

A GUIDE FOR DEVELOPING  
CHILD CARE FACILITIES  
WITH AFFORDABLE HOUSING

# Choosing *a Provider*



BUILDING    SUSTAINING    LEADING

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# Choosing *a Provider*

## Summary

Frequently, developers already have relationships with a child care provider who they know would be an excellent partner and whose program and services would be a good match for the anticipated demographic of the future residents and the current demographic of the surrounding neighborhood. However, a developer may want to broaden its search. This chapter provides methods for identifying new providers and suggested criteria for selecting a provider.

## Methods for Identifying Providers

There are three commonly used methods for identifying providers:

1. Referrals from the Local Planning Council, Resource and Referral Agency, or City child care coordinator
2. Request for Qualifications or Proposals
3. Provider partner already selected by local government entity which is issuing a Request for Qualifications or Proposals for a housing developer

### 1. REFERRALS FROM INTERMEDIARY ORGANIZATIONS

The Local Planning Council (LPC), local Resource and Referral Agency (R & R) or City child care coordinator that serves the community in which the housing development will be located can supply a list of providers that serve the area and frequently will know if a provider needs space to expand and/or may have the capacity to do so. Letting the staff person at these organizations know what kind of provider you are looking for and what criteria matter most to your development will help them identify suitable partners. Since these staff are also aware of the need in the area (e.g., age groups, income, part day or full day), the referral frequently goes beyond identifying potential providers to providing information on the type of child care center that will be successful and is needed in the area. The staff may also help the developer identify qualities of an appropriate operator based on anticipated demographic of the future housing residents as well as other factors.

### 2. REQUESTS FOR QUALIFICATIONS OR PROPOSALS (RFQ OR RFP)

A Request for Qualifications or Proposals sent to all providers in the local area or region is a generally acceptable and fair way to select a provider. Issuing an RFP or RFQ addresses any community concerns on the fairness of how the provider was selected and paves the way for community acceptance of the provider. Like any RFQ or RFP, the request should outline all of the criteria that are important to you as a developer and/or owner. Recommended criteria are outlined below under “Criteria for Evaluating a Provider.” Samples of RFPs developed or used by Child Development, Inc., LACDC and BRIDGE are in the Appendix.

### 3. PROVIDER PARTNER ALREADY SELECTED BY LOCAL GOVERNMENT ENTITY

The local government entity issuing the RFP or RFQ has already selected a provider or a small group of eligible providers, or has provided specifications as to the type of child care to be included in the development.

## Criteria for Selecting a Provider

Following is a list of criteria which can be used to identify the best match for you as a developer and for your development for the long term:

1. Programmatic Approach and Service Population
2. Financial Health and Fundraising Ability
3. Licensing, Accreditation, Track Record
4. Facilities Development Experience
5. Readiness to Partner
6. Visiting their Centers
7. Experience Co-locating with Housing and Other Types of Development.

Since it is frequently difficult to find a provider with strength in all of these areas, prioritizing the criteria and creating a point-ranking system can be useful. For example, an excellent service provider may not be a strong development partner, and vice versa. An RFP, RFQ, or a list of questions for initial meetings can serve as a useful tool for gathering information to compare providers. After the developer has evaluated and selected a provider partner, it can be useful to maintain records of the organization's evaluation of providers. While it is beneficial to select the provider early for the many reasons that will be described in this handbook, the developer or provider may decide the partnership does not make sense as the project is refined, e.g., demographic change in the resident population, changes in the provider's program, etc.

### 1. PROGRAMMATIC APPROACH AND SERVICE POPULATION

Assess whether the provider's programmatic approach is a good match for the targeted population. Providers espouse a wide range of standards and philosophies for childhood development and curriculum, utilize a variety of assessment measures and tools to gauge whether or not their program is achieving the desired results, and specialize in serving specific populations, i.e. age groups, special needs, cultural and linguistic groups. The provider's programmatic approach can be compared to the initial market demand and supply analysis results, described in Chapter II.

#### PROGRAMMATIC COMPATIBILITY:

- Does the provider's mission and educational philosophy match well with the population to be served?
- What kinds of corollary services and resources for families does the provider offer, e.g., onsite social service, health, and psychological personnel, bilingual services, parenting classes for single mothers, community outreach and/or neighborhood events? How often are these services offered and what staffing is provided to support these services?
- Is the provider willing to provide a preference for housing development residents?

**QUALITY:**

- Has the provider's programmatic approach resulted in good outcomes for a service population similar to the one your center plans to serve?
- What kinds of activities are used to teach children?
- Are there clearly articulated child care and academic standards set for teachers and students for each age group?
- Is there a system in place to measure the success of the provider's educational practices?
- Does the provider conduct regular evaluation of their program?
- Does the provider make programmatic changes to address deficiencies or maintain consistency to ensure quality is maintained?

In comparing providers, be aware of quality and cost trade-offs. Providers must balance quality and cost in their programmatic decisions since these decisions have direct and rapid implications for quality and cost in the world of child care. For example, better staff-to-child ratios increase personnel costs per child, and additional corollary services for special needs populations increase staff and other costs.

## 2. FINANCIAL HEALTH AND FUND-RAISING

Most child care providers who serve low-income families are in the child care business because they have a vision of providing a quality and needed service for such families. The providers who have been successful for many years have mastered juggling child care regulatory requirements, quality control, subsidy requirements, and fund-raising. Financial health for child care providers is a goal they must constantly work at with closer attention to margins than many other businesses, because frequently standard expenses exceed the types of revenues that can be relied upon. Since child care budgets tend to be marginal, many operators rely upon special event and grant fund-raising for a positive cash flow. The most fiscally sound provider tends to be one that has had a long-standing public subsidy contract and a good fund development track record. Since few operators with subsidy contracts are well capitalized, failure to meet the targeted budget means in the best scenario that nonstandard services must be cut immediately and in the worse scenario that centers with marginal income and expenses statements, frequently small centers, must be closed. For the developer, underwriting a child care business involves understanding and structuring the relationship with the provider to moderate the particular risk of child care cash flow situations.

Material needed to assess the financial health of a provider and financial viability of a new center includes:

1. Income and Expense Statements for the organization for the last two years
2. Audit for the organization
3. Copies of any California Department of Education contracts or Head Start contracts
4. Income and Expense Statements for any centers held by separate entities
5. Cash flow projection and business plan for proposed center.

Guidelines for evaluating revenue and expenses are provided in the LIIF exhibit, “A Guide to Underwriting Child Care,” in Chapter V: “Financing.” It is advisable to assess what percent of the overall organizational budget and of the new center budget depends on special event and grant fund-raising and what the provider’s track record has been in raising these funds in the past. In reviewing the length of contract and amount of subsidy contractually obligated, find out how long the provider has had the contract, since many are subject to annual renewals but can be relied upon if the provider has had the contract for a number of years. Also, clarify contractually how much of the subsidy will be obligated for the new project.

### 3. LICENSING AND ACCREDITATION TRACK RECORD

Ask the provider about their licensing and accreditation track record and check into it. For additional information please refer to section Licensing and Accreditation in Chapter I, “California Child Care System—A Primer.”

#### LICENSING:

Using the facility’s state license number, name and address, anyone can check a facility’s licensing record through Community Care Licensing. This check can be done by phone to the local Community Care Licensing office in cities with a local office or to the State for smaller areas. Community Care Licensing is organized into regional offices: a list can be found at <http://cclid.ca.gov/res/pdf/CClistingMaster.pdf>. A more in-depth review of a facility’s licensing record can also be done in person. Community Care Licensing will make the facility’s public record file, which contains all annual field reports, deficiencies, problems, and complaints about a facility, available for review by appointment. This information can also be requested from the provider, but acquiring the material directly from Community Care Licensing is recommended. Frequently, more meaningful information may be garnered from Community Care Licensing’s explanation of the licensing record. License deficiencies are identified typically during annual inspections, and license violations are typically the result of written complaints from parents. If complaints are serious, they will be investigated by a licensing analyst. It is useful to maintain a perspective on the provider’s licensing record by balancing the record with third-party references and the developer’s own observations. Community Care Licensing categorizes deficiencies and violations into serious and less serious categories. Serious deficiencies or violations cause risk to health and life safety; a provider can lose their license for failing to address a health and life safety risk. Less serious deficiencies or violations may be areas which need improvement but do not pose any serious risk. As with building codes, determination of risk is subject to interpretation. One of the most common life safety violations for providers is exceeding state teacher-child ratio limits. Some providers do so to improve their bottom line. Some questions to consider include:

- What have been the results of the provider’s state licensing inspections for the last two years?
- Are there any deficiencies or violations? Were any of them violations of life safety issues? When did the deficiency or violation occur?
- Has the provider ever had a license revoked or are they on probation awaiting a hearing?
- Have corrections been made to address identified problems?

**ACCREDITATION:**

The National Association for the Education of Young Children (NAEYC) is the accreditation agency for child care centers that serve children under the age of five and is described in Chapter I, “California Child Care System—A Primer,” and in Chapter VI, “Designing Child Care with your Housing Development.” Achieving accreditation is a sign of quality, since NAEYC accreditation standards are high. NAEYC provides best practices for ten program areas: relationships, curriculum, teaching, assessment, health, teachers, families, community partnerships, physical environment, and leadership and management. However, achieving accreditation initially is costly and labor-intensive, and carries an ongoing maintenance cost as well. While many providers may follow NAEYC guidelines, few facilities in the State of California (approximately 10% at the time of this writing) are NAEYC accredited.

**4. FACILITIES DEVELOPMENT EXPERIENCE**

Operators’ understanding of the development process varies dramatically. Most child care programs operate in leased space at a reduced rate and make facility and site modifications only when absolutely necessary and funding is available. Few (except in some urban areas) have participated in the development of their center(s) or worked closely with a developer to co-locate their facility. However, there are a few providers who routinely develop their own facilities to suit or have developers do so for them. If the provider has development experience, they will bring many of their own expectations to the table. It is generally easier to work with a provider that has some understanding of the development process. A provider with prior development experience will have an idea of the staff capacity required to work with the developer and can plan and budget for the start-up of a new center more realistically. Many providers developing their facilities for the first time need technical assistance in order to avoid pitfalls with the start-up of a new center. Since some financing sources dictate a timeline for the opening of the center and/or there are cost considerations in terms of interest accrual, it is important to ensure that the provider gets this technical assistance whether from the developer, the architect, a child care development consultant, or from another entity. The local city child care coordinator, the Low Income Investment Fund, and/or Local Investment in Child Care are key resources (refer to the section “Resource Agencies” in the Appendix for the contact information).

When evaluating the level of development experience of a potential operator partner, ask for a list of their centers, and ascertain any involvement they may have had in developing them. To assess if you and the provider would make good development partners, follow up with a dialogue about what each of you expect from the development process, how involved each of you want to be in a new center’s development, who will be responsible for securing capital funding for each phase of the development, and how they handle communication during the development process. Also, talk with developers the provider has partnered with in the past.

## 5. READINESS TO PARTNER

The following factors should be considered when gauging if an operator is prepared to embark on developing a new center:

- Amount of time the development process allows for the operator to prepare;
- Quality and availability of technical assistance;
- Dedication of capable staff from the operator (not only board members and consultants) with sufficient experience, authority, and capacity to handle each aspect including design input, fundraising, center licensing, and marketing;
- Financial health and a strong fiscal and management track record over a number of years;
- Realistic assessment of the work required to expand or relocate to a new center;
- Ability to develop a realistic business plan including financial projections (five years ahead preferable) and a well thought out market study that illustrates the demand for the new or relocated services (refer to Chapter II: “Assessing the Market”);
- Commitment to give input in each phase of the development and to communicate in a timely and effective manner.

## 6. VISITING PROVIDER CENTERS, CHECKING REFERENCES

Visiting a provider's main office and touring one or two facilities of comparable size and service population will give you the opportunity to see how it operates, how it is organized and whether the provider will be a conscientious tenant. A center co-located with affordable housing is an excellent choice for a tour so you can assess how the center shares resources and interacts with the resident population. Check landlord references. Also, if the landlord is willing to share information, they can be an excellent source for maintenance costs. The provider's existing facility is not always a good gauge of the type of center they would like if they are in a space which they had to work with as opposed to a space designed to suit.

## 7. EXPERIENCE CO-LOCATING WITH HOUSING AND OTHER TYPES OF DEVELOPMENT.

A provider that has leased commercial space within a housing development will have knowledge and experience with property management concerns, many of which are discussed in the following section. The provider may also have experience working with a developer in the development-design process.