

Report

Child Care Linkage Program

*Prepared for:
City of Santa Monica*

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EXECUTIVE SUMMARY

The City of Santa Monica directed Keyser Marston Associates, Inc. (KMA) to prepare an analysis of the impacts of new development on child care needs in the City of Santa Monica. The purpose of the analysis and report is to demonstrate and quantify the nexus between new development and child care demand as a basis for charging a child care impact fee on new development in Santa Monica, should the City wish to adopt a child care mitigation program. The City contracted for the report in June 2002 and the report was largely prepared in 2003 with portions updated in 2005; KMA believes that none of the earlier information has changed in a manner that would in any way undermine the conclusions of the analysis.

The objectives of the study were therefore as follows: (1) to assemble data and determine whether development of new commercial and residential space impacts demand for child care, (2) to quantify the demand related to newly constructed space, (3) to quantify the costs of mitigating the demand, or the costs to increase the supply of child care facilities in Santa Monica, and (4) to provide information to assist the City in selecting an appropriate fee level.

The analysis concludes that construction of commercial space or “Workplace Buildings” (office, retail and hotel, etc.) does increase the need for child care in the city and that new residential construction does not. The main body of this report, therefore, addresses development of commercial space and child care demand, mitigation costs, and fee setting issues. The analysis for residential development and child care demand is provided in an appendix section in addition to other supporting material.

Following are the key findings of the analysis.

Nexus Analysis for Workplace Buildings

- The linkages between the construction of workplace buildings in Santa Monica, the employees who work in them and the demand for care of children while the employees are at work, have been demonstrated and quantified in the analysis.
- A widely accepted interpretation of the California Governmental Code is that linkage fees may be used to address capital facilities only, not operational or programmatic costs. As a result, the linkage analysis quantifies the demand for spaces in child care center facilities and the cost of developing new child care center spaces.
- Child care centers at or near the workplace meet the child care needs of workers for infants, toddlers and preschool age children. Thus, the workplace analysis addresses these age groups only.

- An analytical approach is to examine a group or “universe” of 1,000 employees. The demand for child care from a universe of 1,000 employees finds that there are 140.21 children of infant, toddler and preschool age. The demand for child care spaces near the place of work is 35.68 spaces per 1,000 employees.
- A survey was conducted of the cost of West Los Angeles area recently developed and planned child care centers. A cost analysis for a prototypical child care center in Santa Monica was also prepared. The conclusion from the two approaches is that the cost of developing a child care center in Santa Monica is at least \$35,000 per space on average in 2003. An update evaluation places the cost of each child care center space in Santa Monica at \$18,500, excluding land and \$55,400 including land.

When employees are converted to workplace building area using standard density averages, the demand for child care space associated with each square foot of workspace building area can be quantified. In addition, the cost of mitigation through development of child care facility space is also quantified using the updated 2005 costs as follows:

Child Care Center Cost per Sq. Ft. Building Area	<u>Density</u>	Excluding <u>Land</u>	Including <u>Land</u>
Office	250 sq. ft./Employee	\$2.64	\$7.91
Retail/Entertainment	350 sq. ft./Employee	\$1.89	\$5.65
Hotel/Lodging	500 sq. ft./Employee	\$1.32	\$3.95

Total child care linkage costs are provided with and without land in recognition that some child care centers may be developed on land either donated or already owned by the City. To reflect the mix, an average linkage cost for the two assumptions is recommended for establishing the maximum ceiling. Results are as follows:

Office \$5.27 per sq. ft.
 Retail/Entertainment..... \$3.77 per sq. ft.
 Hotel/Lodging \$2.64 per sq. ft.

These are the total child care nexus or linkage costs and represent the ceiling below which the City may set fee levels. Keyser Marston Associates does not recommend that these figures be used for actual fee levels but recommends that the City use these numbers for guidance in considering fee levels.

Additional Information to Assist in Designing a Fee Program

The following information is provided to assist policy makers.

- The total cost of development of commercial space in Santa Monica might be taken into account in considering fee levels. The cost (in 2003) to develop retail, office, and hotel space in Santa Monica was at least \$300 to \$400 per square foot, due to high land costs, high density building configurations and parking requirements. The fee amounts likely to be under consideration for child care will have very little impact on total development cost and decisions about whether to proceed with projects in Santa Monica.
- A survey of other jurisdictions with child care impact fees has identified 16 cities or counties with programs. Most of these jurisdictions are in Northern California, most were adopted 10 or more years ago, and a few fund operating expenses as well as new child care centers. The highest fee in California is \$1.15 per square foot of commercial area recently adopted in the City of Palm Desert. Fees of \$1.00 per square foot have been adopted in San Francisco, Berkeley, and the City of San Mateo. Seattle has a downtown bonus program that entails a higher amount, roughly \$2 per square foot averaged over the total building area.
- Fee collection projections have been estimated for informational purposes. If Santa Monica commercial construction continues at the rate of 100,000 to 150,000 square feet of per year, a fee in the \$2.50 to \$3.50 range would generate approximately \$250,000 to \$450,000 per year. This revenue would be sufficient to build about 10 new child care center spaces per year, or a new 75 space child care center once every seven or eight years. (This estimate does not take into account any potential exemption for small projects.)
- Over the past 15 years, Santa Monica has included child care requirements in Development Agreements for six large scale projects. The Development Agreements were the result of project specific negotiations and do not reflect a child care mitigation program. The analysis and findings contained in this analysis could be used to apply more consistent mitigation requirements for large projects in the future.

Nexus Analysis for Residential Units

An analysis was conducted for residential units similar to the analysis for workplace building space. However, a child care linkage fee on residential construction is not recommended at this time due to the lack of growth in the number of preschool children (children under age 5) in Santa Monica, per the 1990 and 2000 U.S. Census.

An analysis of the child care facility costs associated with each residential unit plus programmatic costs based on current City expenditures was conducted for informational purposes. Should the City wish to pursue a linkage program in the future, or use the information for other purposes such as for the negotiation of development agreements, the findings may be useful to the City.

The child care facility linkage cost is quantified, using 2005 costs, in the same manner as with the workplace buildings. The cost of each child care center facility space, with and without land, is applied to the conclusion that there is demand for 0.003 child care spaces per residential unit,

Child Care Cost excluding land	\$56 Per Residential Unit
Child Care Cost including land	\$166 Per Residential Unit
Average	\$111 Per Residential Unit

For informational purposes, the program costs per child were calculated. Following are the City funded program costs allocated to each residential unit in Santa Monica. These costs cover all children up through high school age.

Child Care and Youth Service Costs	Cost per Residential Unit
City Assistance to Pre-School, School-age Programs and Scholarships *	\$581
Other City Expenditures for Child Care and Youth Services*	<u>\$2,640</u>
Total Per Residential Unit	\$3,221

*From 2002/03 Budget, City of Santa Monica

KMA Recommendations

- Based on all the factors summarized in this report, KMA suggests maximum fees in the range of the average for each building type: Office \$5.27, Retail \$3.77, Hotel \$2.64
- KMA does not recommend establishing a fee for new residential construction at this time.
- For consistency, we recommend the same thresholds as with other standards or impact fees. The threshold for Development Review is 7,500 square feet. The Housing and Open Space Fee has lower fees below a 15,000 square foot threshold. The City may wish to reconsider all thresholds at this time.

INTRODUCTION

A. Background/Context

The following report analyzing the linkages between child care demand and new development in the City of Santa Monica has been prepared by Keyser Marston Associates, Inc. (KMA) pursuant to Santa Monica City Council direction, and the ensuing contract dated June 26, 2002. The report was prepared in 2003, with portions updated in 2005. This report covers a range of topics related to establishing and quantifying relationships between new construction in the City and the demand for child care, and the costs of mitigating that demand.

The City of Santa Monica has a history of supporting both the supply and quality of child care within the City. The City has played an active role in funding and assisting various projects, programs and activities for the children of City residents, and children who attend school in the City. In 1991, the City adopted a Child Care Master Plan, which identified the possibility of exploring the relationship between new development and increased demand for child care services, and thus the possibility of establishing a development fee that would mitigate the cost of the increased demand. This report summarizes the work program designed to meet the Council's objective.

B. Process

The City's Child Care and Early Education Task Force met with KMA personnel several times over the course of the work program. The Task Force provided direction and generally acted as a "sounding board" as findings and early recommendations emerged.

KMA staff also met extensively with City staff groups from Planning and Human Services Divisions throughout the work program. In addition, KMA and City staff met with representatives from the City Attorney's office to discuss legal directives related to impact fees and California State Law. This report presents the data, analysis, and professional recommendations resulting from all of these sources.

C. Report Organization

This document contains the linkage analysis for Workplace Buildings (office, retail, hotel) and a section providing materials to assist policy makers in deliberating fee levels and other linkage program terms. Sections I through IV, as described below, contain the analysis and report to meet the needs of AB 1600, as contained in Section 66000 of the California Code.

The report is divided into five sections as follows:

- *Section I* – outlines the concept and legal framework and summarizes the analysis parameters and the methodology for conducting the analysis. Major assumptions underlying the analysis are also provided in this section.
- *Section II* – presents the demand linkages for workplace buildings, starting with a given universe of employees, the incidence of children in various age groups, a discussion of how child care needs are met and, finally, the demand for child care center space near the parent’s place of work.
- *Section III* – addresses the costs of mitigating child care demand through adding physical capacity in new child care centers. This section focuses on the capital cost of developing new child care centers in Santa Monica, based on both recent experience and an examination of the cost components.
- *Section IV* – links the findings regarding demand for child care to the findings regarding mitigation costs (Section II with Section III) relative to various types of buildings including office buildings, retail buildings, and hotels. The conclusion of Section IV provides total child care linkage costs per square foot of building area (for commercial buildings). This is the maximum amount that can be charged per square foot to mitigate new child care facility demands, per this analysis.
- *Section V* - is a brief recapitulation of the analysis and conclusions contained in Sections II through IV. It provides a summary of the major steps for linking employees to demand for child care center spaces near the work place to the cost of developing the new spaces.
- *Section VI* – presents some considerations and data to assist policy makers with decisions about setting fees and designing a linkage program for Santa Monica. Topics include fee amounts in the context of total development costs, other impact fees in Santa Monica, potential funding generation, and child care linkage programs in other jurisdictions. Unlike the prior sections, the material in this section does not address linkage per se.

An Appendix section provides the residential analysis and other supporting material, including a glossary of terms used in this report. An Executive Summary precedes the main report document.

D. Disclaimers

The analyses in this report have been prepared using the best and most recent data available. Secondary sources, such as the U.S. Census 2000 and surveys by the Urban Institute, were extensively used. Local information from the City of Santa Monica was also utilized whenever it was available. While KMA believes these sources of data are sufficiently accurate for the purposes of the analyses, KMA cannot guarantee their complete accuracy. As a result, KMA assumes no liability for conclusions drawn from these sources.

This report was originally prepared in 2003. Portions have been updated to reflect increases in land value and other adjustments. KMA believes that none of the earlier information has changed in a manner that would in any way undermine the conclusion of this analysis.

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SECTION I - ANALYSIS CONCEPT, PARAMETERS AND METHODOLOGY

A. Overview of the Concept and Methodology

This report summarizes the analysis and findings of the linkages between commercial construction and impacts on child care demand, as well as additional information of interest to policy makers in designing a linkage program for the City of Santa Monica.

The basic concept is a series of linkages that moves from construction of new buildings to new employees, new employees to families with children age 5 or under, to the number of children needing child care, to those with needs that can be met at or near the workplace. The conclusion of the impact analysis is the need or demand for child care spaces in relation to building area, or per square foot building area. The cost to mitigate the impact is the cost to build a child care facility prorated in proportion to the demand generated.

An approach used in this analysis is to analyze a group or “universe” of 1,000 employees that is applicable to the workers in all types of workplace buildings in the analysis. There is no suitable database that enables a differentiation as to how the employees in different types of buildings have different child care needs. The universe of 1,000 workers is selected because it enables the analysis to quantify children and child care in readily understandable whole numbers, rather than the very awkward fractions that an analysis on the per employee level would entail. At the end of the analysis, the findings are translated to costs per square foot of building area, to express a “linkage cost” or maximum fee level supported by the analysis.

Using U.S. Census information, a demographic analysis is conducted on the employees to determine what share have children of preschool age or under and what share of those have need for child care due to working parents (both parents work if a two-parent household or a single parent who is working). For the analysis of workers in Santa Monica, the demographic profile of Los Angeles County is used, since workers in Santa Monica come from all over the greater area and are more likely to have a demographic profile similar to the County as a whole than to the residents of Santa Monica.

B. Analysis Parameters

1. Building Types

The analysis is conducted for three major workplace building types — office, retail and hotel. These three types are short name versions of broad categories. The key variable in the definition is similarity of employment density. Office is inclusive of R&D (of the type likely to be drawn to Santa Monica), and also entertainment industry production space. Employment density

is assumed similar to the density factors utilized elsewhere in Santa Monica applications, such as for parking analysis.

The retail categories are more broadly inclusive of restaurants, bars and entertainment facilities, including cinemas and other commercial entertainment venues. Retail density is generally more varied than office density, and covers the spectrum from high volume small eating outlets to furniture stores where employment density is far less. The 350 square foot average per employee is an average of this broad spectrum.

Hotel categories cover the range of lodging types, including resorts. The major employment density variable with hotels is the service level. Given the high room rate structure of the Santa Monica hotel market, most newly developed facilities will have a high service level, probably higher than the one employee per room average used in the analysis. In applying a fee program to hotel space, the City has the option of treating all space within the hotel equally or of separating out retail, restaurant and office areas for different fee levels.

2. Infants, Toddlers and Preschool Children Only

The analysis must focus on the child care services relevant to the various building types addressed. For workplace buildings, including office buildings, retail projects and hotels or other lodging, the relevant child care is related to employees who need child care while at work. For purposes of this program, this means child care at or near the workplace (as opposed to near home). Essentially, this limits the universe to child care for infants, toddlers and preschool children; child care at (or near) the workplace is usually no longer a viable option once the child is in school, unless the school is close by. Most workers enroll their children in school in their home community or near their place of residence.

It is known that some workers in Santa Monica do enroll their children in Santa Monica schools despite living in another jurisdiction. From a conceptual standpoint, these children and the cost of mitigating their demands on the before and after school facilities and programs in Santa Monica schools could be included in the analysis. KMA and City staff agreed not to include them due to the following considerations:

- If the children of non-resident workers in Santa Monica were included in the analysis, it would be necessary to assemble data on children enrolled in Santa Monica schools, by age and grade level, who are there because their parents work in Santa Monica (as opposed to living outside the City and selecting Santa Monica schools for some other reason).
- Of the children enrolled in Santa Monica schools who meet the above criteria, it would be necessary to sort for (or identify the share of) children whose parents work in

commercial buildings as opposed to governmental or other types of structures not included in the analysis.

- Of the children who meet the above criteria, the analysis would then need to quantify all non-resident workers in commercial structures who enroll their children in Santa Monica schools as a share of all workers in these buildings. KMA believes this would be a very, very small share.
- Of those children quantified from the previous step, the analysis would apply the cost of increasing the capacity of facilities used to accommodate the before and after school programs.
- The result of the analysis would be a very small addition to the total linkage cost conclusion.

In addition to the technical requirements of including school age children in the analysis as summarized above, there may be policy issues as well. For example, if the school related linkage cost were included in the analysis, then the City would be obligated to expend a portion of linkage fee monies on school related facilities at some point. This could dilute limited resources for building new child care centers.

C. Capital Costs Only

The child care linkage program being explored for the City of Santa Monica is an impact fee program, with possible alternatives to paying a fee. As such, the program will need to meet the requirements of the Mitigation Fee Act, AB 1600 as written into California Government Code, Section 66000 and following. The generally accepted interpretation of the Code language is that impact fees in California can be levied to fund capital projects only. This means that only the costs of developing child care facilities may be used in determining impact fee amount. Also, collected funds may only be used for capital development.

Some jurisdictions have interpreted the law to allow other types of costs, such as programmatic costs, to be part of a linkage program. Examples include operating subsidies for child care centers, programs to assist lower income households in affording child care (such as Santa Monica's "scholarship" programs), programs to improve the compensation and benefits of child care workers, and so forth. It would be desirable to include these costs in a child care linkage program, but a broader interpretation of the law would be required. Appendix D presents an analysis of residential linkage that includes programmatic expenditures.

In summary, this analysis focuses on demand for new child care facility space and the costs of providing new space.

D. Implications on Use of Fee Monies

The calculation of impact mitigations and design of fee programs must be consistent with the expenditure of collected fee revenues. If the City designs the impact fee based on demand for child care facilities, the City can only spend impact fee revenues on increasing the supply of child care facilities.

Furthermore, impact fees generated by the development of new workplace buildings (fees on new construction) must be spent to mitigate child care demands associated with workplace buildings. This translates to increasing the supply of child care facilities for people who work in Santa Monica. Such facilities probably need not be restricted exclusively to workers, any more than existing child care centers are restricted to residents.

E. Other Nexus Concept Issues

The nexus analysis yields a causal connection between the construction of new buildings and the need for additional child care, a connection that is quantified in terms of the number of child care spaces and the associated child care facility costs.

The analysis and the nexus established by the analysis do not address existing child care shortages; the analysis addresses only new demands for child care associated with the construction of new workplace building area and new residences.

The analysis should not be construed to suggest that development is the only cause of child care supply problems; nor should it be construed to suggest that the development community should bear the full cost of addressing child care facility supply. An ordinance that implements the linkage program by levying a fee would be one component of a comprehensive program to address child care needs in Santa Monica.

There are several fundamental concepts and assumptions that are important underpinnings to the nexus concept and methodology. Following is a brief summary of these concepts and key assumptions.

- The relationship between construction and job growth in Santa Monica and the Los Angeles region is fundamental to the workplace buildings nexus. While employment growth does not occur due to any single cause or generator, construction of new workspaces does play a critical role in enabling growth to occur. Construction encourages growth, particularly in conjunction with the political and regulatory environment. Finally the provision of workplace buildings is a condition precedent to job growth and therefore bears a unique relationship to growth.

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- The analysis assumes that new child care facilities are not being added to the supply in sufficient quantities to meet new needs. Surveys conducted by the City confirm that shortages are prevalent.
 - The nexus analysis counts only “direct” employees, or employees that work within a building. Office, retail and hotel buildings are all serviced by a range of additional employees such as janitorial, security services, window washers, landscape maintenance personnel, etc. These employees are not counted in the analysis nor are indirect impacts on employment, such as might result from purchase of supplies, or food for a restaurant, etc. To be conservative, no multipliers or recognition of the multiplier effect of new developments is accounted for in the analysis. Construction employment is also not factored into the analysis.

F. Standard of Research and Data on Child Care

Child care as a concern of society and government has only come to the forefront in recent decades and many child care advocates would argue it is not yet enough at the forefront. The State has a licensing program, the federal government recognizes child care expenditures in the form of tax credits on personal income tax returns, and there are a number of federal, State and local assistance programs. On the non-governmental side there are a number of child care research and advocacy organizations working to advance child care. In addition, there are the child care provider associations, both for profit and non-profit. These entities all make valuable contributions to the data and “literature” on the state of child care in the U.S. today. However, in contrast to housing or employment where the federal government has played an active role for well over half a century, the state of child care data in the form of widely accepted governmental surveys is limited and lags far behind. As a result, U.S. Census data had to be supplemented by research findings from non-profit research institutes and other organizations. KMA believes the data used in this analysis is sufficiently reliable for the purposes for which it is used.

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SECTION II - THE DEMAND FOR CHILD CARE ASSOCIATED WITH WORKPLACES

Placing child care centers in workplace locations such as downtowns, in business parks and other employment centers is still a pioneering concept in the United States. The vast majority of child care centers are located in residential areas or near residential neighborhoods. However, experience and in depth surveys have borne out that parents generally prefer work located child care solutions for infants, toddlers, and preschool children when they are available, affordable and of comparable quality to other child care center alternatives. In fact, there are significant benefits to all parties, including:

- *Child and the Family* – More time with the child during the commute and at break time; less time required than taking a child to a center elsewhere.
- *Employer* – Better morale; enhances recruitment among employees; decreases absenteeism, tardiness, and turnover.
- *Developer* – A marketing advantage to enhance project attraction vis-à-vis the competition; improves leasing.
- *Community* – Improves the image of the community as a good place for families and business together.
- *Traffic Reduction and Air Quality Improvement* – Studies have found that, on average, families drive fewer miles if they can take their children to child care at work than if they use child care centers elsewhere.

Because of these benefits, many of the child care facilities located near workplaces have been built voluntarily by the private sector. Some firms with large numbers of employees provide child care centers to accommodate worker needs and enhance workforce attraction. Developers of large projects for multiple tenants sometimes add child care centers to attract tenants and add value to their projects.

A. Demand Analysis – Starting with 1,000 Employees

The methodology used in this analysis quantifies the demand for child care associated with a universe of workers. For ease of analysis and understanding, a universe of 1,000 workers was used. A universe of this size avoids having to describe children and child care needs in terms of tiny fractions carried out to four to five decimal places.

The major source of data is the U.S. Census 2000. Since workers in Santa Monica are drawn from all over the Los Angeles area, Los Angeles County population characteristics are deemed more appropriate than the characteristics of Santa Monica residents. Because the U.S. Census

provides only limited information on how families meet their child care needs, other national surveys are utilized as documented throughout.

B. Number of Worker Households Represented

The first step translates the number of employees or workers to worker households. This step recognizes that most households have more than one worker. Double counting of two-parent households is therefore avoided.

The factor of 1.44 workers per worker household was determined from the Census by taking the number of workers living in Los Angeles County and dividing them by the number of worker households in Los Angeles County. Worker households factor out or eliminate households comprised of retired or elderly people, households comprised of students, households of people on public assistance, and other types of households that do not contain workers.

Conclusion: The universe of 1,000 employees is reduced to 694.11 employee households. (1,000 divided by 1.44 = 694.11)

C. Employee Households with Children Needing Child Care

The next three steps calculate the number of children needing child care. The calculations are shown in Table 1 and described below.

Table 1
Demand for Child Care

Per 1,000 Employees or Per 694.11 Employee Households	Ages 0-2	Ages 3-5 ¹	Total
Step 1. Employee Households with Children in Age Categories			
Factor	13.56%	12.83%	
Number	94.11	89.07	183.18
Step 2. Employee Households Needing Child Care (Parent(s) work)			
Factor	56.47%	68.45%	
Number	53.14	60.97	114.11
Step 3. Children Needing Child Care (Adjusts for more than one child in age group)			
Factor	1.27	1.19	
Number	67.51	72.70	140.21
¹ Five year old children from the Census data are distributed at 50% to the 3-5 year age group.			
Source: U.S. Census, Los Angeles County 2000			

Step 1: The first step is based on the incidence of worker households having children in each of the preschool age groups. Half of the five year olds are included in the age 3-5 preschool group

and half are assumed to be enrolled in kindergarten and no longer a candidate for child care near the parent's workplace. The age 0 to 2 group actually covers three years: under age 1, age 1, and age 2, or the infant and toddler groups. The age 3 to 5 group covers only two and a half years since only half of the five year olds are counted. This assumption is from the Urban Institute, *Assessing the New Federalism* series, discussed below.

Step 2: The second step factors out the share of the households with children that have all parents working. These are both two-parent households with both parents working and single parent households with one parent working. As to be expected, the percent increases as children get older. These are households with children needing child care.

Step 3: The last step adjusts for the fact that some of these households with children needing child care include more than one child per age group who needs child care.

Conclusion: From the universe of 1,000 workers, there is a demand for child care for 140.21 children.

D. How Child Care Needs Are Met

The next steps in the analysis address how child care needs are met. For this portion of the analysis, the U.S. Census does not provide adequate information. To obtain the best and most recent surveys on this question, KMA conducted a literature search and consulted organizations concerned with the analysis of child care needs.

1. National Studies

On a national level, the best data for this analysis purpose appears to be assembled by the Urban Institute, *Assessing the New Federalism* series. One publication in particular, entitled *Primary Child Care Arrangements of Employed Parents: Findings from the 1999 Survey of America's Families*, Occasional Paper Number 59, May 2002 was the best source for this purpose. The surveys in this series draw from a large national scope and have been updated periodically since the early 1990's. Some special reports in the series have focused on specific age groups; other surveys have tracked differences among states.

Table 2 presents key findings of interest from the above survey. Figures are provided for both the national average, and for California. In California, use of child care centers appears to be lower than the national average. The differences are believed to be a function of availability, affordability and to some extent cultural differences. The two columns on the right refer to above and below 200% Federal Poverty Level (FPL), which for a family of four is an extremely low income level by California standards.

Table 2
Primary Child Care Arrangements of Employed Parents

	U.S.	CA	CA – Below 200% FPL*	CA – Above 200% FPL*
Parent	27%	31%	45%	25%
Relative	27%	27%	25%	28%
Child Care Center	28%	22%	17%	24%
Family Child Care Home	14%	13%	10%	15%
Nanny/Other	4%	7%	3%	8%

*Federal Poverty Level is approximately \$18,400 for a family of four, 200% is \$36,800 per year.
Source: Urban Institute, *Primary Child Care Arrangements of Employed Parents: Findings from the 1999 Survey of America's Families*, Occasional Paper Number 59, May 2002.

The most notable finding is that more than half of all families use either a parent or a relative to meet their child care needs. Since the survey is of families with working parents, the solution for many families is for parents to either work different shifts or hours, or to take a child to work. Use of relatives to tend for children is a solution for another very large proportion of families as well. Nationally, the two arrangements combined represent 54%, and 58% in California.

The U.S. Census has done some surveys on child care, such as the *Who's Minding the Kids? Child Care Arrangements, Spring 1997* (p. 70-86), but this study covers all child care arrangements used by parents and does not single out the primary arrangement. As a result it is not possible to identify the primary arrangements among working parents and to sort out a useful distribution of among child care options based on Census information.

2. California Studies

A few studies in California have addressed the question of how child care needs are met and have found similar results to the national studies. One report prepared by the UCLA Center for Healthier Children, Families and Communities, entitled *Public Opinion on Child Care and Early Childhood Education, California 2001*, prepared for the California Children and Families Commission, found that approximately 26% of children 0 to 5 years were in child care centers.

Selected findings from this report include:

- The primary child care arrangement varies by parent education, parent ethnicity, family income, and children's age.
- Children in families with higher incomes or whose parents have greater educational attainment are more likely than other children to be in center-based care/preschool. For

example, the primary arrangement is a private preschool or center for 33% of children in families with household income of \$75,000 or above and for 13% of children when the household income is below \$75,000.

- Younger children are more likely than older children to be cared for by their parents or to be in home-based arrangements. This is particularly true of infants. Older children, ages 3 to 5, are more likely to be in center-based care.
- Meeting child care needs sometimes varies by ethnicity. For example, a larger percentage of Hispanic children (24%) than non-Hispanic children (16%) are cared for by a relative.

The report covers a number of topics related to parental attitudes toward child care arrangements, importance of learning activities offered, affordability and government assistance availability and so forth. As an overview statement, the report findings contribute to the general recognition that center-based care offers a better learning environment than most alternatives but that affordability is a major obstacle.

E. Child Care Demand – 1,000 Employees

Drawing from the findings of the above surveys, national figures are utilized as a conservative estimate of demand among the child care arrangements for persons working in Santa Monica. The estimates are conservative in the sense that it is likely that the percent who would use child care centers were they available and affordable is understated. Were child care centers available and affordable, the literature strongly suggests that a large share of those who use parents and relatives would use child care centers and Family Child Care Homes. Needless to say, nanny and baby sitter arrangements are typically least affordable to most workers.

Table 3 indicates, by age level, the distribution of child care arrangements for the universe of 1,000 employees in Santa Monica. The first line in the table is drawn from Table 1, Demand for Child Care.

Table 3
Distribution of How Child Care Needs are Met

	Ages 0-2	Ages 3-5	Total
Children Needing Child Care (Table 1)	67.51	72.70	140.21
How Child Care Needs Will Be Met			
Parent/Relative	54.00%	35.00%	
Child Care Center	22.00%	45.00%	
Family Child Care Home	17.00%	14.00%	
Other	<u>7.00%</u>	<u>6.00%</u>	
	100.00%	100.00%	
Child Care Center			
Factor	22.00%	45.00%	
Number	14.85	32.72	47.57
Sources: US Census 2000; Urban Institute <i>Primary Child Care Arrangements of Employed Parents: Findings from the 1999 Survey of America's Families</i> , Occasional Paper Number 59, May 2002.			

Conclusion: The demand for child care spaces in child care centers associated with a universe of 1,000 employees is 14.85 infant and toddler spaces and 32.72 preschool spaces, or a total of 47.57 spaces in child care centers.

F. Demand for Child Care Center Spaces near the Workplace

The last step in the analysis is an allocation of the child care center space demand to two generic locations – near place of work or near place of residence.

There is limited availability of good survey information to enable a split between demand for home based or work based child care. Current experience is a poor guide because there is so little work based child care available.

The UCLA study referenced earlier contained a helpful finding on this question.

- “Relatively few parents say they use employer based child care arrangements [because so few are available]. However, about 76% of parents report that they would be either very likely or somewhat likely to use a child care service offered at their place of work, and 62% say they would use it on a regular basis.”

This finding is from a survey of parents using all types of child care arrangements, not of those using only child care centers. Thus, the percent of those using child care centers who would prefer them at place of work would presumably be far higher. However, there is another distinction in that “employer based” implies at the workplace location (as opposed to near the

workplace as is the analysis focus here) and may imply for some, an employer role in cost contribution.

Other surveys confirm a high level of preference for child care located near the workplace for the preschool child, for reasons indicated at the beginning of this section. Most of the surveys and research on this subject do not conclude with quantified distribution of demand. Based on the available information, KMA utilized a 75% share of the demand for child care centers to be located at or near the workplace.

	<u>Age 0-2</u>	<u>Age 3-5</u>	<u>Total</u>
Child Care Center Spaces Demanded (Table 3)	14.85	32.72	47.57
Share Near Place of Work @ 75% of Demand	11.14	24.54	35.68

Sources: US Census, Urban Institute, Keyser Marston Associates.

Conclusion: From the universe of 1,000 employees, 140.21 children need child care. Of all children needing child care, the demand for spaces in child care centers is 47.57. As shown in the lines above, 75% of the demand for child care center space is for a center located at or near the place of work or 35.68 spaces.

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SECTION III - CHILD CARE CENTER FACILITY COSTS

A. Introduction

In this section, KMA presents an analysis of the cost of child care center facilities. It is recalled that in Section I, we established that the prevalent interpretation of the California Code is that linkage fee programs may only address capital or facility costs. In Section I, KMA also clarified that the linkage for workplace buildings to child care must address demand for the preschool child only, or child care centers near the place of work for the children of employees. As such, the facility cost linkage for workplace buildings is for child care center facilities, or cost per child care center space.

1. Demand Conclusions Restated

In Section II, KMA quantified the demand for spaces in child care centers associated with a universe of 1,000 employees. KMA concluded that there was a demand for approximately 36 children in child care centers near the workplace. In this section, KMA quantifies the cost to develop each of these spaces, and, in that way, determines the cost to mitigate the child care impacts generated by new workplace development.

2. Analysis Approaches

Two different approaches are utilized to determine the costs of child care centers. The first approach is to examine the costs of developing child care centers by analyzing the component parts — building shell, equipment, land, etc. The second approach is to examine the cost experience of other recently developed West Los Angeles area child care centers. Further confirmation is made by looking at the costs of child care center development in other high cost areas.

The information in this section was assembled with the assistance of City of Santa Monica staff and the Child Care and Early Education Task Force. Survey and analysis results were presented to the Task Force and a number of adjustments were made per staff and Task Force input.

B. A Prototypical Child Care Center in Santa Monica

1. Development Space Requirements

To be licensed, child care facilities must meet minimum space requirements mandated by the State of California. These requirements, which differ by age of child, are briefly summarized below:

-
- Building Space
 - Infants and toddlers (ages 0-2) – 35 square feet plus an allowance of 15 square feet for bathroom and circulation space per child plus 15 square feet to allow for sleeping area, or 65 square feet per child.
 - Preschool and school age (ages 3 to 12) – 35 square feet per child plus an allowance of 15 square feet for bathrooms and circulation space.
 - Outdoor play area – 75 square feet per child; 50 square feet for infants and toddlers.

Child care center operators agree that these are minimum space requirements and do not provide adequate space for a high quality child care center. The minimum requirement provides insufficient space for different simultaneous activities and for necessary administrative functions and other needs to be accommodated. As a result most child care centers are built to a slightly higher standard as the charts at the end of this section demonstrate. According to child care education experts, a good amount is 100 square feet per child. For the purpose of this analysis, the City of Santa Monica chose 70 square feet per child as an appropriate figure, and clarified that the figure does not reflect a city policy or standard for other applications.

2. Land Area Required

City of Santa Monica Zoning Code was used by City staff to determine the site size required for a child care center of an average workable size. Site coverage and parking requirements are particularly influential in determining total site needs.

Since Santa Monica land parcels are predominantly 7,500 square feet, or multiples of that size, total parcel size for a child care center was selected accordingly. A 15,000 square foot site would accommodate a 65-space child care center per City standards for parking and drop-off spaces and other site coverage requirements. A prototype of a 65-space child care center was selected for the analysis, which at 70 square feet per child is a 4,550 square foot center (65 children x 70 sq. ft. per child = 4,550 square feet).

The size of the land parcel and land cost estimate are for nexus analysis purposes. It is anticipated that centers may well be built on smaller parcels and have solutions for parking and drop-off spaces other than surface spaces. The prototypical child care center analyzed is a one-story building configuration with outdoor play areas and surface parking. To confirm these costs compared to costs for other more urban configurations, information on other prototypes was

assembled and compared. (See end of this section.) It is important to note that the total site cost is the key assumption, not the per square foot land area cost.¹

At the time the analysis was prepared in 2003, a land cost of \$80 per square foot was used, or the lower end of the range at that time. The 2003 figures in the inset Table 4 applied to a 15,000 square foot site area for a total of \$1.2 Million. See footnote below.

3. Development Costs

The main components and unit costs are shown in Table 4.

Table 4
Child Care Facility Development Cost Summary (2003)

	PSF Bldg. Area	Bldg. Area	Total
Building Shell	\$170/SF	4,550 SF	\$773,500
Furnishings, Equipment and Indirects	\$70/SF	4,550 SF	\$318,500
Site (Land and Parking)	<u>\$264/SF</u>	<u>4,550 SF</u>	<u>\$1,200,000</u>
Total	\$500/SF	4,550 SF (Bldg.)	\$2,292,000

Source: Keyser Marston Associates' survey of West Los Angeles child care center construction costs, City of Santa Monica.

The furnishings, equipment and indirects category covers a range of costs including indoor furnishings and fixtures, outdoor play structures, start-up costs, design and engineering, fees and hook-ups, and financing.

The costs per child care space (for the 65-space center as calculated in 2003) are as follows:

Development costs excluding land	\$16,800
Development costs including land	\$35,260

¹ Since the initial preparation of this analysis in 2003, land costs have increased in Santa Monica. In 2005 the probable cost per square foot range is \$125-\$400, depending on location. At \$160 per square foot, or double the \$80 per square foot cost used in the initial analysis, the site cost would be \$2.4 million or more than twice the rest of the project. More likely an alternative site solution would be found, using shared or structured parking and/or shared play area and other cost savings, keeping site costs less than \$2.4 million. For reference, however, if the site cost were \$2.4 million, the total project cost would become \$3.5 million, instead of the \$2.3 million indicated in Table 4 above.

If 2005 land cost at \$160 per square foot is used and a 10% escalation in other costs, then total costs per child care space are as follows:

Development costs excluding land	\$18,500
Development costs including land	\$55,400

Conclusion: It costs approximately \$18,500, excluding land, per child care space to develop a new child care center in Santa Monica. Total cost including land is \$55,400 per child care center space. Table 5, at the end of this section, presents a more detailed summary of development costs.

C. Other West Los Angeles Area Child Care Center Costs

Table 6, at the end of this section, summarizes the development cost experience of other West Los Angeles child care centers. City staff identified the child care centers, varying in construction type and timing, to be included in the survey. Some of the surveyed centers are new construction developments, others are rehabilitation projects and one is currently in the planning process.

With the exception of the project in the planning stage, each center in the survey became operational between 1998 and 2002. Excluding land costs, the development costs per child care space range from \$8,330 to \$39,250. Cost differences are due to varying circumstances and year constructed. A summary of each case study follows:

1. New Construction

Les Enfants Inc. Preschool in Santa Monica has an enrollment of 72 children (28 infant, 18 toddler, and 26 preschool). The stand-alone building was constructed on a vacant lot in 1998 at \$600,000, or \$8,330 per child care space, excluding land. The school director did not provide the land purchase price due to confidentiality. The outdoor play area is approximately 5,000 sq. ft., or 70 sq. ft. per child. In addition to the outdoor play area, 5,000 square feet is dedicated to parking. The parking ratio is one space per seven children.

The Westside Children's Center (WCC) in Culver City has spaces for 100 children. It was developed in 2002 for \$3,925,300, or \$39,250 per child care space. The WCC is part of a larger facility and the first of two development phases. The indoor area is 11,650 square feet, or 115 square feet per child, excluding meeting space, additional building and storage space. The outdoor play area is approximately 15,000 sq. ft., or 150 sq. ft. per child. The parking ratio equals one space per four children.

In 1995, WCC purchased the 2.7-acre site for \$1 million during an economic downturn. The land was owned by the City of Los Angeles and zoned industrial. Office and child care uses equally share the site.

2. Rehabilitation

New Path Montessori School is located in a 1929 single-family home, which was rehabilitated in 2001. The school has spaces for 30 toddlers (2-6 years old). The school includes 1,200 square feet of indoor space, or 40 square feet per child. Outdoor space is 1,400 square feet, 50 square feet per child. The parking ratio equals one space per ten children.

The acquisition and rehabilitation cost was \$557,700, or \$18,600 per child care space. Land costs account for \$327,900 of the total costs. Rehabilitation costs were \$229,800, or \$190 per building square foot. The school director notes that rehabilitation costs exceeded original estimates due to implementation.

Saint Joseph Infant Toddler Development Center was purchased and rehabilitated by Venice Community Housing Corporation in 1999 for \$498,700, or \$21,700 per child care space, excluding land. The Center is located in a two-story building and has spaces for 23 children (6 infants (up to 18 months) and 17 toddlers (18 thru 36 months)). The Center includes 1,570 square feet of indoor play area, or 70 square feet per child. The outdoor play area is approximately 900 square feet, or 40 square feet per child. The parking ratio is one space per 23 children.

Saint John's Health Center, Santa Monica Family YMCA and Smart Start centers were targeted to be part of the survey. However, due to the nature of these facilities, the data could not be organized in a way that was parallel to the other centers.

3. Planned Construction

The UCLA Campus Center is currently in the planning stages. However, preliminary estimates were provided for the survey. The Center will have spaces for 84 children (12 infants, 12 toddlers and 60 preschool). The construction costs are currently estimated to be \$2.1 million or \$25,000 per child.

The Center will have 5,000 square feet of indoor space and 7,500 square feet of outdoor space (60 square feet and 90 square feet per child, respectively). The development plan includes renovation of a 1,600 square foot existing child care facility to be used as a conference room and kitchen. There will be a few drop-off parking spaces but staff parking is to be located off-site elsewhere on campus.

A major private donation will pay construction costs. The university is providing the property.

See Appendix C for more information on each case study.

D. Other Child Care Center Averages (2003)

On a per square foot measure, total costs for the five examples show a broad range from \$120 per square foot to over \$460 per square foot. However, if the survey's lowest and highest costs are eliminated, the costs for the remaining three projects are in the range of \$350 per square foot and the average construction cost per child care space, excluding land, is approximately \$16,670.

Considering the differences in time and the expectation that most new child care centers will likely be new construction, the \$16,800 analysis for current costs, excluding land, is supported by the experience in other West Side centers as a good average for new facilities.

The survey did not enable KMA to identify useful cost experience for land for new facilities in Santa Monica. Land costs were only provided for three of the case studies. The WCC land purchase had special circumstances that would not be applicable to a land purchase today. While New Path and Saint Joseph reported land costs, these centers are both rehabilitation projects where purchase costs included existing improvements. Therefore, as discussed in the previous section, a conservative estimate for residential land in Santa Monica in 2003 was \$80 per square foot, or a total site cost of \$1.2 million for a child care center for 65 children. (It is noted that child care centers built on sites costing more than \$80 per square foot would likely resolve parking needs in some other manner, such as sharing parking with some other use, above grade or underground structures, etc.) With other solutions, the \$1.2 million estimate for land for the 65-space center (or nearly \$18,000 per child care space) was deemed a suitable land cost assumption for purposes of this analysis.

E. Child Care Center Cost Experience in Other High Cost Areas (2003)

As a cross check against the West Los Angeles Area experience, KMA assembled some information on the cost of child care centers in other high cost areas, both suburban in character and more center city urban. The two comparison areas are Silicon Valley in northern California and downtown Seattle, Washington.

1. Silicon Valley

Silicon Valley was selected as a comparable area due to very high land costs and generalized density of development akin to the western Los Angeles area. Several useful pieces of information were assembled that help confirm the Santa Monica cost range.

- The City of San Jose has a program to assist with the development of child care centers. A consultant hired by the city advised that the city should plan on child care centers

costing \$16,000 per space, excluding land and parking. This appears to include an allowance for at least some equipment, furnishing and indirect costs.

- The City of Menlo Park has been seeking to redevelop a parcel in its civic center complex with a large child care facility to accommodate both preschool and after school programs. A design and project development team reported back to City Council to get authorization to seek construction bids. The estimated cost for the total 180-space project is \$6,600,000. This figure computes to \$34,178 per space or \$439 per square foot building area. Since the city already owns the land, there is no land cost included, although there is significant site work needed.
- In late 2003, KMA conducted a survey of child care center development cost experience in the San Mateo-Peninsula area for the purposes of a child care linkage program in the City of Santa Mateo. Good data on four centers was assembled and it was concluded that total costs per space averaged at least \$25,000 per space.

2. Downtown Seattle

In 2001, KMA conducted a child care linkage analysis for the City of Seattle and assembled information on the cost of child care centers in that downtown. At the time, there was one child care center that had been developed within a high-rise office building, the Washington Mutual Tower which was completed in 1988. The child care center was built for 23 infants and toddlers and no preschoolers due to the difficulty of the outdoor play area component. The development cost at that time was \$525,000 or \$22,800 per space. This cost did not include outdoor play area (some was added later). Nor did it include land cost. Only one dedicated parking space was built.

Other downtown child care centers not in high-rise buildings had similar development costs, particularly after adjustments for time of development and other differences.

For the Seattle program KMA undertook a prototypical child care center cost analysis similar to the Santa Monica analysis presented here. The major cost components and conclusion are shown in Table 7.

Table 7
Seattle Child Care Center Cost Analysis (2001)

	Per SF	Per Child Care Space	Total for 60 Child Care Spaces
Land (per square foot building area)	\$30	\$2,250	\$135,000
Building Shell	\$165	\$12,375	\$742,500
Furnishings, Equipment and Indirects	<u>\$148</u>	<u>\$11,100</u>	<u>\$666,000</u>
Total	\$343	\$25,725	\$1,543,500
Source: Keyser Marston Associates.			

Several clarifications and comparisons are appropriate.

- The Seattle prototype included no parking or drop-off spaces.
- Land costs were prorated in a building and intentionally stated at the low end. Land cost per child care space was \$2,250 in Seattle; the Santa Monica costs are much higher.
- Each of the 12 parking or drop-off spaces in Santa Monica costs an average of \$28,266 in land costs. Were these 12 spaces in a parking structure instead, the cost of the structure including a land allocation and all indirect costs, would be roughly the same as the \$28,000 per parking space.
- The Seattle prototype assumed 75 square feet per child care space compared to the 70 square feet per space assumption for Santa Monica.
- The estimate for furnishings, equipment and indirect costs was substantially higher in Seattle. This was a result of more detailed data on these costs in other child care centers in downtown Seattle.

F. Conclusion

After reviewing the rather wide range of cost experience in developing child care centers, particularly as it relates to all the costs beyond construction of the building shell, one can conclude that state-of-the-art cost estimating for child care centers is still in the formative stage. There appear to be few standards and little consistency with regard to what is counted, what is necessary, and how much should be allowed for such things as equipment and start-up costs. It is also evident that many child care facilities are built on land already owned and therefore land cost is frequently left out of the equation.

The recommendation from this analysis and survey is that \$35,000 per space in Santa Monica is a good planning number for the purposes of a mitigation program. The cost per space excluding land at \$16,800 clearly is at the low end, and there are at least three examples where costs are double that excluding land (West Los Angeles, UCLA, and Menlo Park). On the other hand the assumption of \$18,460 per child care space for land (to meet the standards of the Santa Monica zoning code with respect to parking and drop-off spaces) is substantial and assumes no variance from the code to accommodate a child care center. Even if parking were accommodated in a structure or other more dense solutions to the child care building and outdoor areas were employed and some code variance was permitted, KMA believes that it would be difficult to reduce the “all inclusive” cost of a child care center in Santa Monica below \$35,000 per space.

The update for late 2005 presents revised conclusions as discussed in Section B, as follows:

Development cost excluding land, per child care space	\$18,500
Development cost including land, per child care space	\$55,400

G. A Note on Rehabilitation of Child Care Centers

The survey of recently developed West Los Angeles area child care centers found a number of them were rehabilitations of existing buildings. These costs per space again ranged widely and were highly inconsistent with respect to what was counted and not counted. Rarely does the cost or value of the existing structure and land get included in the calculation. Since the City of Santa Monica does not own or identify buildings with rehabilitation potential for child care centers, it was not appropriate to use rehabilitation as an option to mitigate new demands.

A child care linkage ordinance, if adopted, will provide for alternatives to paying any fee to mitigate child care demand. The alternatives would include the construction of new child care facilities and the rehabilitation of existing structures, subject to certain standards and acceptability to the City. In other words, if a developer chooses to meet a child care linkage obligation through rehabilitating an existing structure and can do so at less cost, the developer could be welcome to do so.

TABLE 5
TYPICAL CHILD CARE CENTER FACILITY COSTS (2003)
CHILD CARE LINKAGE PROGRAM
CITY OF SANTA MONICA

Number of Children:	65		
Size of Facility			
Indoor Space @	70 sq. ft. per child	4,550 sq. ft.	
Outdoor Space @	80 sq. ft. per child	5,200 sq. ft.	
Total		<u>9,750 sq. ft.</u>	
Cost of Facility			
Building shell @	\$170/sf	4,550 sq. ft.	\$773,500
Furnishing, equipment @ (includes indirects)	\$70/sf	4,550 sq. ft.	\$318,500
Land required:			
Building pad		4,550 sq. ft.	
Parking ¹			
Facility Parking @ 9 spaces		3,190 sq. ft.	
Drop-off Parking @ 3 spaces		1,050 sq. ft.	
Outdoor play area		5,200 sq. ft.	
		<u>13,990 sq. ft.</u>	
Total land required @ 93% coverage		15,000 sq. ft.	
Land cost @ \$80 sq. ft. x 15,000 sq.ft.			<u>\$1,200,000</u>
Total development cost			\$2,292,000
Cost per sq. ft. child care facility			\$500
Cost per child care space			
Including Land			\$35,260
Excluding Land			\$16,800

¹ City provided parking space requirements. Assumes one parking space per 500 sq. ft. gross building area and assumes one parking space requires 350 sq. ft.

**TABLE 6
WEST LOS ANGELES PRE-SCHOOL CHILD CARE CENTERS SURVEY
CHILD CARE LINKAGE PROGRAM
CITY OF SANTA MONICA**

Name/Location	Developer	Year Built/ Rehab	No. of Child Care Spaces (FT equiv.)	Total Size (Sq. Ft.)		Total Cost	Cost/ Space	Cost/ Sq. Ft. Indoor	Cost Excluding Land		Comments		
				Indoor	Outdoor				Cost/ Space	Cost/ Sq. Ft. Indoor			
NEW CONSTRUCTION													
Les Enfants Inc. Preschool 2702 Virginia Avenue Santa Monica	Nancy Behravesh, Director (310) 315-0058 Page Construction	1998	Infant	28									
			Toddler	18									
			Pre-School	26									
			Total	72	Per Child	69	69	Total	5,000	5,000	\$ 600,000	\$ 8,330	\$ 120
Westside Children's Center (WCC) 12120 Wagner Street Culver City CA 90230	WCC Rosa Arevalo/Douglas Chin (310) 397-4200	2002	Infant	0									
			Toddler	** 48									
			Pre-School	52									
			Total	100	Per Child	117	150	Total	4,383,310	43,830	\$ 380	\$ 39,250	\$ 340
		** 18-34months			Total	11,650	15,000						
REHABILITATION													
New Path Montessori School 1962 20th Street Santa Monica	Chandra Jayasekara (Ira) (310) 450-2477	2001	Infant	0									
			Toddler	* 30									
			Pre-School	0									
			Total	30	Per Child	40	47	Total	557,700	18,590	\$ 460	\$ 7,660	\$ 190
		* 2-6 years			Total	1,200	1,400						
Saint Joseph Infant Toddler Development Center 718 Rose Avenue Venice, CA 90291	Saint Joseph Center Judy Alexander (310) 396-6468 x306 Venice Cmmt Hsg Lori Zimmerman (310) 399-4100	1999	Infant	* 6									
			Toddler	** 17									
			Pre-School										
			Total	23	Per Child	68	39	Total	498,700	21,680	\$ 320	\$ 16,690	\$ 240
		* 0-18 months			Total	1,570	900						
		** 18-36 months											
PLANNED CONSTRUCTION													
UCLA													
UCLA campus	Gay Macdonald UCLA Child Care Services (310) 206-1861	2003	Infant	12									
			Toddler	12									
			Pre-School	60									
			Total	84	Per Child	60	89	Total	2,100,000	25,000	\$ 320	\$ 25,000	\$ 320
					Total	5,000	7,500						
SURVEY AVERAGE				56	Per Child	71	79			\$ 19,386	\$ 242		

Source: Keyser Marston Associates' interviews with child care center staff.

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SECTION IV – BUILDING DEVELOPMENT AND LINKAGE COSTS

This section combines the findings of the demand analysis (Section II) with the findings of the child care center development cost analysis (Section III) to establish linkage costs. This section first addresses the linkages between workplace building construction and job growth. The historic relationship between the construction of workplace buildings and job growth is examined both in general and for different types of workplace buildings to the extent data availability allows. The three types of workplace buildings that are the subject of this analysis are: office (or office/R&D/), retail and entertainment, and hotel and other lodging. This analysis allows us to link buildings to jobs to employees and child care demand impacts on a per square foot level.

In parts D and E of this section, the conclusions with respect to the child care demand impacts and the costs of mitigating the child care impact are joined together. The result is a quantification of child care impacts associated with workplace building construction per square foot and the costs of mitigation per square foot. The conclusions of the analysis represent the maximum charge for mitigation, or maximum impact fee level supported by this analysis. The City may design impact fees or other type linkage requirements at any level below those established by this analysis.

A. Construction and Job Growth Linkage

The first link in the chain of linkages joining the construction of workplace buildings and child care demand is that between building construction and job growth. If the impact fee is levied on a building at the time of construction, the underlying assumption is that the addition of building space will result in more jobs in Santa Monica. (See Section I for more on the underlying concept and ancillary assumptions.)

To confirm the relationship, KMA assembled available information on job growth and workplace building construction in Santa Monica. For the job growth/building analysis, City staff provided Santa Monica job data for 1995-2000, based on State Employment Development Department (EDD) reports. Job data of this detail are not available for Santa Monica prior to 1995. Data was supplemented with information from the economics page located in Section 6 of the City's web site. The web site refers users to the California State University Long Beach Office of Economic Research 3rd Annual Santa Monica Economic Forecast Presentation (November 2001).

The jobs data series provided by the City appears to be the only data available at the city level. The data series is based on payroll forms prepared by companies and submitted to the EDD. This data source has the following limitations:

- The self-employed and business owners operating as a sole owner, rather than a corporation, without payroll deductions are excluded. Contract workers are also excluded.

- The information is based on where the payments are reported from; e.g., if all Burger King employees are paid through Burger King headquarters, then their statistics would show up in the Burger King headquarters location. The reciprocal is also true; if a corporation is headquartered in Santa Monica payroll information would be provided for the entire company, regardless of whether jobs are located in Santa Monica.
- The data is organized by major Standard Industrial Classification (SIC). This classification system does not neatly match to building type for many categories. Office is particularly problematic since office jobs are a large portion of the services, the finance insurance and real estate “industry”, and, in a place like Santa Monica, many manufacturing firms have office functions there, not production activities.

Table 8
Number of Jobs in Santa Monica by Major Industry

	1995	2000	Change
Agriculture	266	546	280
Mining	-	-	-
Construction	1,688	1,832	145
Manufacturing	2,241	3,083	843
Transportation/Utilities	1,352	1,735	383
Wholesale Trade	2,205	2,127	(78)
Retail Trade	13,994	17,328	3,334
FIRE	5,127	5,561	434
Services	28,276	34,859	6,583
Public Administration	4,956	5,974	1,018
Confidential ⁽¹⁾	<u>2,305</u>	<u>1,039</u>	<u>(1,266)</u>
Total	62,410	74,084	11,675

⁽¹⁾To protect employee identity, specific job type is not available for these jobs.
Source: City of Santa Monica.

To convert jobs by industry to jobs by building type, KMA utilized a cross matrix of percentage relationships to estimate the share of jobs in office type buildings. For retail and hotel jobs discrete industries subsets could be used. The estimate of jobs by building type for the three types of buildings under analysis is shown in Table 9.

Table 9
Estimated Jobs by Building Type

Building Type⁽¹⁾	1995	2000	Change
Office (Estimated)	17,162	19,928	2,766
Hotel	1,317	2,571	1,254
Retail	<u>13,994</u>	<u>17,328</u>	<u>3,334</u>
Total	32,474	39,827	7,354
⁽¹⁾ Building types reflect major non-residential uses represented in the Child Care Nexus analysis. Jobs for a specific building type are comprised of related SIC employment codes. Data is not available on a more detailed level. Source: City of Santa Monica, Keyser Marston Associates.			

The City also provided KMA with annual construction activity for the same time period. The information is from building permits and therefore should lead to job growth. For this analysis, it was assumed that on average jobs would occupy new buildings approximately a year after permitting.

During the 1995-1999 period, approximately 1.12 million square feet of commercial development activity was reported (see Table 10). The information does not break down building types further than “hotel” and “other-commercial.” Further, no hotel development activity was reported for this time period, despite the growth in hotel jobs. The City of Santa Monica issued building permits in the late 1980s for three hotels constructed in the early 1990s. These new hotels are likely responsible for the growth in the number of hotel jobs in the mid to late 1990s, as hotels typically take a few years to achieve stable operations and would continue to expand employment during this period.

B. Jobs and Construction Activity Correlation

Because the data do not identify individual building types, the analysis illustrates the general correlation between jobs and building. Table 10 presents the relationships found from comparing the new jobs to the new space over the 1995 to 2000 time period.

Table 10
Correlation Between Jobs and Commercial Building

	New Jobs (1995-2000)	Building (SF) (1995-1999)	SF per Employee
Hotel	1,254	0	0
Other Commercial	<u>10,421</u>	<u>1,116,118</u>	<u>107</u>
Total/Average	11,675	1,116,188	96
Source: City of Santa Monica; Keyser Marston Associates.			

The data shows that there is indeed a correlation between employment and workplace building activity in Santa Monica for the five-year period. In other words, as new workplace buildings were developed during this period, new jobs were also created.

The relationship between employee and square feet of building area can be expressed as a density factor. As shown above, Santa Monica gained 11,675 jobs and 1.12 million square feet of nonresidential building area was developed between 1995 and 1999. The average density factor during this period would calculate to one employee per 96 square feet.

The time series reflects a period of vigorous economic expansion only. As such, there probably was considerable job growth in existing buildings. Busy restaurants employ more staff than more idle ones. With a longer time series one would expect to see the very high density levels found here (or low number of square feet per employee) come down substantially. Unfortunately, KMA was unable to obtain the same series information for the 1990 to 1995 period.

However, figures on total job growth and construction activity in Santa Monica over the decade are available. The Cal State Long Beach Office of Economic Research reported the job figures, supplied by the City. These figures indicate total non-farm employment in Santa Monica as follows:

1991	51,000 (approx.)
1995	62,140
2000	75,500

These figures show that Santa Monica experienced substantial growth during the early half of the decade despite the recession in the region and the State as a whole over the period. According to this series job growth over the decade was 24,500 jobs.

Total commercial construction activity in Santa Monica over the period from 1990 through 2000, according to the City, was 1,636,812 square feet, or 148,802 per year on average. (See Table 12, at the end of this section, for annual figures.)

The density of new jobs in new buildings from the whole decade computes to 67 square feet per job (1,636,808 /24,500 = 67). Again this suggests much job growth was occurring in existing structures. Other adjustments that might be made with more complete data include elimination of government jobs and others not housed in the analysis categories, jobs that occurred in additions and remodels to existing structures, etc.

C. Employment Density

The available employment data series does not provide an adequate level of detail particularly as relates to individual building types. In addition, the unusually vigorous growth during the time period resulted in substantial employment growth, some of which was occurring in existing buildings. Therefore, given these limitations, KMA believes it is appropriate to use standard employment density factors for workplace buildings instead.

These relationships are based on surveys, some national, some local, for a wide range of conditions collected over many years. Appropriate factors were selected for Santa Monica conditions and were discussed with staff. If the City uses such factors in other applications (such as parking standards), the factors utilized are: 250 square feet per employee for office buildings, 350 square feet per retail worker and one hotel employee per hotel room, or per 500 square feet of hotel building area. The density factors are all notably less dense than the data on job growth and building construction during the late 1990s in Santa Monica would suggest.

D. 1,000 Employees and Building Area

Employment density factors allow one to move back and forth between numbers of employees and building area for various types of workspace buildings. Returning to the universe of 1,000 employees, the following building sizes result:

1,000 Employees Related to Building Size

Office	250 sq. ft./employee	250,000 sq. ft.
Retail/Entertainment	350 sq. ft./employee	350,000 sq. ft.
Hotel/Lodging	500 sq. ft./employee	500,000 sq. ft.

E. Child Care Demand and Mitigation Costs Related to Building Area

At this juncture, it is possible to link workplace building area with number of employees, with child care demand and the costs of mitigating child care demand. Table 12 summarizes the sequence of steps and the results of the analysis, using the updated 2005 figures with and without land.

Table 12
Workplace Buildings Mitigation Costs Per Square Foot (2005)

Child Care Center Spaces in Demand per 1,000 Employees (End of Section II)		35.68	
		<u>Excluding Land</u>	<u>Including Land</u>
Cost of Child Care Facilities per Space (End of Section III)		\$18,500	\$55,400
Cost of Child Care Center Spaces for 1,000 Employees		\$660,100	\$1,976,700
Cost of Child Care Center Space per Employee		\$660	\$1977
Child Care Center Cost per Sq. Ft. Building Area			
Office	250 sq. ft./Employee	\$2.64	\$7.91
Retail/Entertainment	350 sq. ft./Employee	\$1.89	\$5.65
Hotel/Lodging	500 sq. ft./Employee	\$1.32	\$3.95
Source: Keyser Marston Associates			

Total child care linkage costs are provided with and without land in recognition that some child care centers may be developed on land either donated or already owned by the City. To reflect the mix, an average linkage cost for the two assumptions is recommended for establishing the maximum ceiling. Results are as follows

Office	\$5.27
Retail/Entertainment	\$3.77
Hotel/Lodging	\$2.64

These are the total child care linkage costs for workplace buildings and child care center facilities. These costs, also referred to as total nexus costs, represent the legal ceiling for potential fees supported by this analysis. These are not recommended fee levels. The City may set fees at any level below these nexus costs. Section VI of the report provides additional materials for assisting in selecting fee levels.

F. Building Area and Child Care Demand

The relationships between employees, child care demand and building area have other potentially useful applications beyond the setting of fee maximums. KMA recommends that the City offer a build option as an alternative to paying fees. In addition, the City may wish to require the construction of a child care center for a very large project.

For example, if the City determines that a minimal optimal size child care center is 75 children, it is possible to determine how large the project needs to be to warrant 75 child care spaces.

$$75 \text{ spaces} / 35.68 \text{ spaces (per 1,000 employees)} = 2.102 \text{ times}$$

Office:	250,000 sq. ft. x 2.102 = 525,500 sq. ft.
Retail:	350,000 sq. ft. x 2.102 = 735,700 sq. ft.
Hotel:	500,000 sq. ft. x 2.102 = 1,051,000 sq. ft. (2,102 rooms)

In other words, this analysis uses relationships that suggest that an office project of 525,500 square feet would generate demand for a child care center for 75 children. For the same size child care center, a retail and/or entertainment project would need to be 737,700 square feet, or a hotel of a little over 2,000 rooms.

Other ways of expressing the relationship are as follows:

- Office: 1 child care space per 7,007 sq. ft. building area or 0.000143 child care space per square foot building area.
- Retail: 1 child care space per 9,809 sq. ft. building area or 0.000102 child care space per square foot building area
- Hotel: 1 child care space per 14,013 sq. ft. or 0.000071 child care space per square foot building area

Another application relates child care center space to project area space. It is recalled that the average child care center is 70 sq. ft. of building area per child. If the 75-space child care center is for an office building of 525,500 sq. ft., the child care center size requirement is 5,250 sq. ft. (75 x 70 sq. ft. per space) or roughly 1% added to the building area. For the three building types, the ratios are as follows:

Office – 1%
Retail – 0.7%
Hotel – 0.5%

In summary, child care center demand conclusions can be used to relate child care center space to commercial projects for other purposes, such as negotiating Development Agreements.

TABLE 11**COMMERCIAL BUILDING ACTIVITY IN SANTA MONICA
CHILD CARE LINKAGE PROGRAM
CITY OF SANTA MONICA**

ANNUAL COMMERCIAL BUILDING ACTIVITY (SQURE FEET)¹

	<u>Hotel</u>	<u>All Other Commercial</u>	<u>Total</u>
1990	0	90,000	90,000
1991	0	224,359	224,359
1992	0	10,904	10,904
1993	0	10,652	10,652
1994	0	91,522	91,522
1995	0	92,881	92,881
1996	0	15,192	15,192
1997	0	27,031	27,031
1998	0	400,198	400,198
1999	0	580,816	580,816
2000	39,381	53,872	93,253
2001	0	67,209	67,209
2002	<u>0</u>	<u>54,553</u>	<u>54,553</u>
Total	39,381	1,719,189	1,758,570
1990-1999			
Total	0	1,543,555	1,543,555
Average	0	154,355	154,355
1995-2000			
Total	39,381	1,169,990	1,209,371
Average	6,564	194,998	201,562
1990-2002			
Total	39,381	1,719,189	1,758,570
Average	3,029	132,245	135,275

¹ Data provided by City staff on March 10, 2003 and is based on building permit activity. Includes large projects subject to development agreements.

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SECTION V – SUMMARY OF LINKAGE ANALYSIS AND CONCLUSIONS

Section V summarizes the child care linkage fee analysis described in Sections I–IV. Those sections explain the multi-step analysis undertaken to quantify the demand for child care by employees in Santa Monica and the costs to mitigate child care demand, in terms of the provision of new child care center spaces. The analysis is conducted for a “universe” of 1,000 employees for ease of understanding and avoidance of awkward fractions associated with an analysis on the per employee or per household level. The findings of the demand analysis and linkage costs are summarized below.

A. Demand Analysis

The demand analysis estimates the number of children who require child care for a given universe of 1,000 employees. Demographic information is drawn from the U.S. Census 2000 series for the County of Los Angeles, since workers in Santa Monica come from the larger area.

- From a universe of 1,000 employees, there are 694.11 employee households, reflecting the fact that most households contain more than one worker or employee.
- In the 694.11 employee households, there are 183.18 children age five and under (actually half of all five year olds).
- Of the 183.18 children age five and under, 140.21 need child care due to the situation that all parents in the home are working.
- Of the 104.21 children needing child care, the demand for spaces in child care center facilities is 47.57 spaces (14.85 infant and toddler spaces and 32.72 pre-school spaces), based on national surveys for children of these age groups.
- National surveys suggest that 75% of demand for child care center space for preschool children is for centers located near the parent’s workplace. As a result, the demand for spaces in child care centers located near the workplace is 35.68 spaces (11.14 infant and toddler spaces and 24.54 preschool spaces).

The conclusion of the demand analysis is that for 1,000 employees, the demand for spaces in child care centers near the workplace is 35.68 spaces.

B. Mitigation Costs Analysis (2005)

The mitigation costs analysis estimates the cost of providing new child care spaces in Santa Monica and then translates these costs into total linkage costs.

- A prototypical child care center and its development cost in Santa Monica was analyzed. In addition, cost experience was drawn from a survey of other West Los Angeles Area child care centers. The finding is that the cost to develop a new child care center in Santa Monica in 2005 is approximately *\$18,500 per space without land, or \$55,400 with land or, averaged together, \$36,950.*
- The total mitigation cost for 1,000 employees is calculated by multiplying the number of child care center spaces in demand (35.68) by the cost of development per child care center space:

$$35.68 \times \$36,950 = \$1,318,380 \text{ for 1,000 employees}$$

The mitigation cost allocated to each of the 1,000 employees is \$1,318.

- Further analysis relates the per-employee cost to building space based on density of employment. Since density varies by type of building and the activity within it, there are different density factors for each of the three building types:

Office	250 sq. ft. per employee
Retail	350 sq. ft. per employee
Hotel	500 sq. ft. per employee

When the cost per employee is divided by the number of square feet per employee, the result is a cost per square foot of building area as follows:

Office	\$5.27 per sq. ft. ($\$1,318 \div 250$)
Retail	\$3.77 per sq. ft. ($\$1,318 \div 350$)
Hotel	\$2.64 per sq. ft. ($\$1,318 \div 500$)

These costs per square foot express the cost to mitigate the demand for space in child care centers through the construction of new child care center spaces in Santa Monica. These are the total linkage costs and represent a ceiling below which fees may be set.

SECTION VI - MATERIALS TO ASSIST IN DESIGNING A FEE PROGRAM FOR SANTA MONICA

A. Overview

This section provides information to assist policy makers in selecting an appropriate Child Care Impact Fee level and mitigation program for Santa Monica. As indicated at the end of the previous sections, the linkage analysis establishes maximum supportable fee levels. Recognizing a variety of City objectives, policy makers may set the fee or other obligations at any level below the maximum.

The conclusions of the analysis on child care linkage costs for three types of commercial projects discussed in Section V are restated below. These are the maximums below which fee levels may be considered for different buildings:

Office – \$5.27 per square foot
Retail/Entertainment – \$3.77 per square foot
Hotel – \$2.64 per square foot

1. Thresholds and Exemptions

Before evaluating alternative fee levels, it is helpful to recognize that a linkage fee program and governing ordinance may contain features to address specific concerns and policy objectives. The most important features are minimum size thresholds and exemptions.

A minimum size threshold sets a project size over which fees are in effect and exempts or reduces fees on smaller projects. Very large cities with high fee structures (multiple fees at substantial levels) tend to set thresholds at the 25,000, 50,000 or even 100,000 square foot level. Smaller cities typically establish thresholds at 10,000 or 25,000 square feet. Some programs have no thresholds. For consistency, Santa Monica may want to consider a threshold that is the same as for other development standards or fees. The Development Review threshold is currently 7,500 square feet. The Housing and Open Space Fee reduces the fee for the first 15,000 sq. ft.

A number of policy objectives can be accomplished through the minimum thresholds. If there are older commercial areas for which small-scale infill is a City objective, a minimum threshold will avoid or reduce the cost for small projects. If mixed-use projects are being strongly encouraged, again a minimum would benefit many such projects.

Exemptions of several sorts can also be added to the program. Specific geographic areas are sometimes identified as warranting special treatment by the City or specific building types may be exempted.

Finally, it should be noted that the ordinance will likely contain a provision to address demolition of existing structures, recognizing that the prior structure had child care impacts and the replacement structure should only address net new impacts. Similarly, when very low employment density type structures are renovated for newer higher employment density activities, adjustments are in order. The classic example is the warehouse that is renovated for an office or film production activity.

B. Other Santa Monica Impact Fees and Total Development Costs

Policy makers usually wish to consider the design and level of a new fee in the context of existing fees already in place and in the context of total development costs within the jurisdiction. This section briefly summarizes Santa Monica impact fees and development costs, particularly land, within the city and evaluates the relationships.

1. Other Impact Fees

The City of Santa Monica was one of the first in the State to adopt a jobs housing or affordable housing impact fee and also an open space impact fee. These were adopted in 1984 and have been adjusted periodically since then using a Consumer Price Index. The fees apply to office projects only. The fee level is quoted as a single fee and, as of the date of report preparation (2005), is as follows:

- \$4.37 per square foot for the first 15,000 square feet; and
- \$9.72 per square foot in excess of 15,000 square feet.

In addition, the City has a “fee” schedule to cover a broad range of planning and processing services associated with the development process. These are not impact fees per se, but are noted because they are reportedly high relative to other cities and do add to the costs of development in Santa Monica.

A child care fee would be an impact fee similar to the affordable housing and open space fee and in addition to the levels noted above.

2. Land Costs in Santa Monica

A brief discussion of land costs in Santa Monica as a key component of total development costs is relevant because, in theory, land value adjusts downward to reflect the added cost burden imposed by the City. Most development costs, such as hard construction costs, and most

indirect and financing costs are relatively fixed, or not subject to adjustment as a result of local policies. Land value is the variable in the development equation that adjusts to reflect the income capacity of market forces, given the fixed costs of development. Rents and building values generally act independent of costs of development. They are driven by the market attraction of the location and the strength of the regional economy. If costs are increased as a result of a local fee, land values are theoretically decreased by a corresponding amount.

The relationship between the fee cost and the land value is a function of the project density or Floor Area Ratio (FAR). With an FAR of 1:1, the building area square footage is equal to the site area. A building with an FAR of 2:1 is a building with twice the floor area as the parcel size, meaning the fee impact theoretically is doubled in its diminution of land value. Most commercial or mixed-use projects in Santa Monica are developed to an FAR in excess of 1:1. (Usually parking is kept out of the equation — impact fees are not charged on structured parking square footage and parking is not counted in the FAR.)

The word “theoretically” is dispersed throughout the discussion. In the real world, other forces, most particularly market demand, drive land values far more powerfully than do fees. Land values have escalated substantially since the mid-1990s and despite the recession in office markets, land values have not come down in locations such as Santa Monica.

To obtain an overview of values in Santa Monica, KMA considered several sources. KMA obtained data on 15 land purchase transactions, which have occurred since late 1999. These transactions covered all areas or zip codes of the City. In addition, KMA talked with the City about general conditions and trends. From this limited investigation, KMA concludes that land values are predominantly over \$100 per square foot and in some locations over \$200 per square foot. The low end of the range for properties without significant problems is around \$80 per square foot. (2003)

At \$100 per square foot each dollar of impact fee is a 1% impact on land value at a 1:1 FAR and 2% at a 2:1 FAR. Areas with a development potential of higher than 2:1 FAR due to zoning have land values considerably over the \$100 average used in the example. As a result, the impact of each dollar of fee is probably no greater than 2% of land value at any location in Santa Monica.

Finally, as an observation, Santa Monica may be a city with a high fee structure (both impact fees and processing fees), but it is also a city with a very high land value structure. There is no evidence that the fee structure thus far has had a depressing impact on land values. It is likely that the development community views other difficulties in pursuing development projects in Santa Monica, such as limited land, as being more significant and more costly than the fees.

3. Total Development Costs

Total development costs for all types of projects in Santa Monica are higher than in most other portions of the metropolitan area for a combination of reasons.

- The land cost structure reflecting the high desirability of virtually all locations in Santa Monica and the strong market conditions and income capacity resulting there from.
- High construction costs resulting from most projects being built at urban type densities on sites of constrained size. Staging areas for construction are also minimal, adding to costs.
- Parking requirements, which in combination with the density and land costs, means virtually all parking is now located in structures of one sort or another, often subterranean.

As a result of these factors, it is virtually impossible to complete a development project for less than \$300 per square foot “all inclusive.” This cost is inclusive of land, construction, site costs, and all indirect costs including financing in 2003. Average development costs “all inclusive” generally fell in the \$300 to \$400 per square foot range.

In the context of total development costs, each dollar of impact fee has a minor impact — under 0.35%.

To restate KMA’s conclusion on land values: market pressures have a far greater impact on land values than fees in the Santa Monica real estate market. According to the Housing Element, land costs escalated 31% to 56% during the 1997 to 1999 period alone, and land costs have continued to rise since that time. A child care fee would not be of a magnitude to significantly alter land values in Santa Monica.

C. Child Care Linkage Programs in Other Jurisdictions

It is always of interest to decision makers to know what other cities and counties have in place in the way of similar programs. KMA assembled information on child care linkage programs in California and elsewhere, following a search using the internet, the California League of Cities, and other sources such as a State Housing and Community Development publication entitled *Pay to Play*.

The chart, Table 13 at the end of this section (updated for 2005), summarizes the major provisions of ordinances in 15 California jurisdictions plus a specific plan area. Some of the main points of interest are:

- All of the jurisdictions with the exception of West Hollywood and Palm Desert are in northern California.
- The highest fee level in California on non-residential construction is in Palm Desert, at \$1.15 per sq. ft. for office space, adopted in 2005. San Francisco, Berkeley and San Mateo all have fees of \$1 per sq. ft. The next highest is Martinez at \$0.85, followed by West Hollywood at \$0.65. All others are lower yet.
- Many programs have a parallel charge on residential construction.
- A few programs also fund operating expenses and subsidies for lower income families.
- Most programs have thresholds and exemptions of some sort.
- Seattle has a recently adopted a child care linkage program which only applies to the downtown area, and only to large hotels and office projects. The charge is \$3.25 per square foot on the bonus area (above a base FAR) or equivalent to \$1.50 to \$2.00 if applied over the total building area.

KMA is familiar with several jurisdictions that are considering adding a child care linkage program and of those that have them now, some will be doing an update within the next few years. None of the programs have been challenged in court, to KMA's knowledge.

D. Child Care Fee Collection Projection

Policy makers and planners like to have information on the approximate amount of funding a program will generate, given certain assumptions. This can be done by examining the annual level of construction activity and projecting it forward to determine funding for each dollar of fee.

1. Commercial Construction

Santa Monica is a built-out city without a substantial amount of construction activity, residential or non-residential. City staff assembled data on commercial construction every year since 1990 (Table 11). This information was presented in Section IV. Commercial construction averages for various timeframes since 1990 are as follows:

	<u>Non-Residential</u>
1995-2000	201,562 sq. ft./yr.
1990-1999	154,562 sq. ft./yr.
1990-2002	135,275 sq. ft./yr.

For purposes of looking forward, generally the longer timeframe provides a more useful average. The 1990s decade was a particularly good decade for projection purposes because during the first half of the decade the economy was in recession and the second half of the decade was a period a vigorous expansion. Since 2000, the office market has been in recession, so for purposes of projection, KMA believes 150,000 sq. ft. per year is a good average.

In Santa Monica very large projects are typically negotiated with the City and become subject to Development Agreements. Of the approximately 1,760,000 sq. ft. developed since 1990, over 700,000 of it was in Development Agreement projects. Without these projects, the average activity would drop to around 77,000 sq. ft. per year. For projection purposes, KMA would argue that much of this activity probably would have happened in other projects and further, looking ahead, Santa Monica will probably have at least one or two large Development Agreement projects per decade on average.

KMA recommends a projection range of 100,000 to 150,000 per square foot per year. From there one can examine the amount generated for every dollar of fee, or say, a \$1, \$3 and \$5 per square foot fee range.

	<u>\$1 Fee</u>	<u>\$3 Fee</u>	<u>\$5 Fee</u>
100,000 sq. ft. per year	\$100,000	\$300,000	\$500,000
150,000 sq. ft. per year	\$150,000	\$450,000	\$750,000

Working from the mid ranges of both fees and construction activity, KMA brackets the proceeds from the program at roughly \$250,000 to \$450,000 per year.

The above projection range implies two major conditions:

- That the fee will be applied to all commercial type construction — office, , retail, entertainment, hotel, etc. This is not consistent with the current housing and open space fee.
- That the fee program will not include exemptions or reductions for smaller projects. Again, the City’s other impact fee programs do include reductions.

2. Fund Capacity vs. Costs

On an order of magnitude level, it is helpful to look at the probable linkage program fund in light of linked child care costs, or in this case, child care center facility costs. It was established that the average cost per child care center space is \$36,950 on average. (2005)

If an adopted linkage program generates \$250,000 to \$450,000 per year, then roughly ten new child care center spaces could be developed each year. Or, if the desired size of a child care center is 75 children, the City could fund development of a new center every seven or eight years.

E. Santa Monica Development Agreements – Child Care Provisions

The City of Santa Monica has negotiated with the developers of large projects over the past 20 years for child care payments or other provisions as part of the condition of approval for the project. Commencing with the Colorado Place agreement in 1981, the City has worked out child care mitigations on seven large scale projects.

The chart at the end of this section (Table 14) summarizes the seven agreements. It appears that four agreements have called for the provision of a child care centers of varying sizes:

- National Medical Enterprises (now MTV) project – 60 child care spaces
- Colorado Place – a 2,000 sq. ft. child care center (about 28 spaces)
- Water Garden – 3,500 sq. ft. initially, 7,000 sq. ft. by later phase (about 100 child care spaces)
- Saint John’s Hospital Expansion – a center for 49 children of which 21 must be infants/toddlers

In addition, the Rand Corporation agreement calls for an expenditure of \$500,000 toward a child care center.

Most of the agreements specify that the project will give first preference to employees and/or tenants. A second priority for enrollment is City residents. The Water Garden and Saint John’s require that a portion of spaces (10% and 25% respectively) be made available to the children of lower income families.

These development agreements represent individual negotiations independent of a City policy or program to guide consistency of requirement. As such, they provide little guidance for future development agreements other than the precedent for requiring a child care mitigation in concept.

F. Recommendations for a Child Care Linkage Fee Program for Santa Monica

Drawing from the findings of the linkage analyses and from the materials in this section of the report, the following findings listed below are offered as a guide:

-
- The maximum child care fee levels supported by the linkage analysis are as follows:

Office - \$5.27 per square foot

Retail/Entertainment - \$3.77 per square foot

Hotel - \$2.64 per square foot

- The fee levied by the City should be under the maximum amount supported by the analysis. KMA always recommends a margin to allow for minor changes in conditions, different findings from new surveys, or other adjustments that might invite challenges to the fee level. With a margin, challenges are discouraged.
- Based on the high land value structure in Santa Monica and high costs of development, fees at virtually any level below the maximums established by the linkage analysis will have only a negligible impact on development costs and land values and will not significantly alter development attraction in Santa Monica.
- Given the low volume of commercial development activity in terms of new square footage added each year, fees should be at least \$2.00 per square foot in order to accumulate enough funds to follow through on the purpose of the fee — to increase the supply of child care center spaces in Santa Monica.
- For consistency, the City may wish to use the 7,500 sq. ft threshold for Development Review or the 15,000 sq. ft threshold for the office Mitigation Fee. Alternatively, the City may wish to reevaluate all thresholds in light of the average size of projects processed through the City and consider a different level to capture more activity.
- KMA recommends that the Child Care Fee be applied to all commercial projects and that the City reevaluate expanding its Office Mitigation Fee to similarly include retail and hotel type projects. Retail and hotel projects are notably intensive in very low paying jobs.
- KMA recommends that the ordinance include a provision for building child care center spaces as an alternative to paying a fee. The build option could include contributing to a child care center being developed by other sponsors, profit and/or non-profit. Rehabilitation of existing buildings for child care centers should also be permitted within such an option. The build option should be in similar proportion to the linkage finding as the fee is to the linkage maximum.

**TABLE 13
CHILD CARE LINKAGE PROGRAMS IN OTHER JURISDICTIONS
CHILD CARE LINKAGE PROGRAM
CITY OF SANTA MONICA**

Jurisdiction	Year Adopted	Current Fee Levels	Exemptions ¹	Build Option/ Other	Fee Uses	Comments
City of West Hollywood	1989 (updated 2001)	\$0.65 / sq ft non-res	<10,000 sq ft	Provide 1 sq ft indoor space per 470 sq ft new commercial floor area plus 1 sq ft outdoor space per 219 sq ft. (Min total 2,100 sq ft indoor & 4,500 sq ft outdoor space).	Provide new child care spaces via new construction, expansion and/or lease.	Goal to construct 7,665 sq ft of indoor & 16,425 sq ft of outdoor child care space over 20 years. Construction includes extensive rehab (50% of replacement value). Commercial development fee also required for affordable housing, public open space and transportation facilities.
City of Palm Desert	2005	\$1.15 / sq ft office \$0.90 / sq ft comm'l \$0.77 / sq ft hotel \$0.47 / sq ft business parks & light industrial	Does not specifically exempt schools, non-profits, or public property.	Provide facility sufficient to satisfy their generated impact.	New child care spaces via new construction or expansion. Improvements to existing child care spaces.	
City and County of San Francisco	1986	<ul style="list-style-type: none"> \$1 / sq ft office and hotel in downtown 	< 50,000 sq ft < 6 hotel rooms	Provide on-site facility (min 3,000 sq ft) to be operated by nonprofit at no cost. On-site facility size 1% of project building area.	Increase supply of facilities to low and mod income households. (25% of funds to provide subsidies for first 3 years)	Large office projects must provide on-site referral/placement services.
City of South San Francisco	2001	<ul style="list-style-type: none"> \$1,736 / unit SF \$1,630 / unit medium density \$1,624 / unit high density \$0.60 / sf commercial/retail \$0.50 / sf R&D office \$0.16 / sf hotel \$0.47 / sf other non-res. 	Affordable housing and senior housing may apply for a waiver. No other exemptions. Additions <1,000 sf exempt.	May provide facility.	Establish new childcare spaces.	The city's goal is to satisfy fifty percent of the city's existing and future childcare needs by the year 2020 (4,784 additional childcare space, of which 1,176 are associated with new development and will be funded by the fee).
City of Berkeley	1992	<ul style="list-style-type: none"> \$1 / sq ft office/retail \$0.50 / sq ft industrial Intensified use (per net new employee; not to exceed \$1/ sq ft for total project size) <ul style="list-style-type: none"> \$525 / new office empl \$615 / new retail empl \$500 / new industrial empl (not to exceed \$0.50 /sq ft) 	<7,500 sq ft Exempts South Berkeley Target Area	May provide on-site project. Fee will be dedicated to the child care operator at the specific site, in return for req. subsidized spots with priority to project's new employees	Provide subsidies to residents with income <60% Area Median Income.	Non-profit and public sector spaces are not exempt.

¹ Unless otherwise noted, ordinance exempts child care or school facility, non-profit or public property, senior or affordable housing and repairs, replacements or additions if a new bedroom is not created.

Abbreviations: SF – Single family; MF – Multi-family; Sq ft – Square feet; Res - Residential

TABLE 13
CHILD CARE LINKAGE PROGRAMS IN OTHER JURISDICTIONS
CHILD CARE LINKAGE PROGRAM
CITY OF SANTA MONICA

City of Martinez	1990	<ul style="list-style-type: none"> • \$830 / unit SF • \$221 / unit condo • \$166 / unit apt • \$0.85 / sq ft office • \$0.29 / sq ft retail • \$0.36 / sq ft manuf • \$0.45 / sq ft comm. service 	See footnote	May pay fee equal to land and construction cost. Min. size of 110 sq ft land per space and 35 sq ft bldg area per child (excl. common area).	Targets assistance for infants and after school care.	
City of Davis	1990	<ul style="list-style-type: none"> • \$100 / res unit • \$0.005 per sq ft industrial / commercial • \$0.015 per sq ft for all other commercial uses 	Also agricultural uses	Provide construction costs or land. Receive credit for future dev if exceed req.	Loans and land. Prohibits on-going operating and general maintenance expenses. Age target 0-12 years old	
County of Contra Costa	1988	N/A (res and non-res must provide child care facility)	<30 res units (excl studios and 1 bdms) <100 employees OR <15,000 sq ft non-res	Provide facility on- or off site	Increase and/or supply facilities	Developer must provide child care survey to assess child care needs caused by project and a mitigation plan
County of Santa Cruz	1991	<ul style="list-style-type: none"> • \$328 / unit SF • \$0.328 / sq ft SF addition (between 500-1,000 sq ft) • \$108 / unit MF • \$0.108 / sq ft MF addition • \$0.12 - \$0.23 / sq ft non-res use 	Also agriculture uses	Provide facility on- or off site. Dedicate land to County or nonprofit to develop child care facility Subdivisions with < 19 units may only pay fee	Grants or loans to purchase, construct or rehab facility.	Targets preschool and school age thru 12 th grade. Admin costs limited to 7% of fund.
City of Concord	1985	<ul style="list-style-type: none"> • 0.5% of total development costs for non-res uses 	< \$40,000 bldg. permit value	Provide on-site facility or contribute to non-profit provider facility. Receive credit for future dev if exceed req.	"Child Care Alliance for Resource and Development" allocates funds for direct subsidy, training, loans and after school rec program.	
City of San Ramon	1988	<ul style="list-style-type: none"> • \$210 / unit plus 5% of total res fee • \$0.10 / sq ft plus 5% total non-res fee • Mixed use - apply fee for each use plus 5% total fee 	< 1 bedroom or 2 nd unit <2,500 sq ft non-res space	Provide facility	Provide school age child care on school sites owned by San Ramon USD according to need	

¹ Unless otherwise noted, ordinance exempts child care or school facility, non-profit or public property, senior or affordable housing and repairs, replacements or additions if a new bedroom is not created.

**TABLE 13
CHILD CARE LINKAGE PROGRAMS IN OTHER JURISDICTIONS
CHILD CARE LINKAGE PROGRAM
CITY OF SANTA MONICA**

City of Danville	1989	<ul style="list-style-type: none"> • \$335 / unit SF • \$115 / unit MF • \$0.25 / sq ft non-res uses 	SF remodels 2 nd units < 2,500 sq ft non-res	Must provide facility if res project exceeds 50 units	In priority: School age facilities in elementary schools. Purchase land to develop pre- or school age facilities	Goal to achieve ratio of 1 child care space per 40 Town residents. Fee applies building conversions and expansions
City of San Mateo	2004	<ul style="list-style-type: none"> • \$1.00/ sq. ft non-res. uses 	<10,000 SF.		Fund new facilities; joint venture with non-profits; provide low or no interest loans.	Fee applies to new construction and tenant improvements.
City of West Sacramento	2003	<ul style="list-style-type: none"> • Res: \$50/ unit (<600Sq Ft) • \$150/unit (601-1000 Sq Ft) • \$250/unit (1001-1400 Sq Ft) • \$400/unit (>1400 Sq Ft) • \$0.40 / sq ft office • \$0.30 / sq ft retail • \$0.12 / sq ft industrial • \$0.12 / sq ft hotel 	Not currently specified.	Provide facility on-site or off-site; may donate land; may provide financial assistance for new facility; combination of the above.		
City of Los Angeles (Central City West Specific Plan)	1991	Commercial/industrial must provide facility with min size req: <ul style="list-style-type: none"> • 40,000–99,999 sq ft reqs 2,000 sq ft facility • 100,000–499,999 sq ft reqs 4,000 sq ft facility • 500,000–999,999 sq ft reqs 8,000 sq ft • 1 mil+ sq ft reqs 12,000 sq ft 	<40,000 sq ft	<ul style="list-style-type: none"> • On-site facility req if bldg <500,000 sq ft • 500,000–999,999 sq ft may provide one on- and one off-site location within ½ mile • 1mil+ sq ft may have 3 locations, with at least one 4,000 sq ft on-site, remainder within ½ mile 	30% of slots reserved for low and very-low income households who live within Specific Plan area	May combine with other facilities
City of Seattle (Downtown only)	2001	\$3.25 per sq ft bonus areas on office and hotel. Equates to \$1.50-\$1.75 on total bldg. area.	N.A. Program only applies to large projects.	May build; each sq ft bldg. area .000127 child care spaces	Build new facilities and existing City subsidy program	Linkage program applies only to portion of bldg. over base entitlement. Analysis based on cost of child care centers and City subsidy program.

¹ Unless otherwise noted, ordinance exempts child care or school facility, non-profit or public property, senior or affordable housing and repairs, replacements or additions if a new bedroom is not created.

Abbreviations: SF – Single family; MF – Multi-family; Sq ft – Square feet; Res - Residential

**TABLE 14
MAJOR PROJECTS IN SANTA MONICA
DEVELOPER AGREEMENTS WITH CHILD CARE OBLIGATIONS
CHILD CARE LINKAGE PROGRAM
CITY OF SANTA MONICA**

PROJECT BACKGROUND			CHILD CARE OBLIGATIONS					NOTES
Project Name/Developer	Development Agreement Year	Development Program	Child Care Center Size	Tuition	Required Costs/Contributions	Enrollment Eligibility		
						Preference	Income	
Colorado Place I & II MGM current occupant	1981	900,000 sq ft office	Interior: 2,000 sq ft; Approx. 28 spaces*		Max \$5,000 for improvements			Annual operator lease payment is \$1. Current operator: Hill & Dale
National Medical Enterprises (NME) MTV current occupant	1982 (amended 1987)	312,000 sq ft office & 30 res units	60 spaces; must provide some infant care		Provide indoor furnishings and equipment or pay City (\$2,000 min). Outdoor furnishings \$3,000	1st Employees and tenants; 2nd City residents	"Affordable" child care to any income employee	Annual operator lease payment \$1. Minimum occupancy requirement is 85%. Current operator Evergreen
Arboretum Southmark Pacific Corporation	1987	1 M sq ft supermarket, office & res			\$250,000 (min. \$50,000 annual)?			Funds must primarily meet child care needs of Pico and Mid City neighborhoods.
Water Garden JH Snyder Co.	1988	1 M sq ft office, medical, health club & retail	Interior: 3,500 sq ft; Exterior: 3,500 sq ft; must provide some infant care			Employees. 10% of spaces reserved for designated neighborhood residents.	10% income qualified to pay 60% of market rate tuition based on need	Current Operator: Cornerstone
St. John's Hospital	1997	900,000 sq ft hospital expansion	49 full day spaces (Min 21 infant/toddler spaces)	Tuition may not exceed tuition fo full day non-profit programs in Santa Monica with comparable quality/services		1st Employees and tenants; 2nd City residents; 3rd Employees in the City	Tuition for lower income family not to exceed 25% of market rate	Minimum occupancy requirement is 85%. Project Phase II demand-provide expanded program on or off campus. Current Operator: St. John's
Rand Corporation (replacement and expansion project)	2000	500,000 sq ft office	Infants thru preschool	25% of annual disbursement to provide subsidy on sliding scale. Lowest income has first priority.	\$500,000 for future development of a child care center?	1st Employees and tenants; 2nd City residents		Lab school for early childhood development activities

*Estimate based on other information.
Each agreement requires developer to provide an implementation plan and includes provisions for operator successor process.
Each program must comply with State requirements.

APPENDICES A, B, C, D

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APPENDIX A
GLOSSARY OF CHILD CARE AND DEVELOPMENT TERMS

A/E (also A&E) – Architect/Engineer. Common abbreviation for the architects and engineers (including mechanical, electrical, structural and civil engineering consultants).

Building Coverage – See Floor Area Ratio.

Building Permit – The local government’s demonstration that it has reviewed development plans for compliance with local codes and given permission for construction to proceed.

California Education Code – Sections of the California Education Code pertain to child care and development programs serving children part day or full day. Specifically, Section 8208 address programs that offer a full range of services for children from infancy through age 13, for any part of a day, by a public or private agency, in centers and family child care homes. Section 8263 clarifies child eligibility for state subsidized child care and development services.

Capital Cost – Money spent to improve a property and enhance its value over an extended period of time (as opposed to a repair).

Capitalization Rate – A discount rate (expressed as a percentage) used to determine the present value of a stream of future income (or expenditures). For instance, to establish a reasonable purchase price for a given investment property, investors, lenders and appraisers may utilize a capitalization rate to discount a stream of future rental income.

A capitalization rate was utilized in the Child Care Linkage Fee Analysis for the purpose of estimating a one-time charge to address the impacts of new development over the life of a building. As such KMA capitalized the City’s annual child care and youth expenditures at a rate of 10%. This rate is within the finance industry’s acceptable range.

CCR – California Code of Regulations.

Child Care Center – Any child care facility of any capacity, other than a family child care home, in which less than 24 hour per day non-medical care and supervision are provided to children in a group setting in accordance with CCR, Title 22, Section 101152. In Santa Monica, the Santa Monica-Malibu School District (SMMUSD) runs full time and part-time centers for pre-schoolers (Child Care in Santa Monica, September 2000.)

Child Care Linkage Fee – A linkage fee to mitigate the impacts on child care demand associated with building development and new workers or residents.

Construction Cost – The cost of constructing the building, including all direct costs of construction, plus contractor’s profit and general conditions.

Child Care Recreation, Enrichment, Sports Together (CREST) – Eight after-school programs jointly administered by The Santa Monica-Malibu School District and the City of Santa Monica for school age youth.

Development Agreement – A legal contract between a public agency and a developer that includes conditions and terms for the development of a project.

Development Cost – The sum of all costs for planning, administration, site acquisition, relocation, demolition, construction, tenant improvement allowance and equipment, all financing related costs, on-site streets and utilities, a contingency allowance, insurance premium, any off-site costs required, any initial operating deficit, and all other costs necessary to develop the project.

Direct Costs -- Costs directly related to the construction of a project, including site acquisition, demolition, construction, tenant improvements, landscaping, etc.

Employee Density Factor – A measure of the average building space occupied by a single employee. Calculated by dividing the total building area by the total number of employees employed in the building.

Family Child Care Homes (FCCH) – Child care facilities operating out of individuals’ homes. They are categorized as either small (serving up to 8 children) or large (serving between 9 and 14 children). FCCHs can serve a combination of pre-schoolers (including infants) and school age children.

Floor Area Ratio (FAR) – A comparison of the total area of a building with the total area of the land upon which it stands. Maximum or minimum FARs may be established by local zoning codes.

Federal Poverty Level – A minimum income level below which a household is officially considered to lack adequate means for subsistence and to be living in poverty. The U.S. Department of Health and Human Services annually updates the poverty guidelines by the Consumer Price Index.

Housing Element – One of the mandatory elements of a General Plan of a City or County, the Housing Element identifies the needs and present options for the production of housing in a community.

Impact Fee – Charge levied on developers by local government to pay for the cost of providing public facilities necessitated by a given development or to otherwise lessen the negative impact of development upon the public. Also referred to as an exaction or governmental fee.

Indirect Costs –Costs not directly related to construction, e.g., leasing and brokerage commissions, marketing costs, design and other professional service costs, property taxes during construction, development management and governmental fees and financing costs (e.g. loan points, interest expense). Also known as “soft costs.”

Infant – Children from birth to two years (CCR, Title 22, Section 101152). However, for purposes of their programs, Santa Monica recognizes infants as children from birth to one year.

Licensed Child Care – Child care programs in a center or provider’s home which follow state regulations for staff-to-child ratios, education standards, program structure and facilities. Programs are regulated by the Department of Community Care Licensing in the California Department of Social Services (CCR, Title 22, Section 10152) or administered under the State Department of Education under Title 5 of the CCF.

Mitigation Fee Act, AB 1600 – Legislation that amended California Government Code, Section 66000, requiring that local government demonstrate a linkage between the amount of a fee, the fee’s purpose, and the type of development on which the fee imposed.

P.S.F. – Per Square Foot

Pre-school Programs – In Santa Monica, pre-school programs serve children from two to five years. Includes subsets of children of different ages with different state regulations associated with them. (Child Care in Santa Monica, September 2000)

Pre-schooler – According to the Health and Safety Code, pre-school children are children who are not infants, toddlers, or school age (Section 1597.059).

Project Cost – See Development Cost.

Rehabilitation – The improvement, alteration, modernization or modification of an existing structure to make it safe, sanitary and decent and/or to bring it up to Building Code Standards.

Santa Monica Programmatic Costs/Santa Monica Scholarship Programs – Funds available to help lower and moderate income households residing in Santa Monica to meet their child care needs (Connections for Children Program and The Growing Place).

School Age Children – Children of kindergarten age through grade five. (Child Care in Santa Monica, September 2000).

Toddler – A child between the ages of 18 months and 30 months (CCR, Title 22, Section 101152).

Total Development Costs – See Development Costs.

Universe of Employees – A grouping of individual employees for analysis purposes. In this analysis the “universe” of employees is comprised of 1,000 employees.

APPENDIX B - THE DEMAND FOR CHILD CARE ASSOCIATED WITH RESIDENCES

This appendix provides an analysis of the linkage between residential development and child care demand, similar to the analysis provided in Section II of the main report on workplace building construction and child care demand. This analysis is in the appendix because KMA recommends that the City not proceed with a child care impact fee on residential development at this time.

A. Santa Monica Residents – Demographic Profile and Growth

A first step before embarking on the residential demand analysis is to review the demographic profile of Santa Monica residents. The data source is the U.S. Census 2000 series for the City of Santa Monica. Santa Monica demographic characteristics are appropriate for describing households and the propensity to have children in them, whereas for workplace buildings one could look to the characteristics of the greater Los Angeles area because only a small share of those who work in Santa Monica also live there. Santa Monica characteristics are notably different from the larger Los Angeles area. Some of the highlights presented in Appendix Table B-1, at the end of this section, are:

- Only 16.8% of Santa Monica households contain children under age 18. (This may be compared to over 41% for Los Angeles County.)
- Fewer than 5% of Santa Monica households contain children of preschool age.
- Santa Monica did not experience growth in population or households over the 1990 to 2000 decade.
- Overall the number of children under age 18 in Santa Monica grew slightly over the decade, by about 5% (from 11,977 to 12,314).
- Santa Monica had fewer children under age 5 in the year 2000 than it did ten years earlier.

These statistics may be restated without the figures as follows:

- Santa Monica is a city with far fewer children on average compared to the larger Los Angeles area.
- There is no significant growth in the number of children and an actual decrease in the number of very young children (age 0-5).

A description of the demand analysis associated with households is provided in the next pages.

B. 100 Households – Children Needing Child Care

Like the workplace analysis, which utilizes a universe of 1,000 employees, the residential analysis works from a universe of 100 households in Santa Monica. Again, this approach is used to avoid having to describe children and child care demand in terms of fractional children carried to four or five decimal places.

Using Census findings, KMA developed factors to quantify the number of children by age group as relates to the type of child care service needed, for 100 households or 100 residential units (the difference between households and residential units being only a minor vacancy adjustment). Unlike the analysis of children of employees which is limited to preschool children, an analysis for residents can address children of all age levels for which the City provides care or assists with services for its residents.

The table below summarizes the incidence of children by age level and of children needing child care by virtue of parents being employed (two-parent households with both parents working and single-parent households with the single parent working). The last step adjusts for more than one child within the age group.

**Appendix Table B-2
Child Care Demand for Households with Children in Santa Monica**

Per 100 Households	Households by Age of Children					
	<u>0-2</u>	<u>3 and 4</u>	<u>5</u>	<u>6-12</u>	<u>13-17</u>	<u>Total</u>
Households with Children (Age 17 and under)						
Factor	2.99%	1.73%	0.91%	6.13%	5.06%	16.83%
Number	2.99	1.73	0.91	6.13	5.06	16.83
Households Needing Child Care (Parent(s) Employed)						
Factor	62.37%	62.37%	62.37%	73.00%	61.75%	
Number	1.87	1.08	0.57	4.47	3.13	11.12
Children in Employed Households Needing Child Care (Adjusts for more than one child in age group)						
Factor	1.09	1.06	1.03	1.06	1.11	
Number	2.03	1.14	0.59	4.73	3.46	11.95
Source: US Census, City of Santa Monica, 2000.						

The conclusion is that for every 100 households, slightly under 12 children will have working parents and need child care or youth services, recognizing that “care” may not be an appropriate term for children over age 12.

C. How Child Care Needs are Met

The same national surveys and sources were consulted for this portion of the analysis as in Section II of the main report. Since there are no suitable surveys that allowed KMA to judge how the residents of Santa Monica might meet their child care needs in a different manner from the Country or State as a whole, KMA relied on the Urban Institute and UCLA surveys. Appendix Table B-3 restates from Section II the distribution of arrangements for child care by age of child:

Appendix Table B-3
Primary Child Care Arrangements of Employed Parents

	Age of Children		
	<u>0-2</u>	<u>3 and 4</u>	<u>5</u>
Per 100 Households			
Parent/Relative	54%	35%	38%
Child Care Center	22%	45%	40%
Family Child Care Home	17%	14%	11%
Before and After School	N/A	N/A	8%
Other	<u>7%</u>	<u>6%</u>	<u>3%</u>
	100%	100%	100%

Source: Urban Institute, *Primary Child Care Arrangements of Employed Parents: Findings from the 1999 Survey of America's Families*, Occasional Paper Number 59, May 2002.

For the purposes of this analysis and the City programs, the child care solutions of greatest interest are Child Care Centers and Family Child Care Home (FCCH) arrangements. The following findings from national surveys provide confirmation that demand for these two arrangements is probably higher in Santa Monica than for the State or County as a whole.

- Use of parents and relatives as a solution to child care decreases as household income increases. Based on the high income level in Los Angeles County compared to the U.S. as a whole, KMA estimates that far fewer families in Santa Monica use parents and relatives as a solution than the percentages indicated above.
- Use of center-based child care arrangements increases as household income increases.
- Use of “other” arrangements, which includes nannies and babysitters, is most expensive and, as would be expected, increases with household income.

As a result of the generally accepted findings from multiple surveys, it is likely that the use of parental and relatives arrangements are far fewer and “other” arrangements far greater than the average, but that the use of child care centers and FCCH’s are probably akin to the national and State average, or higher.

Based on the above, KMA estimates the child care demand associated with 100 households in Santa Monica, as shown in Table B-4.

Table B-4
Child Care Demand by Type of Care in Santa Monica Per 100 Households

		Age of Children			Total
		<u>0-2</u>	<u>3 and 4</u>	<u>5</u>	
Children in Employed Households Needing Child Care (Table B-2)		2.03	1.14	0.59	3.76
Child Care Center					
	Factor	22.00%	45.00%	40.00%	
	Number	0.45	0.51	0.24	1.20
Family Child Care Home					
	Factor	17.00%	14.00%	11.00%	
	Number	0.35	0.16	0.06	0.57
Other					
	Factor	7.00%	6.00%	3.00%	
	Number	0.14	0.07	0.02	0.22
Sources: U.S. Census, Urban Institute, Primary Child Care Arrangements of Employed Parents: Findings from the 1999 Survey of America's Families, Occasional Paper Number 59, May 2002.					

The conclusion of the above is that a universe of 100 households in Santa Monica is associated with the demand for 1.2 child care center spaces and 0.6 spaces in Family Child Care Homes.

D. Demand for Child Care Spaces Near Home

In Section II of the main report, KMA made an allocation of a Child Care Center to two generic locations — near place of work and near place of residence. The allocation for the preschool child was 75% near place of work, 25% near place of residence, based on findings from parent attitude surveys and other evidence.

At this point, to complete the analysis for demand for child care center spaces near homes in Santa Monica, KMA applied the 25% to the 1.2 children per 100 households.

- The conclusion is 0.3 child care center spaces per 100 households, or 0.003 per household.

E. Child Care Center Demand and Mitigation Costs

The cost to provide the 0.003 child care center space for each household in Santa Monica can be estimated following the cost analysis and methodology presented in the Report.

The conclusion of the survey and analysis (and 2005 update) for the cost of development of child care centers in Santa Monica is \$18,500 per space excluding land and \$55,400 per space including land. Applying the cost per child care center space to the 0.003 spaces per household results in a cost per household as follows:

Mitigation cost per household/residential unit, excluding land	\$56
Mitigation cost per household/residential unit, including land	\$166
Average	\$111

F. Households and Residential Construction Correlation

The profile of Santa Monica demographics from the 1990 and 2000 U.S. Census, presented as the beginning of this section found that:

- The number of households actually decreased over the period, going from 44,860 to 44,497 households over the decade.
- The number of children under the age of five decreased from 4,048 to 3,448.

Over the same time period, residential building permits issued by the City of Santa Monica indicate that over 2,600 new residential units were added (Appendix Table B-5). With these two data series there is no correlation between new residential construction and growth in households and increased child care demand.

There are a number of possible explanations for these two seemingly contradictory sets of data. Among the possible explanations:

- Household size is decreasing on average.
- The rate of children growing up in Santa Monica and exceeding age 18 is occurring faster than the rate of new households with young children.
- The rate of residential unit demolition and units lost to consolidation of existing units are considerable.

Finally, it is possible that the Census is inaccurate or has undercounted in some manner. However, the U.S. Census is the mostly widely accepted body of data on such topics. If the City

were to challenge the Census information, substantial data and analysis would be required. Until such time, the Census must be viewed as the authoritative source.

Without the ability to make the case that each new residential unit equates to new demand for child care in Santa Monica, the linkage between new residential construction and child care demand cannot be supported at this time.

Should the U.S. Census in 2010 produce data indicating growth in the number of small children, then the City could add a residential component to a Child Care Impact Fee program.

**APPENDIX TABLE B-1
 SANTA MONICA DEMOGRAPHIC PROFILE
 CHILD CARE LINKAGE PROGRAM
 CITY OF SANTA MONICA**

	1990		2000	
Population	86,905		84,084	
Housing Units	47,753		47,863	
Households	44,860		44,497	
Households w/Children Under Age 18				
Number of Households	7,171		7,488	
% of All Households	16.02%		16.80%	
Children Under 18 in Santa Monica by Age Range				
Under 5	4,048	34%	3,448	28%
5 - 9	3,101	26%	3,538	29%
10 - 14	2,878	24%	3,507	28%
15 -17	1,930	16%	1,821	15%
		100%		100%
Total Number Under 18	11,977		12,314	
Approximate Share of Households with Pre-School Children		4.90%		4.70%
Approximate Share of Households with School Age Children		10.40%		12.60%
Number of Children per Household with Children Under 18		1.70		1.64

Los Angeles County

Households with Children Under 18 as % of All Households 41.30%

**APPENDIX TABLE B-5
ANNUAL RESIDENTIAL BUILDING ACTIVITY IN SANTA MONICA
COMMERCIAL BUILDING ACTIVITY IN SANTA MONICA
CITY OF SANTA MONICA**

Assumptions:

YEAR	SINGLE-FAMILY	MULIT-FAMILY	TOTAL UNITS
	UNITS	UNITS	(SF + MF)
1990	71	237	308
1991	120	219	339
1992	31	187	218
1993	12	110	122
1994	10	29	39
1995	6	60	66
1996	23	172	195
1997	28	280	308
1998	46	762	808
1999	36	240	276
2000	55	405	460
2001	43	196	239

1990-2001

Total (rounded)	480	2,900	3,380
Annual Average (12 year period)	40	242	282

1995/2001

Total (rounded)	240	2,120	2,350
Annual Average (7 year period)	34	303	336

Sources: Construction Industry Research Board, KMA

APPENDIX C

OTHER WEST LOS ANGELES CHILD CARE CENTERS

Les Enfants, Inc. Pre-School

2702 Virginia Avenue, Santa Monica

(310) 315-0058

Developer

- Page Construction

Building Type

- New construction
- Stand alone center built in 1998

Size of Facility

- Total = 10,000 square feet
- Indoor space = 5,000 square feet
- Outdoor space = 5,000 square feet

Child Care Slots

- Infant = 28
- Toddler = 18
- Preschool (age 3 to kindergarten) = 26

Costs

- *Land:* N/A
- *Construction (building shell):* \$120 per square foot
- *Tenant Improvements, Fixtures, Outdoor Play Area, etc.:* \$16,000
- *Furnishings and Equipment:* \$5,000
- *Start up Costs:* \$1,700 for licensing, fire inspections, training, curriculum, and losses until facility is running at capacity

Parking Requirements

- 5,000 square feet dedicated to parking

Source

- Nancy Behraves, Director, Les Enfants, Inc.

Westside Children's Center (WCC)

12120 Wagner Street, Culver City
(310) 397-4200

Developer

- WCC

Building type

- New construction
- Stand alone and expansion of existing facility 2002

Size of Facility

- Total = 26,650 square feet
- Indoor space = 11,650 square feet
- Outdoor space = 15,000 square feet

Child Care Slots

- Infant = 0
- Toddler (18 – 34 months) = 48
- Preschool (age 35 months to kindergarten) = 52

Costs

- *Land*: Land purchase at \$1 million in 1995 when values were depressed. Industrial zoned land owned by the City of Los Angeles.
- *Construction (building shell)*: Total development costs were \$2.2 million or \$190 per square foot.
- *Tenant improvements, fixtures, outdoor play area, etc.*: \$344,000 or \$30 per square foot.
- *Furnishings and equipment*: \$87,000
- *Start up costs*: \$107,000, including curriculum materials & equipment.

Parking Requirements

- A new structured parking area will be provided to serve the site. There are 10 drop-off spaces.

Other

- Child care facility is part of the new Child Development and Neighborhood Center. The new building enables WCC to more than double its on-site child care services to lower income families, including subsidized infant care program.

-
- The project also includes a large community meeting room and a professional kitchen.

Source

- Douglas Chin, WCC

New Path Montessori School

1962 20th Street, Santa Monica
(310) 450-2477

Building Type

- Rehabilitated - 2001
- Single-family home in residential area

Size of Facility

- Total = 2,400 square feet
- Indoor space = 1,200 square feet
- Outdoor space = 1,400 square feet

Child Care Slots

- Infant = 0
- Toddler = see below
- Preschool (age 2 to kindergarten) = 30

Costs

- *Land*: \$328,000
- *Construction (building shell)*: \$125 per square foot
- *Tenant Improvements, Fixtures, Outdoor Play Area, etc.*: \$35,000
- *Furnishings and Equipment*: NA
- *Start up costs*: \$200 for licensing

Parking Requirements

- Three drop off spaces and staff parking spaces provided. 12' property in alley

Source

- Chandra Jayasekara (Ira), New Path

Saint Joseph Infant Toddler Development Center

718 Rose Avenue, Venice

(310) 396-6468

Developer

- Venice Community Housing Corporation, Owner

Building type

- Rehabilitated – 1999
- Two-story low-rise office building

Size of Facility

- Total = 2,470 square feet
- Indoor space = 1,570 square feet
- Outdoor space = 900 square feet

Child care slots

- Infant = 6
- Toddler = 17
- Preschool (age 3 to kindergarten) = 0

Costs

- *Land:* \$114,900
- *Construction (building shell):* \$161 per building square foot
- *Tenant Improvements, Fixtures, Outdoor Play Area, etc.:* above
- *Furnishings and Equipment:* \$32,000
- *Start up Costs:* \$10,600 for licensing, training, curriculum, family recruitment

Parking Requirements

- Two spaces

Other

- Mostly funded with public grants

Source

- Judy Alexander, Saint Joseph Center, (310) 396-6468
- Lori Zimmerman, Venice Community Housing Corporation, (310) 399-4100

UCLA Campus Child Care Center

UCLA Campus
(310) 206-1861

Developer

- UCLA Capital Programs

Building Type

- Planning – Expected 2003
- New stand alone center
- Renovation of existing structure (approx 1,000 square feet) for new administration area (lobby, kitchen and conference room).

Size of Facility

- Total = 12,000 square feet
- Indoor space = 5,000 square feet
- Outdoor space = 7,500 square feet

Child Care Slots

- Infant = 12
- Toddler = 12
- Preschool (age 3 to kindergarten) = 60

Costs

- *Land:* University donation
- *Construction (building shell):* Only provided “Total Cost All In” amount equal to \$2.1 million or \$420 per building square foot
- *Tenant Improvements, Fixtures, Outdoor Play Area, etc.:* Above
- *Furnishings and Equipment:* Above
- *Start up Costs:* Above

Parking Requirements

- Parking provided for staff on-campus but not attached to facility

Other

- Major private donation for construction

Source

- Gay Macdonald, (310) 206-1861

APPENDIX D- CHILD CARE PROGRAMMATIC EXPENDITURES OF THE CITY

A. Introduction

In this section, KMA summarizes the expenditures made by the City of Santa Monica for various child care programs and youth services and links them to residential units. They are linked to residential units, and not workplace buildings, because the services and programs are available to residents if not exclusively, certainly primarily.

As indicated in the Report introduction, a narrow, but widely accepted, interpretation of the Mitigation Fee Act, AB 1600 as written into California Government Code, Section 66000 (Code) is that linkage fee type programs may only address capital or facility costs. Since the expenditures examined in this section are all programmatic costs, they are not eligible for linkage fee purposes. As such, this material is summarized for added information only.

For purposes of this exploration, KMA utilized expenditure information for one year (Fiscal Year (FY) 2002/03 Budget). Should the City elect to proceed with any use of the information, it is recommended that additional data for more years be assembled. Average annual City expenditures should reflect data from at least three to five years would to provide a more solid foundation for any purported average.

Given the limitations for proceeding with programmatic expenditures, and the fact that a residential impact fee is not recommended at this time, the information and methodology presented in this section are intended as illustrative only.

B. City Expenditures on Preschool Child Care

The City of Santa Monica responds to community needs through direct service provision or contracts with community agencies through the City's Community Development (CD) Program. The CD Program awards funding to Connections for Children (CFC) and The Growing Place for child care scholarships to low and moderate-income Santa Monica families. CFC prioritizes their subsidies for the Santa Monica Child Care and Family Support Program to families of children from infants through preschool and The Growing Place is a child care center that serves families with children from three months through preschool.

Both these programs receive funding for their operations and scholarships. In FY 2002/03, CFC received \$122,025 and The Growing Place \$171,000 for operational costs. This excludes the amount of funding for their award of scholarships. In order to determine the costs of the program per residential unit in Santa Monica, it was necessary to apply the City expenditure on general program operations to all children of appropriate age in the City and ultimately all households and housing units. Another methodology, which would end with the same result, is to identify the

expenditure per household in the program and then establish the rate of participation among those eligible. This analysis is summarized in Appendix Table D-1 below. Appendix Table D-4, at the end of this section, presents the figures from the City Budget divided into the two components.

**Appendix Table D-1
Programmatic Expenditures for Preschool Children, per Residential Unit**

Total Cost of Programs	
Connection Program excluding Scholarship Program	\$122,025 /Year
The Growing Place excluding Scholarship Program	\$171,000 /Year
Total	\$293,025 /Year
Total Number Eligible Children in Santa Monica	
Ages 0-4 plus 50% of Age 5	3,773
Cost per Eligible Child in Santa Monica	\$77.66 /Year
Rate of Eligible Children per Household (Number of eligible children divided by all households in Santa Monica – 44,497)	8.48%
Cost per Residential Unit	
Cost per Residential Unit (8.48% x \$77.66)*	\$6.59 /Year
Cost Capitalized @ 10%	\$66
*Alternatively, \$293,025 costs divided by 44,497 households = \$6.59	

The conclusion is that the cost of the program per household or residential unit (the difference being a very small vacancy factor) in Santa Monica is \$6.59 per year, or capitalized at 10% to address the long term.

C. City Expenditures on School Age Child Care

The City of Santa Monica’s program for school age children is called the CREST program. The program serves 4th and 5th grade students, or for this study’s purposes children age 9 and 10 years old. Outside of the scholarship component, the City contributed \$851,968 per the FY 2002/03 Budget (see Appendix Table D-4).

A similar methodology for determining the cost per residential unit as was employed with the preschool programs is utilized.

Appendix Table D-2**Programmatic Expenditures for School-Age Children, per Residential Unit**

Total Cost Program	
CREST Program excluding Scholarship Portion	\$851,968 /year
Total Number Eligible Children in Santa Monica (4 th and 5 th graders or 9 and 10 year olds)	1,596
Cost per Eligible Child in Santa Monica	\$534 /year
Rate of Eligible Children per Household (Number of Eligible Children Divided by All Households in Santa Monica – 44,497)	3.60%
Cost per Residential Unit	
Cost per Residential Unit (3.6% x \$534)	\$19.22 /year
Cost Capitalized @ 10%	\$192

The conclusion is that the City spends \$19.22 per residential unit per year on this program. The annual cost capitalized is \$192.

D. City Scholarship Programs

As mentioned, the CD Program provides funding to the CFC and The Growing Place for programs that assist low and moderate-income households with cost of child care. In FY 2002/03, the annual amount available per child averages \$5,900 for CFC and The Growing Place and \$1,170 for the older children in the CREST Program.

For FY 2002/03, CFC awarded 79 children scholarships from 60 households. The Santa Monica Child Care and Support Program awarded approximately 70% of the scholarship families up to the 75% of the state median income and the remaining from families that exceeded the state median income. The Growing Place awarded scholarships to families attending Marine Park Child Development Center based on a variety of criteria including family income and need. They do not use a standardized formula or the state median income as criteria. The CREST program has developed its own fee schedule and will scholarship families above 80% of the state median income depending on family size. The scholarship averages were derived from total expenditures and total recipients. (See Appendix Table D-5, at the end of this section.)

The scholarship programs are available to resident families who meet their child care needs by placing their children in child care centers or family child center homes (not to pay for relatives care, nannies or babysitters). To ascertain the share of children needing child care who meet their needs in this manner, KMA relies on the percentages presented in the Report Section II addressing how families meet their child care needs.

To estimate how many qualifying households there would be per 100 residential units, one can look to the City's rate of affordable housing production as a share of total units. For the purposes at hand, one can therefore look to housing production for units affordable to up to 80% of median income households, which is consistent with the maximum income level of families who typically receive child care scholarships.

According to the recently adopted Housing Element, there were 1,167 units built in the City from 1988 through 1997 of which 395 units, or 34%, were affordable to low and very low income households (below 80% of median income) (*Housing Element Section V-2*). At the time of the Housing Element preparation, looking forward from January 1998, there were 467 out of 2,553 units proposed or in the "pipeline" that met the same income definitions, or 18%. Merging the two periods, the City averaged 23% of its annual housing production affordable units to this income range.

If the 23% average is applied to 100 residential units, we find the following:

**Appendix Table D-3
Number of Children Eligible for Scholarships and Estimated Costs**

Per 100 Residential Units	<u>Age 0-5</u>	<u>Age 6-12</u>	<u>Total</u>
Children Needing Child Care (Appendix C, Table B-2)	3.76	4.73	8.49
Children with Child Care Needs Met by Other Than Parent or Relatives	55%	36%	45%
Number	2.07	1.70	3.77
Children Qualifying for Scholarship Subsidy @ 23%	0.47	0.39	0.86
Cost of Scholarship/Subsidy			
Per Child – Annual (see Appendix Table D-5)	\$5,900	\$1,170	
Cost per 100 Units	\$2,770	\$456	\$3,226/year
Cost per Unit			\$32.26/year
Cost Capitalized @ 10%			\$323

In summary, when the cost of the scholarship program is allocated to each residential unit, the annual cost is \$32 per year, which capitalized at 10% yields a capital cost of \$323.

E. Other Expenditures for Child Care and Youth Services

City staff assisted with the preparation of materials on City expenditures for other child care related programs and youth services. Conceptually these expenditures are the same as child care programs in that they are available to the children and youth of resident families in Santa Monica. Staff therefore screened the budgets of City departments and extracted the programs for children and youth and the amount budgeted for FY 2002/03. This procedure led to an assembly of City department programs, which include the Human Services Division, Environmental and Public Works, Police, Library, Fire, Resource Management, SMMUSD, City Manger, Community and Culture, Community Programs and the Blue Bus.

Appendix Table D-6 at the end of this section contains the listing of programs and amounts in the proposed budget. The program list does not include the expenditures for the preschool or other programs presented thus far in this analysis. All programs on the list are additional programs; there is no double counting. The finding is that the City's proposed budget contained programs for children and youth totaling \$11,751,914 or nearly \$12 million.

At the time of the 2000 U.S. Census, the City of Santa Monica had 12,815 children under age 18 residing in it. The total expenditure divided by the number of children is nearly \$1,000 for each child per year, or \$917 per year to be more precise.

The total City expenditures divided by the number of households yields \$264 per household, which capitalized at 10% is \$2,640 per residential unit.

F. Summary of Costs Per Residential Unit

As previously described, there are limitations to residential linkage in Santa Monica due to the lack of growth in the number of young children in the City. In addition there is the requirement of a liberal interpretation of the Code to do a linkage program using operational or program type costs. Finally, figures here are drawn from a single budget year. For these reasons, KMA emphasizes that the analysis is illustrative only.

The following summarizes the total child care program and youth services expenditures amounts per residential unit. The result of adding together all the pieces is:

	<u>Cost per Unit</u>
City Preschool Programs	\$66
City School Age Program (CREST)	\$192
City Scholarship/Subsidy Program	\$323
Other City Expenditures for Child Care and Youth Services	<u>\$2,640</u>
 Total Per Residential Unit	 \$3,221

In summary, the total child care programmatic costs, including youth services for children up through age 17, is \$3,221 per residential unit in Santa Monica.

Table D-4

**CITY PROGRAMS FOR PRE-SCHOOL AND SCHOOL AGE CHILDREN
CHILD CARE LINKAGE PROGRAM
CITY OF SANTA MONICA**

<u>Program & Budget Category</u>	<u>Annual Youth Budget</u> ¹	<u>Annual Subsidies/ Scholarships</u> ²	<u>Balance/ Program Cost</u>
I. Community and Cultural Services Department			
A. Human Services Division			
Community Development Program Grantees			
Connections for Children	\$753,740	\$590,136	\$163,604
The Growing Place	\$246,000	\$65,986	\$180,014
B. Direct Services Programs			
CREST -			
Child Care Component Only	\$846,570	\$0	\$846,570
Scholarships	\$605,501	\$520,200 ³	\$0

¹ City of Santa Monica, Proposed FY 2002-03 Youth Budget

² City of Santa Monica, Subsidy Information FY 2001-02 provided by City staff. See Table B-5

³ Assumes difference is attributed to other non-youth scholarship programs itemized in budget.

APPENDIX TABLE D-5
 CITY SCHOLARSHIP/SUBSIDY PROGRAM SUMMARY
 CHILD CARE LINKAGE PROGRAM
 CITY OF SANTA MONICA

Program	Annual Scholarship/Subsidy								Program Guidelines			
	Number of Recipients				Average Amount Per Child				Subsidy Calculation	Other Requirements Affordable	Residency Requirement	Comments
	0-2	Years 2-5	5+	Total	0-2	Years 2-5	5+ Years	Weighted Average				
Connections For Children (CFC)	34	67	6	107	\$3,600	\$6,600	\$4,200	\$5,500	70 subsidies awarded by ranking order in accordance with CA Dept of Ed. Family Fee Schedule. 30 subsidies exceed Dept of Ed standards to meet households earning up to \$45,000 for a household of four (nearly 90% of median income for Los Angeles County).	By sliding income scale, the CA Dept of Ed sets the fee to be paid by a family. Qualified households earn less than 75% of County Median, adjusted for household size. For instance, a household of three earning less than 50% of LA County Median will pay \$40 per month for full-time daily care.	Yes	In addition to providing full day early childhood child care, program has component to provide training to foster children's early development. Provides operating subsidy support to one child care center; support and technical assistance to centers and family child care facilities.
The Growing Place (MPCDC)	3	13	0	16	\$4,600	\$4,000	\$0	\$4,100	Committee of the Board decides the awards based on "Tuition Assistance Application" provided by the parent. A priority system for enrollment is established for City of Santa Monica employees.	N/A	Priority Only	

Program	Subsidy						Program Guidelines			
	Number of Recipients by Grade			Average Amount Per Child			Subsidy Calculation	Other Requirements Affordable	Residency Requirement	Comments
	K-3rd "Primary Crest"	4th & 5th "Upper Crest"	Total	K-3rd	4th & 5th	Weighted Average				
CREST	51	255	306	N/A	N/A	\$1,700	A Human Services Division's sliding scale fee is based on federal and state income guidelines, adjusted for Santa Monica high income area. Once income limits are met, all children in a household qualify. Participants must qualify annually.	Income sliding scale based on household size to receive scholarship ranging between 25% and 100% of fee. Incomes are less than the Los Angeles County median income.	Must be resident to qualify for a scholarship.	Program operates in 7 SM-MUSD elementary schools. By MOU the school district provides the classrooms/playgrounds and the City provides child care & other youth programs. The program is not fully subscribed. Monthly fees for the "before & after school program" range between \$223-\$285.

Santa Monica College "On the Move Program" excluded because service provided primarily to parents associated with the school.
 For FY 2001/02, the City provided nearly \$45,000 to 7 children, an average subsidy of \$6,430 per child.

Table D-6

CITY EXPENDITURES FOR CHILD CARE AND OTHER YOUTH SERVICES*
CITY OF SANTA MONICA
PROPOSED FY 2002-03 YOUTH BUDGET

(non school based programs and funding levels are in italic)

	DRAFT
<u>Santa Monica-Malibu Unified School District</u>	
Annual Operating Grant	\$3,000,000
Grad Nite Subsidy	8,100
<u>City Manager</u>	
<i>KidScape/Family Guide Publication</i>	22,000
<u>Community and Cultural Services Department</u>	
<u>Capital Improvements Program</u>	
<i>Skate Park</i>	572,000
<u>Cultural Arts Division</u>	
<i>Non-School funding and programs</i>	55,590
School Linked Funding and Programs	177,500
Community Programs Division	
Youth Classes and Programs	69,574
Miles Playhouse	167,756
School Playground Community Use Access Program	168,912
Therapeutic Programs	25,888
<i>Event Facilities</i>	
<i>Fee Waivers for Parking and Rental to School District</i>	29,200
Human Services Division	
Community Development Program Grantees	
<i>Boys and Girls Club of Santa Monica (Skate Park)</i>	25,420
Computer Access Center	11,583
Dispute Resolution Services: (Youth and Family Program)	48,175
El Nido Family Center (Edison/Will Rogers Elementary)	110,085
Family Service of Santa Monica (McKinley, Muir Elementary/SAPID)	137,760
<i>Family Service of Santa Monica: Agency Based Services</i>	57,605
Growing Place: Mentor Program	10,250
Jewish Family Service of Santa Monica (Santa Monica High School)	26,138
<i>Ocean Park Community Center: Sojourn Services</i>	47,300
Santa Monica-Malibu Unified School District: Enlace Familiar	62,360

Santa Monica-Malibu Unified School District: Santa Monica High School Alliance	308,013
Saint John's Child and Family Center (John Adams/Lincoln/Olympic)	175,705
<i>St. Joseph Center: Family Self Sufficiency</i>	161,875
<i>WISE: Senior Services: RSVP/America Reads</i>	30,750
Woodcraft Rangers: Pico Neighborhood Youth and Family Center	318,000
 Direct Service Programs	
Aquatics	859,822
Middle School Sports Leagues	126,807
CREST (Childcare, Recreation, Enrichment, Sports Together)	
Recreation (Playground Access)	73,281
Enrichment	131,412
Sports	262,796
<i>Police Activities League</i>	444,625
<i>Virginia Avenue Park: Youth and Families Programs</i>	421,435
 <u>Environmental Public Works Management</u>	
School Related Programs	68,500
<i>Non-School Related Programs</i>	38,500
 <u>Fire Department: Fire Safety Programs</u>	31,500
 <u>Library Services</u>	
School Based	355,000
<i>Youth and Families Services</i>	1,514,730
 <u>Police Department</u>	
School-Based Services	457,053
<i>Youth and Family Services</i>	1,106,414
 <u>Resource Management Department</u>	12,000
 <u>Big Blue Bus</u>	20,500
	<hr/>
TOTAL	\$11,751,914

*Excludes: Connections Program
CREST Child Care
City Employee Child Care Subsidies
Growing Place: Marine Park Child Development Center
All Scholarship/Subsidy Programs