

Clearing the Path for New Child Care Supply: Solutions for Child-Friendly Planning, Housing, and Community Development

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> INTRODUCTION

Nearly every community in Colorado faces a severe shortage of licensed child care that threatens to undo many years of economic prosperity and growth. This report identifies opportunities to implement policies for child- and family-friendly planning, housing, and community development and proposes policies and programs that can be adopted to prioritize and support child care as critical community infrastructure. The recommendations contained in this report can help alleviate Colorado's child care crisis by clearing the path for the development and retention of the physical infrastructure and facilities needed to support child care.

Colorado is suffering a severe shortage of the child care our economy and workforce need. EPIC estimates that the licensed child care gap in Colorado exceeds 100,000 children whose families need care and cannot reasonably access it. The Bell Policy Center has identified only two counties in Colorado with enough licensed child care capacity to serve the number of children in the county. The business model for child care is severely stressed, with the cost of doing business oftentimes far exceeding what parents can pay for services. In addition, the COVID pandemic worsened availability, leading to permanent child care program closures and the disappearance of licensed child care slots across Colorado.

A strong, sustainable child care and early education system is just as essential to our work-force and communities as roads, bridges, communication networks, and emergency services. In recent years, the idea of child care as infrastructure has gained attention, and it is a basic assumption of this report.

Infrastructure is the foundational facilities and systems that support the economy, house-holds, and businesses in an area. Often, infrastructure is thought of as only publicly owned physical structures that can support the delivery of goods. However, just as critical is the social and economic infrastructure needed to support the people and workforce in a community, including child care. Families with children are at the core of our communities and our workforce, and a thriving community is one that is child-friendly by considering and planning for families' needs.



> BUILDING UP

EPIC developed the Building Up initiative^{vi} to change the child care business model in a way that supports a healthy, sustainable bottom line while ensuring access to high-quality early learning experiences for children and the ability for families to work. This initiative is focused on:

- Decreasing the operating expenses for child care businesses through the identification of more affordable and secure facilities for child care within each community.
- Increasing revenue available to support sustainable child care access including capital financing, employer support, and philanthropic fund development.
- > Clearing the path and eliminating barriers to entry through regulatory alignment and innovation.

It is important to recognize that child care requires two critical components: people to care for children and an appropriate facility in which to do it.

Within a child care business model, labor and staffing are the number one expenses for a program. However, these roles typically are paying far below the market already^{vii}, and because of the special health and safety requirements of children, reducing staffing levels (by increasing staff to child ratios) is typically not legally or safely feasible. Therefore, when examining possible solutions to increase child care capacity, we are looking to increase funding to support staffing. The second largest category of operating expense for a child care program is related to facilities and real estate. We see this as the area with the most potential for decreasing expenses. By doing so, we can help to make child care facilities more financially viable and free up revenues that can be used to support other needs such as staffing.

While acknowledging the critical importance of expanding and supporting the child care workforce, this report focuses exclusively on the physical infrastructure (commercial and residential facilities) needed for child care. In order to make meaningful progress in increasing child care supply, the recommendations contained herein must be undertaken in conjunction with other initiatives focused on workforce and ensuring quality in the care options available.

This report considers policies and programs that encompass and acknowledge the full spectrum of the child care ecosystem, which includes licensed care both in centers and family homes as well as license-exempt and family, friend, and neighbor (FFN) care. Each of these care settings has a unique set of barriers and opportunities that are worthy of consideration in a holistic plan to build a robust, adequate, and quality child care system.

This report proposes an approach in which the State of Colorado and local communities become more "child-friendly" by considering the child care system as critical infrastructure for working families and creating a regulatory environment that proactively and ambitiously supports its development.

For more information, visit https://www.coloradoepic.org/get-involved/#building-up-ece

> METHODOLOGY

The development of this report included collection of data from various sources including:

- Interviews with subject-matter experts in planning and zoning, building code, commercial real estate, affordable housing, center-based child care, and home-based child care
- Interviews with individuals with experience developing and/or running child care facilities and businesses
- A scan of existing and under-consideration policies and programs across the country that support the development of child care facilities

The data collected from these sources is incorporated throughout this report to illustrate the current state of the Colorado environment for the development of new child care facilities.

> KEY PLAYERS

Addressing the shortage of child care infrastructure in Colorado matters to everyone. It is critical for keeping our economy afloat and our communities thriving.

FAMILIES

The end users of child care should be a primary consideration. Their experience of accessing child care has become increasingly unaffordable, inconvenient, and inflexible. Parents and children need options that they can easily access both physically and financially. We need more high-quality, convenient, affordable options available so that parents can go to work, having chosen an environment that is appropriate for their child.

CHILD CARE OPERATORS

Some child care operators are large, but most are small businesses with few resources. Many are owned and operated by women and women of color. Child care may be provided by individuals operating out of their homes, nonprofits running small or large centers, larger commercial enterprises, or an employer who is operating a center for the benefit of their employees. All of these operators play a critical role in the child care ecosystem in our communities.

DEVELOPERS

Real estate developers have quickly become a part of the child care conversation. Some want to create child care opportunities because they are motivated to contribute to vibrant communities where people want to live. Others are mission-driven and want to provide access to critical services for working families. However, most are not well-versed in child care development, and they often encounter significant challenges in the process.

LOCAL GOVERNMENTS

Local governments have a uniquely powerful role in discussions about community planning and building codes. Local elected officials are tasked with reflecting the desires of their constituents through policies and plans and then creating and enforcing regulations that align with those desires. Local governments vary in their awareness and focus on increasing child care supply in their communities and the ways they can provide support.

STATE GOVERNMENT

The state government has a unique ability to provide financial and technical support that is out of reach for a local community or a small organization. State-level government's interest in supporting the workers and economy of our state as well as the health and well-being of children and families creates a vested interest in supporting the creation of new child care facilities.

> OPPORTUNITIES

The creation of new child care requires either a new facility or the renovation/redevelopment of an existing facility. Within a community, there are many existing or potential spaces that could be well-suited for child care for a variety of reasons including proximity, underutilization, or cost-effectiveness. We have outlined the most promising opportunities below.

THERE ARE OPPORTUNITIES TO USE MANY EXISTING SPACES FOR CHILD CARE



HOMES



STANDALONE CENTERS



ON-SITE EMPLOYER BASED



CO-LOCATION WITH AFFORDABLE HOUSING



MIXED-USE OR MIXED-COMMERCIAL REAL ESTATE DEVELOPMENT



CHURCHES



VACANT GOVERNMENT-OWNED LAND





IN-HOME CHILD CARE The Urban Institute identifies in-home child care as a critical part of addressing child care needs, especially for families who need care during non-standard hours, for infants and toddlers, in rural areas, and for children with special needs. These care facilities may be licensed or, a smaller facility can legally operate without a license (license-exempt) if a provider is caring for children related to them and children from one other family or for 4 or fewer children. In-home care is the arrangement of choice for many parents for a variety of reasons. In addition, residential real estate may be more readily available in some areas and the financial and process barriers to entry for in-home child care can also be lower because of the smaller scale of operation. While there are distinct differences from a center-based facility, within the context of this report a home-based provider's home is considered a child care facility.



STANDALONE CENTERS A standalone child care center is probably what most people think of when they think of a child care facility. A standalone center as referred to here is a commercial child care facility that is independent from other real estate and is operated independently of another business. Most relevant for the purpose of this report is that this type of center is typically owned and operated by an individual who has a background in early childhood care and education. There may or may not be a nonprofit board that oversees the organization as well. Because most of these facilities are owned and operated by women, supporting a center-based facility often means supporting a woman entrepreneur in becoming a small business owner.



ON-SITE EMPLOYER-BASED CHILD CARE Across Colorado, employers are stepping up to provide child care for their employees. Many employers are choosing to do this through the creation of on-site child care – a strategy that benefits the employer as well as the employee by supporting recruitment and retention while increasing employee satisfaction and having their children nearby while they work. Employers may have existing real estate available, access to capital that can be used for child care, and/or the ability to combine the development of a child care facility with another capital project. Additionally, employers can sometimes help to absorb or subsidize some of the ongoing costs of operation, helping to support a more sustainable business model.



CO-LOCATION WITH AFFORDABLE HOUSING Colorado has put significant resources into the development of affordable housing in recent years, and this trend is expected to continue. This development also represents a significant opportunity for supporting child care facilities. Families and communities benefit when child care is conveniently located near work or home. Any time large-scale development takes place, there is opportunity to capitalize on economies of scale, and building child care alongside affordable housing is no exception. There is also an important connection between affordable housing and child care. Often, the communities experiencing child care shortages and affordable housing shortages are the same. Unfortunately, new affordable housing development can exacerbate this issue if the increase in demand for child care as families move into a neighborhood is not addressed simultaneously. Communities can unintentionally create barriers to economic mobility and success when housing needs are addressed without also considering the necessity of child care for working families. On the other hand, the development of affordable housing can support an increase in the supply of child care when the child care workforce has increased access to suitable housing. There is a significant opportunity to address affordable housing and child care shortages in tandem and create vibrant child-friendly communities by developing programs and policies that facilitate and incentivize the co-location of child care with affordable housing.

CO-LOCATING EARLY CHILDHOOD EDUCATION AND AFFORDABLE HOUSING MAKES ALL THE SENSE IN THE WORLD AS IT ENABLES CHILDREN TO FIND STABILITY IN THEIR LIVES AND GIVES THEM OPPORTUNITY TO LEARN AND ACHIEVE THEIR POTENTIAL WHILE THEIR PARENTS CAN REACH THEIRS. ADDRESSING TWO OF THE GREATEST STRESSORS AND FINANCIAL BURDENS FOR LOW-INCOME FAMILIES IN ONE LOCATION AND ONE DEVELOPMENT CAN MAKE A REAL LASTING POSITIVE DIFFERENCE FOR SO MANY.

BRAD WEINIG, DEVELOPER, PENNROSE, LLC



MIXED-USE OR MIXED-COMMERCIAL REAL ESTATE DEVELOPMENT Mixed-use or mixed-commercial developments present the opportunity to include child care in either ground-floor commercial or other locations within the development. Locations above the ground floor may offer more possibilities because the rent they can produce is typically lower and an owner can more easily accommodate the lower rent that a child care operator needs to pay. Additionally, Colorado has updated child care licensing requirements to make it easier to include child care above the ground floor. Including child care in mixed-use developments that include housing and commercial elements can not only draw more families, but create longevity and community in these spaces.



FAITH-BASED BUILDINGS Faith-based buildings (e.g., churches, synagogues, etc.) typically have some type of space already set aside for child care and most of their real estate is unoccupied 5-6 days per week. As church attendance remains in decline^x, faith leaders are increasingly interested in identifying new opportunities, and for many, their vision of stewardship includes community partnerships and support. However, the costs associated with remodeling faith-based spaces to serve as child care facilities can be prohibitive given complex building code requirements. Additionally, these buildings are often not daylighted as available space so can be a missed opportunity in real estate searches for spaces that may be appropriate for child care.

CHURCH FACILITIES ARE ONE OF THE MOST UNDERUTILIZED FACILITIES IN OUR COMMUNITY.

OFTEN THERE IS ACTIVITY GOING ON JUST A FEW DAYS A WEEK AND THE REST OF THE TIME
THEY ARE LAYING DORMANT. SINCE THEY ALREADY HAVE CLASSROOMS DESIGNED FOR KIDS,
THESE FACILITIES SHOULD BE A PART OF ANY STRATEGY THAT AIMS TO PROVIDE MORE
SPACE FOR CHILDCARE PROVIDERS.

DAVE RUNYON, EXECUTIVE DIRECTOR, CITY UNITED



VACANT GOVERNMENT-OWNED LAND Government-owned vacant land can often be utilized for child care. Local governments, special districts, and government offices are encouraged to replicate the work of the Colorado state government by inventorying underutilized land and soliciting proposals for the most beneficial use of this land for the community.xi

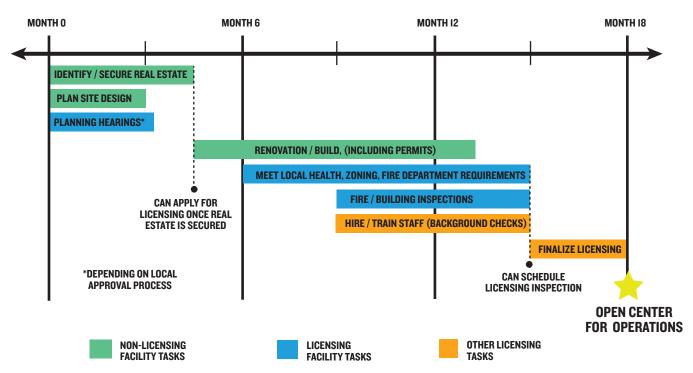


OTHER SPACES There are many other spaces in a community that may be underutilized and appropriate for child care. These may include shuttered schools, assisted living facilities, community centers, and others. By thinking creatively about the existing spaces in a community, and proactively creating programs and policies to support the use of these spaces for child care, communities and the state can create new and innovative opportunities for the development of child care infrastructure.

> CHALLENGES

The opportunities outlined above represent both traditional and innovative ways to increase the number of child care facilities available in a community. However, there are challenges to those who wish to pursue these opportunities, and these challenges are hindering progress on increasing licensed child care capacity in Colorado. Through interviews with child care providers and professionals in planning, development, child care, and other relevant fields, it is clear that the process of opening a child care facility is typically confusing, slow, and costly due to the barriers outlined below.

SIMPLIFIED CHILDCARE CENTER LAUNCH TIMELINE



This is a sample timeline. Actual timelines can vary greatly depending on project size location, experience launching child care centers, and other variables.

LAYERS OF COMPLEXITY

Throughout interviews, stakeholders indicated that the regulatory environment creates significant challenges for anyone who seeks to provide child care. A licensed in-home or center-based child care operator must navigate multiple layers of regulations including state licensing, health regulations, business licensing, local planning/zoning, and building codes. In addition, providers may face additional restrictions from a commercial HOA or landlord who will not allow child care to operate (residential HOAs in Colorado were prohibited from disallowing child care through state legislation in 2020^{xii}). These multiple sets of regulations can be confusing because regulations are not always aligned, operators must deal with many different agencies and professionals, and the technical language of the professionals in each of these areas can be difficult to understand.

> LENGTHY PROCESSES

In addition, navigating each of these regulatory processes is often quite lengthy. Once they have identified a suitable location, operators often have to work through one or more time-intensive processes including zone changes, planning hearings, and building renovations, as well as inspections by building officials, fire departments, health inspectors, and child care licensing specialists. Each process can take many months, and often they are required to follow one another, so the process from start to finish can take a year or more.

HIGH START-UP COSTS

Time is money, and these complex and sometimes confusing processes can become quite costly. Renovations for centers or in-home facilities to meet licensing requirements can be prohibitively expensive, each of the regulatory agencies has its own fees, and the operator must hire several different professionals to navigate the requirements or attempt to go it alone. These processes are prior to opening and generating revenue, so the costs must be paid up front by the operator. The operator is unlikely to recoup these costs in most operating models.

> LACK OF ACCESS TO CAPITAL

One of the greatest challenges to the development of new child care facilities is access to capital. The operators and potential operators interviewed for this report indicated that the start-up funding required to open or remodel a facility had to come from their personal savings or business reserves (when sponsored by an employer). Some individuals have taken out high-interest personal loans or borrowed against their homes for initial start-up costs. Because of the problems inherent in the child care business model, they do not typically have access to traditional small business loans.

A challenge specific to co-location with affordable housing is that even committed and mission-aligned developers struggle to make the financial model work when they are utilizing Low-Income Housing Tax Credits (LIHTC) to finance their projects. LIHTC generally cannot be used to finance child care facilities. This means that developers usually have to raise IOO% of the capital required to build a child care facility without access to the tax credit tools they can use to develop the housing component of the project.

> ACCESS TO COMPATIBLE HOUSING

Home-based care is different from center-based care in that the provider's home also serves as the child care facility. This means that for a home-based provider, the current affordable housing crisis creates an additional challenge for providing care. If a provider wishes to be licensed, they may discover that the requirements are incompatible with their living situation. If a provider is forced to move due to an increase in rent or any other reason, they may need to move to a location that is inconvenient to the families they are currently serving, doesn't have appropriate space for providing care, or both. If the provider does move to a nearby home that is appropriate for child care, they are still required to go through the licensing process for the new home and may not be able to provide care during that time. A recent series of news articles outlined the interlinked challenge of housing for home-based providers.



WHISPER MONDRAGON, ENTREPRENEUR

Whisper started pursuing her business idea in 2020. Today, nearly 3 years later, she is still working to make it a reality. Whisper wants to create a child care facility with an attached coworking space in El Paso County (Colorado Springs area). Throughout the process, she has met many dead ends due to requirements for licensing and zoning.

POTENTIAL LOCATION I: The first location Whisper identified was a lease on a retail space. She had nearly reached an agreement with the owner when they received another proposal from a business that would generate more income for the location. Whisper lost the opportunity to lease this space because child care was not seen as a profitable entity for the owner.

POTENTIAL LOCATION 2: Whisper identified a piece of land with a small home on it. She was prepared to renovate the home and convert it to a child care property. As she worked through the due diligence process, she learned that the city engineer was requesting that she be required to pave the public road leading to the property. The city's capital improvement plan already included the upgrades to the road, but as the first to develop in the area, Whisper would have been required to incur the cost. She received estimates for approximately \$300,000-600,000 so she opted not to purchase the property.

POTENTIAL LOCATION 3: Whisper identified a location in a business park. She started working on a letter of intent with the owner and then discovered that the property operates under an HOA agreement. The HOA determined that they would not allow child care to operate in the business park.

Whisper is now working on a 4th potential location and is hopeful that she will be successful. In the meantime, she has opened an in-home child care facility to generate some income and get her business off the ground. Since 2020, she has incurred approximately \$20,000 in expenses.

> RECOMMENDATIONS

The opportunities outlined above have the potential to significantly expand the availability of child care in Colorado. However, the challenges listed are barriers to progress. To fully capitalize on the opportunities available, the following policies and programs are recommended.

** RECOMMENDATION I: ESTABLISH COMMUNITY VALUE

LOCAL GOVERNMENT IMPLEMENTATION Elected officials and communities across Colorado must recognize the importance of child care, explicitly state this value within their comprehensive planning efforts, and commit to the implementation of policies that demonstrate and elevate this value.

The American Planning Association (APA) states that "the goal of planning is to maximize the health, safety, and economic well-being of all people living in our communities. This involves thinking about how we can move around our community, how we can attract and retain thriving businesses, where we want to live, and opportunities for recreation. Planning helps create communities of lasting value."xiv

A 1997 policy guide by the APA focused on the provision of child care, and an additional brief was developed in 20II.** While dated, these documents outline the importance of child care in supporting a family-friendly community and share recommendations and examples of how planners can help to support child care in their communities in ways that are still relevant today. The recommendations of this report align with these APA documents.

The foundation for supporting child care in planning work is an affirmation and commitment in community planning efforts to child care as a core part of community infrastructure to support working families, the economy, and the healthy development of children. Planning for child care aligns with many values that are central to community planning, as detailed below.

EQUITY

In 2022, the APA produced the Equity in Zoning Policy Guide.xvi This guide lays out recommended policies to support equitable communities. Equitable policies support the development of neighborhoods where residents have access to critical services which include child care (alongside medical services, churches, recreation, food, and education). APA aptly points out that child care is largely private, and so a local government cannot compel them to be in specific locations, but adopting policies that allow or incentivize the location of critical services in high-need areas will help to support access, leading to a more equitable, healthier, and more child- and family-friendly community.

> WELL-BEING

Ensuring access to child care helps to support family and community well-being in several ways. Families need reliable access to quality care for their own peace of mind and their ability to work. For some families, the ability to take a job is restricted because of access to care issues. Ensuring that all families have access to care that is located near their home or work helps to support their economic mobility and success. Finally, consistent, trusted care is good for children developmentally, and helps to set them up for success in school and life, which helps to create strong communities and community members.

> REDUCED EMISSIONS

Modern planning includes a consideration for environmental sustainability and reduced emissions. This means understanding, and ideally reducing, how much people need to drive. Access to services close to home or work reduces the amount that a person drives significantly, thus reducing emissions. Having easy access to a sufficient supply of child care near one's home or workplace can support a community's goals regarding environmental sustainability and emissions reduction.

> ECONOMIC DEVELOPMENT

Community planning often includes considerations for policies and programs to attract businesses that provide employment as well as services and tax revenue. For these businesses to thrive, they need employees who have access to quality, affordable child care. About 40% of the workforce between the ages of 20 and 54 have a child at home.**vii In Colorado, nearly two-thirds of children under the age of six have all parents in the workforce and thus need child care.**viii The Committee for Economic Development models the economic impact of child care at \$99.3 billion annually in the U.S.**xix Planning for the child care needs of working parents is good economic policy, helping to support employment and a thriving economy.

FAMILY-FRIENDLY COMMUNITIES

The APA defines a family-friendly community as one where "families enjoy housing that is affordable, child care, parks to play in, quality schools, and safe neighborhoods."xx These are communities that families want to move to and that they can stay in throughout multiple stages of life while working and raising safe and healthy children. A survey of planning professionals from 2008 indicated that planners did not realize there was an inadequate supply of licensed child care and that only 5% of communities had a local child care plan.xxi More recent data is not available, but interviews and informal conversations with Colorado planning professionals indicate that there is an increased awareness of the challenges facing child care with only a handful of communities understanding the role that community planning can play and taking action on including a goal of expanding child care supply as a part of their community plans and regulations.



RECOMMENDATION 2: MITIGATE REGULATORY BARRIERS

Generally, there are four sets of regulations that a potential provider interacts with: local planning/zoning, building/fire codes, health codes, and state licensing. In some places, a business license may also be required. Each of these brings its own layer of complexity, and at times, the different sets of regulations are misaligned, duplicative, or unclear. Potential operators often do not have the technical expertise to navigate these different layers of complexity and incur significant expense hiring numerous professionals (architects, engineers, contractors, etc.) to support them. Opportunities for reducing this burden are outlined below.

RECOMMENDATION 2A: CREATE ALIGNMENT STATE AND LOCAL GOVERNMENT IMPLEMENTATION

Governments should identify opportunities to align and simplify regulations. Both state and local governments have opportunities to create regulatory alignment by reviewing the full set of regulations, removing any duplication, and resolving any contradictions. XXIII Child care licensing is a thorough set of regulations that are designed to maintain health and safety in child care environments with groups of children. However, additional requirements are often added on top of the licensing regulations, creating confusion and duplication.

For example, generally, state licensing defines the following categories of child care (this is a simplification for illustration purposes, but generally captures the licensing categories):

- > FAMILY CHILD CARE HOME (2-6 CHILDREN)
- > SMALL CENTER (5-15 CHILDREN)

- > LARGE FAMILY CHILD CARE HOME (7-12 CHILDREN)
- > LARGE CENTER (16+ CHILDREN)

Through stakeholder interviews, we discovered that some local governments use different names and different thresholds on the number of children for various regulations. One way of eliminating complexity and confusion would be to use the same language and cutoffs as state licensing to define different types of child care in regulation so that it is clear which regulations apply.

As a second example, some local zoning and building rules use different cutoffs for the number of children that trigger certain requirements. For example, Group E (educational) Occupancy of the international building code requires R-3 occupancy for a "dwelling unit daycare" with 5 or fewer children and has different requirements once 6 children are present. These codes are adopted at the local level, and local governments can align so that R-3 occupancy is also applicable to a family child care home with 6 children or the state of Colorado could create categories of licensing that align with the international building code.

While these may seem like technical items of little consequence, through the course of developing a child care facility, a potential operator may encounter dozens (or more) of these small technical challenges. Work to align regulations and eliminate inconsistencies and duplication will help pave the way for additional child care supply.



WILDFLOWER SCHOOLS

Wildflower is a network of Montessori "micro-schools" run by teacher leaders. Wildflower serves as a support organization and has helped to establish over 60 schools in I6 states. Because of their experience launching child care facilities in many different places, they shared several different examples of challenges they have encountered.

In one facility, they wanted to understand licensing requirements before signing a lease. They looked at the building code and the fire department told them that they did not need to do anything special or cost prohibitive. They proceeded with the lease and renovations, and then a different inspector told them that they would need to add two-hour fire-rated walls to the shared walls, which included the ceiling (due to a neighboring business occupying a second story above the school) and a new fire alarm system. These last-minute changes cost the school over \$10,000 and several weeks of time.

Wildflower has worked on two different facilities in Aurora, which spans multiple counties. Two Wildflower facilities have been built in different counties (although both are in Aurora). Through the licensing process, they were told by the licensing specialist in one county that they had to have a physical separation between groups of students (a hindrance to the Montessori model Wildflower uses), and a specialist in a different county was more flexible in meeting this requirement – allowing for a makeshift barrier of furniture rather than a wall.

RECOMMENDATION 2B: STREAMLINE PROCESSES STATE AND LOCAL GOVERNMENT IMPLEMENTATION

The process of completing paperwork, hearings, and inspections is arduous for potential operators, and as mentioned above, these processes create a significant amount of time and expense before a provider has the opportunity to earn any income. There are many opportunities to streamline these processes, making them more accessible and affordable.

A good example of how to do this can be found in recent approaches to supporting affordable housing development. Many local governments have begun to waive fees, expedite timelines, and create additional regulatory flexibility in support of affordable housing (another significant need for the workforce in communities across the state), and such policies can be replicated to support the development of child care facilities. One simple way to remove these barriers is to remove local level public hearings or neighbor notification requirements for activities that are already reviewed for public safety by the state.

In child care regulation, the health and safety of children is the primary consideration, as it should be. However, when increasing the supply of child care is a community goal, there may be some ways to introduce flexibility to allow for the creative use of existing spaces. Through interviews, we identified several costly required remodels that could have been resolved without endangering children through a flexible application of regulations.

> PLANNING LINGO

Most Colorado jurisdictions have areas (zone districts) that allow child care by right, with conditions, or prohibit it.

- > BY-RIGHT: If child care is allowed "by right" then it still must meet the zoning requirements of the area (like parking or landscaping), but only administrative (staff) approval is required. In some cases, the only requirement is a sign-off from the building department indicating that their requirements have been met.
- > CONDITIONAL/SPECIAL USE PERMIT (CUP/SUP): A CUP or SUP is the process for conditional approval. A conditional use is subject to discretionary review which means a planning commission and/or elected body is required to review and approve the child care facility and determine whether it meets specific requirements as laid out in the jurisdiction's zoning rules. This usually requires at least one, and sometimes more than one, public hearing. The term special use is generally interchangeable with conditional use, but some jurisdictions may have two different permitting processes requiring different levels of review.
- > PLANNED UNIT DEVELOPMENT (PUD): Child care facilities will not be the primary purpose for a PUD, but they may be included or considered as a part of this process. PUD is a flexible zoning tool that allows for a larger-scale site to have a plan that is specific to that site. A PUD typically requires a lengthy process, discretionary approval, and several public hearings. PUDs have a set of approval criteria that elected or appointed officials are required to consider. Often communities consider "community benefit" as an approval criterion and the provision of child care may or may not be explicitly identified as a community benefit.

RECOMMENDATION 2C: REMOVE BARRIERS IN ZONING

LOCAL GOVERNMENT IMPLEMENTATION

If a community wants to see the availability of child care increase, it is critical to remove as many zoning barriers as possible. The most expedient way to do this is to make child care facilities a use by right in as many zone districts as possible.

Zoning maps and ordinances are typically created and updated as a part of the long-term planning process (master plan or comprehensive plan) that happens every IO+ years in a community and includes extensive community outreach and public input. Plans are created on regional, county, city, and neighborhood/area levels and regulations that align with these plans are typically adopted by the city or county. These tools are important because they identify what is allowed to happen in various areas and what kind of process is required for different types of development.

The American Planning Association (APA) describes how zoning has the potential to create or perpetuate inequity by creating difficulty in accessing services (such as child care).xxiii Because child care is typically built and operated by private organizations, local government cannot always require child care in particular areas, but with zoning rules, revised maps, and processes, there are opportunities to allow and incentivize its creation, and as outlined above, core planning principles would suggest doing so in areas where people live or work.

Generally, a child care operator will encounter one of the following processes for approval: Special Use Permit (SUP), Conditional Use Permit (CUP), or by-right zoning (with administrative or site plan approval). All except by-right zoning usually require a public hearing and a decision by a planning commission, elected body, or both. By-right zoning for child care would remove most barriers encountered in the planning process, and with appropriate safety measures, child care can be a compatible use in the majority of settings.

RECOMMENDATION 2D: CONSIDER USING OTHER PLANNING/ZONING TOOLS LOCAL GOVERNMENT IMPLEMENTATION

There are several other planning/zoning tools that could help to increase the community supply of child care and are worthy of consideration by local governments. Each community is unique, and local officials should determine which tools are most valuable in the local context. Possibilities include:

- Linkage requirements for new housing development
- > Impact fees for new housing development
- > PUD regulations that highlight child care as a high-value community benefit
- Floor Area Ratio or density bonuses for the inclusion of child care
- Modified or reduced requirements for items such as parking, permitted lot coverage, or height



RECOMMENDATION 3: PROVIDE SUPPORT

In addition to streamlining regulations and processes, there are several types of support that would be helpful in creating child care facilities. Potential operators are often very experienced in their own area of expertise (child care for an existing provider, housing for a developer, etc.), but are rarely experts in the other processes needed to start a child care facility. Throughout our interviews, informants emphasized this point, stating that they had to spend significant amounts of money retaining experts, sometimes struggled to get timely responses from them, or couldn't find professionals who were familiar with child care regulations. Additionally, as described above, access to capital in the child care industry is very challenging and new solutions are needed.

RECOMMENDATION 3A: TECHNICAL ASSISTANCE STATE GOVERNMENT IMPLEMENTATION

Because of the special importance of health and safety when caring for groups of children, the regulatory framework for child care is unfamiliar to most professionals who do not work in the industry. Even for those who provide child care, if they have never been involved in building a facility that conforms to licensing standards, they may find themselves confused. There is a clear and pressing need to provide technical assistance that supports the development of child care facilities. There are several different groups who would benefit from technical assistance, as described below.

POTENTIAL OPERATORS Typically, the prospective operator of a child care facility is a child care professional – that is, someone with a background and expertise in early childhood development and education. Many interviewees expressed this sentiment: "I am trained to care for children, not navigate a planning or building department process." These potential operators would greatly benefit from professionals (e.g., architects, engineers, contractors) who are familiar with child care facilities and could help them to navigate building, planning, and health requirements.

- HOUSING DEVELOPERS There are many developers in Colorado, especially those who work in the affordable housing space, who understand and see the value of co-locating child care in housing development. This may be the inclusion of commercial space for a center or designing residential units to accommodate in-home family child care. Developers often have their own teams of architects, contractors, etc., but they typically do not have experience with the unique requirements of child care facilities. Technical assistance would help to support those mission-aligned developers who wish to co-locate child care with housing.
- COMMUNITY PARTNERS There are many underutilized retail spaces, churches, community centers, and office spaces across Colorado. There are also many willing partners who own these spaces and, in order to make it realistic for them to provide the space for child care, they could utilize technical assistance to support them in navigating the requirements of repurposing space for child care.
- LOCAL GOVERNMENTS Similar to community partners, many local governments are seeking opportunities to repurpose unused/underutilized space and/or vacant land for important community purposes either on their own or in partnership with others. Technical assistance to help local governments navigate the process and requirements for the development of child care could help facilitate this process.
- GENERAL CONTRACTORS Many operators and potential operators of child care facilities find that they have difficulty finding professionals who are knowledgeable in the requirements for child care facilities. A resource to help support general contractors could better equip them to lead a team in the development of new child care facilities.
- EMPLOYERS The number of employers in Colorado who are interested in providing child care for their employees continues to increase. While an employer will typically contract with an experienced operator, a team of other professionals familiar with child care to support employers would help encourage their investment and streamline the process for the development of a child care facility.



> CASE STUDY #3

MARTI FREEMAN, OWNER & DIRECTOR, THE NEIGHBORHOOD PLAY SCHOOL

Marti has recently opened her preschool in Denver. It is a 16-hour per week preschool program. Marti started over a year earlier trying to find a location that had the right setup to accommodate child care. After exploring many options, she ended up in a church building. To make this space work, she needed to renovate. She describes this process as a lot of "learning on the fly" and trying to navigate the right order for the required processes (opening a bank account, setting up a 50lc3, contacting licensing, building, and zoning, etc.). She relied on a network of friends to make the process work, and she said without this personal network of people who were experts in their fields, it would have been impossible for her to navigate the required processes.

BY FINANCING THE CONSTRUCTION OF EARLY CHILDHOOD EDUCATION CENTERS WITH NON-TRADITIONAL FINANCING SOURCES, CHILDCARE PROVIDERS WILL EXPERIENCE LOWER OPERATING COSTS. WITH LOWER OPERATING COSTS, CHILDCARE PROVIDERS CAN PAY STAFF MORE SUSTAINABLE WAGES AND MAKE AFFORDABLE, QUALITY CHILD-CARE AVAILABLE TO MORE FAMILIES.

STEVE KUEHNEMAN, EXECUTIVE DIRECTOR CARE HOUSING AND BOARD PRESIDENT. EARLY CHILDHOOD COUNCIL OF LARIMER COUNTY

RECOMMENDATION 3B: EXPERIENCED PROFESSIONAL SUPPORT STATE AND LOCAL GOVERNMENT IMPLEMENTATION

Similar to technical assistance, the development of child care facilities could be accelerated with a network of professionals who have specific training and knowledge in child care facility development. This network could include architects, engineers, plumbers, electricians, building officials, surveyors, fire officials, etc. who could help a potential operator with the development of their facility. A training program and a publicly available list of professionals would give operators a network of support from trained professionals, which would help them to complete development more quickly and at a lower cost. Even better would be a program to pay these professionals to provide assistance at no cost to the operators.



COMMUNITY HOSPITAL

About five years ago, Community Hospital in Grand Junction started looking at the possibility of building a child care facility. They recently (September 2023) had the ribbon cutting for this facility which is licensed for IO6 children ages 6 weeks to 6 years. As a hospital, they had experience building medical facilities, but as they worked through the development process for child care, they discovered how valuable it could be to have professionals who are familiar with child care facilities. As they navigated the requirements, they found that someone who understands the square footage requirements, playground equipment rules, sink and toilet rules, etc. would have been helpful to them.

RECOMMENDATION 3C: ACCESS TO CAPITAL STATE AND LOCAL GOVERNMENT IMPLEMENTATION

To support the development of new child care facilities, alternative means of accessing capital are needed. Dedicated government revenue sources at the federal, state, and local levels are critical for creating a sustainable funding model for child care. This type of funding is needed both for ongoing operations and for one-time facilities costs. Child care facilities face significant challenges in accessing capital^{xxiv}. Below, a few possible models for raising and/or providing capital to child care operators are detailed.

- ▶ FACILITY GRANTS Colorado established the Employer-Based Child Care Facility Grant in 202I.xix This fund provides a matching grant to eligible employers to construct, remodel, renovate, or retrofit a child care center to provide licensed child care for its employees. This grant has been funded by a combination of General Fund and state and federal Stimulus Fund money. Facility grants would be helpful not only for employers but also for community, government, and developer partners as well as independent operators.
- > TAX CREDITS The Colorado Child Care Contribution Tax Credit provides a 50% tax credit on up to \$100,000 per year for contributions to child care.xxviii Colorado is currently considering mechanisms for the inclusion of in-kind real estate donations as an eligible contribution for this credit. These tax credits create an incentive for donations to support child care and can help a provider to raise revenue. The inclusion of in-kind real estate donations could also provide an additional type of support.
- TAX INCREMENT FINANCING (TIF) TIF is a tool for revitalizing an area with targeted tax assessments that are designed to capture the future tax benefits of real estate improvements.**vi For example, the City of South San Francisco built a 100-child center in an office park using \$2.7 million of bond funds from the redevelopment agency and then the 8,500 sq ft facility was leased out to a non-profit operator.**vvii A local government could require child care facilities be included as part of projects receiving TIF funding. Some Colorado communities have imposed such a requirement for affordable housing.
- IMPACT FEES After the state authorized it, more than a dozen jurisdictions in California have instituted child care impact fees.** This type of fee is charged to a developer to help mitigate the impacts of the development. In this case, the fee is meant to help support the child care needs of the families who will live in the development. These funds are then pooled and used to support child care projects. Colorado has legislation that enables local governments to impose impact fees for the development's fair share of capital costs, but that legislation does not explicitly mention child care centers. While impact fees can help to finance important priorities, they should be considered with caution, because they increase the cost to developers and can be difficult to incorporate into an affordable housing model.

RECOMMENDATION 3D: REDUCED FACILITIES COSTS STATE GOVERNMENT IMPLEMENTATION

In addition to raising capital, government partners have some unique opportunities to reduce facilities costs for child care operators. One example of this is HB 22-I006, which provides a property tax exemption for qualifying charitable, nonprofit child care centers, even if they are not the owner of the building. This means that a landlord who rents to a nonprofit child care center can take advantage of this tax exemption. Such creative programs can help to create new opportunities for providers to identify suitable and affordable locations for child care.

RECOMMENDATION 3E: CO-LOCATION WITH AFFORDABLE HOUSING STATE GOVERNMENT IMPLEMENTATION

As described above, there are unique opportunities and challenges in co-locating child care in new affordable housing development. There are a few unique solutions that could support and incentivize the co-location of child care with affordable housing.

QAP CRITERIA*** The Colorado Housing and Finance Authority (CHFA) is responsible for administering awarding both state and federal (LIHTC) tax credits that support affordable housing. These transferable tax credits can be sold by developers and are frequently used to help finance affordable housing projects. These credits cannot be used to finance child care facilities. However, there are opportunities to make changes within the process of allocating tax credits that would incentivize the co-location of child care in affordable housing development.

The state is required to have and regularly update a Qualified Allocation Plan (QAP) which lays out the criteria for awarding tax credits to low-income housing projects. The criteria in this plan explicitly incentivize several housing-adjacent priorities including access to transit and environmental sustainability. However, in the current version of the QAP, the only mention of child care is as a potential supportive service for persons experiencing homelessness or special populations. The QAP could be modified to support and incentivize developers who choose to co-locate child care by identifying access as an explicit priority just as public transportation and greenhouse gas emissions reductions are currently. Additionally, child care should be mentioned in lists of "amenities" throughout the document that give developers favorable consideration.

TRANSFERABLE TAX CREDITS Colorado established a state tax credit for affordable housing in 2001, which is modeled after the federal LIHTC program. The State Auditor has found that the Colorado affordable housing tax credit acts as a significant additional incentive to encourage the development of affordable housing projects in the state. Interviews with affordable housing developers revealed that a similar tax credit for child care facilities that could be used in conjunction with LIHTC credits would create a significant incentive and opportunity for the co-location of child care in affordable housing developments.

- RESIDENTIAL INCLUSION As outlined, for an in-home provider, their home is also the facility for providing child care. There are a few examples in Colorado of affordable housing developments specifically designing and including homes that meet the needs and licensing requirements for in-home care. While this solution may not be suitable in some LIHTC developments due to restrictions on commercial activity, it nonetheless represents an innovative solution for supporting the expansion of family child care. Additionally, Colorado can further support this effort by pre-approving the licensing of template or modular homes and creating financial supports and incentives for the inclusion of family child care homes in housing developments.
- OTHER INCENTIVES FOR CO-LOCATION WITH HOUSING DEVELOPMENT There are several other potential opportunities which were raised during the stakeholder engagement process and are worthy of further exploration. These ideas include a discretionary basis boost for projects that include child care, increased developer fees (similar to permanent supportive housing), and grant or low-interest capital to support the child care component of a housing development project.
- WE WOULD LOVE TO INCLUDE MORE CHILD CARE CENTERS IN OUR HOUSING COMMUNITIES. TO DO SO WE NEED FUNDING TO CONSTRUCT THE PHYSICAL CENTER. THE FUNDS WE HAVE AVAILABLE ARE SPECIFIC TO BUILD AFFORDABLE HOUSING, ADDITIONAL FUNDING FOR CHILD CARE SPACE AND INTERIOR SPACE BUILD-OUT (TO INCLUDE FLOORING, TEMPERATURE REGULATION, ACCESS DOORS, PLAYGROUNDS, FURNISHINGS, ETC.) ARE 'EXTRA' COSTS THAT NEED SPECIFIC FUNDING SOURCES. WE ALSO NEED AN OPERATIONAL PARTNER AND ANY ONGOING SUBSIDY (EARLY HEAD START, HEAD START, PHILANTHROPIC FUNDS OR LOCAL FUNDS) TO HELP MAKE THAT CHILD CARE AFFORDABLE.

KIMBALL CRANGLE, COLORADO MARKET PRESIDENT, GORMAN & COMPANY, LLC

> CONCLUSION

The severe shortage of child care in Colorado requires a multi-pronged approach to ensure that parents can go to work and the economy continues to thrive. There are many opportunities to support the development of new child care facilities with policies and programs that recognize the value of child care as community infrastructure.

Leaders and policymakers at both the state and local levels can support the development of child care infrastructure by implementing policies and programs that codify its value and importance, remove regulatory barriers, and create additional supports for the expansion of child care infrastructure.

> CALL TO ACTION

COLORADO

- Provide support and incentives for local action
- Create a technical assistance program
- · Create funding mechanisms for child care facilities
- Analyze and revise state regulations to create alignment and reduce barriers
- Streamline state processes to reduce confusion, cost, and timeline
- Create specific incentives for the inclusion of child care in affordable housing development

LOCAL GOVERNMENTS

- Adopt comprehensive plan and other policy documents that reflect the value of child care as community infrastructure
- · Create alignment, reduce barriers, and avoid duplication of regulations
- Streamline local processes to reduce confusion, cost, and timeline
- Create local funding mechanisms for child care facilities
- Identify un- and under-utilized government property that may be appropriate for child care ·
- Include child care as a use by right in appropriate zone districts

> PRIVATE SECTOR

- Advocate for the inclusion of child care in economic development and public community planning processes
- Identify owned real estate that may be suitable for child care
- Invest in child care facilities and capital needs
- Connect with local child care organizations to identify partnership opportunities
- Pursue opportunities to locate child care in existing or new development

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