When Diana decided not to renew the lease for one of her preschool sites, she knew it would be a huge task to find a new space. So she and her board of directors decided to consolidate facilities by remodeling their center in Minneapolis. Children with disabilities from low-income families depend on Diana’s team for therapeutic care and education. Diana wasn’t going to let these families down.

Anthony was at capacity in his leased space and wanted to purchase and renovate a building near an elementary school in his community. The new building would allow him to serve more children, especially those from low-income families where the parents often work second- and third-shift jobs.

Both Diana and Anthony faced the same daunting challenge of developing and financing the specialized — and expensive — space children use to learn and play. Like many other center directors across the country, they are experts in early care and education, not in facilities design and construction.

We know that a high-quality facility contributes to high-quality care and education. We also know that a well-designed facility builds parent confidence and creates a positive reputation for your center. Jerry Cutts, CEO of First Children’s Finance, says, “When parents drop off their child at an early care and education center, they should have a really good feeling when they walk up the sidewalk. When they let go of their child’s hand, they should feel confident about the care and the environment.”

According to the National Association for the Education of Young Children: “The physical environment sets the stage and creates the context for everything that happens in any setting — a classroom, a play yard, a multipurpose room. It is a place where children and staff spend long hours each day; where routine needs are met; where relationships develop, skills are learned, abilities are enhanced, and attitudes toward school and learning are formed. For all these things to happen well, program planners must carefully design the physical environment.”

Planning new or refreshed space is an opportunity to think about where your business is going and how you can align your dreams for children with your business goals. So what should center directors know about space development? For those who are building or remodeling, what considerations will make the process easier? Whether your project is a simple upgrade or construction of a new building, the following principles apply.

Designing your new space

- **Space must balance and support the interests and needs of the children, staff, and parents.** The objectives of early care and education are complex, requiring facilities that accommodate all facets of the child’s experience. Space can’t merely support care; it must also support education. It can’t just be about learning; it must also be about the health and well-being of the children. It must motivate staff and enhance their satisfaction. Space must also invite parents to visit and get involved.

- **Designing facilities is more than just creating four walls and a floor.** Your architect may not understand how specialized child care space is. Not only does it need to be ‘kid-friendly’ (e.g., height and size of toilets), it needs to include attention to such things as customized care areas for children of different ages, lighting, flooring, educational
resources, food service, administrative space, and accessibility for children with disabilities. You may also want to include enhancements to honor the cultural and ethnic backgrounds of your client families. Retaining a good architect is a must. The architect’s expertise in design and development, plus your expertise in child care, will result in a space you will all be proud of.

Government, licensing agencies, and accrediting bodies all have requirements and standards for child care facilities. Before you begin any planning, check your state child care licensing requirements and local building regulations to ensure you understand current requirements for remodeling or constructing new child care spaces. If you are seeking accreditation, build those requirements into your design, striving to exceed the minimal expectations. You may want to check out the resources and links available at the National Children’s Facilities Network (www.ncfn.org).

Determining preliminary feasibility

Make sure your center is ready to undertake a project:
- Is your financial track record a positive one?
- Do you have sound systems in place for accounting and tax reporting?
- Do you have enough cash to support ongoing operations?
- Have you been able to save enough money for a rainy day fund?
- Are you certain the demand for your services will continue or increase?
- Do you understand the demographic and economic changes in your community?

Make sure your project is a compelling one:
- Will it motivate stakeholders and funders to support it?
- Does it have the enthusiastic support of your board of directors and staff?
- Does it meet a market need?
- Does it solve a problem (e.g., you’ve lost a lease) or create an opportunity (e.g., you want to serve more children)?
- Are you doing the project for the right reasons — not just to look better, but also to improve the experience for the children?

Determine whether the project is generally possible and practical:
- What are the preliminary estimates of the project costs?
- What resources (cash) is your organization bringing to the table?
- Can you bring together a team of staff and outside professionals to pull the project together?
- Is the proposed project the right size for your organization’s level of revenue, profitability, and resources? In other words, a $2 million new construction project is not really feasible if your center is barely profitable and your annual revenue is less than a million dollars.

Find the right site: Finding a site for your new facility takes time and persistence. It must be in a safe and convenient location (with appropriate neighbors); it must be affordable; and it must be free of environmental issues. A commercial realtor can help you assess the market and advise you about purchasing or leasing a property. Your attorney can help you work through any legal issues or other complications related to the property.

If you can’t answer most of these questions positively, don’t proceed. Step back and evaluate whether your project is right for your child care enterprise at this time.

Planning for your project

Prepare a project plan and timeline. It’s important to commit to paper the entire scope of your project and how it will impact your child care business:
- Describe your goals — what you want to accomplish — for the new space and how you will accomplish them.
- Plot milestones you will need to achieve from the beginning through the opening day celebration. The calendar should be as specific as possible.
- Assume tasks will take longer than you wish, and plan for it. As you move through the project, make adjustments as necessary.

Prepare a detailed project budget and financing plan. Banks often call this a “Sources and Uses of Funds Statement.”
- Estimate carefully how much the project will cost, including ALL costs and fees.
- Be realistic about what you can afford.
- Make sure you get firm bids and cost estimates from reputable contractors and suppliers.
- Don’t forget ‘soft costs’ such as the cost of an appraisal, title insurance, environmental assessments, and lender financing fees.
- Be sure to budget for working capital to pay bills if the project will close or disrupt your business, and don’t forget moving costs.

All of these items are your ‘Uses of Funds.’ Now think about where the money will come from to pay for these project uses. These are your ‘Sources of Funds.’ Grants, donations, loans, and existing cash reserves are all options. Never start your project until you have in place all the money you need to complete it.

Prepare an operating budget. Make sure your operating budget includes any new costs associated with your new space, such as additional real estate taxes,
insurance, maintenance, and loan interest payments. Ask yourself:

- Are your financial projections realistic and reasonable?
- Are your assumptions detailed enough?
- Is the business cash flow able to pay all operating expenses, repay existing loans, and repay any new loans?

If your child care organization is financially healthy and your project is feasible, consider taking advantage of borrowed funds as part of your financing plan. Loans can help you stretch limited resources, pay for costs over time instead of all at once, and establish business credit. Loans may also be combined to fund larger projects. There are many sources of financing for child care enterprises, including banks, the U.S. Small Business Administration (SBA), Community Development Centers (CDC), and First Children’s Finance. Some community lenders also offer technical assistance to improve business management skills. For more information about loans, log onto www.sba.gov and www.firstchildrensfinance.org.

Managing construction

Assume it will take longer and cost more than you originally assumed. This is the stark reality of any construction process. At every step in the process, evaluate where you are and make the adjustments that will continue to advance the project. There are hundreds, if not thousands, of small decisions that need to be made along the way. That’s normal. Making the decisions quickly, but in a smart way, will keep the project moving.

Hold your contractor accountable for results and staying on budget. This is the hardest part of a construction project. It often requires very assertive behavior. It always requires a detailed contract with specific costs and clear expectations before the project starts. The contractor is not there to be your friend. He is there to deliver the highest quality facility for the best price on time and on budget.

Do not consider being the general contractor yourself. The general contractor oversees the project beginning to end, getting bids, hiring and working with the subcontractors, ordering supplies and materials, paying the bills, solving problems, suggesting enhancements to the original plan, and having accountability for the end result. Since it is more expensive to have a general contractor, it is tempting to assume those responsibilities yourself. Don’t do it. Construction is a very complicated process that requires expertise you don’t have. It is worth the cost to have a good general contractor. After you have your project plan drafted, interview several general contractors. Get references, and visit a property the contractor completed. That way you will work with someone you can trust with a track record of success.

It is clear that facilities enhancement takes time, hard work, and faith. It is challenging, frustrating, and rewarding at the same time. It’s all worthwhile when you watch the excitement and see the awe of the staff, parents, and children when the doors to your beautiful new early care and education space open for the first time.

For more information about child care facilities development and financing, visit:

First Children’s Finance
www.firstchildrensfinance.org

Local Initiatives Support Corporation / Community Investment Collaborative for Kids
www.lisc.org