



BRION & ASSOCIATES

Executive Summary:

**South San Francisco
Child Care Facilities Impact Fee
Nexus Study**

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Executive Summary

The City of South San Francisco has embarked on a multi-faceted plan to develop new child care facilities and address issues relating to child care, including kindergarten readiness. As part of this effort, the City's new General Plan includes several new policies related to child care and calls for new child care centers to be built in several locations in the City. This study is part of the City's overall effort and represents the nexus study required to establish a "child care facilities impact fee" for new development in the City. The new fee is based on the principals and requirements of AB1600, which specifies that new development only pays for its fair share of new public facilities and that the fee does not include costs associated with existing development. The City is responsible for funding the demand for child care from existing development. The demand for both current unmet child care and demand from new development are estimated by age group, including:

- Infants (0-2);
- Preschool (3-5);
- School Age (6-13); and
- Special Needs Children (all ages).

The demand and supply for child care is based on data from Child Care Coordinating Council of San Mateo County, Inc.'s most recent "Needs Assessment" report, which addresses child care needs in the entire County and for each city.

The study provides an overall description or master plan for the provision of the required child care facilities and includes the use of seven types of child care facilities/providers as a means of meeting projected demand. Average costs are assigned to each of the seven types of facilities/providers to estimate the total cost of providing child care in the City over the next 20 years or the life of the current General Plan.

The following describes the major assumptions, inputs, methodology, and findings of this study.

- The City expects to add about 2,800 new housing units or 7,000 residents and about 35,800 new jobs over the next 20 years. This represents about 29 percent of total development at buildout of the General Plan.
- About 13% of population is assumed to be children of the ages 0 to 13, which require child care, i.e., with working parents, based on existing demographic data for the City.
- About 5% of employment is assumed to need child care near their place of work and one child or one child care space per employee is assumed. This demand is limited to infant and preschool.¹
- There is about one licensed child care space for every four children from working families that require child care. Infant and special needs care are especially underserved in the City.

¹ It is assumed employees' children in the school age group would be in day care near their school or place of residence.

- After accounting for existing child care spaces, which total about 2,400 spaces, there will be demand for about 9,600 additional spaces over the next 20 years, 25% of which is associated with new development.
- About 50% of this demand is expected to be met by unlicensed child care providers, family and relatives, friends or by parents working alternate shifts.
- The City plans on providing slightly over 4,800 new spaces with an estimated cost of \$43.9 million over 20 years. The following types of child care are included in the Master Plan:
 - New centers
 - Expansion of existing centers
 - New spaces in leased commercial space
 - New family child care homes
 - Expansion at existing family child care homes from 8 to 14 spaces
 - New spaces with the South San Francisco Unified School District
 - New spaces with the City Parks and Recreation Department
- About \$11.3 million is associated with new development, which represents the provision of about 1,200 new child care spaces.²
- The cost of providing for child care by General Plan land use category is estimated and divided by development expected to occur in each land use category to create the impact fee, as follows:

▪ Single family:	1,736 per unit
▪ Medium Density:	\$1,630 per unit
▪ High Density:	\$1,624 per unit
▪ Commercial/Retail:	\$0.60 per sqft
▪ R&D Office:	\$0.50 per sqft
▪ Hotel/Visitor:	\$0.16 per sqft
- The impact fee revenue will be used to create several funding mechanisms to provide child care, including 1) Direct City Funding of new projects; 2) Low-Interest Loans to new or existing child care providers/facilities; 3) No-Interest Loans; 4) Grants with Matching Requirements; and 5) Outright Grants.³
- There are several funding options for the City to provide for the \$33.1 million in child care facility costs associated with existing development. Over the next 20 years this equals about \$1.65 million per year on average. The City already has about \$2.3 million budgeted for about 180 new child care spaces for 2002. These funding sources could include a combination of the following:
 - State and Federal Grants and Other Outside Funding
 - General Fund Allocations

² A 5% administrative cost factor or about \$540,000 is included in this cost to cover the City's cost of administering the fee over the next 20 years or life of the General Plan.

³ Low interest loans and outright grants would have certain restrictions and requirements.

- Redevelopment Tax Increment
- Community Development Block Grants
- In-kind Contributions of land or facilities
- Parcel Tax (optional, and requires voter approval)

Next Steps

The following represents the next steps that will need to be taken by the City of South San Francisco to adopt a Child Care Impact Fee and implement the Child Care Master Plan. These are presented in approximate order but the actual order could vary slightly depending on the direction the Council chooses to take and other factors.

- Adopt child care fee ordinance and resolution
- Establish child care fee fund
- Expand child care master plan
- Hire child care fee administrator
- Add child care to city's CIP and identify funding sources
- Develop low-interest loan and grant programs
- Establish annual review process for fee program

City staff will be working with Council and Brion & Associates to develop a long-term plan for meeting the City's obligation, and to develop the City's administrative process for collecting and distributing the fund over the next 6 to 8 months.