

## MERCY HOUSING CALIFORNIA

### Child Care Development Project Case Study

**Sponsor:** Amador-Tuolumne County Community Action Agency (ATCAA)

Development Consultant: Mercy Housing California

**Location:** City of Jackson, Amador County

#### Overview

ATCAA provides Head Start services in Amador and Tuolumne counties in the foothill-gold rush region. They are currently leasing a makeshift facility in Jackson: a single family house converted to a child care center. The owner of the property plans to sell, so ATCAA is vulnerable to being without a facility. In 2002 Mercy Housing California (MHC) wrote a CDBG planning grant, supported by the city and approved by state, to conduct a site survey and feasibility study for a new facility. A sloped two acre site was found in Jackson with a modest two story house. The architect determined that the house could be converted into a family day care business on top floor and an infant care center on bottom floor. There is also room on the site for a new 2,100 SF Head Start building and a new office building for ATCAA. The architect developed a preliminary plan and construction estimate and MHC developed a financial plan for the project. The plan was presented to the Jackson city council and drew strong support.

The site was purchased by ATCAA in 2002, with CDBG funds procured by MHC via the City of Jackson and the state. Phase 1 (conversion of house to childcare facility) was completed in 2003 with CDBG funding and a small ATCAA loan.

The new Head Start building (Phase 2) was designed for about 20 children. It will be stick built in an octagon shape, designed to fit in with the native trees and shrubs on the site. An entry road and parking lot will also be constructed. Sewer and water lines must be extended to the site and a storm water retention basin constructed. The facility will be owned and operated by ATCAA utilizing their Head Start operations grant.

## Development Partners

Owner/Operator: ATCAA  
Developer and Financial Consultant: MHC  
CDBG Grant Sponsor: City of Jackson

## Initial Budget

| CDBG      | Head Start | ATCAA    | City Fee Waiver | Total     |
|-----------|------------|----------|-----------------|-----------|
| \$455,000 | \$280,377  | \$40,000 | \$10,000        | \$785,377 |

## Final Budget

| CDBG       | Head Start | ATCAA    | City     | Loan        | Total     |
|------------|------------|----------|----------|-------------|-----------|
| \$555,000* | \$188,475  | \$40,000 | \$10,000 | \$150,000** | \$943,475 |

\* \$455,000 grant  
\$100,000 loan from city

\*\* LIIF or commercial lender

## Issues

### Architect Issues:

- 1) Architect was selected based upon her work on another interesting child care center for which MHC procured grant money. She is a one-person operation and her pace on this project has been very slow, missing several deadlines. This delayed project.
- 2) Architect's knowledge of construction costs was outdated, thus leading to an over-designed building with major cost overruns. Major value engineer was necessary, largely done by a general contractor. This also delayed project several months.

### Funding Issues:

- 1) MHC prepared a Head Start capital grant with assistance from ATCAA. After about a six-month delay, the grant was funded. However, the amount requested was reduced by about \$100,000, creating a funding gap in project.

- 2) The City of Jackson has been very supportive, sponsoring a \$455,000 CDBG application and passing it through to ATCAA. The city has also agreed to loan ATCAA an additional \$100,000 in CDBG funds to make up for the reduction of the Head Start grant.
- 3) After major value engineering, the project is still about \$150,000 over budget, largely due to relatively high site costs. The building was simplified, moved to a different spot on the property, and parking paving deferred by city to save money.

#### Developer (ATCAA) Issues:

1) ATCAA is very risk averse, and was initially very reluctant to borrow hard money, even though they have about \$1.0 million equity in the property. Since their leased facility is being sold, they have decided to bite the bullet and borrow. ATCAA is concerned about potential major changes in Head Start, ie, loss of contract if states take over program via block grants. Hence, their reservations about incurring much debt on single purpose facilities.

#### Lessons Learned

- 1) **Select architects who can (hopefully) meet deadlines and who have some current knowledge of costs and budgets.**
- 2) **MHC needs to be more careful on its planning studies getting good cost data from architects and civil engineers. Extra money budgeted for this data is money well spent.**
- 3) **Have general contractors review preliminary plans for cost estimating. Costs are difficult to predict and have been exploding.**
- 4) **Enhanced Modular construction is looking more attractive as a way to contain costs. However, it was not advised for this site, since there is an existing stick structure and another office complex planned for future.**
- 5) **There is little or no money for Head Start expansion for the foreseeable future, making it difficult for these agencies to justify creating additional slots. Some agencies are using new slots to free up space in existing facilities by shifting kids around. Lease rates or mortgages must be kept very low for these agencies to afford to manage more slots.**