



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



6

March 4, 1986

Transportation and Community
Development Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Feasibility of Child Care Facilities in Connection
with the Proposed Frail Elderly Project

SUMMARY

The attached report is submitted to you for review and
recommendation prior to consideration by the Housing Authority
and City Council of the City of Sacramento.

RECOMMENDATION

The staff recommends approval of the recommendations outlined
in the attached report.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

Attachment

Recommendation
Approved:

Walter J. Sliva

FOR SOLON WISHAM, JR.
Assistant City Manager



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



November 27, 1985

Housing Authority of the
City of Sacramento
and
City Council of the City
of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Feasibility of Child Care Facilities in Connection with
the Proposed Frail Elderly Project

SUMMARY

This report is in response to the City Council's request to investigate the possibility of incorporating child care facilities into the design of the proposed frail elderly housing project located at 600 "I" Street, Sacramento, California

BACKGROUND

On February 12, 1985, in connection with Resolution No. 85-007, the City Council directed the Executive Director to investigate the feasibility of incorporating child care opportunities into the design of the proposed frail elderly housing project which is being developed by the Housing Authority of the City of Sacramento. The proposed project will consist of a 124 unit, 16 story highrise, mixed use, residential/commercial tower. All of the units will be one bedroom; amenities will include a lap pool, first floor atrium with secured lobby, secured sub-level parking, and fully equipped congregate kitchen. A total of 18,000 square feet of commercial/office space will be included in the project. It is the Agency's goal to attract tenants with resident serving business into these areas.

(1)

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority
and
City Council
of the City of Sacramento
Sacramento, California
Page 2

The project is being financed with the combined resources of:

U.S. Department of Housing and Urban Development - Housing Development Grant	\$ 2,000,000
City of Sacramento - Community Development Block Grant Funds	\$ 1,500,000
Redevelopment Agency of the City of Sacramento Up Front Cash and In-kind Contributions	\$ 500,000
California Housing Finance Agency Tax Exempt Bond (Construction loan - First Interstate Bank)	<u>\$ 6,000,000</u>
TOTAL:	\$10,000,000

Raymond Vail Associates/Takata Associates, Associated Architects, the project architects were engaged to conduct the subject child care feasibility study. RVA/TA in turn contracted with Child Action, Inc. to conduct this study, "Economic Analysis for a Child Care Center". The study's primary purpose was to determine the feasibility of the day care facility in conjunction with the overall building and financing program.

The report by RVA, dated July 11, 1985, considered three alternative size facilities: 56, 75, and 100 children. These alternative capacities were chosen based on staffing level increments, and available physical space on the street level. Both interior and outdoor space requirements were based on minimum State standards. Parking recommendations were calculated on providing one stall for each two staff plus one visitor's space for each eight children. The C-3, Central Business District Zone provides no requirements for this category of use.

The child care study focused on two main areas: (1) the feasibility related to on-going operation, and (2) the capital cost related to the construction and start up activities (tenant improvements).

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority
and
City Council
of the City of Sacramento
Sacramento, California
Page 3

Operation

The following breakdown summarizes the costs for the operation of each of the three test cases. These figures, related to monthly income and operating costs were developed by Child Care Inc. (see Exhibit A).

56 Child Care Facility

Monthly income	\$15,088.00
Monthly operating costs	14,361.00
Monthly utility expenses (excluding rent)	<u>1,000.00</u>
Net income available for rent, profit, etc.	(\$ 273.00)

75 Child Care Facility

Monthly income	\$22,694.00
Monthly operating costs	19,492.00
Monthly utility expenses (excluding rent)	<u>1,000.00</u>
Net income available for rent, profit, etc.	\$ 2,202.00

100 Child Care Facility

Monthly income	\$30,480.00
Monthly operating costs	24,840.00
Monthly utility expenses (excluding rent)	<u>1,000.00</u>
Net income available for rent, profit, etc.	\$4,640.00

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority
and
City Council
of the City of Sacramento
Sacramento, California
Page 4

The results of this comparison clearly indicate that efficiencies and income increase in direct relation to the increase in the number of children. Additionally, it was determined that a smaller 56 child facility could not generate sufficient income for a reasonable income, and thus financing a loan for construction and start up expenses. This option was therefore discounted for further analysis

Capitol Costs

Alternative No. 1 (Child care constructed in addition to proposed project).

In this alternative, 6,500 square feet would be added to the proposed 18,000 square feet of office/commercial existing in the proposed facility. The study also concluded that a fully operational 100 child day care facility consisting of 6500 square feet indoor space, 7500 square feet outdoor play area, and parking, would cost approximately \$1.1 million to construct and equip with tenant improvements. The entire amount of square footage and cost would be in addition to the office/rental square footage (18,000 square feet), and funding (\$10.0 million) presently allocated to the proposed project.

Realizing that the 100 child day care facility would cost approximately \$1.1 million to construct and based on study findings produced at 100% occupancy, \$30,480 per month less operating expenses and utilities of \$25,840 generates only \$4,640 per month for rent, or \$.71 per square foot. Based on an 11% fixed rate loan of 30 years, this would support a debt service capability from rent of \$487,229. In other terms, in order to bring this option to feasibility, an outside one time grant of +\$600,000 or a \$5704 per month debt service subsidy would be required. No profit would be possible.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority
and
City Council
of the City of Sacramento
Sacramento, California
Page 5

Alternative No. 2 (Day care incorporated with existing square footage of building).

This alternative was to utilize 6,500 square feet of the proposed facility for child care use. In this approach, the Agency would not be building additional rental space but be making available existing office space for child care use on the same basis as for any commercial tenant at \$1.20 per square foot. In an effort to economize on costs, the additional parking would be eliminated. This means that staff and parents would be forced to rely on off-site facilities. This alternative might also make the balance of space less desirable and perhaps more difficult to rent because of the increased number of occupants and noise related to a day care operation.

Capital costs to the proposed facility for providing increased utility systems to support additional restrooms and commercial kitchen required by a day care provider would cost the project +\$53,000 beyond those funds currently budgeted. Additionally, +\$500,000 would be needed for tenant improvements i.e. development of offices, conference rooms, lounges, restrooms, kitchen, and outdoor play area. The income of this alternative would be covering rent and would no longer be available to support a construction loan. It is imperative that \$1.20 per square foot of commercial office space be used to subordinate the housing side of the facility for rent subsidies. This leaves the child care provider no cash flow for a construction loan. Therefore, a one time grant from outside sources would be required to cover tenant improvements in the amount of \$500,000 or an ongoing grant of \$7,921 per month for 30 years plus the additional \$53,000 upgraded utilities systems connected to child care use. The additional upgraded utility systems and outdoor deck are being planned into the basic design of the proposed project.

FINANCIAL DATA

Alternative No. 1 One time grant of +\$600,000 or \$5,704 per month for 30 years

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority
and
City Council
of the City of Sacramento
Sacramento, California
Page 6

Alternative No. 2 One time grant of \$500,000 or ongoing grant of \$7,921 per month for 30 years. \$53,000 increase to basic building design for upgraded utility systems.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of December 16, 1985 the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached report. The votes were as follows:

AYES:

NOES:

ABSENT:

CONCLUSION/RECOMMENDATION

It is evident from the review and analysis indicated above that providing child care in the proposed elderly housing project is very expensive with required subsidies of either one-time assistance ranging from \$500,000 to \$600,000 or on-going annual assistance ranging from \$5,704 to \$7,921 per month. This translates into of subsidy of approximately \$90.53 per child per month which does not provide an appropriate leveraging of child care services vis-a-vis public financing assistance. The level of subsidy required for the situation described in this report could be more effectively used to provide a similar level of child care services in a more appropriate situation.

Based on discussions with the City Manager and County Executive, the City and County, respectively, are not currently in a position to provide the degree of subsidy noted above on either a one-time or on-going annual basis, and also concur that the required amount of public subsidy is disproportionate to the provided level of child care services.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority
and
City Council
of the City of Sacramento
Sacramento, California
Page 7

Based on the study that was completed by the project architect and the review and discussion regarding such study, it appears that possibly a more realistic approach would be to attempt to locate child care facilities in the portion of the Central City east of the Central Business District such as 16th-18th, I-L Streets. This could coincide with the development of residential uses - the Northeast Residential Neighborhood as set forth in the Downtown Redevelopment Plan Update adopted in April 1985. The Northeast Neighborhood presents opportunities for lower land costs, less expensive building types, land area for adequate parking and open space, and proximity to the Central Business District.

The staff recommends, based on the study summarized above, to proceed to develop the proposed frail elderly housing project with the 18,000 square feet of office/retail space of which approximately one third of the space could be adaptable to child care uses if such a provider is able to afford the prescribed shell rent, tenant improvement costs and off-set operating expenses without direct public subsidy. The staff further recommends additional efforts regarding locating child care facilities downtown be focused more on the area immediately east of the Central Business District, as described above.

Respectfully submitted,

William H. Edgar
WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: Andrew Plescia 440-1333

FINAL MONTHLY OPERATING BUDGET FOR 56 CHILDREN

EXHIBIT A

<u>ESTIMATED MONTHLY INCOME</u>			
FEES:			
NUMBER OF INFANTS	16 @ \$ 376 PER MONTH =	\$	6,016
NUMBER OF TODDLERS	16 @ \$ 325 PER MONTH =		5,200
OTHER SOURCES OF INCOME TO BE USED TO MEET OPERATING COSTS:			3,872
Itemize sources of income			
<u>Number of Pre & School Age 16 @ 242</u>			
A. TOTAL ESTIMATED INCOME		\$	15,088
<u>ESTIMATED MONTHLY OPERATING COSTS</u>			
<u>CARE AND SERVICES</u>			
FOOD SERVICE		\$	1,806
HOUSEKEEPING/CLEANING SUPPLIES			100
EDUCATIONAL PROGRAM			560
HEALTH SERVICES			
TRANSPORTATION			
<u>GENERAL ADMINISTRATION</u>			
SALARIES		\$	9,817
SPECIAL CONSULTANT SERVICES			
FRINGE BENEFITS			1,963
EMPLOYER TAXES			
STAFF TRAINING AND DEVELOPMENT			75
OFFICE EQUIPMENT			
OFFICE SUPPLIES			40
TELEPHONE			
PUBLICITY			
BONDING			
INSURANCE			283
PETTY CASH			
ANNUAL AUDIT			
LICENSES/INSPECTIONS			
<u>PHYSICAL PLANT</u>			
RENT		\$	*
UTILITIES: GAS			*
ELECTRICITY			
WATER			
RUBBISH/GARBAGE			
REPAIRS/MAINTENANCE			
B. TOTAL ESTIMATED OPERATING COSTS		\$	14,361.
C. ESTIMATED GROSS PROFIT (OR LOSS) DIFFERENCE BETWEEN A&B		\$	727
Completed By		Title:	Date:
Child Care Inc.			

*See Budget Summary ; Rents & Utilities

PAGE TWO	BUDGET WORKSHEET	56 Children
CARE AND SERVICES		MONTHLY COST
<u>FOOD SERVICE</u>		
FOOD	\$ 1,806	
EQUIPMENT (DISHWASHER, REFRIGERATOR, STOVE, MICROWAVE, SERVING CARTS, ETC.)		
COOKING EQUIPMENT (LARGE POTS & PANS, BLENDER, MIXING BOWLS, FOOD PROCESSOR, ETC.)		
UTENSILS		
CONSUMABLE SUPPLIES (NAPKINS, PAPER CUPS, ETC.)		
OTHER (SPECIFY) _____		
<u>TOTAL FOOD SERVICE</u>	\$ 1,806	
<u>HOUSEKEEPING/CLEANING SUPPLIES</u>		
TOILET PAPER	\$	
BROOMS, MOPS, DUSTPANS	100	
SOAPS, DETERGENTS, WAXES, CLEANING SOLVENTS		
LAUNDRY		
DRY CLEANING		
OTHER (SPECIFY) _____		
<u>TOTAL HOUSEKEEPING/CLEANING SUPPLIES</u>	\$ 100	
<u>EDUCATIONAL PROGRAM</u>		
LARGE INDOOR EQUIPMENT REPLACEMENTS (CRIBS, BINS, BOOKCASES, CHAIRS, TABLES, ETC.)		
OUTDOOR EQUIPMENT REPLACEMENTS (BICYCLES, CLIMBING STRUCTURES, LARGE MOTOR EQUIPMENT, ETC.)	560	
SMALL INDOOR EQUIPMENT REPLACEMENTS (EASELS, RECORD PLAYERS, WATER TABLES, WORKBENCH, ETC.)		
TOYS AND GAMES, DOLLS, WHEEL TOYS, ETC.		
CONSUMABLE SUPPLIES (PAINTS, BRUSHES, PAPER, CRAYONS, GLUE, CLAY, SCISSORS, ETC.)		
SPECIAL PROGRAMS (FIELD TRIPS, GYMNASTICS, ETC.)		
<u>TOTAL EDUCATIONAL PROGRAM</u>	\$ 560	

PAGE THREE		BUDGET WORKSHEET		
GENERAL ADMINISTRATION				MONTHLY COSTS
SALARIES	# Positions	# Hours/Week	Salary	
DIRECTOR	1.25	40	\$8/Hr	\$ 1,720
HEAD TEACHER				
TEACHER(S)	4.50	40	\$5	3,870
AIDES	10.25	40	\$4.50	3,483
CLERK				
COOK				
KITCHEN HELP	1	15	\$5	322
CUSTODIAN	1	15	\$5	322
DRIVER				
SUBSTITUTES		4.5	\$5	100
OTHER (SPECIFY)				
<u>TOTAL STAFF SALARIES</u>				\$ 9,817
<u>SPECIAL CONSULTANT SERVICES</u>				
SOCIAL WORKER				\$
CHILD CARE CONSULTANT				
NUTRITIONIST/PSYCHOLOGIST				
DOCTOR				
ACCOUNTANT				
LEGAL SERVICES				
SPECIAL CONSULTANT				
<u>TOTAL SPECIAL CONSULTANT SERVICES</u>				\$ 0

PAGE FOUR	BUDGET WORKSHEET	56 Children
GENERAL ADMINISTRATION (PG. 2)		MONTHLY COSTS
<u>FRINGE BENEFITS</u>		
VACATION	}	\$
SICK LEAVE		
HEALTH INSURANCE		
RETIREMENT BENEFIT		
OTHER (SPECIFY) _____		
<u>TOTAL FRINGE BENEFITS</u>		
<u>EMPLOYER TAXES</u>		
UNEMPLOYMENT INSURANCE	}	\$
SOCIAL SECURITY		
WORKER'S COMPENSATION		
STATE DISABILITY INSURANCE		
OTHER (SPECIFY) _____		
<u>TOTAL EMPLOYER TAXES</u>		
<u>STAFF TRAINING AND DEVELOPMENT</u>		
PROFESSIONAL BOOKS	}	\$
SUBSCRIPTIONS		
MEMBERSHIP DUES		
CONFERENCES		
FEES		75.00
MILEAGE REIMBURSEMENT		
PER DIEM		
BUSINESS LICENSES		
COLLEGE COURSEWORK/TRAINING COURSES		
OTHER (SPECIFY) _____		
<u>TOTAL STAFF TRAINING AND DEVELOPMENT</u>		\$ 75.00