



Lenders With a Mission: Accessing Capital Through Non-Traditional Funding Institutions

Presented by

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Lenders with a Mission

*LISC, National Shared Services Technical Conference
Fall 2023*

Welcome!

Who's here?



Bevin Parker-Cerkez

Program Director,
Child Care and Early
Learning



Nicole Barcliff

Senior Policy Director



Cynthia Melde

Senior Program
Officer, LISC Phoenix

LISC is one of the country's largest community development organizations, helping forge vibrant, resilient communities across America.

We work with residents and partners to close systemic gaps in health, wealth, and opportunity and advance racial equity so that people and places can thrive.

What is a Community Development Financial Institution (CDFI)?

Community development financial institutions (CDFIs) are private financial institutions that are 100% dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream

Investments

Financial investments of grants, loans and equity for economic revitalization projects

Services

Research and evaluation, management and strategic services for internal and external partners

Policy & Programs

Expertise in policy and program development and implementation

Opportunity Finance Network (OFN) is a membership organization that supports CDFIs and their partners organizations. CDFI Locator tool: <https://ofn.org/cdfi-locator>

Goals for today's session



Learn about **Community Development Financial Institutions (CDFIs)** and the role they play in communities



Learn how **CDFIs work with Alliances and Networks** to access additional supports and resources for providers in their local communities



Explore further **points of connection and partnership models** that gets funding into the hands of providers

About LISC: Connecting Communities with Resources

- LISC is a financial intermediary committed to community development
- LISC is an investor, capacity builder, convener, and innovator



LISC: 40+ years of impact

SINCE
1979

\$29.7 BN
invested

\$82 BN
leveraged

S&P 'AA-' Rating

LISC is the first CDFI to tap the general obligation bond market, with a \$100 million issuance in 2017



**81.4 Million
Square Feet**

of commercial, retail and community space, including schools



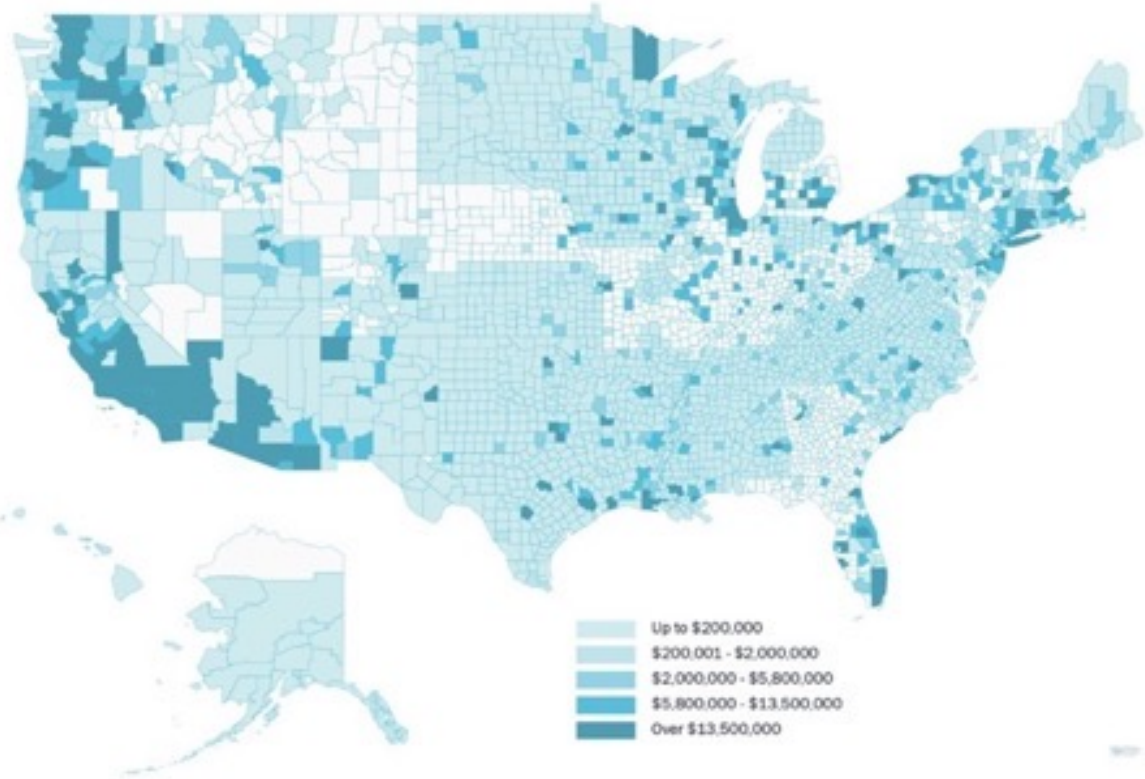
**489,250+
Homes**

Affordable homes and apartments built and/or preserved

\$466.5 Million

Total Net Assets

We've invested in all 50 states



Offices in 38 Cities

- | | | |
|----------------|------------------------------|--------------------|
| Atlanta, GA | Hampton Roads, VA | New York, NY |
| Bay Area, CA | Honolulu, HI | Newark, NJ |
| Boston, MA | Houston, TX | Philadelphia, PA |
| Buffalo, NY | Indianapolis, IN | Phoenix, AZ |
| Central IL | Jacksonville, FL | Puget Sound, WA |
| Charlotte, NC | Kalamazoo, MI | Providence, RI |
| Chicago, IL | Kansas City, MO | Richmond, VA |
| Cincinnati, OH | Los Angeles, CA | San Antonio, TX |
| Cleveland, OH | Louisville, KY | San Diego, CA |
| Denver, CO | Memphis, TN | Toledo, OH |
| Detroit, MI | Milwaukee, WI | Upstate SC |
| Duluth, MN | Minneapolis/
St. Paul, MN | Washington, DC |
| Flint, MI | | |
| Greenville, SC | | |
| Hartford, CT | | |

Rural LISC network of **2,200+** partners (nonprofits, businesses and government agencies)

A photograph of two young children outdoors. In the foreground, a young girl with dark skin and curly hair is smiling and holding a small globe. She is wearing a white t-shirt with blue, yellow, and green horizontal stripes. Behind her, a young boy is also smiling, wearing a light blue t-shirt with a graphic design that includes the words "Vintage Label" and "1965". The background is a blurred outdoor setting with greenery and a building.

LISC

How CDFI's Invest in Child Care
and Early Learning

Why Child Care & Early Learning Matters

- Approximately 90% of child care businesses in the United States are owned by women, more than half of whom identify as people of color.
- Early childhood entrepreneurs and educators operate in a broken system and challenging operating model – making it difficult to stabilize or expand their businesses.
- The nation confronts a national child care shortage and shrinking workforce.
- We recognize access to care is critical for children and families in local communities across America.
- Structural inequities stack the deck against entrepreneurs of color, who face an industry-wide challenge of inequitable access to capital and the support needed to stabilize and grow.



Space Matters

to kids,

to teachers and
caregivers,

and to parents and
families



Child Care Facility Financing Challenges: How Did We Get Here?



ROOT CAUSES OF FINANCING CHALLENGES



Operating Revenues

Insufficient Operating Revenues

- There are at least 600,000 providers in America ranging from small in-home providers to large multi-site businesses and organizations
- Funding sources are often reimbursement based
- Few parents can afford to pay for the true cost of quality care

Data

Insufficient National Data on Facilities

- There is no comprehensive national data on the quantity, type, condition, and quality of early care and education facilities
- Providers are not encouraged to document costs or needs in a way that links the quality of buildings to basic health and safety standards or the quality of programs

Gender and Race Inequity

Challenges Unique to Women Entrepreneurs and People of Color

- 90% of child care businesses are women-owned & minority-owned businesses account for 60% of the industry
- It is harder for women, particularly women of color, to acquire loans than men
- The child care field is saturated and getting noticed among competitors is difficult

CDFIs Strengthen the Child Care Sector

Supporting child care fits within the mission, vision and goals for many CDFIs across the country.



Many CDFIs are already supporting child care business operations and facilities through:

- Expertise in developing high-quality learning environments
- Management of child care facilities funds
- Lending products
- Pass-through grants
- Financial intermediary
- Technical assistance and training

CDFIs can expand existing initiatives to do more for child care, including through:

- Small business lending
- Economic development activities
- Co-location with housing development
- Support for other community assets
- Convening and partnership with community stakeholders

National Children's Facilities Network

National Children's Facilities Network (NCFN) is a coalition of more than 70+ nonprofit financial and technical assistance intermediaries and other early care and education (ECE) stakeholders involved in planning, developing, and financing high quality ECE facilities and business models.

NCFN's purpose is to:

Share information on ECE facilities issues and aligned ECE provider technical assistance and capacity building;

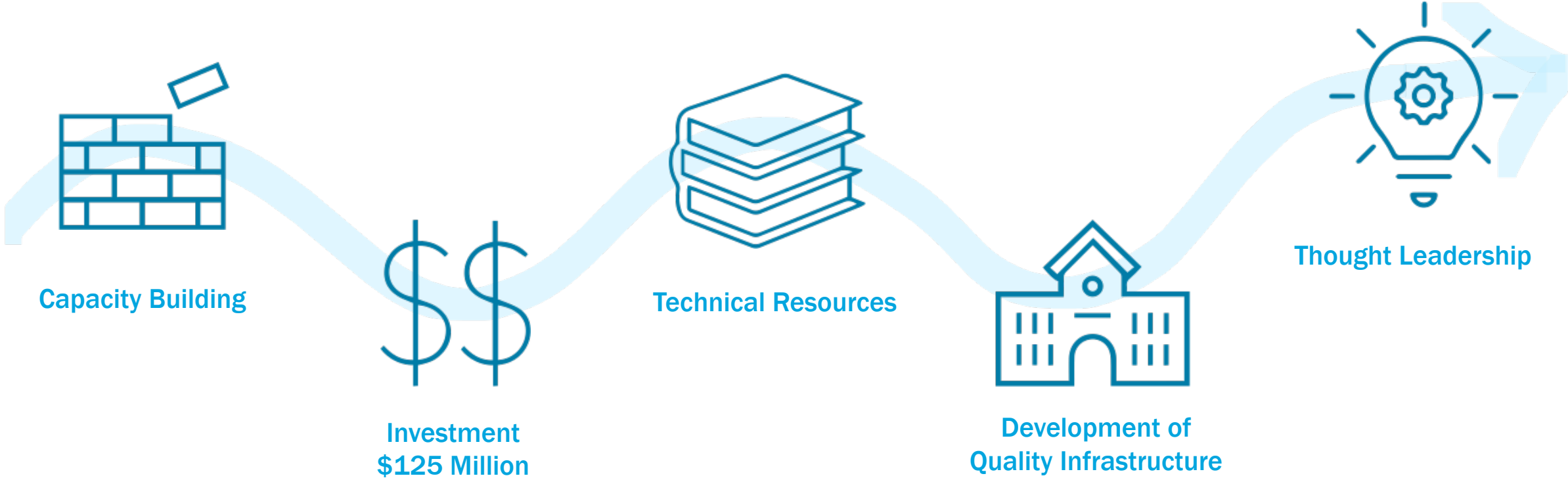
Recommend legislation and regulations affecting access to high quality ECE facilities; and

Develop and support various financing strategies, initiatives and programs.

NCFN Executive Committee

- Local Initiatives Support Corporation (LISC)
- Low Income Investment Fund (LIIF)
- IFF
- Reinvestment Fund
- Self-Help

LISC's Multidecade Mission to Support the ECE Field



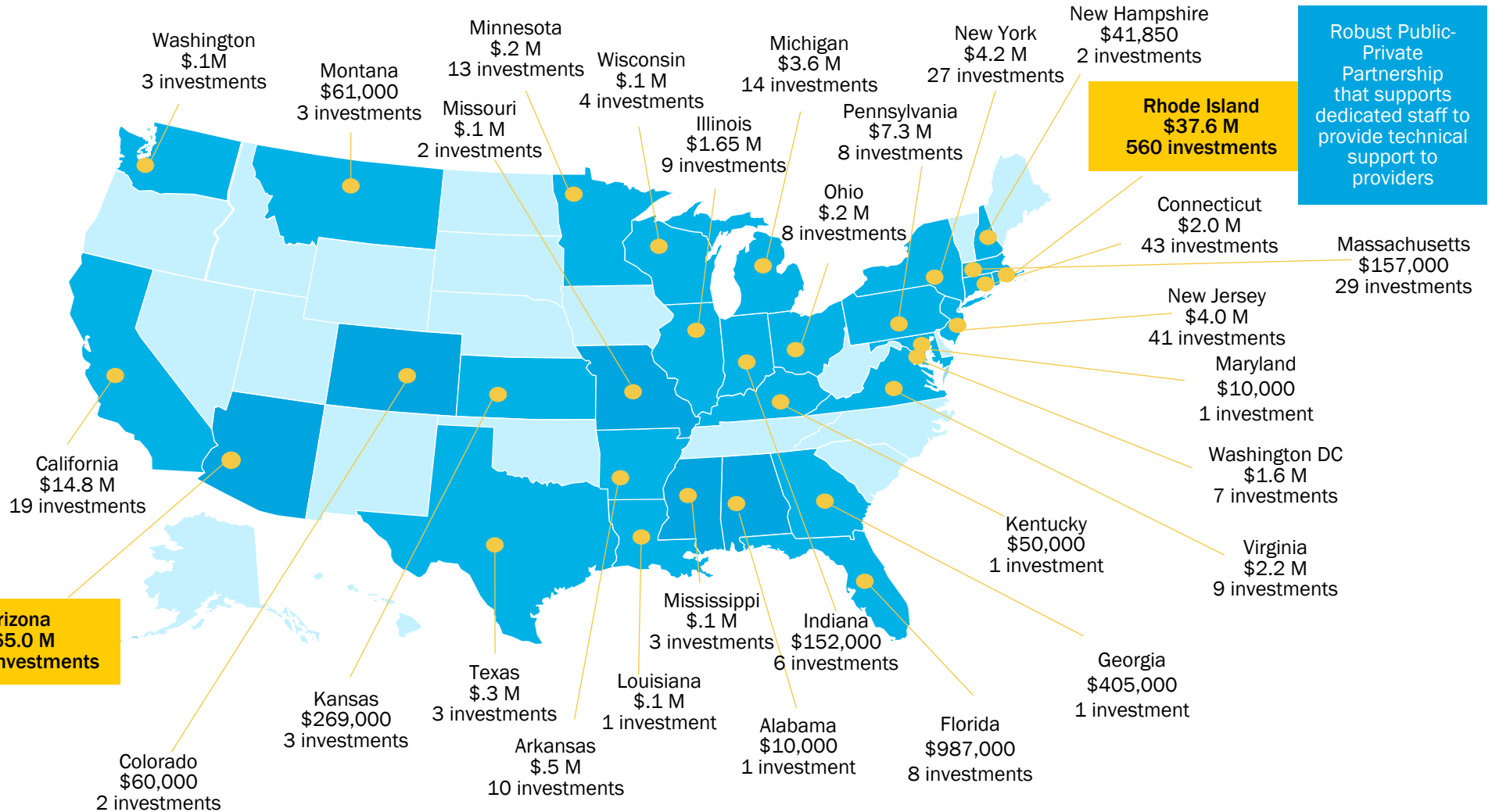
Child Care & Early Learning Facilities Investments

LISC Investments by State. Includes Loans, Grants, Recoverable Grants, and NMTC equity investments.

\$125 million
invested

\$518 million
leveraged

910
new/improved
facilities



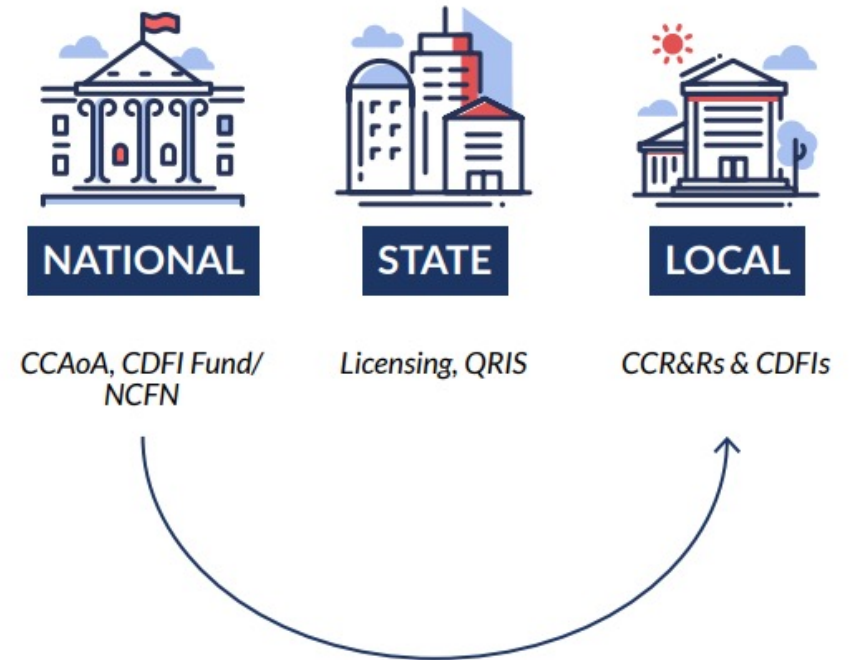
Robust Public-Private Partnership that supports dedicated staff to provide technical support to providers

Robust Public-Private Partnership that supports dedicated staff to provide technical support to providers

Alignment with Child Care & Early Learning Policy Priorities

- **Dedicated Facilities Funding**
 - ✓ Dedicated, stand-alone public-sector funding to support the acquisition, construction, and renovation of child care facilities.
- **Facilities Needs Assessment**
 - ✓ Comprehensive National Facilities Needs Assessment on the condition, quality, and availability of child care facilities across the country.
- **Technical Assistance & Capacity Building**
 - ✓ Dedicated resources for technical assistance and business capacity building for intermediaries to scale and replicate sector supports.
- **Community Development Finance Alignment**
 - ✓ Policies that incentivize utilization of community development financing tools to support child care and early learning capital projects and businesses.
- **Increased Public Sector Operating Support**
 - ✓ Increase in public funding for the entire Child Care and Early Learning Sector.

FEEDBACK LOOP FOR SUCCESS



From LISC and CCAoA paper:

[Capitalizing on the Capabilities of Child Care Resource and Referral Agencies & Community Development Financial Institutions to Stabilize and Increase the Supply of High-quality Child Care](#)

WORK IN PRACTICE

Operating a Facility Fund – *Arizona Child Care Infrastructure Grants*

Bringing Non-traditional Partners & Resources to the Table – *National LISC Programs*

Technical Expertise - *Making Space Matter*

Arizona Child Care Infrastructure Grant

LSC PHOENIX





LISC PHOENIX

Child Care and Early Learning in Arizona

A Landscape Analysis of
Challenges and Opportunities

LISC

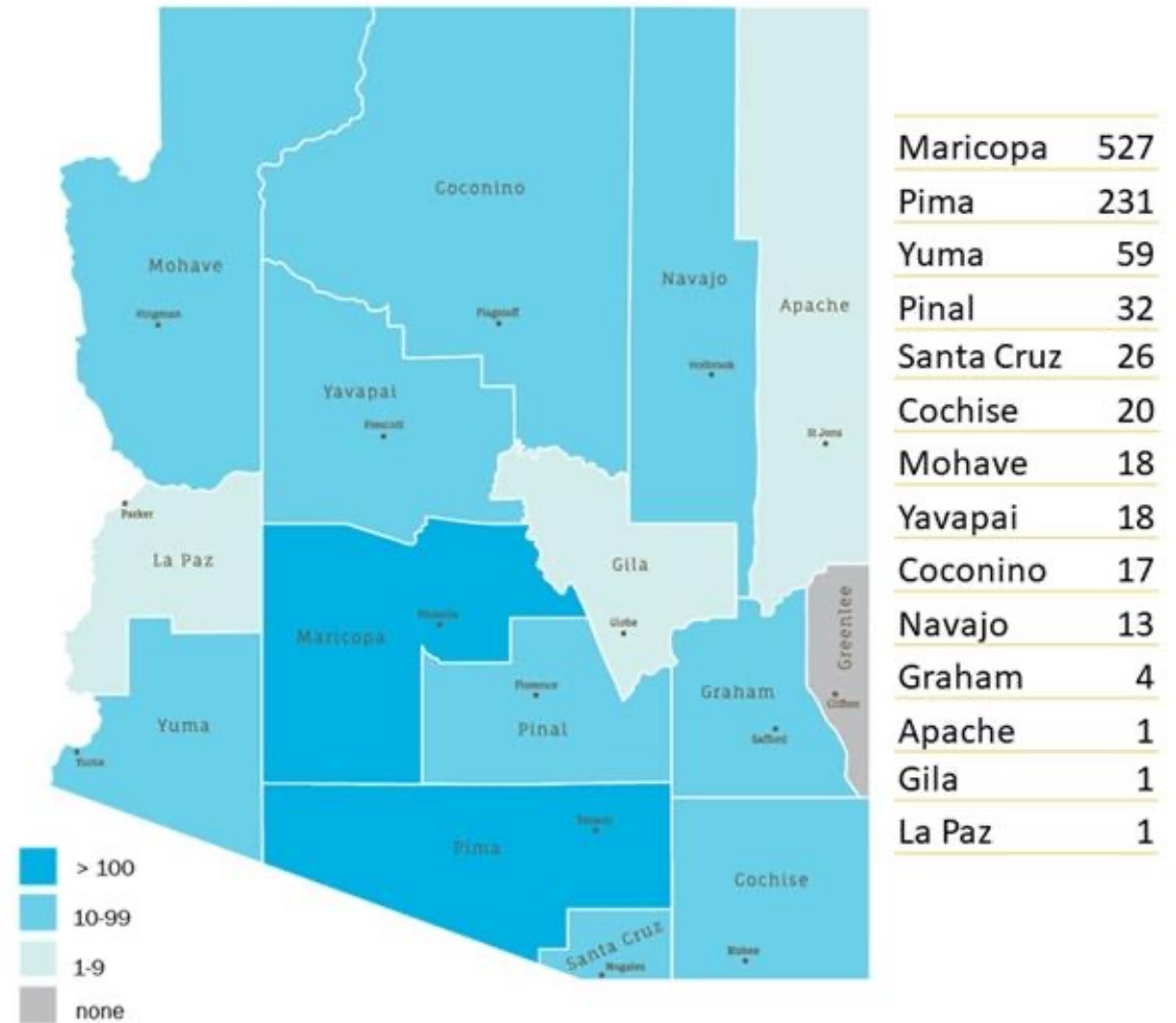
Next steps

1. Immediately work with Arizona state agencies to **leverage the federal Child Care and Development Fund** investments to address ECE infrastructure stabilization and expansion for lasting change to the ECE landscape.
2. **Establish a data agreement** with the Arizona Department of Economic Security and Department of Health Services to collaboratively identify ECE providers serving children receiving subsidies who have health and safety licensing violations to prioritize infrastructure investments.
3. **Design and implement a family-friendly integrated data platform** that brings together ECE data in a consumable format to include licensing information, contracted providers for subsidies, quality ratings, and availability for each ECE provider. Arizona's ability to address current ECE waitlists in a strategic and targeted way as well as development planning to ensure ECE providers are incentivized to build and expand where populations demanding ECE are projected to grow is limited by siloed data. This would reduce vacancies and increase revenue for ECE providers while reducing frustration for parents searching for care by more easily letting the community know of available slots.
4. Over the next year, **further relationships** that will enable the development of a long-term ECE facilities fund to include stacked funding invested from the federal and state government, philanthropy, corporations, and other stakeholders to continue to address the key needs identified throughout this report.

Grant Opportunity

- Partnership with Arizona Department of Economic Security and First Things First.
 - \$65 million for grantmaking and technical assistance from time-limited Child Care Stabilization Grants appropriated in the American Rescue Plan Act
- Goals
 - Increase quality, health, safety and capacity of child care facilities through infrastructure improvements, renovations and upgrades across the state
 - Encourage new providers to enter the child care system, especially where there is little to no access to care.

In the two weeks the application was open we received **969** applications totaling over **\$176 million** in requests.



Priority Given to Applicants Who Do/Will:



Locate in areas with limited to no access to child care

Serve 50%+ DES subsidy eligible children

Located in a low-to -moderate income community.

Offer non-traditional hours of care (before 7am and after 6pm on weekdays and weekends)

Serve infants and toddlers

Serve children with physical and/or developmental disabilities

Have a waitlist

How Much Funding Can I Qualify For?

Note: These are proposed ranges. Projects will be considered on a case-by-case basis (i.e., complexity and needs). Funds will be available until exhausted.

<i>Applicant Provider Type</i>	<i>Grant Ranges</i>
ADHS Licensed Center-Based	\$25,000 - \$300,000
ADHS Certified Small Group Home	\$5,000 - \$50,000
ADES Certified Family Child Care	\$5,000 - \$25,000
Military Child Care	\$5,000 - \$300,000
Tribal Child Care	\$5,000 - \$300,000
Expansion to New Center-Based Location	**
New Entrants- Center-Based*	**
New Entrants- Home-Based*	\$2,500 - \$5,000
Family, Friend & Neighbor*	\$2,500 - \$5,000

* Must attest to pursuing ADES certification or ADHS licensure/certification *and* ADES contracted status

** New locations and new entrants will be on individualized basis to determine actual grant amounts.

I Have SO Many Needs - How Do I Figure Out What to Apply For?



Do you have an “Infrastructure Assessment”?

- Do you have a Continuous Quality Improvement Plan (conducted by Quality First and other quality improvement programs)? Are there recommended renovations, furniture, fixtures, equipment or materials identified that would improve your physical space or program quality?
- Has a partner organization or technical assistance provider completed an environmental ratings scale assessment or similar (ECERS, FCCERS, ITERS, SACERS, CLASS, BAS) that identifies physical space or program quality improvements?
- Do you have a scope or proposal for repairs from a licensed and insured contractor (all trades)?
- Do you have ADHS licensing compliance/ violation report that identifies infrastructure or facility items that need to be addressed?

If the answer is no, that is ok! :

- A facility self-assessment ([click here for LISC assessment resource guide](#))
- Contact azchildcare@lisc.org to be connected to a technical assistance provider who can help assess your space and determine your needs

What Can I NOT Apply for? *

Major Renovations (structural changes to building or removal of load-bearing walls)

New construction

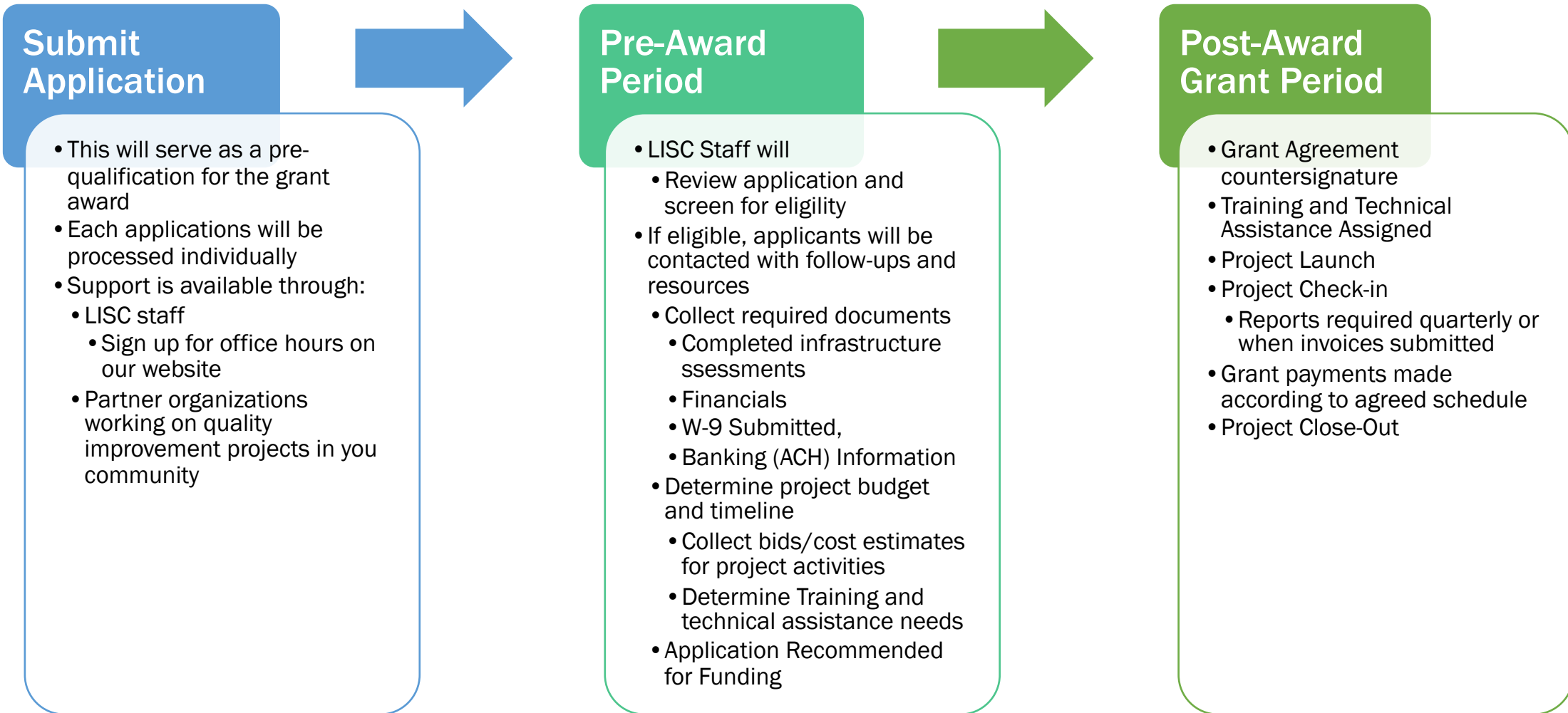
Increasing square footage of existing building

Purchasing land or buildings

Utilizing funds for legal counsel



Grant Making Process



Technical Assistance is Teamwork

On-the-ground Technical Assistance Partners

- Candelen
- Child & Family Resources
- Easterseals Blake Foundation
- Southwest Human Development
- United Way of Tucson and Southern Arizona

LISC Grant Management Support

- Daily Office Hours
- Email and Helpline
 - Evening and Weekend Support
- Bilingual Staff
- Video trainings and Website

Vendors

- Foundation for Senior Living (Renovation consultant)
- Suppliers
- Contractors and Trades

State Systems

- Arizona Department of Economic Security Division of Child Care
- First Things First
- Arizona Department of Health Services Bureau of Child Care Licensing
- Arizona Registrar of Contractors

What does a child care operator need in place to get funding?

Reflecting on your local child care ecosystem

- What resources are available to providers?
- Who is getting funding to providers?
- What documents do providers need to submit for funding opportunities?



Grant Impacts



511 child care facilities supported



\$59,630,560 awarded to child care providers



2700+ new child care slots created

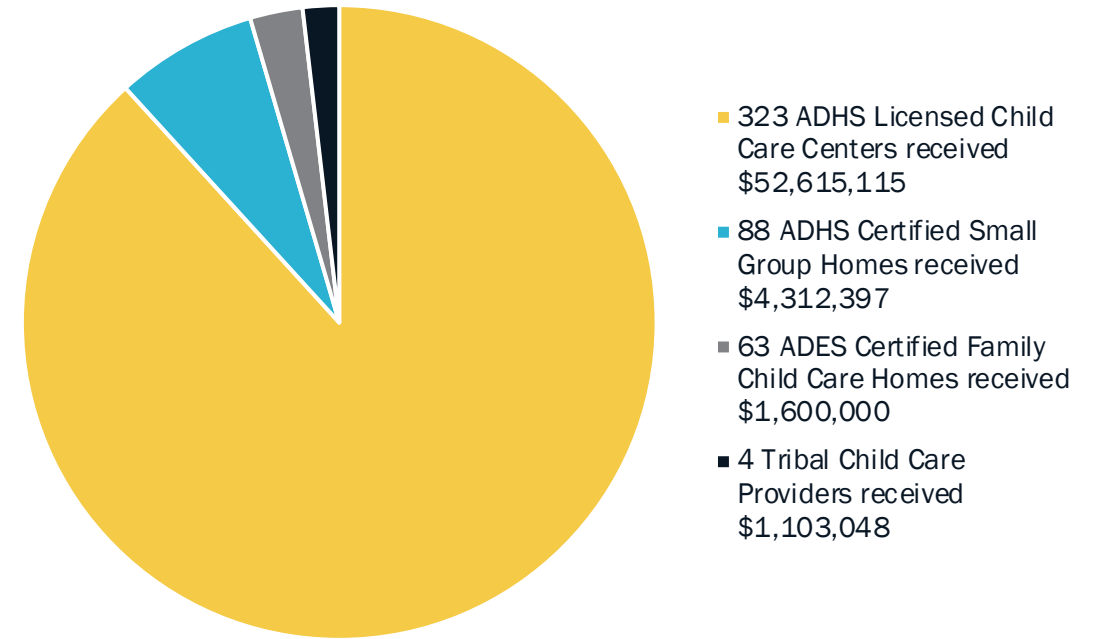


Grantees in 13 of Arizona's 15 counties

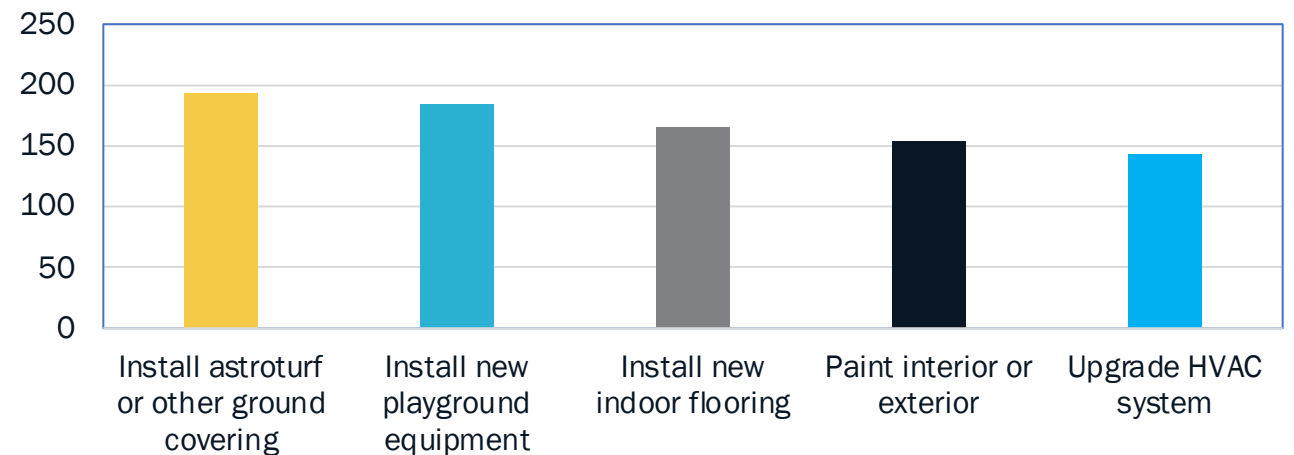


19% of grantees identify as Spanish speakers

Grants Awarded by Provider Type



Most Common Infrastructure Improvements



Elevating Women of Color in Child Care

Leveraging Corporate Donors to
Support Community Partnerships
and Hyper-Local Responses

Procter & Gamble and LISC: Elevating Women of Color in Child Care

A second generous grant from Procter & Gamble in 2023 enabled LISC to continue the Elevating Women of Color in Child Care program across 4 cities – Boston, Newark, Houston and Kalamazoo



Strategies:

- Offer support that responds to local needs.
- Technical assistance, capacity building and flexible grants are made available to child care providers so they can stabilize operations, improve facilities, and grow their impact.
- Work with community based organizations to create a stronger, more equitable child care system

LISC Digital Growth Accelerator



FREE Virtual Five-Week Accelerator Program for **Family** **Childcare Educators** **of Color**

Meeting Kick-Off
October 2, 2023

Maximum 3 hours per week. You choose the day and time that works best for you.

LISC

LISC
GREATER NEWARK IXL CENTER



Grant funds provided to accelerate your action plan!

Reclaim time and money while enhancing your business.

Let us invest in your business by identifying areas for increased efficiency, providing access to digital tools and resources, funding your action plan, and saving you money.



Get a personal consulting team to help strategically navigate your business growth



Use a proven methodology to get cost-effective digital solutions



Specialized digital tools for childcare educators that simplify your operation. i.e. ProCare



Expand your network and collaborate



Increase time with family and opportunities for self-care.

For Black, Latinx, Indigenous, and Person Of Color, Woman-owned family child care providers

- Registered Family Child Care Provider located in Essex County, New Jersey
- At least one year in operation
- Maximum \$100,000 annual revenue
- In need of **GRANT** funding and support
- Can commit average 2.5 hours for 5 weeks

Results: Elevating Women of Color in Child Care's first year



53

Child care facilities
served in 2022-2023

508

Children served annually



100%
Entrepreneurs
of Color

98%
Woman-Owned



96%
Home Based
Operations



\$750K
from Procter & Gamble
\$750K
for program
continuation

What does partnership and collaboration look like?

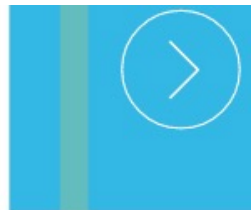
Reflecting on your local child care ecosystem

- How are communities engaging around provider needs?
- Who are your external partners?
- Do you access non-traditional funding to support child care providers?
- Are organizations convening locally around child care systems building?



Making Space Matter

The Path to the Child Care and Early Learning Facilities Our Kids Deserve



Literature Review: We Know This Already!

- **1970s -1980s:** Research focused on the direct effects of physical environment on child development and behavior: crowding, open space distribution, complexity, and play materials
- **1990s:** Some investigation of children's perception and emotion around physical space
- **2000s:** Some investigation of adults' perceptions of child care space
- **2010s:** Some research on co-participatory design of early childhood spaces that exploring participants' needs and expectations, how the design processes work, and communication gaps
- **2020s:** Early interest and work being done to understand the impact of co-location of child care within communities

Equitable Access to Regulations

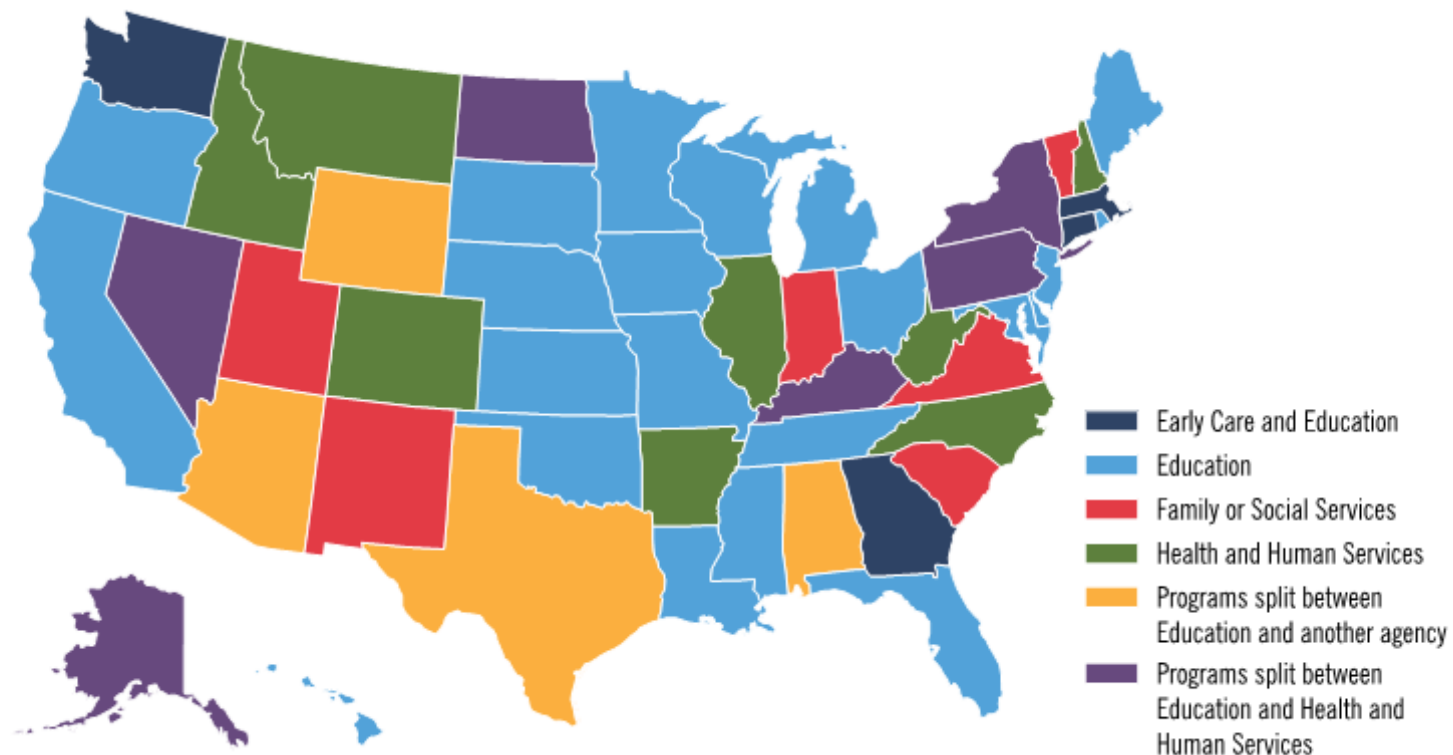
State Agencies Administering the Greatest Number of ECE Programs in Each State

Governance Structure

- Authority & Oversight of Programs & Services

Agency Compliance

- Licensing bureau
- Building code
- Fire safety
- Health code
- Sanitation code
- Environmental inspections
- Local zoning ordinances



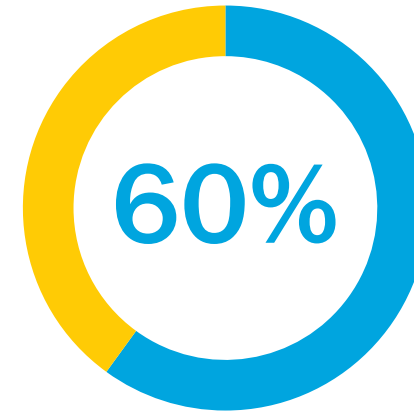
Bipartisan Policy Center. 2018. "Creating an Integrated Efficient ECE System State by State Analysis."

Equitable Access to Resources

- Capital access disparities
- Need to braid funding sources
- Inequity in information access
- Punitive regulation



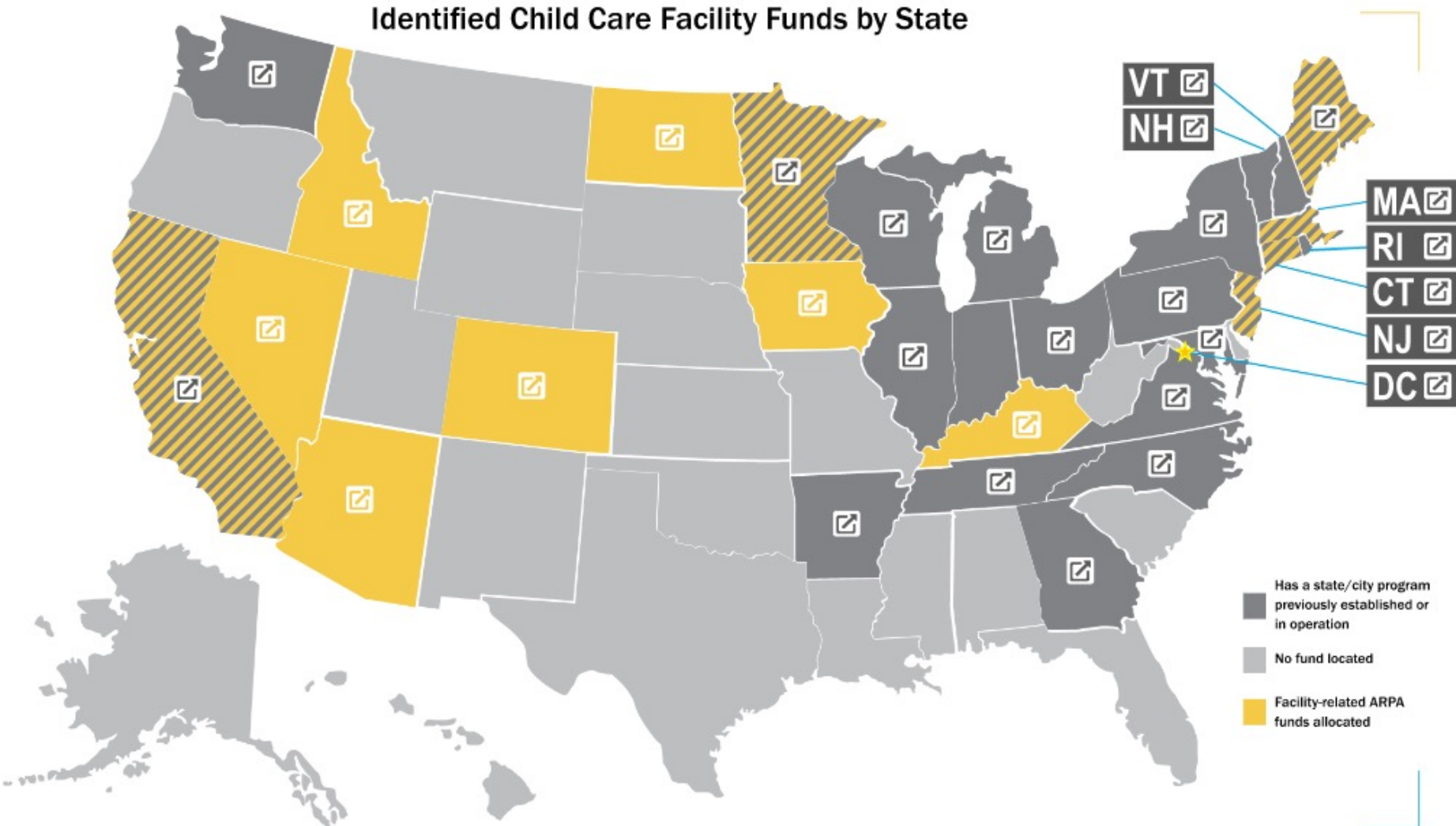
of child care programs are owned or operated by women



of child care businesses are owned by people of color

Historic and Emerging State and Local Investments

This interactive map is part of our [Making Space Matter Report](#).



Ways to Engage: Local Knowledge Makes You a Local Expert

Creation of a Making Space Matter toolkit – to offer guidance and resources to inspire reflection and action

Section Content – Financing, Plans Regulations and Systems, Technical Supports, Partnerships

- *What resources are already available in your region?*
- *How can you best collaborate with partners? Take the assessment and compare results.*
- *What are the best next steps to comprehensively support early learning educators through technical assistance and facilities funding in your region?*



Making Space Matter in Your State or Jurisdiction

A TOOLKIT



User Guide

This tool is designed to help you put together a comprehensive plan to support the development of an infrastructure that supports access to quality programming for all. *While using the toolkit, you will:*

Use buttons throughout the toolkit to answer questions

Your Answer

Enter relevant information using text entry forms

Sample text entry form

Navigate the toolkit using buttons



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Get Started





Question 1.4

In New Jersey, all regulations applying to early learning spaces - across all departments that oversee these spaces - are readily accessible in one place that providers and developers can easily find and navigate. All departments in New Jersey work together in a coordinated fashion.

- Yes
- No
- I don't know

The toolkit walks users through a series of interrelated questions that form the foundation of a robust child care facilities support strategy. Implementing these interconnected pieces will help set your jurisdiction on a strong path for improved child care access and quality.

By creating a username and password you can also save your results and also go back and make adjustments to your responses.





Question 2.1

New Jersey has a dedicated source or multiple sources of long-term funding to support the acquisition, development, and renovation of healthy, safe, quality early learning facilities for priority areas and projects.



Why does this matter?



Ask Yourself



Resources

Dedicated funding for child care facilities is a critical resource to improve and expand the supply of high-quality child care. At its most comprehensive, such a funding source can offer quality improvement, organizational sustainability, and growth strategies along with capital to support supply-building activities across an entire state, region or country.

Each question provides background and context and a series of prompts to help you honestly reflect on your response.





Question 2.1

New Jersey has a dedicated source or multiple sources of long-term funding to support the acquisition, development, and renovation of healthy, safe, quality early learning facilities for priority areas and projects.



Why does this matter?



Ask Yourself



Resources

Does this funding source include the following components?

- A strong grant component
- A creative loan guarantee and/or subsidy programs
- Funding to support the acquisition of buildings or land in order to build new quality supply in priority areas
- Lease guarantee programs
- Connections to other comprehensive supports (i.e., project planning and predevelopment, quality improvement/expansion, business training and financial coaching)

Make sure to click through each section in order to proceed to the next question.





Question 2.1

New Jersey has a dedicated source or multiple sources of long-term funding to support the acquisition, development, and renovation of healthy, safe, quality early learning facilities for priority areas and projects.



"Don't Know"



Why does this matter?



Ask Yourself



Resources

Facility Fund Matrix



Voter-Approved Children's Funds

Making Space Matter
(Presentation Recording)

Facility Fund Map



Capitalizing Child Care

Navigating Federal Requirements with
Government-Funded Facility Projects

Facilities Funding



Making Space Matter (Report)

How to Equitably Distribute
Funding and Supports to Child Care

Each question also launches you to a resource section filled with helpful tools and information to guide the implementation of any missing pieces.

Next question



Questions and Answers

Thank you!

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Nicole Barcliff: nbarcliff@lisc.org

Cynthia Melde: cmelde@lisc.org

The logo for LISC, consisting of the letters 'LISC' in a bold, white, sans-serif font, positioned in the bottom right corner of the slide.



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Phoenix, Arizona | October 2-4, 2023

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