

### What is the Need?

Co-locating early care and education facilities with affordable and transitional housing developments is a promising strategy to support low-income families. Access to high-quality care supports child development during their critical early years. It is also a cornerstone of financial stability for families by allowing parents to participate in the workforce while knowing their child is cared for in a safe environment. Co-location is also a practical strategy to work across silos and deliver two critical community amenities efficiently, sustainably, and in a user-friendly manner.

Co-location of housing and ECE is the inclusion of child care facility space in affordable housing developments. Projects are usually implemented in three formats:

- the facility is included in the ground floor of a mixed-use apartment building;
- the facility is included as a stand-alone building or as part of a stand-alone building in a garden-style housing complex;
- the housing project includes units designed for family child care businesses.

Families residing in developments enroll their children in co-located care, but the ECE facilities are generally also open to the surrounding community.

Many logistical and financial challenges impede the development of these projects in communities where families would benefit from the co-location of these sources of support. Although no single policy change will result in a sudden surge of co-location developments, we propose supporting co-location in California by implementing a study on this topic and creating a piloted low-interest loan and grant program to support the development of these projects. This proposal is inspired by one approved in Oregon in 2021<sup>1</sup>.

### Budget Request and Proposal

**\$10 million for  
the Department of Housing and  
Community Development (HCD)  
to provide start-up funding for  
a low-interest loan and grant program that  
supports financing for child care centers and  
family child care housing units that are  
co-located with affordable housing projects.  
HCD will also undertake a study to  
Inform and support this purpose.**

\$10 million will support start-up funding for a low-interest loan and grant program that will be specifically piloted in San Diego County and Fresno County. These low-interest loans and grants will support the financing needs of developers and providers who are working to co-locate child care facilities with affordable housing projects. In the start-up process, HCD would work to establish an application process, appropriate grant amount, terms and conditions of the fund, and provide technical assistance to developers and providers.

\$100,000 of the \$10 million will support a study the HCD will undertake in coordination with the Department of Social Services (DSS). This study will include, for example, an assessment of new co-location developments in California, examples of current co-location developments and challenges encountered with their implementation, populations likely to be served, development timelines, and criteria for project selection.

HCD would also annually report to the Governor and Legislature on the program's impact in achieving the goals described in this section, recommendations as to whether the program should receive additional appropriations, and any changes that should be considered.

<sup>1</sup> Study completed in February 2022: [Co-Locating Early Care and Education Facilities with Affordable Housing in Oregon](#)

## Promoting the Co-Location of Child Care and Early Learning Facilities with Affordable Housing Projects 2022-23 California State Budget

### Early Care and Education Shortage

The United States currently faces a severe shortage of quality early care and education (ECE) options and affordable housing for families across the income scale, including transitional housing. Before the COVID-19 pandemic, 20.4 million renter households were considered rent-burdened, meaning they spent more than 30% of their monthly income on rent, and 2.7 million children across 25 states did not have access to an ECE slot despite needing one. The economic consequences of the COVID-19 pandemic have caused many ECE providers to close their doors or downsize their businesses, constraining an already tight supply of care. At the same time, the nation's already vast shortage of affordable housing has continued to grow. More families face unemployment and reduced wages, resulting in 5.7 million households – or 14% of all renter households – behind on their rent and facing the risk of eviction as pandemic protections are lifted in the future.

California's early care and education facilities infrastructure only has the capacity to serve less than a quarter of our youngest learners. Out of the nearly 1 million children under age two who need quality child care in California, there are only 47,000 publicly funded seats.<sup>2</sup> Additionally, approximately 60% of California children from low-income families live in child care deserts.<sup>3</sup> The UC Berkeley Center for Cities and Schools estimated that over \$10 billion in funding is needed to address the facilities-related need for subsidized childcare for infants and toddlers at licensed home-based and center-based businesses. Demand far exceeds supply for high-quality child care, particularly for low-income families, and the COVID-19 pandemic has only exacerbated California's early learning and care capacity problem.

<sup>2</sup> [Building California's Future: Tackling the Facilities Challenge for Our Youngest Learners](#)

<sup>3</sup> [Early Childhood Facilities: What Research Tells Us](#)

<sup>4</sup> [Assembly Blue Ribbon Commission on Early Childhood Education](#)

The Assembly Blue Ribbon Commission on Early Childhood Education Report<sup>4</sup> indicated co-location of child care in affordable and transitional housing as a strategy to equitably expand the supply of early learning and care facilities and address the needs of low-income families and families with incarcerated and/or recently released parents.

Co-location recognizes that quality ECE is both a critical source of support for families and a broader community amenity that contributes to the strength of the local economy. Parents who have access to high-quality child care and affordable housing have an easier time balancing work and meeting the diverse demands of raising a family.

Further, the physical quality of the ECE facility is a critical element of ensuring children have access to a high-quality early learning experience. Limited public funding for the ECE sector results in many programs being located in less than ideal locations, such as basements, in an attempt to minimize costs. Children of color are less likely to access high-quality early care and education. Black children are twice as likely as Hispanic and White children to be in child care centers rated as "low quality."<sup>4</sup> Incorporating ECE facilities in new affordable housing developments increases community access to this critical amenity and ensures children can learn and teach in a high-quality environment.

The report ***Building Better for Families: Policy Strategies for the Co-Location of Early Care and Education Facilities and Affordable Housing*** by the Low Income Investment Fund include more information on this topic and can be accessed at <https://bit.ly/3JBeNLZ>.

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