BUILDING
CHILD
CARE

A California Statewide Collaborative

THE BENEFITS of USING LOANS to MEET CHILD CARE FACILITIES DEVELOPMENT COSTS

The idea of incurring debt through loans is not one traditionally welcomed by the child care field for a variety of reasons. But, financing, if used wisely, is truly one of the most viable options for providers looking to build, purchase, renovate or expand a child care facility. Because child care is not a typical business venture, however, the lending sources listed on this website are designed to support community development, small business development, and in some cases child care projects in particular. This means that they typically have more flexible terms and interest rates than traditional lenders are able to offer. The four points below explain the benefits of using these lending sources to pay for child care facilities development costs.

1. Capital Efficiency

a. Financing allows an entity to leverage other money (e.g. savings and grants) and to make limited resources go farther.
b. Financing allows the entity to pay for costs over time (i.e. the life of the property) instead of all at once.
c. It is quite common, and usually essential, to combine multiple funding streams in order to realize a facilities development project.

2. Meet Higher Costs; Serve Families Faster

a. The supply of available loan capital is far greater than the supply of available grant funding.
b. Loan applications have a fast turn-around time.
c. Raising equity through grants, donations, savings and internal resources takes a long time.
d. Financing typically provides larger amounts of money than grant funding.
e. Capital campaigns to raise grant money and equity for facilities development can detract from other fundraising efforts geared toward components of the services you offer, such as operating costs.
f. Using financing for facilities development projects prevents you from depleting all your potential grant resources up front.
g. Grant funding is typically limited to nonprofit organizations and is rarely available to for-profit child care centers or family child care providers.
h. Financing allows you to raise greater amounts of money in less time, which means you will be able to meet higher costs and serve families faster.

3. Business Skills

a. Lenders often offer special technical assistance services to insure a high success rate on their loan products.
b. These services can foster the development of a provider's business and financial planning skills.
c. Lenders, especially community development focused lenders such as those listed in this publication, will only make a loan if it is believed that your business is capable of repaying it on the designated terms. They do not want to invest in risky ventures that may result in both the borrower (you), and the lender (them), losing money.
d. Financing is a good way to bring ownership within reach, which allows an agency to: gain long term tenure, customize the space for kids and staff, and build its financial position and stability.

4. Expand Early Care and Education (ECE) Stakeholders

a. Financing leverages interest in the ECE field from financial institutions and other economic entities that can add their voices to those already lobbying for greater attention to the importance of child care.
b. By demonstrating their success as businesses, child care providers help to encourage the expansion of additional funding streams for the field.