	2,301	2,893	5,193
Child Care Center Supply	<u>1,514</u>	<u>16,296</u>	<u>17,810</u>
<b>Current Child Care Supply</b>	<b>3,815</b>	<b>19,189</b>	<b>23,003</b>
% Distribution	17%	83%	100%
<b>EXISTING SURPLUS/(SHORTAGE) at 2015</b>	<b>(3,006)</b>	<b>(7,783)</b>	<b>(10,789)</b>
% Distribution	27%	73%	100%
Percentage of Demand Met by Existing Facilities/Spaces	56%	71%	68%
Shortage of Family Child Care Home Spaces	<b>(1,813)</b>	<b>(1,173)</b>	<b>(2,986)</b>
Shortage of Center-Based Spaces	<b>(1,193)</b>	<b>(6,609)</b>	<b>(7,802)</b>

*Note: All footnote references can be found in Table A-9 at the end of this file.*

Sources: 2010 U.S. Census; ABAG Projections 2013; 2014 American Community Survey; ACS Journey-to-Work data 2006-2008 and 2006-2010; Child Care Partnership Council of San Mateo County; Community Care Licensing; Brion Economics, Inc.

**Table A-3**  
**Future Child Care Demand and Supply in 2025, Countywide**  
**San Mateo Countywide ELF Study - 2016**

COUNTYWIDE	Child Care as of 2025		
	Under 2 Years Old	2 to 4 Year Olds	Total, 0 to 4 Years
<b>EXISTING DEMAND</b>	<b>Child Care Demand</b>		
Estimated Total Children	20,790	31,340	52,130
Average LFPR/Adjustment Factor	71%		
Children With Working Parents	14,704	28,273	42,978
Licensed Care Demand Factor	37%		86%
Resident Children Needing Licensed Care	5,441	26,432	31,873
% of Total Resident Children Needing Licensed Care	26%	84%	61%
Children from Non-Resident Employees Needing Licensed Care	<u>2,037</u>	<u>3,074</u>	<u>5,112</u>
<b>Total Demand for Child Care Spaces</b>	<b>7,478</b>	<b>29,506</b>	<b>36,984</b>
% Distribution	20%	80%	100%
<b>EXISTING SUPPLY</b>	<b>Child Care Spaces</b>		
Family Child Care Home Supply	2,301	2,893	5,193
Child Care Center Supply	<u>1,514</u>	<u>16,296</u>	<u>17,810</u>
<b>Current Child Care Supply</b>	<b>3,815</b>	<b>19,189</b>	<b>23,003</b>
% Distribution	17%	83%	100%
<b>EXISTING SURPLUS/(SHORTAGE)</b>	<b>(3,663)</b>	<b>(10,318)</b>	<b>(13,981)</b>
% Distribution	26%	74%	100%
Percentage of Demand Met by Existing Facilities/Spaces	51%	65%	62%
Shortage of Family Child Care Home Spaces	<b>(2,209)</b>	<b>(1,555)</b>	<b>(3,765)</b>
Shortage of Center-Based Spaces	<b>(1,454)</b>	<b>(8,762)</b>	<b>(10,216)</b>

*Note: All footnote references can be found in Table A-9 at the end of this file.*

Sources: 2010 U.S. Census; ABAG Projections 2013; 2014 American Community Survey; ACS Journey-to-Work data 2006-2008 and 2006-2010; Child Care Partnership Council of San Mateo County; Community Care Licensing; Brion Economics, Inc.

**Table A-4**

**Endnotes for Tables for Tables A-2 and A-3**

**San Mateo Countywide ELF Study - 2016**

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- (1) Population by age is based on the percentage breakdown from the 2010 U.S. Census and applied to population estimates for 2015 using ABAG's "Projections 2013" population data. The ABAG data for each area includes its Sphere of Influence and is not based on strict jurisdictional boundaries.
- (2) Labor force participation rates are from the 5-Year American Community Survey 2014 and include children under six years old with two working parents or a single working parent. For the 2- to 4-year olds, the labor force participation rate is applied to 2 year olds. For 3- and 4-year olds, it is assumed that 100% need licensed care to support preschool for every child, so the number of 3- and 4-year olds is not discounted by labor force participation rates.
- (3) Not all children with working parents are assumed to need licensed care: percentage assumptions are used to calculate the number of children requiring licensed care under each age category. The remaining children are assumed to be cared for in alternate arrangements, such as by family members, nannies, friends, and other unlicensed care. For children ages 3- and 4-years old, it is assumed that they all need care in the form of preschool.
- (4) Data on child care supply provided by the Child Care Partnership Council of San Mateo County and Community Care Licensing Division of the California Department of Social Services (CCLD). Data is for June 2015.
- (5) Demand that calculates as less than 100% means that there is greater demand than supply; percent of demand that is over 100% means supply exceeds demand.
- (6) Unmet demand is broken down into shortage by type of care based on the proportion of FCCHs and child care centers spaces available in each area. If an area does not have any FCCHs or centers, the unmet demand is placed in the type of care that is available in the area (e.g., if there are only centers, all demand goes to centers).

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Source: Brion Economics, Inc.

**Table A-5**  
**Detailed Sample New Construction Child Care Center Project Cost Estimates**  
**San Mateo Countywide ELF Study - 2016**

No.	Type	Program	Year	2016 Inflation %	Construction Type	Facility Budget including FF&E	2016 Adj. Budget	Total Sqft of Bldg. Space	# of Children or Spaces	Sqft of Bldg. Space per Child	Adj. Base Tenant Improvements per sqft (1)	Permit Required Studies	Included FF&E %	Total Cost per Bldg. Sqft	Total Cost per Child Care Space
1	New construction - conventional	Center - I/T - Preschool	2014	2%	New stick construction	\$6,528,000	\$6,658,560	20,000	190	105	\$256.00		NA	\$333	\$35,045
2	New construction - conventional	Center - I/T - Preschool	2014	2%	New stick construction	\$6,152,800	\$6,275,856	18,000	152	118	\$221.00		NA	\$349	\$41,289
3	New construction - conventional	Center - I/T - Preschool	2014	2%	New modular (not portables) construction	\$5,565,252	\$5,676,557	20,100	142	142			NA	\$282	\$39,976
4	New construction - conventional	Center - I/T - Preschool	2014	2%	New stick construction	\$5,328,608	\$5,435,180	14,800	114	130			NA	\$367	\$47,677
5	Project Frog -Modular	Center - I/T - Preschool	2014	2%	New prefab - Project Frog	\$6,819,762	\$6,956,157	14,000	114	123			NA	\$497	\$61,019
<b>Averages</b>						<b>\$6,078,884</b>	<b>\$6,200,462</b>	<b>17,380</b>	<b>142</b>	<b>124</b>	<b>\$238.50</b>		<b>NA</b>	<b>\$366</b>	<b>\$45,001</b>

Note: Does not include building landscaping or design costs; this can typically cost 10% of outdoor space budget.

Inflation Rates are from [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)

(1) TI costs are included in total project costs per sqft but not available for all projects.

Sources: Kathryn Tama; Brion Economics, Inc.

**Table A-5**  
**Detailed Sample New Construction Child Care Center Project Cost Estimates - Continued**  
**San Mateo Countywide ELF Study - 2016**

No.	Type	Program	Year	Additional Outdoor Yard Budget	Sqft of Outdoor Space	2016 Adj. Outdoor Yard Budget	Total Cost of Sqft of Outdoor Space	Total Cost per Child of Outdoor Space	Total Center & Outdoors Costs	Overall, Total Cost Per Child
1	New construction - conventional	Center - I/T - Preschool	2014	\$475,000	15,800	\$484,500	\$31	\$2,550	\$7,143,060	\$37,595
2	New construction - conventional	Center - I/T - Preschool	2014	\$378,000	15,000	\$385,560	\$26	\$2,537	\$6,661,416	\$43,825
3	New construction - conventional	Center - I/T - Preschool	2014	\$265,000	15,000	\$270,300	\$18	\$1,904	\$5,946,857	\$41,879
4	New construction - conventional	Center - I/T - Preschool	2014	\$196,000	11,500	\$199,920	\$17	\$1,754	\$5,635,100	\$49,431
5	Project Frog -Modular	Center - I/T - Preschool	2014	NA						
<b>Averages</b>				<b>\$328,500</b>	<b>14,325</b>	<b>\$335,070</b>	<b>\$23</b>	<b>\$2,186</b>	<b>\$6,346,608</b>	<b>\$43,183</b>

Note: Does not include building landscaping or design costs; this can typically cost 10% of outdoor space budget.

Inflation Rates are from [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)

(1) TI costs are included in total project costs per sqft but not available for all projects.

Sources: Kathryn Tama; Brion Economics, Inc.

**Table A-6**  
Detailed Sample Child Care Renovation Project Cost Estimates  
San Mateo Countywide ELF Study - 2016

No.	Type	Program	Year	2016 Inflation %	Construction Type	Facility Budget including FF&E	2016 Adj. Budget	Total Sqft of Bldg. Space	# of Children or Spaces	Sqft of Bldg. Space per Child	Adj. Base Tenant Improvements per sqft (1)	Permit Required Studies	Included FF&E %	Total Cost per Bldg. Sqft	Total Cost per Child Care Space
<b>Residential Renovation Projects</b>															
1	Remodel Residential	Center - Preschool	2014	2%	Renovation	\$572,700	\$584,154	1,725	24	72	na		na	\$339	\$24,340
<b>Commercial Renovation Projects</b>															
2	LIIF Case Study Improvements in existing shell - In affordable housing	Center Infant toddler	2001	36%	Located in LIIF affordable housing building	\$882,000	\$1,199,520	2,775	14	198	\$191.00		15%	\$432	\$85,680
3	LIIF Case Study Improvements in existing shell - In affordable housing	Center - Preschool	2007	16%	Located in LIIF affordable housing building Urban	\$763,280	\$885,405	3,730	47	79	\$164.00		17%	\$237	\$18,838
<b>Average Commercial Renovations</b>						<b>\$822,640</b>	<b>\$1,042,462</b>	<b>3,253</b>	<b>31</b>	<b>139</b>	<b>\$178</b>		<b>16%</b>	<b>\$335</b>	<b>\$52,259</b>

Note: Does not include building landscaping or design costs; this can typically cost 10% of outdoor space budget.

Inflation Rates are from [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)

(1) Open space costs are based on the average cost from Table A-7, for child care center average outdoor costs.

Sources: Kathryn Tama; Brion Economics, Inc.

**Table A-6**  
Detailed Sample Child Care Renovation Project Cost Estimates - Continued  
San Mateo Countywide ELF Study - 2016

No.	Type	Program	Year	Additional Outdoor Yard Budget	Sqft of Outdoor Space	2016 Adj. Outdoor Yard Budget	Total Cost of Sqft of Outdoor Space	Total Cost per Child of Outdoor Space	Total Center & Outdoors Costs	Overall, Total Cost Per Child
<b>Residential Renovation Projects</b>										
1	Remodel Residential	Center - Preschool	2014	NA (1)		\$30,692	na	\$1,356	\$614,846	\$25,619
<b>Commercial Renovation Projects</b>										
2	LIIF Case Study Improvements in existing shell - In affordable housing	Center Infant toddler	2001	\$18,000	1,800	\$24,480	\$14	\$1,749	\$1,224,000	\$87,429
3	LIIF Case Study Improvements in existing shell - In affordable housing	Center - Preschool	2007	\$54,000	4,030	\$62,640	\$16	\$1,333	\$948,045	\$20,171
<b>Average Commercial Renovations</b>				<b>\$36,000</b>	<b>2,915</b>	<b>\$43,560</b>	<b>\$15</b>	<b>\$1,541</b>	<b>\$1,086,022</b>	<b>\$53,800</b>

Note: Does not include building landscaping or design costs; this can typically cost 10% of outdoor space budget.

Inflation Rates are from [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)

(1) Open space costs are based on the average cost from Table A-7, for child care center average outdoor costs.

Sources: Kathryn Tama; Brion Economics, Inc.

**Table A-7**  
**Detailed Sample Child Care Portable Project Cost Estimates**  
**San Mateo Countywide ELF Study - 2016**

No.	Type	Program	Year	2016 Inflation %	Construction Type	Facility Budget including FF&E	2016 Adj. Budget	Total Sqft of Bldg. Space	# of Children or Spaces	Sqft of Bldg. Space per Child	Tenant Improvements per sqft	State Arch/Permit Required Studies	Included FF&E %	Total Cost per Bldg. Sqft	Total Cost per Child Care Space
1	Portables	Center Preschool Located School on District property	2009	12%	New Portable	\$926,177	\$1,040,097	3,696	50	74	\$7	\$21,000	NA	\$281	\$20,802
2	Portables	Center Preschool Located School on District property	2009	12%	New Portable	\$1,076,132	\$1,208,496	3,696	50	74	\$7	\$21,000	6%	\$327	\$24,170
3	Portables	Preschool Located School on District property	2012	5%	New Portable	\$518,497	\$543,903	1,920	20	96	\$1	\$12,900	1%	\$283	\$27,195
<b>Average</b>						<b>\$840,269</b>	<b>\$930,832</b>	<b>3,104</b>	<b>40</b>	<b>81</b>	<b>\$5</b>	<b>\$18,300</b>	<b>4%</b>	<b>\$297</b>	<b>\$24,056</b>

*Note: Does not include building landscaping or design costs; this can typically cost 10% of outdoor space budget.  
Inflation Rates are from [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)  
Sources: Kathryn Tama; Brion Economics, Inc.*

**Table A-7**  
**Detailed Sample Child Care Portable Project Cost Estimates - Continued**  
**San Mateo Countywide ELF Study - 2016**

No.	Type	Program	Year	Additional Outdoor Yard Budget	Sqft of Outdoor Space	2016 Adj. Outdoor Yard Budget	Cost of Sqft of Outdoor Space	Total Cost per Child of Outdoor Space	Total Center & Outdoors Costs	Overall, Total Cost Per Child
1	Portables	Center Preschool Located School on District property	2009	\$30,000	3,750	\$33,690	\$8.00	\$674	\$1,073,787	\$21,476
2	Portables	Center Preschool Located School on District property	2009	\$83,868	3,750	\$94,184	\$22.36	\$1,884	\$1,302,680	\$26,054
3	Portables	Preschool Located School on District property	2012	\$28,800	1,920	\$30,211	\$15	\$1,511	\$574,115	\$28,706
<b>Average</b>				<b>\$47,556</b>	<b>3,140</b>	<b>52,695</b>	<b>\$15</b>	<b>\$1,356</b>	<b>\$983,527</b>	<b>\$25,412</b>

*Note: Does not include building landscaping or design costs; this can typically cost 10% of outdoor space budget.  
Inflation Rates are from [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)  
Sources: Kathryn Tama; Brion Economics, Inc.*

**Table A-8**  
**Detailed Sample Employer-Based Child Care Center Project Cost Estimates**  
**San Mateo Countywide ELF Study - 2016**

No.	Type	Program	Year	2016 Inflation %	Construction Type	Total Sqft of Bldg. Space	# of Children or Spaces	Sqft of Bldg. Space per Child	Sqft of Outdoor Space	Total Cost per Sqft	Total Center & Outdoors Costs	Overall, Total Cost Per Child
1	Employer Based	SF Center	2016	0%	Renovation	12,000	116	103	8,900	\$425	\$5,100,000	\$43,966
2	Employer Based	San Mateo Co.	2015	2%	Renovation	7,280	80	91	5,000	\$419	\$3,048,000	\$38,100
<b>Average Commercial Renovations</b>						<b>9,640</b>	<b>98</b>	<b>97</b>	<b>6,950</b>	<b>\$422</b>	<b>\$4,074,000</b>	<b>\$41,033</b>

Data provided by Jane Kreshner, via email; November 2016.

Note: Excludes soft costs such as design and financing.

Sources: Ginsburg Kershner Associates; Brion Economics, Inc.

**Table A-9**  
**Detailed Commercial Vacant Land Costs**  
**San Mateo Countywide ELF Study - 2016**

Address	City	Sale Price 2015 \$ (1)	Sale Date	Site Area	Price/SF Land in 2015 \$
<b>Central San Mateo County</b>					
480 East 4th Avenue	San Mateo	\$5,100,000	2013	50,573	\$101
1804 Leslie Street	San Mateo	\$1,000,000	2011	13,939	\$72
900 El Camino Real	Belmont	\$655,000	2010	8,400	\$78
<b>Average</b>		<b>\$2,251,667</b>		<b>24,304</b>	<b>\$84</b>
<b>Northern San Mateo County</b>					
480 El Camino Real	Millbrae	\$1,100,000	On Market	5,663	\$194
1001-1015 E. Market Street	Daly City	\$2,250,000	On Market	37,897	\$59
6800 Mission Street	Daly City	\$1,350,000	2012	17,424	\$77
7255 Mission Street	Daly City	\$1,225,000	2012	20,038	\$61
<b>Average</b>		<b>\$1,481,250</b>		<b>20,256</b>	<b>\$98</b>
<b>Southern San Mateo County</b>					
3264 Haven Avenue	Redwood City	\$3,179,000	On Market	27,000	\$116
1706 El Camino Real	Menlo Park	\$2,200,000	2011	27,007	\$81
1300 El Camino Real	Menlo Park	\$24,500,000	2012	145,490	\$168
<b>Average</b>		<b>\$2,689,500</b>		<b>27,004</b>	<b>\$122</b>

Sales data from the San Mateo County Housing Impact Fee Nexus Study (2015), Figure VII-8.

(1) Sales are from different years. Numbers adjusted to 2016 dollars by CPI.

[http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)

Sources: San Mateo County Housing Impact Fee Nexus Study; Brion Economics, Inc.

**Table A-10**  
**Detailed Residential Multi-Family Vacant Land Costs**  
**San Mateo Countywide ELF Study - 2016**

Address	City	Sale Price 2015 \$ (1)	Lot Area	Price/SF Land in 2015 \$
3639 Haven Avenue	Menlo Park	\$4,400,000	65,253	\$67
1679 Kenfield Avenue	Redwood City	\$2,250,000	43,574	\$52
755-763 Hamilton Avenue	Menlo Park	\$1,851,300	21,780	\$85
105 5th Avenue	Redwood City	\$1,200,000	18,000	\$67
389 El Camino Real	Menlo Park	\$12,200,000	53,579	\$228
1300 El Camino Real	Menlo Park	\$24,500,000	148,165	\$165
2963 El Camino Real	Redwood City/Uninc. County	\$2,685,000	11,400	\$236
1275 El Camino Real	Menlo Park	\$3,600,000	17,960	\$200
Page Mill Road	Palo Alto	\$3,959,000	26,926	\$147
3877 El Camino Real	Palo Alto	\$4,450,000	32,825	\$136
536 N. Wishman Road	Mountain View	\$1,050,000	7,000	\$150
1958 Latham Street	Mountain View	\$1,600,000	16,600	\$96
<b>Average</b>		<b>\$5,312,108</b>	<b>\$38,589</b>	<b>\$136</b>

**Summary Statistics**

Lower Quartile (25%)	\$85
Average Value	\$140
Upper Quartile (75%)	\$200

(1) Sales data from the San Mateo County Housing Impact Fee Nexus Study (2015), Figure VII-8.

Sources: San Mateo County Housing Impact Fee Nexus Study; Brion Economics, Inc.

## Appendix B: Major San Mateo County Employers with Child Care Centers or Support

### 1. **Employer:** City of Daly City, Daly City

#### **Type of Employer Child Care:**

- **Waitlist Priority and Tuition Subsidy at City Owned Center, Imagination Station**
  - **Operator**  
Building Kidz – profit-making, leases center from Daly City
  - **Enrollment**  
56 children, 10% City of Daly City employees, 4% San Mateo County employees, 86% Community
  - **Subsidy**  
Priority waitlist  
Discount tuition  
Center construction  
Subsidizes some operating costs – maintenance, security, etc.

### 2. **Employer:** Electronic Arts, Redwood Shores

#### **Type of Employer Child Care:**

- **On-site Center, EA Early Learning Center**
  - **Operator**  
Kinder Care at Work – profit-making
  - **Enrollment**  
102, 100% EA employees
  - **Subsidy**  
Center construction within a campus building  
Subsidizes some operating costs – maintenance, security, etc.

### 3. **Employer:** Genentech, South San Francisco

#### **Type of Employer Child Care:**

- **Two On-site Centers, 2<sup>nd</sup> Generation Children's Centers**
  - **Operator**  
Bright Horizons – profit-making
  - **Enrollment**  
2 centers licensed for a total of \*883 children, 100% Genentech employees
  - **Subsidy**  
Center construction  
Subsidizes some operating costs – facility maintenance, security, etc.

4. **Employer:** Gilead, Foster City

**Type of Employer Child Care:**

- **On-site Center** – Bright Horizon’s at Gilead – center within campus building and existed before Gilead purchased property
  - **Operator**  
Bright Horizons, profit-making, leases space from Gilead
  - **Enrollment**  
107 children, 60% Gilead and 40% Community
  - **Subsidy**  
Up to Dec 31, 2016 - Gilead offered employees waitlist priority  
Starting Jan 1, 2017 - Gilead subsidizes employee’s tuition

5. **Employer:** Mills-Peninsula Medical Center

**Type of Employer Child Care:**

- **Waitlist Priority**
  - At Palcare in Burlingame - **See Employer:** SFO

6. **Employer:** San Mateo County, Redwood City

**Type of Employer Child Care:**

- **On-site Center**, MDS Our Place San Mateo County Employee Child Care Center
  - **Operator**  
Bright Horizons – profit-making
  - **Enrollment**  
106 children, 70% San Mateo County employees, 30% Community
  - **Subsidy**  
Subsidizes employee’s tuition  
Subsidizes some operating costs - maintenance, etc.  
Constructed children’s center
- **Waitlist Priority & Tuition Subsidy**
  - At Daly City’s employer-sponsored children’s center, Imagination Station in Daly City – **See Employer:** City of Daly City
  - At SFO’s Palcare in Burlingame - **See Employer:** SFO

7. **Employer:** SFO, Burlingame

**Type of Employer Child Care:**

- **Waitlist Priority and Tuition Subsidy at Near-site Center**, Palcare Children’s Center – Burlingame
  - **Operator**  
Palcare – not-for-profit
  - **Hours**  
Monday – Friday 6:00am - 11:00pm  
Saturday 7:00am – 11:00pm
  - **Enrollment**  
130 children capacity, serving 200 families  
65% SFO employees, 8% San Mateo County employees, 8% Mills Peninsula Community Hospital employees, 28% Community

8. **Employer:** Oracle, Redwood City

**Type of Employer Child Care:**

- **Waitlist Priority and Tuition Subsidy at Near-site Center, Kinder Care at Work – Shores**
  - **Operator**  
Kinder Care at Work – profit-making
  - **Enrollment**  
138 children, 72% Oracle employees, 28% community
  - **Subsidy**  
Lower tuition rate for employees  
Waitlist priority

**9. Employer: USGS, Menlo Park**

**Type of Employer Child Care:**

- Stopped funding support for on-site parent co-op children’s center – center still operating and serving community.