

LINKING CHILD CARE DEVELOPMENT AND PUBLIC SECTOR REDEVELOPMENT

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NATIONAL ECONOMIC DEVELOPMENT AND LAW
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BACKGROUND

NATIONAL ECONOMIC DEVELOPMENT AND LAW CENTER

The National Economic Development and Law Center, established in 1969, is a non-profit public interest law and planning organization that specializes in community economic development. It works in collaboration with community organizations, private foundations, corporations and government agencies to build the human, social, and economic capacities of low-income communities and their residents. NEDLC helps to create both strong, sustainable community institutions that can act as "change agents," and an effective local infrastructure for their support.

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TABLE OF CONTENTS

What is Redevelopment	1
Why Child Care is Important to Successful Redevelopment.....	2
Possible Action Steps to Link Child Care Development and Redevelopment	3

WHAT IS REDEVELOPMENT?

"Redevelopment" or "Urban Renewal" refers to a public sector process for revitalizing distressed or "blighted" communities, using a variety of public sector tools, including eminent domain and tax-increment financing. Local redevelopment agencies often work in partnership with private sector developers under state enabling legislation. They target low-income neighborhoods and communities that meet a statutory test of "blight." The redevelopment agency uses the power of eminent domain (or the threat of eminent domain) to assemble large parcels of land for transfer to the developer. The agency also sells bonds to finance large-scale development activities, such as commercial and office space, hotels, and middle-income housing. The redevelopment agency is allowed to pledge the increased property taxes from the area ("tax increment") for the repayment of the bonds.

Redevelopment typically occurs in two phases -- adoption of a redevelopment plan and implementation of the plan. The redevelopment plan identifies the area targeted for redevelopment, provides for the legal and financing powers that are needed for redevelopment, and describes in general the kind of development that is planned. After a public process for development and approval of the plan, implementation occurs. During implementation, land is acquired, homes are bulldozed and many residents of the area may be relocated to make way for the new development.

Increasingly, community advocates are organizing to have an impact on a proposed redevelopment plan. They may seek to stop the redevelopment plan altogether, or they may seek ways to make it work more for the benefit of existing residents. For example, they may seek to limit displacement of existing residents and put in place mechanisms to help existing residents enjoy some of the jobs and other economic benefits generated by the proposed redevelopment.

WHY CHILD CARE IS IMPORTANT TO SUCCESSFUL REDEVELOPMENT

If redevelopment is evaluated on the basis of its positive benefits for existing residents of a distressed neighborhood, a concern for child care development should be part of every redevelopment planning process.

Low-income communities need affordable, quality child care. The lack of affordable child care greatly limits a community's ability to implement comprehensive economic revitalization programs and to create employment opportunities for community residents. Quality child development services help solve long-term social problems that otherwise may thwart public-sector redevelopment efforts. In short, providing quality child care should be a fundamental tool in the eradication of blight.

Accordingly, where redevelopment agencies are committed to promoting employment and economic development for *existing* residents of redevelopment areas, an important complementary strategy is the development of affordable, quality child care services. Community development activists should encourage redevelopment agencies to focus their considerable powers and resources to meet this critical need.

This paper will review several steps that community economic development advocates and child care advocates might pursue to encourage redevelopment agencies to help meet the child care needs of residents of redevelopment areas. Although many of the examples cited here are from California, California's redevelopment law is not so different from that found in many other states. While state redevelopment statutes may differ in some details, California's law is typical of how redevelopment works in many states.

Any local effort to link child care development and redevelopment will benefit from collaboration between low-income community advocates and local child care organizations. Some local jurisdictions have a Child Care Coordinator within the city or county government whose responsibility is to identify the ways different government agencies can respond to child care needs. In addition, many cities and counties throughout the country have a child care resource and referral network (R&R) with extensive knowledge of child care demand and supply and the availability of resources to support child care development. These resources should be consulted to help bring into focus child care demand and supply in the proposed redevelopment area and other resources that can be coordinated with the resources of the local redevelopment agency.

POSSIBLE ACTION STEPS TO LINK CHILD CARE DEVELOPMENT AND REDEVELOPMENT

·Support the adoption of a child care policy by the redevelopment agency.

The first step a redevelopment agency may take to fulfill child care needs is to adopt a comprehensive child care policy (this may be part of a broader human needs policy such as that adopted in the West Hollywood Redevelopment Area). Such a policy would recognize child care as a fundamental tool in achieving the goals of redevelopment: eradication of blight, job creation and economic growth. The policy would also identify steps the agency will take to implement the policy. It should apply to all redevelopment project areas and require consideration of child care strategies in connection with both new redevelopment plans and projects implementing existing plans. The Los Angeles Community Redevelopment Agency has such a policy.

The advantage of this approach is that it builds child care goals into the "constitution" of the agency. It provides a basis for discussing child care needs in the context of a wide scope of agency activities.

·Review new redevelopment plans and specific redevelopment projects to identify a nexus between the proposed activities and child care needs. If an agency has adopted such a policy, the agency should implement and support the policy in redevelopment plans and actual projects undertaken pursuant to those plans. Obviously, the existence of a strong child care policy makes the community advocate's job much easier.

Yet, even if an agency has not adopted a comprehensive child care policy, advocates can have an impact on the agency's position on child care by monitoring the adoption or amendment of redevelopment plans and the negotiation of specific redevelopment projects. Plans and specific projects should be reviewed carefully to identify how the proposed activities will affect child care demand and supply in the redevelopment area. Where the proposed plan will create new demand for child care or will eliminate or reduce existing resources (for example, family day care providers in neighborhoods targeted for eminent domain and relocation), the agency should be challenged to reverse this adverse impact by committing tax increment funds to expand the supply of child care.

Even where there is no threatened reduction in child care supply, community advocates should lobby for an *increase in services* as part of the redevelopment process. Redevelopment projects involving major private developers attract considerable public attention, and frequently involve massive subsidies to the developer. The public may be encouraged to support the redevelopment plan on the basis that it will

bring new employment to the area. With new employment comes the need for new child care services.

In those cases, a strong argument can be made for a child care component in the public/private financing partnership. Money to support child care can be gained either from the agency's tax increment funds or from the private developer as a development exaction.

·Monitor the available tax increment funds being generated by redevelopment areas. The success of any intervention will depend on the availability of money to finance child care development. As discussed above, financing for child care development can be included in new redevelopment plans as they are adopted pursuant to the child care policy. The absence of such a policy does not bar a specific commitment to child care services that can be negotiated in a Disposition and Development Agreement with a private developer.

In addition, advocates should monitor the financial performance of mature redevelopment projects where little thought may have been given to child care needs when the plan was originally adopted. Mature redevelopment areas are frequently "cash-cows" generating tax increment funds far in excess of the amounts necessary to cover principal and interest on agency debts. Redevelopment agencies also may be generating profits from speculative land leases to private developers or partnerships where the agency was promised a share of net profits. In either event the agency's resources represent a rare opportunity for funding. Of course, even in mature redevelopment areas, redevelopment agencies will have many competing priorities for the expenditure of tax increment funds. But an agency may be more willing to commit those resources to child care than to impose further financial demands on a **new** project.

·Determine whether the priority need is for facilities or for operating funding. Before entering into discussions with a redevelopment agency, it is important to understand the most appropriate role the agency can play in a specific area to support child care development. Child care is an extremely localized activity. Supply and demand and the need for facilities may differ greatly from neighborhood to neighborhood. Collaboration with the child care community is very important to insure that the agency is asked to play a strategic role in child care development, given the need and the availability of other resources.

Where the Priority Need is for Facilities, Help the Redevelopment Agency Meet the Need Most Effectively. Depending on the specifics of state enabling legislation for redevelopment, redevelopment agencies may be more willing to provide financing for facilities development than for operating support. Where a proven need for new facilities exists, such financing can be crucial to child care development. However, an agency may need education both about the terms of such financing and the appropriate programs for facilities development. For example, low-income working parents in an area are usually not able to pay fees that reflect the true costs of child care (especially if capital recovery costs for construction are included in the facility's costs). In many cases, the agency

ought to provide a lease to a child care provider that only imposes operating costs, such as maintenance and utilities, to reduce costs to parents.

It is also imperative that the agency target facilities resources to programs that will most likely succeed given external conditions. In highly income-stratified urban areas, a new child care center may not be viable, even with reduced space costs, unless operating costs can be covered by an ongoing state subsidy. If such an operating subsidy is unavailable, the agency might instead meet the facilities needs of family day care providers. These providers could operate more viable businesses in low-income neighborhoods if their homes were rehabilitated or made code-conforming. In contrast, some communities underutilize state subsidy programs *because* of the lack of licensable facilities. Finally, agencies should be alert to providing facilities for Head Start and other popular federal programs to maximize the community's ability to access federal funding.

Where the Priority Need is for Operating Support, Support Fund-Swapping and Other Creative Financing Initiatives. In many communities, facilities are available or can be financed through other programs (such as the Community Development Block Grant program or through Community Reinvestment Act commitments from banks), but the facilities are not developed because of a lack of operating subsidies to keep the programs affordable to low-income families. Redevelopment agencies may be reluctant to tackle this difficult problem if a strict construction of the state's redevelopment law only allows use of tax increment funds for construction.

In several California cities, creative "fund-swapping" agreements between the redevelopment agency and local government have accessed redevelopment money for child care operating costs. The redevelopment agency earmarks tax increment funds for certain capital projects that a local agency would otherwise undertake. The local agency can then release funds from its capital improvement budget to undertake the agreed social services.

In Los Angeles, the Redevelopment Agency has entered into such a fund-swapping agreement with the Los Angeles Unified School District. The L.A. agency will use tax increment generated by the Central Business District redevelopment project to undertake certain capital projects for the school district, in exchange for the school district's agreement to implement and fund the operating costs of a program called LA's BEST -- Better Educated Students for Tomorrow -- which will provide education enrichment, recreation, nutrition, and self-esteem programs after school hours. The redevelopment agency's budget for 1992 allocated seven million dollars to develop child care centers and support LA's BEST in 19 elementary schools around the city.

Other Funding Sources. It is worth noting that fund-swapping is just one creative means of gaining redevelopment money for operating costs. Redevelopment agencies have proven themselves to be breath-takingly creative in pursuing ends they deem desirable. It is likely that if child care (or other human services necessary to eradicate blight) could be transformed into a priority for redevelopment agencies, the agencies would quickly generate equally

creative funding alternatives including, for example, lease and sub-lease arrangements with private developers or tenants, profit sharing agreements, or land swaps. In short any method that transfers some of the profits associated with redevelopment to child care providers and the low-income residents who require the services is a candidate.

·Incorporate a child care component into the agency's housing development plans. California redevelopment law requires every redevelopment agency to commit 20% of its tax increment funds for the development of affordable housing. Yet many agencies have failed to spend those funds and are under pressure to use the funds or they will be lost.

While funds have been building in agencies' housing trust funds, housing developers have recognized the need to include child care in low-income housing developments. In large family housing projects, on-site child care contributes to the quality of life and helps control maintenance and security costs. Even in single family homeownership or housing rehabilitation programs, targeting resources to family day care providers can be effective to improve housing supply and contribute to the economic revitalization of the neighborhood.

Of course, housing, and only housing, is a legitimate use of redevelopment agency funds that are restricted for low-income housing development. There are two circumstances, however, where child care facilities might legitimately be treated as a component of a redevelopment agency's low-income housing: (1) On-site child care facilities in low-income multi-family housing projects; and (2) rehabilitation and first-time homebuyer programs for low-income family day care providers.

Incorporating On-Site Child Care Space in Multi-Family Housing

Developments. Increasingly, low-income family housing is peopled by families with one parent or two working parents. As a result of the Family Support Act and other "reform" measures designed to get single-parents off the "welfare rolls", even single parents on AFDC need accessible, quality child care in order to maintain basic economic security. For two-parent families, two incomes are increasingly essential if the family is to remain above the poverty line.

Redevelopment agencies that finance and develop affordable housing can help redefine the definition of quality multi-family housing for poor people so that on-site child care facilities are included in larger projects. Just as today, housing finance sources and local ordinances require a laundry facility for subsidized family housing, we can and should expect and demand that on-site space for children's care and children's activities also be provided. In other words, on-site child care space in multi-family housing development needs to be accepted as part of the definition of quality family housing, not as an amenity or optional ingredient.

Targeting Single-Family Housing Financing to Low-Income Family Day Care Providers. Much of the child care provided in low-income communities is provided by unlicensed, unregulated low-income family day care providers in their homes. Many of those providers could enter the formal delivery system,

become licensed, and greatly improve their quality of care if only they lived in homes that met minimal health and safety standards. Redevelopment agencies may and often do use their 20% housing set-aside for the housing rehabilitation needs of existing low-income homeowners or to provide loans to first-time low-income homebuyers. There should be no legal objection to targeting those housing finance funds to unlicensed low-income family day care providers in order to make it possible for them to live in safe, code-complying and licensable homes. In this case, the home is itself the child care facility and qualifies as housing for the family of the day care provider.