KEYSER MARSTON ASSOCIATES INC.

CHILD CARE DEMAND ANALYSIS

WEST SACRAMENTO, CALIFORNIA

PREPARED FOR:

COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF WEST SACRAMENTO

PREPARED BY:

KEYSER MARSTON ASSOCIATES, INC.

AUGUST 1994

Child Care Demand Analysis
West Sacramento, California

Prepared for:

Community Development Department
City of West Sacramento

August 1994

KEYSER MARSTON ASSOCIATES, INC.

Golden Gateway Commons
55 Pacific Avenue Mall
San Francisco, California 94111

500 South Grand Avenue, Suite 1400
Los Angeles, California 90071

12555 High Bluff Drive, Suite 160
San Diego, California 92130

TABLE OF CONTENTS

LIST OF TABLES

INTRODUCTION

The following report is an analysis of the demand for child care facilities associated with workplaces and residences in the City of West Sacramento. The report has been prepared by Keyser Marston Associates, Inc. for the City's Community Development Department in accordance with a contract between the two parties. The report was commissioned by the City as a step toward implementing the goals set forth in the Child Care Element of the 1990 General Plan. The Element establishes several goals related to encouraging, assisting, and possibly requiring the construction of child care centers within employee intensive workplaces and residential projects.

The purpose of the report is to establish the extent of demand for child care space related to both workplaces and dwelling units. The analysis quantifies the demand for child care spaces relative to different types of commercial and industrial buildings by size of building, to serve as a basis for development standards. The analysis has been similarly conducted for residences of varying types and sizes. Since an ordinance may be considered that will require the construction of child care facilities in buildings or residential subdivisions where appropriate, the in-lieu cost equivalent is quantified to provide an alternative means of compliance where on-site construction is not appropriate or desirable. Should the City wish to proceed with such an ordinance, this report will stand as documentation that the requirements are based on demand and costs relevant to the City of West Sacramento.

This analysis examines the demand associated with new dwelling units and with the workers in each major type of commercial and industrial building. Since a requirement may be placed on new construction, the subject of the analysis is new or incremental demand. A requirement on new development cannot be made to mitigate an existing problem the project had no role in creating; the requirement can only be made to mitigate a condition the project has had a role in creating or causing. As such, this report does not address existing supply and unmet needs. Nor does it address other programs and funding sources for child care in West Sacramento. A complementary document entitled West Sacramento Child Care Background Report provides information on these and other related topics.

This report is organized as follows:

- Section I discusses the space requirement concept and some of the major issues in estimating child care demand.
- Section II summarizes the analysis for the demand for child care associated with workplaces.
- Section III summarizes the analysis for the demand for child care associated with residences.

- Section IV addresses the costs associated with developing child care facilities at various locations.

- Section V explores income and affordability issues with respect to child care.

- Section VI summarizes the analyses and issues with respect to establishing child care space requirements and in-lieu fee alternatives.

This report has been based on the best and most recent data available, which for the most part has meant the 1990 U.S. Census. A local survey was also conducted through the schools. Findings from the survey and limitations of the survey are cited in the report. While we believe the secondary sources, such as the U.S. Census, referenced throughout are sufficiently accurate for the purposes of this analysis, we cannot guarantee their accuracy. We, therefore, assume no liability for conclusions based on information from the secondary sources.

I. THE CHILD CARE REQUIREMENT CONCEPT AND ISSUES IN ESTIMATING DEMAND

Child care has been a growing need in America for several decades now with the changing of the work force, costs of housing, and other vast sociological changes occurring in our society. The 1990 U.S. Census found that in the Sacramento region 71% of the households with children under the age of five had either two working parents or a single working parent, leaving only 29% of households with a parent at home caring for children. With the increasing importance of child care, there has been a growing acceptance of government's responsibility in furthering the availability of child care to all who need it, in much the same way as governments provide for parks and other community services. Availability of child care has been a concern of the City of West Sacramento for many years now. A survey of adequacy was first conducted for the City in 1985 and in 1989. The City prepared a Background Report, which was the preface to the Child Care Element of the 1990 General Plan. This report has been prepared to assist the City in its investigations of possible measures to achieve the development of child care facilities within new construction projects. As such it examines the demand for facilities relative to project types and sizes and the costs of delivering those facilities.

This section reviews conceptual issues with respect to calculating child care demand and enacting a requirement for child care spaces in workplaces and residences.

The Space Requirement Concept

The space requirement concept as applied to City entitlements to construct new buildings is based on the close relationship between new child care needs and the development of new buildings. Succinctly summarized: new buildings, both workplaces and residences, which house new employment and new population, are integral to regional growth. New child care needs are, therefore, directly related to regional growth.

The Sacramento region has been experiencing dynamic regional growth over the past decade, although the current recession has significantly slowed activity in the last two to three years. In the period from 1980 to 1990 the region added over 360,000 new residents and over 210,000 new jobs, making it one of the most rapidly growing metropolitan areas in the country. Forecasters expect the area to continue to be a national growth leader in the next two decades. The local council of governments, SACOG, expects the increase in employment and population to be at least as high as in the past decade, although the percentage rate of growth will slow. SACOG expects the region to pass the 2 million population threshold before the year 2010.

In the Sacramento region, the growth has been fueled by increases in the government, manufacturing and service sectors, as evidenced by the fact that these sectors accounted for about 60% of the new jobs. Sacramento's economy is evolving from one that was based heavily in government, including military bases as well as the State government,

and Sacramento's role as the northern California distribution center, to a more diversified economy. With its large labor force and affordable housing supply (compared to the California Coastal cities), the area is now particularly successful in attracting office and service operations of major banks, insurance companies and corporations.

As with most regions, growth in the Sacramento region does not have "one cause." Many factors underlie the causes of growth; these factors are complex, interrelated and associated with forces at the statewide, national and even international level. Among the factors that contribute to growth in Sacramento, the production of buildings is an important one. Building production is enabled by the regulatory environment and the delivery of infrastructure on the public side, while it is largely financed and executed by the private sector.

Building production has a very unique role in regional growth in that it is an essential condition precedent to growth. Stated simply: sustained growth cannot occur without building production. Growth without building production would require increased densities in existing workspaces or housing units and there is no evidence to support this occurrence. On the contrary, when historic building permit activity for commercial and industrial space is compared to annual changes in employment levels over a 15 year period, a close correlation is found. Periods of high space production are tied to periods of high employment increases. These relationships do get out of balance from time to time as with the current recession but such imbalances are temporary in a growing economy.

A fundamental principle in associating new buildings with regional growth is that of substitution. New workspaces may not be directly inhabited by employees new to the area, but the workspace that was vacated by the worker may be occupied by a newcomer; if not there, somewhere in the chain of relocations there is a new worker represented by the addition of each new workspace. The same holds for new dwelling units. Of course, in both cases certain adjustments are in order to reflect conditions that make it other than a one to one relationship. The most major adjustment is for multiple workers per households; more minor adjustments address demographic changes and shifts and declines in employment structure.

In addressing child care demands, there are demands for child care at or near new workspaces and near new residences irrespective of whether there is a 100% net new growth in employment associated with the buildings. The particular workers in a new building have needs for child care at or near the particular building. In conclusion, new workspaces and newly constructed residences generate demand for new child care spaces on location, and most of the adjustments to determine net new workers or residents on the regional level are not appropriate for determining net new on-site or near site child care demands.

The Methodology

The methodology utilized in this analysis is a calculation of the child care demands associated with various types of workplaces and residences. It is not a projection based methodology that estimates future child care needs related to projections of population and employment. As a result, the methodology employed in this analysis is valid whether a given growth projection actually occurs or not. It is, however, possible to extrapolate the relationships established in this analysis and project child care needs assuming certain growth and construction projections.

The calculations of demand associated with various types of workspaces are based on the density and characteristics of the employment that will be housed within them. Generally, the methodology flows as follows:

- The total number of employees associated with a building size based on an employment density factor is identified.
- Employees are translated to households recognizing that there are multiple workers per household.
- The incidence or rate at which these households will have children of the child care requiring ages is calculated.
- The incidence or likelihood that these households will need child care is calculated, and the number of children within these households is estimated. Demand for child care spaces flows from here in a multiple level approach as noted below.
- Residences are similarly analyzed starting from a universe of households that contains both worker and non-worker households.

The principal data source on the demographic factors and the incidence of households needing child care in the 1990 U.S. Census for the City of Sacramento. Each step of the analysis and data source is explained in subsequent sections of the report.

Separating Demand and Avoidance of Double Counting

The analysis of child care demand has been undertaken using a methodology which separates the demand between workspaces and residences. Separation is necessary to avoid double counting the need at both the workplace and the home. The household needing child care will elect to use a child care facility for each child — either near the home or near the workplace. Very, very few households use child care at both ends for a single child. With this methodology we avoid double counting.

The methodology employed in this analysis allocates the demand for licensed child care to the place where the child care facility is wanted or demanded. The locations for all

child care facilities are generically grouped into "at or near place of work" and "at or near place of residence." Child care for young children is wanted in both locations; this is to say demand is split because some workers want the child care near the workplace and some want it near the residence. For school age children, however, all the demand must be met at or near the school, which is generically near the residence.

This methodology results in a greater share of child care demand placed near the residence rather than at the workplace because all school age child care space demand is near the residence as well as a portion of the demand from the preschool group. As a result of the division based on location of demand for the facility, 76% of the child care spaces are assigned to the residence and 24% to the workplace.

An alternative approach could be to assign the demand 50% at each location suggesting that the underlying cause or responsibility for the demand for child care is split equally between the workplace and the home. While the 50%/50% logic for responsibility way well be supportable, this methodology bypasses the underlying responsibility debate by assigning demand to where the demand is located and thus embraces a more direct benefit relationship. Workspaces, or employers, benefit most directly from child care that is located at or near the workplace although very arguably employers benefit from all child care irrespective of location.

Counting All the Demand

A question often raised with these methodologies is whether all the child care demand is counted. For new employee households needing child care, this methodology does cover total demand associated with the major building types (office, retail/service, industrial and hotel). Based on prior analyses, we estimate that an additional 25% to 30% of all employment growth occurs in other types of buildings (beyond the four generic types) or not in buildings at all. Examples of employment not covered in this analysis include bus drivers, school teachers, construction workers, and hospital workers. Thus, if the program were in effect for the four types of commercial and industrial buildings and for residences, all but 25% to 30% of the demand for new child care spaces would be met. Since the analysis is conducted for worker households, child care needs of non-workers, such as student households are also excluded from the analysis.

Jurisdictional Issue

The methodology utilized to separate the demand between workplaces and residences avoids jurisdictional and commute issues. Workplaces/employers would be asked to pay for only the portion of demand associated with the workplaces; if workers reside outside West Sacramento where there is no similar program, employers would not be asked to pay for child care near those workers' residence or outside the jurisdiction. Similarly, households living in West Sacramento but working outside, would not be paying for child care at the workplace. There would be no opportunity for paying for mitigations that are needed outside the jurisdiction.

Demographic Profile

A child care demand analysis is prepared based on a demographic analysis of the people living or working in a given area. As described previously, it is based on the incidence of children in worker households, number of children, and other factors.

In preparing an analysis for West Sacramento, a conceptual issue is raised by virtue of the fact that the demographic profile of the current residents of West Sacramento have some differences with the regional average. In West Sacramento there are fewer workers per household (in other words, probably fewer working mothers) and more young children per household than the regional average. These differences to a large extent offset one another. Fewer households need child care but there are more children needing care per household. Median income is also lower in West Sacramento than in Sacramento and Yolo County on average.

The key question for the analysis is — what will be the likely demographic profile of the new residents and workers affected by a space requirement program? Will the characteristics of new home buyers and renters, and workers in new buildings be like the current residents or more like the regional average? In general, we can expect the buyers of new houses to be more like the regional average due to the fact that the cost of a new house or apartment will require income more akin to the regional average. As for workers, we have no profile of the current worker base since Census data is primarily compiled by place of residence, but we can expect that most new workers will be again more like the regional average because workers in West Sacramento will mostly live elsewhere.

The analysis, therefore, has been conducted using regional averages, or Sacramento and Yolo Counties. Appendix tables provide an alternative analysis based on West Sacramento demographics, as a reference.

The State of the Literature and Data

Child care as a concern of society and government has really only come to the forefront in fairly recent decades. 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 state and federal assistance programs. On the private sector side there are a number of child care advocacy organizations working to advance the state of child care in our society. Through these and other sources there is much data and estimation on the total child care needs of our society. However, in contrast to other areas of government monitoring and programs, such as housing and labor, the literature and the data base for child care is still very limited in scope.

The Census provides information on households with children and working parents, but has no information on how working parents meet their child care needs. It is known that much child care is accomplished by informal arrangements with other family members or with persons hired "under the table" (do not report income to the Internal Revenue

Service). Then there are the non-licensed child care arrangements which are fully legal but have chosen to remain small enough to avoid the licensing requirements. Complete figures on such subjects as the total number of persons engaged in providing child care, or the total number of children receiving child care, simply do not exist.

Licensed vs. Unlicensed

The data base that does exist, outside of the Census, primarily covers licensed child care. All states license child care facilities in some manner. Since licensing is a state responsibility, the State of California maintains data on the number of licensed child care centers and the number of children these centers are authorized to serve. Local organizations often monitor the number of children being served each year in licensed situations. What is far less clear is the number of providers and children receiving unlicensed child care. It is, therefore, impossible to turn to a comprehensive statistical source to compute the share of all child care that is licensed. [On this subject, there does appear to be consistency in the child care California literature that 50%-60% of all child care is assumed to be licensed at this time.]

If the estimates in the literature are correct that approximately 50%-60% of all child care needs in this country are met by licensed arrangements, it can be concluded that the 50% to 60% is a result of current conditions in child care availability. It is well established that many households cannot afford licensed child care but would use it if it were affordable. Instead these households use relatives to care for children and in many cases no care at all. In addition, there are quality issues. Licensed child care is not synonymous with quality child care. The licensing program monitors health and safety aspects and has no role in evaluating the quality of the staff or the program. As a result, licensed child care runs the full spectrum from top quality to inferior quality. In other words, licensed child care would be in higher demand if quality were consistently higher and it were more affordable. In other countries, most notably some of the Western European ones, government-sponsored child care is far more widely used by working parents because it is more available, more affordable, and of better quality.

In summary, the current condition that 50% to 60% of all child care is licensed is a reflection of current unsatisfactory conditions and does not represent an appropriate public goal or standard (any more than, say, paying 40% of household income for housing is an appropriate housing standard just because many households pay 40%.) A more appropriate public goal or standard would be to meet all the child care needs absent the constraints related to cost, availability and quality, or closer to 100% of all quantified child care needs. Recognizing that some households will always prefer unlicensed child care such as other family members, in the home providers, and other arrangements, demand for licensed child care would probably never reach 100% of all child care. To be on the conservative side, we place the discount at 25%. That is to say that the demand for licensed child care represents an estimated 75% of all child care demand, and that an appropriate public goal could be to meet the 75% level through public policies and programs that help make child care accessible to all households that need it.

Age of Children Requiring Child Care

Child care analyses and the literature most often address the needs of children up through age 12. After age 12, the implicit assumption is that children no longer need care or programs. This is not an opinion shared by child psychologists, most parents, and many other professionals. It is becoming increasingly evident that the younger adolescent years are critical in children's entrance into society and there is much that is wrong with the lack of attention to this age group. As crime perpetrated by youth continues to escalate, the public concern for programs suitable for this age group has also escalated. The City of West Sacramento has been a leader in recognizing the special needs of this age group with the construction of its Club West and the program run there which is specially tailored to the age 11 to 15 group. To continue addressing this concern, the analysis has included children up through the age of 15.

The analysis is conducted by subgroups: infants and toddlers, preschool, school age 5 through 10 (or kindergarten through 5th grade) and age 11 through 15 (or 6th through 10th grades). This age breakdown is consistent with the grade configuration of the Washington Unified School District. As such, the demand generated by the older group may be separated out should child care requirements, policies and programs wish to treat the group separately. It is also recognized that the 75% demand level for this age group is also too high, but as noted, this group can be eliminted or discounted in the analysis.

Conservative Aspects of the Analysis

In general, many conservative assumptions have been employed throughout the analysis. That is to say, when in doubt, the assumption is more to undercount demand and cost. If a program is adopted, the analysis should be updated after the Census of the year 2000 and actual experience in the community.

II. THE DEMAND FOR CHILD CARE ASSOCIATED WITH WORKPLACES

This section presents the calculations of demand for child care space associated with workplaces by different types of commercial and industrial buildings. Findings are compared to precedents in the Sacramento region in terms of child care centers built to date.

Locating child care centers at the workplace is still a pioneering concept in this country. The vast majority of child care occurs in residential and neighborhood commercial areas and not where people work, yet when quality affordable child care is available at the workplace, it is generally preferred by parents of young children. Developers began discovering this in the mid 1980's when they developed child care centers in office parks and found them to be a great asset in marketing their office space. Probably more work-located childcare has been built voluntarily by the private sector than has been built by governmental requirement. The advantages to parties beyond the developers are still being identified and recognized.

Benefits of Child Care at the Workplace

The benefits of child care being located at or very near the workplace are many. Following is a summary organized by benefactor:

- *To the 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.
- *To the employer* - better morale, enhances recruitment among employees; decreased absenteeism, tardiness, and turnover.
- *To the developer* - a marketing advantage to enhance project attraction vis-a-vis the competition; improves leasing.
- *To the community* - improves the image of the community as a good place for families and business together.
- *To traffic reduction and air quality improvement* - a major survey of over 2,700 employees of the "Big Six" State of California employers, determined that on average, families drove an extra four miles in each direction to transport their children to and from child care every day. Furthermore, parents with child care transportation responsibilities were less likely to carpool or use public transportation.

In summary, the benefits are widespread to all affected parties.

Demand Analysis

The analysis of demand for child care associated with workplaces is a seven step analysis. To illustrate, the analysis for office buildings is described in the following outline and in Table 1. The analysis for industrial buildings, retail and service complexes, and hotels is summarized in a table at the end of this section. The illustrative analysis utilizes a 100,000 square foot prototype office building, in order to avoid dealing with the small fractions of children and child care space that an analysis on the per square foot level would require. Instead, the conclusions for the large building are divided by the building size.

The following analysis is conducted using the Sacramento region demographic profile pursuant to the 1990 Census, the most recent data base available. As presented in Section I of this report, new workplaces in Sacramento will attract workers who live all over the region and in general be more similar to the regional profile. As also noted in Section I, difference between West Sacramento and the region tend to cancel each other out such that the bottom line conclusions are very similar. Appendix tables present the analysis using West Sacramento demographics.

- *Step 1 - Number of Employees*

  An employee density factor of 236 square feet per employee (or 225 square feet plus a 5% vacancy adjustment) is applied to the 100,000 square foot building to translate the building size to 424 employees. This employee density figure is widely used in planning analyses.

- *Step 2 - Number of Worker Households*

  Employees are reduced to households by a factor of 1.5 to reflect the fact that there are multiple workers per households and eliminate the possibility of counting double working parents in two places. The 1990 Census found that in Sacramento there were 1.5 workers per worker household (worker households exclude the retired, elderly and student households). This represents a significant increase over the past decade. The 424 employees are converted to 283 households.

- *Step 3 - Households with Children by Age Categories*

  The Census again provides figures on the incidence of children in various age groups in worker households. Age groups are divided into three categories to address the differing child care needs of the three groups. The age 5 group was split in half to put half in the preschoolers and half in the kindergarten group, reflecting experience in Sacramento today. Altogether 40% of worker households have children under age 18, 35.5% have children in the child care requiring age groups, or age 15 and under. By age group: 7.1% of worker households have at least one child age two

or under, 6.0% age 3 through age 5-1/2, and 12.7% in the age 5-10, and 9.7% in the age 11-15 group.

- *Step 4 - Worker Households Needing Child Care*

  This step addresses the fact that not all households with children are in need of child care; some have one parent at work and one at home. The factors for the percent requiring child care are based on the Census indications of whether there is a parent or two parents at work. These percentages increase with the age of the children: 65% for age 2 and under, 70% for ages 3-5, 75% for 5-10, and 80% for ages 11-15. The 80% level is arguably high for the older age group; if policymakers wish to eliminate or discount for this age group, the format of the analysis makes adjustments possible.

- *Step 5 - Children Needing Child Care*

  This step takes into account that there may be more than one child in the household needing child care. Overall there are 1.65 children per worker household that have children, according to the Census. Allocation among age group is provided in the appendix notes.

  The figures of total children needing child care represent total child care demand by age group associated with the workspace. A less conservative analysis might stop here and assign burden based on total demand. (See Table 1)

- *Step 6 - Children Needing Licensed Child Care*

  This step applies the 75% factor discussed on Section I of this report. The analysis is discounting all demand by 25% to reflect the goal for meeting 75% of all child care needs, while allowing that 25% of the demand will be met by unlicensed and exempt arrangements. (See Table 1)

- *Step 7 - Licensed Child Care Demand Associated with the Workplace*

  In step 7 the demand for child care associated with the workplace must be separated from the demand associated with the home, to avoid double counting. For the younger age groups the demand split is 60% at or near the workplace and 40% at or near the residence. For school age children none of the demand can be accommodated at or near the workplace and thus 100% is assigned to the "at or near" residence end.

The 60% demand factor for child care at the workplace for preschool children is based on a number of sources and experience factors. A survey was conducted in West Sacramento as part of this work program. One relevant finding concerned locational choice. Parents were asked "How would you view using a child care center located at or near your work for your infant, toddler or preschool child?" After adjustments for responses from those who did not carefully read the question (they indicated they had no need for child care at all or responded for older children), it was found that 37% indicated they would use work-related child care if costs were similar and another 52% said they would use it if it were less expensive than other child care centers, and only 10% indicated they would not consider using a work-related child care center for reasons such as "more inconvenient," work environment not appropriate," etc. Since the analysis assumption is that the work-related child care is affordable, the 52% can be assigned largely to the "would use" category. If all were assigned to the "would use" category, the total would be 89%. The analysis assumes a more conservative 60%.

Other surveys have provided support for the at-least-60% range as well. At a survey done at the Natomas Corporate Center in Sacramento, 71% indicated that they would consider on-site child care. Surveys conducted at on-site child care centers usually find that more than half the users are not local residents but employees that work there. The Sacramento regional experience is that vacancies in child care centers are consistently lower in the downtown than in suburban residential locations. The 60% of demand factor is ultimately a judgement of the analyst, based on a range of sources.

Another way to express child care demand is by the number of child care spaces per employee or per hundred employees. The analysis found that 18.03 spaces are required for the 424 employees or .0425 per employee, or 4.25 for every hundred employees. The inverse relationship is one child care space for every 23.58 employees.

Experience to Date with Child Care Center at the Workplace in Sacramento

A number of child care centers located in workspaces have been built in the Sacramento area. These centers were built both by the private and public sector. In general the public-sector-built child care centers provide less useful experience because they are available to all public employees, (who work anywhere, for any agency) and thus obtaining meaningful relationships among building size, number of employees, and child care spaces is very difficult.

Table 2 summarizes the experience of five Sacramento area child care centers located at workplaces. The ratio of child care spaces to number of employees covers a considerable range; the KMA analysis finding of one space for every 24 employees falls

in the middle of the range. It is of interest that the highest number of child care spaces to employees is at the SMUD facility. It is understood the SMUD center is more available to households of lower income than are most workplace centers.

Other Land Uses

Child care space demand was also calculated for three other major land uses. Table 3 presents our findings. The analysis found that child care demand for other uses will range from 3.5 spaces per 100,000 square feet for industrial, to 14.1 spaces for retail. Hotel is at 5.6 spaces per 100,000 square feet. The only assumption varied in the analysis is employment density. All other factors are identical to the office building analysis.

TABLE 1
CHILD CARE SPACE REQUIREMENTS RELATED TO OFFICE BUILDINGS
WEST SACRAMENTO CHILD CARE DEMAND ANALYSIS[1]

100,000 sq.ft. Office Building

1. Number of Employees - 424
   (@ 236 SF/Employee)

2. Number of Worker Households - 283
   (@ 1.50 Employees/Household)

	0-2 Yrs.	3-5 Yrs.[2]	5-10 Yrs.[2]	11-15	Total
3. Worker Households with a Child in Age Categories					
Factor	7.1%	6.0%	12.7%	9.7%	35.5%
Number	20.09	16.98	35.94	27.45	100.46
4. Worker Households Needing Child Care					
Factor	65%	70%	75%	80%	74%
Number	13.06	11.88	26.95	21.96	73.85
5. Children Needing Child Care					
Factor[3]	1.19	1.16	1.35	1.27	1.26
Number	15.54	13.78	36.38	27.88	93.58
6. Children Needing Licensed Child Care					
Factor	75%	75%	75%	75%	75%
Number	11.65	10.33	27.28	20.91	70.17
7. Licensed Child Care Space Demand Associated with the Workplace					
Factor	60%	60%	0%	0%	19%
Number	7.00	6.20	0	0	13.20

[1]Sacramento and Yolo Counties are used as base data.
[2]Five year old children are distributed at 50% to the 3-5 year age group and 50% to the 5-10 group, based on Census information.
[3]Average number of children per household.

Source: Keyser Marston Associates, Inc.

April 1994

TABLE 2
ON-SITE CHILD CARE CENTERS IN SACRAMENTO
WEST SACRAMENTO CHILD CARE DEMAND ANALYSIS

Company	Total # Licensed On-Site Child Care Spaces				% Employee Children	Total # Employees On-Site	Ratio #CC SP To Employees	% Full Enrollment	Comments
	Inf Tod	Pre Sch	Sch Age	TOTAL					
Quality Medical Adjudicate	8	11	14	33	100%	92	1:3	100%	- Established in 1982 - 33 spaces is the most the available site would allow
Natomas Corporate Center	---	90	35	125	N/A	2,400	1:19	100%	- Children's World is not just for NCC employees; CW gives discounts to many businesses, many of which are not in NCC. Some businesses in NCC also give discounts to NCC/CW. - In a 1991 survey (454 employees), 72% said they would consider using on-site child care.
The Sacramento Bee	24	24	---	48	98%	1,800	1:37	100%	- Owned the land; built largest center land would allow.
Sacramento Municipal Utility District	25	75	---	100	100%	1,600	1:16	100% In Fall '92	- Will add Kindergarten in fall of '92; currently working on accreditation; SMUD Board wants CC only for SMUD employees so as not to compete with other center; another CC center is planned in new building. - Surveyed employees and 80% had strong interest in on-site child care.
Public Employees' Retirement System	18	45	---	63	66% PERS 34% Public	1,800	1:43	92%	- Has lower base rate to insure higher quality (lower teacher to student ratio;supplies) and lower fees.
KMA Analysis	8	10	0	18	100%	424	1:24		

Source: City of Sacramento Department of Parks and Community Services, Keyser Marston & Associates, Inc.

April 1994

21269\0001.016

TABLE 3
CHILD CARE DEMAND RELATED TO WORKPLACE BUILDING TYPES
WEST SACRAMENTO CHILD CARE DEMAND ANALYSIS

100,000 sq. ft. Building

Land Uses	Employment Density (sq.ft./employee)	Number of Households[1]	Number of Children Requiring Childcare Near Workplace			
			0-2 Yrs.	3-5 Yrs.	K-15 Yrs.	Total
Office	236 SF	283	7.00	6.20	0	13.20
Industrial	750 SF	89	2.13	1.96	0	4.09
Retail/Services	300 SF	222	5.33	4.88	0	10.21
Hotel (or Rooms)	1.25 Rooms	88	2.11	1.94	0	4.05

[1]At 1.5 workers per household.
Source: Keyser Marston Associates, Inc.

April 1994

III. THE DEMAND FOR CHILD CARE ASSOCIATED WITH RESIDENCES

This section quantifies child care demand associated with residences, or the portion of demand for child care at or near residences, which is to say in neighborhood parks or schools, or in neighborhood commercial centers. Generically the description "near place of residence" is distinguished from near the workplace. Clearly there are opportunities for child care centers at locations that do not neatly fit either description, such as near transit stations. But even the transit station is usually nearer the residence end of the commute or the work end of the commute and can be so classified.

Child care centers have been considered a basic amenity in large subdivisions and multi-family projects for some years now. In the Sacramento area, the jurisdictions that grant entitlements for these projects often negotiate the inclusion of a child care center as part of the agreement. Many developers recognize that child care is enough of an asset to leasing and sales performance to include a center voluntarily. Over time, the presence of child care facilities are coming to be expected as a basic service or amenity, like neighborhood parks. The only new aspect to a city-wide child care space requirement program would be to make the requirement more broad based and possibly mandatory.

Demand Analysis

The demand analysis for child care associated with residence is conducted in a manner similar to the demand analysis associated with work spaces. The seven steps of the analysis are outlined below and also in Table 4. This analysis is first undertaken for all residential units irrespective of size, and then adjustments are made for different size units assumed to accommodate different size households. The analysis is conducted for 100 dwelling units.

The child care residential demand analysis counts demand from worker households only. Households with children with no working parents are not counted by this methodology. This omission is not significant since we are estimating demand generated from new residential units. To rent or purchase a new residence usually requires worker households.

- *Step 1 - Number of Households*

  Each residential unit houses a household, be it family or other relationship of people sharing a unit.

- *Step 2 - Number of Worker Households*

  The total number of households is then converted to the number of worker households. The Census indicates that 82% of family households have a least one worker. To further take into account non-family households and

households with no members in the labor force (such as retired person), the percentage is reduced to 72% based on Census information.

- *Step 3 - Households with Children in Age Categories*

  The same percentage distribution of children is used as in the workplace analysis since both analyses are dealing with worker households.

- *Step 4 - Households Needing Child Care*

  The same factors are used as in the workplace demand analysis.

- *Step 5 - Number of Children Needing Child Care*

  Thus far the analysis has dealt with households. This adjustment addresses the fact that some households needing child care have more than one child in the child care age group. These adjustments are the same as the workplace.

- *Step 6 - Children Needing Licensed Child Care*

  This is the 75% reduction factor based on the public goal to meet 75% of all child care needs, as discussed in Section I.

- *Step 7 - Licensed Child Care Demand Associated with Residences*

  In Step 7 demand for licensed child care associated with the residences is separated from the demand associated with the workplace to avoid double counting. Of the total demand for licensed child care for younger age children, 40% of the child care space demand is for location near the place of residence. (This is the complement of the 60% discussed in the previous section.) Because child care needs for school age children must be accommodated at or near the school, which is most apt to be in the neighborhood, all the demand for these age groups is assigned to the residential sector. The conclusion places the demand at 16.28 licensed child care spaces per 100 units, or 10.31 child care spaces if the age 11 to 15 group is excluded.

Comparison to Workplace Demand

The unit of analysis for residential demand at 100 units is a very different universe than 100,000 square feet of office space. To have the same number of worker households in a residential project as there are in a 100,000 square foot office building would take 349 residential units. (One hundred thousand square feet of office space represents 283 worker households; 100 residential units has 81 worker households; 283 ÷ 81 = 3.49 or 349 residential units.) After the determination of worker households, the factors used

for the rest of the analysis to determine the number of children needing child care are the same in both analyses.

Demand by Size Dwelling Unit

An analysis of the unit sizes by number of bedrooms was performed. This analysis relied on data from New Home Trends report and building permit activity. Our findings on the distribution of units by unit size is indicated below. The summary is based on the required unit size distribution for single family, detached units and for multi-family units analyzed separately then added for total units.

Unit Size	Percentage Distribution
0 + 1 Bedrooms	15%
2 Bedrooms	20%
3 Bedrooms	30%
4+ Bedrooms	35%
	100%

The majority of children can be assumed to be in the 3 and 4 bedroom units, particularly in newly constructed units. In setting requirements, three and four bedroom units should have a requirement to reflect the greater incidence of children than the one and two bedroom units.

TABLE 4
CHILD CARE DEMAND RELATED TO DWELLING UNITS
WEST SACRAMENTO CHILD CARE DEMAND ANALYSIS[1]

1. 100 Residential Units[2]
   Total Households - 100

2. Percent Worker Households - 81%

	0-2 Yrs.	3-5 Yrs.[3]	5-10 Yrs.[3]	11-15	Total
3. Worker Households with a Child in Age Categories					
Factor	7.1%	6.0%	12.7%	9.7%	35.4%
Number	5.75	4.86	10.28	7.85	28.74
4. Worker Households Needing Child Care					
Factor	65%	70%	75%	80%	78%
Number	3.73	3.40	7.71	6.28	21.12
5. Children in Worker Households Needing Child Care					
Factor	1.19	1.16	1.35	1.27	1.27
Number	4.45	3.94	10.41	7.97	26.76
6. Children Needing Licensed Child Care					
Factor	75%	75%	75%	75%	75%
Number	3.34	2.95	7.80	5.97	20.07
7. Licensed Child Care Space Demand Associated with Residential Areas					
Factor	40%	40%	100%	100%	81%
Number	1.33	1.18	7.80	5.97	16.28

[1] Sacramento and Yolo Counties are used as base data.
[2] Representative of all housing units on average. Program and analysis could separate smaller units from larger units and demonstrate higher demand for larger units.
[3] Five year old children are distributed at 50% to the 3-5 year age group and 50% to the 5-12 group.
Note: 393 dwelling units contain the same number worker households as a 100,000 sq.ft. office building.

Source: Keyser Marston Associates, Inc. April 1994

IV. FACILITIES COST ISSUES/IN-LIEU EQUIVALENTS

This section examines the costs of developing child care centers in order to translate the space requirements into dollars. If the City were to proceed with a space requirement program, there could be projects where on-site compliance is not appropriate or desirable. Many circumstances could make on-site construction an inferior alternative to paying a fee — the project could be too small or the work environment could be unsuitable for children as with some types of manufacturing. In addition to a fee alternative, developers could be offered the option of pooling resources with other projects to cause an off-site child care center to be built to serve multiple projects. For those developers for whom the fee represents the most desirable option, the equivalency analysis must be made.

Child Care Centers for Preschool Ages

To establish the cost equivalents for developing child care centers at or near the workplace, three conditions are examined — on-site in a suburban office park, off-site or free standing in an office park or other commercial area. Land purchase requirements and construction costs do vary from one to the other as indicated in this analysis. Higher density downtown conditions entail a higher set of costs yet. It is believed that any such high density occurrence in West Sacramento would be in the redevelopment context and negotiated accordingly.

Land and facilities requirements are dictated by both the State licensing laws and the City's zoning requirements. The building space assumptions used in the analysis are based on State law and development experience (per the City of Sacramento Child Care Coordinator). The parking assumptions are from the City Community Development Department and the subject of a recommended ordinance on the subject. These assumptions are:

- Building Space
  - Infants and toddlers (ages 0-2) - 35 square feet plus an allowance of 15 sq.ft. for bathroom and circulation space per child plus 15 sq.ft. 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 sq.ft. for bathrooms and circulation space.
- Outdoor play area - 75 sq.ft. per child; 50 sq.ft. for infants with a waiver which is usually granted.
- Parking - 1 parking space for every 12 child care spaces for all ages and for each employee.

In addition, it is important to note that the building space has specialized bathroom requirements and each age group must have separate outdoor play areas. Both of these factors serve to increase costs.

Tables 5 and 6 summarize the analyses, and Table 7 presents a summary with comparative experience. Briefly summarized the findings are:

- On-site - Suburban Office Building (Table 4) - Under this condition the child care center is assumed built within an office structure. Some cities, such as Sacramento, allow density transfer and multiple use of parking to minimize the additional land purchase. With policies that enable minimal additional land, two parking spaces plus the outdoor play area represent all the additional land required in most situations. The cost summary analysis indicates a total cost of just under $300,000 for a center for 50 children, or $5,880 per child care space.

- Off-site Suburban Office Park or Commercial Area (Table 5) - In this condition, the building shell is likely to be less expensive to construct because it would be within a one-story structure. Considerably more land would be required, however, because the full parking complement and drop-off area would have to be provided. All together costs are slightly higher than the on-site configuration, assuming the same $6 per square foot land cost (which is at the low end of the cost range). The total cost per child care space in this case is $6,165.

An in-lieu payment could be based on either the on-site or the off-site condition. By definition, in-lieu implies off-site. On the other hand, it might be viewed unfair to projects that cannot accommodate on-site child care to be charged for the extra cost of off-site.

Table 7 presents a summary of commercial and workplace cost experience in the Sacramento area and from other sources. All the costs per child care space are in the $5,000 to $7,000 although not all experiences count the same items, or in the same manner. A conservative figure recommended for in-lieu calculation purposes is $6,000 per preschool age child care space.

Child Care Centers for School Age Children

After school child care for children of kindergarten age through age 11 is usually accommodated at the school site or at nearby parks. The most inexpensive way to meet the needs under this circumstance is to lease or purchase used modular buildings.

The purchase of modular units has been a widespread practice to meet child care facility needs at schools because the modular solution is competitively priced and rapid to implement. The experience over time, however, is that the modular units cost much more to maintain and after three to five years the initial cost advantages are offset by the

higher annual costs. As a result most cities would prefer to construct new buildings or build child care centers within school structures. These costs would be more consistent with the $5,000 to $6,000 per space experience for free standing centers.

For the purposes of this analysis, the lower initial cost modular solution is utilized. Placement on school playgrounds or in parks is also assumed to imply no additional land purchase.

The cost experience of putting modular units on site varies widely depending on utility cost extensions, especially sewer, and a range of other factors. The units themselves can be purchased used for a cost in the range of $25,000 to $30,000 for a standard 24 ft. by 40 ft. unit, with a bathroom. Altogether, the costs for a facility for 58 children will run at least $150,000, or $2,600 per child. (Table 8)

The facility cost for child care for younger children in a residential area is similar to that of the facility cost in a commercial area. The only modification is the reduced land cost assumption. The conclusion is that child care facilities for preschool age children is estimated at $5,500 per child care space.

Older Children

As indicated in Section I of this report, the need for child care for children over age 12 is controversial in that it is not usually included in the child care literature and statistics. At the same time, most professionals in the child development arena feel that it is highly advisable and with the growing incidence of problems with youth many communities are focusing attention on care and programs for these older children. Therefore, this analysis has included the age 11 to 15 group, consistent with the school grade configuration, in the event West Sacramento wishes to pursue facilities and programs for this age group. The analysis is structured so that the cost of child care facilities for this age group can be separated from the younger age groups.

Facilities for the age 11 to 15 group, while not licensed child care centers per se, have a similar cost structure, based on the City of West Sacramento experience. The Club West center on Riverbank Road cost $365,000 to build excluding land (which is leased). The capacity of the 3,480 sq.ft. facility inside is 70 children, which calculates to 55 square feet per child. On a per space base, the cost was $5,214, or similar to other child care facilities. Since the center serves an estimated 200 to 300 youths over the year, or more than the 70 capacity at any one time, a major discount is appropriate. A 50% discount results in an average cost of $2,600 per child or similar to the modular unit solution estimated above.

Start-up Costs

In addition to development costs, many child care cost analyses prepared for planning purposes and linkage cost purposes also include start-up costs. Start-up costs generally include salary for a director for two months of work in advance of opening, purchase of

movable type equipment and supplies, and operating losses for the first year. These costs are generally estimated at $2,000 per child care space. This analysis does not include start-up costs, and thus understates capital costs of new child care centers.

The analysis thus far has been conducted independent of any consideration for rent achievable to offset capital costs. The next section addresses subsidy, income, and affordability issues.

TABLE 5
SUBURBAN OFFICE BUILDING - ON-SITE CHILD CARE FACILITY
COST SUMMARY
WEST SACRAMENTO CHILD CARE DEMAND ANALYSIS

Age of Children: 0-5 (46% 0-2, 54% Age 3-5)		Cost
Number of Children: 50		
Size of Facility		
23 children age 0-2 @ 65 sq. ft. each	1,500 sq. ft.	
27 children age 3-5 @ 50 sq. ft. each	1,350 sq. ft.	
	2,850 sq. ft.	
Cost of Facility		
Building shell @ $55/sq. ft. x 2,850 sq. ft.		$156,750
Finishes, equipment, landscaping, pavings and indirects @ $40/sq. ft. x 2,850 sq.ft.		$114,000
Land required[1]		
2 parking spaces @ 350 sq. ft.	700 sq. ft.	
Outdoor play area		
23 age 0-2 @ 50 sq. ft.	1,150 sq. ft.	
27 age 3-5 @ 75 sq. ft.	2,025 sq. ft.	
	3,875 sq. ft.	
Land cost @ $6/sq. ft. x 3,875 sq. ft.		$23,250
Total cost:		$294,000
Cost per sq.ft. child care facility		$103
Cost per child care space		$5,880

Note: Distribution of child care spaces among age groups is based on the population and demand factors established in this analysis, not on current practice in setting up childcare centers.

1 Assumes that child care square footage is omitted from the density requirements; therefore, additional land for inside building square footage is not required. (See text)

Source: Keyser Marston Associates, Inc.

April 1994

TABLE 6
FREE-STANDING CHILD CARE CENTER - COMMERCIAL AREA
COST SUMMARY
WEST SACRAMENTO CHILD CARE DEMAND ANALYSIS

		Cost
Age of Children: 0-5 (46% 0-2, 54% Age 3-5)		
Number of Children: 50		
Size of Facility		
23 children age 0-2 @ 65 sq. ft. each	1,500 sq. ft.	
27 children age 3-5 @ 50 sq. ft. each	1,350 sq. ft.	
	2,850 sq. ft.	
Cost of Facility		
Building shell @ $45/sq. ft. x 2,850 sq. ft.		$128,250
Finishes, equipment, landscaping @ $40 (Inc. indirects)		$114,000
Land required:		
Building pad	2,850 sq. ft.	
Parking 6.25 spaces[1] @ 350 sq. ft. each	2,200 sq. ft.	
Drop off area	500 sq. ft.	
Outdoor play area		
23 age 0-2 @ 50 sq. ft.	1,150 sq. ft.	
27 age 3-5 @ 75 sq. ft.	2,025 sq. ft.	
	8,725 sq. ft.	
Total land required at @ 80% coverage	11,000 sq. ft.	
Land cost @ $6/sq. ft. x 11,000 sq. ft.		$66,000
Total development cost		$308,250
Cost per sq. ft. child care facility		$108
Cost per child care space		$6,165

[1]Parking at 1 space per eight child care spaces.

Source: Keyser Marston Associates, Inc.

April 1994

TABLE 7
COMPARISON COSTS OF OTHER CHILD CARE FACILITIES
WEST SACRAMENTO CHILD CARE DEMAND ANALYSIS

Age of Children: 0-5

	Cost per Child Care Space
SMUD Facility $515,000 for 5400 sq. ft. or 93 children @ 58 sq. ft./child No land purchase was required.	$5,538
Sacramento Bee (excluding land)	$7,300
Urban Land Institute Study - includes land but not in California (Urban Land, August 88)	$5,038
"Good Neighbor," City of Sacramento[1] - excludes land	$9,760
KMA Cost Analysis (includes land)	$6,165
Recommend Cost for Analysis Purposes	$6,000

[1] The center was built for other purposes besides child care and, therefore, the average sq.ft. per child exceeds State standards. The cost per child care space would be substantially lower if we were able to separate out the child care functions. Excludes land.

Source: Keyser Marston Associates, Inc.

April 1994

TABLE 8
CHILD CARE FACILITY USING MODULAR UNITS
COST SUMMARY
WEST SACRAMENTO CHILD CARE DEMAND ANALYSIS

Age of Children: K-12	Cost
Number of Children: 58	
Size of Facility: 2,880 sq. ft. (Or three 960 sq. ft. modular units)	
Purchase - 3 used modular units	$81,000
24 x 40 sq. ft. standard size with bathrooms @ $27,000 each. Includes delivery and placement on site.	
Installation and improvements; includes permits, utilities, equipment, and indirects @ $25/sq. ft.	$72,000
Total:	$153,000
Per Child Care Space	$2,638
Cost per Sq.Ft. Child Care Center	$53.12

Note: Excludes any consideration for land, parking, and major play structures. The modular unit solution is not the preferred solution of the City due to the significantly higher maintenance costs.

Source: Keyser Marston Associates, Inc. April 1994

TABLE 9
YOUTH CENTER
COST SUMMARY
WEST SACRAMENTO CHILD CARE DEMAND ANALYSIS

Club West
1125 Riverbank Road
West Sacramento

		Cost
Age of Children: 11 through 15		
Number of Children/Inside Capacity: 70		
Size of Facility: 3,840 sq. ft.		
Development Costs:		
Land - leased, not purchased		
Construction	$258,000	
Site Development	39,383	
Water and Sewage	13,800	
Purchase of Equipment	27,400	
Start-up Costs	13,330	
Other	13,087	
Total:		$365,000
Per Child Care Space		$5,214
Cost per Sq.Ft. Child Care Center		$95

Source: City of West Sacramento, Keyser Marston Associates, Inc.

April 1994

V. SUBSIDY, INCOME, AND AFFORDABILITY ISSUES

This section briefly reviews some of the issues with respect to affordability of child care, income of households needing child care, and space subsidy. The analysis to date has addressed facility demand without consideration of these issues. This section clarifies some points on these issues and concludes with initial recommendations on how West Sacramento might approach these issues with a space requirement program.

Rent Paying Capability

The previous section summarized development costs of child care facilities and did not acknowledge any offset due to rental income. Rental experience and capability has been reviewed in a number of contexts and it has been found that rent capability depends on a number of factors:

- The rate structure of the program in terms of the costs passed on to consumers
- The degree to which the program caters to lower income households
- Whether the provider is a profit or non-profit operation
- The availability of subsidies to lower income employees either through the State programs or employee benefit arrangements
- The quality of the program

As a general rule, it is concluded that child care centers rarely can pay sufficient rent to cover development costs. The maximum rent achievable is in the $1 per square foot per month range, after which operating expenses must be deducted. Reportedly, private for-profit providers have built child care centers in the Sacramento area with only partial subsidy, such as free land. These centers, however, must compete with the majority of centers which tend to be located in churches, publicly owned buildings or other situations where rent is usually very low.

Income Structure of Child Care User Households

Prior work by KMA has established an income stratification of employee households in different types of work structures in the Sacramento area. The breakdown of workers into the Low Income (50% to 80% percent of median income) and Very Low Income (below 50% of median) households is estimated as follows:

	% of Households in Lower Income Categories[1]		
	Very Low Income	Low Income	Total
Office	8%	23%	31%
Industrial	15%	29%	42%
Retail	18%	25%	43%
Hotel	20%	27%	47%

It is evident that a very significant share of employees in the various types of buildings that need child care are from lower income households. Market rate child care costs in the Sacramento area are out of reach of these groups, or only affordable at the sacrifice of other daily needs. After housing and food, child care is often the next largest expense for lower income workers.

The benefits to government and society of making child care affordable to lower income households is slowly gaining recognition. Studies such as that by the State Legislature's House Select Committee on Children, Youth and Families found that 35% more two parent families would live below the poverty line if wives were not employed. Other research has shown that for every dollar spent on pre-school education for children from disadvantaged homes, communities save between $3 and $4 in special education, criminal justice, and increased lifetime earnings. (High/Scope Educational Research Foundation which tracked 123 disadvantaged children for 18 years.) The reasons for subsidizing child care for lower income households are indeed compelling.

Some cities, most notably San Francisco, have structured their child care space requirement programs to mandate that the child care space be made available rent free to providers. (In San Francisco, these providers must also be non-profit.) Other cities make no such requirements and allow the market to do as it will.

Recommendations for West Sacramento

The initial recommendations for the City of West Sacramento are to structure a program akin to other land use requirements. The child care space requirement is essentially a multi-use provision, much like requiring ground floor retail in certain locations. In this context, the market could be allowed to dictate the rent achievable (as long as it is a child care center). We believe the pressures will be on the on-site owners to offer their space at subsidized levels for the following reasons:

- As a project amenity, the child care center must be of high quality if it is to serve the purpose of enhancing marketing activity. An increase in the number of child care centers will force competition in areas of quality. Offering quality at affordable rates to consumers will reduce rent paying capability.

[1] Based on KMA's Housing Nexus Report for the City and County of Sacramento and other relevant sources.

- Consistent with the point above, if the child care center is to be of significant benefit to employers, the cost of care will have to be within reach of most employees, not just the higher paid echelon.

In addition to these pressures, the space provision requirement should be viewed as but one component of a comprehensive City program for child care. The space requirement program addresses facilities needs. Other components of the program, such as federal CBDG funds, State subsidies and the GAIN program, and the employer program could be viewed as the programs to address the affordability issue.

We also believe that the absence of rental restrictions on the child care centers would enhance the attraction of a build option over an in-lieu payment option. It would give developers more freedom to make arrangements as they see fit to meet the child care space obligation.

If developers can charge rent to offset the capital costs, the question is raised as to whether the in-lieu cost equivalent should be reduced to recognize rental income. We believe that the full in-lieu cost can be justified because:

- The administrative costs associated with implementing the development of a child care center by the public sector will compensate for the capital cost reduction realized by the rent.

- Land and development costs have been conservatively estimated; the actual costs of development will likely be higher in most cases.

- The City may choose to build or subsidize centers that charge minimal rent to meet other objectives.

- The program can legitimately be weighted to encourage developer construction over fee payment. Multiple developers could have more incentive to join together to meet their child care requirement.

In summary, we recommend no adjustment to the in-lieu cost equivalent to recognize possible rental income.

VI. ISSUES IN ESTABLISHING DEVELOPMENT STANDARDS AND A POSSIBLE ORDINANCE

The analysis presented in this report has quantified the demand for child care spaces associated with both work spaces and residences in Sacramento. It has also determined the costs of meeting the facility needs for the purposes of offering an in-lieu provision for projects that are too small or for which on-site child care is impossible or inappropriate.

The analysis has been prepared to serve as the basis for a possible ordinance that may require on-site child care or the payment of a fee. The levels of demand and in-lieu equivalent costs represent a ceiling for the requirements; the requirements of the ordinance and program may be set anywhere below the levels identified in this analysis, as long as there is a rational basis for the amounts established.

This section outlines near term considerations and longer term procedures that might be followed to modify the program with experience.

Child Care Demand Summary

Sections II and III of this report summarized the demand for licensed child care spaces associated with workspaces and residences.

The conclusions of the analysis are:

- For a 100,000 square foot office building, a total of 70 child care spaces are in demand. Of this total, 13 child care spaces are in demand at or near the office building with the remaining 57 spaces in demand near the residence. Expressed on the square foot level, .00013 spaces are in demand at the work place and .00057 spaces are in demand near the residence.

- For 100 residential units, the total demand is for 20 child care spaces, of which 16 are in demand near the residence and 4 are in demand near the workplace. The per unit factors translate to a demand of .16 child care spaces per unit near the residence and .04 spaces near the workplace.

This methodology which assigns demand by location results in a division of 19% of the total demand near the workplace and 81% of the total demand near the residence. As noted previously, an alternative methodology could assign demand 50%-50% to each, arguing that the need is shared equally by the parties. In establishing any requirements, the City is free to set the requirements for each party at any level below the ceiling; there need not be a proportional assignment as long as assignment is on a rational basis.

The Child Care Space Requirement Provision - Workplaces

When the demand conclusions summarized above are translated to child care space in workplace buildings, we can determine the percent of total building area that a child care facility will add. This calculation is provided because space requirement ordinances are sometimes structured to require a specified percent of building area be dedicated to child care.

The space requirement per child varies with the age of the child, according to State standards. The assumptions used in this analysis, presented in Section IV, are 65 square feet for infant and toddler ages, 50 square feet for age three to five (or 58 sq.ft. for an average of the under age 5 group), and 50 square feet per child for age 5 through age 12.

The table below summarizes the square foot requirements for 100,000 square foot building modules, and percentage conclusions

	Office	Industrial	Retail	Hotel
Licensed Child Care Demand at or Near Workplace				
Number of Child Care Spaces	13.20	4.09	10.21	4.05
Total Child Care Sq.Ft.	766 SF	237 SF	592 SF	235 SF
% of Building Area	0.77%	0.24%	0.59%	0.23%

The space requirements represent a ceiling above which a requirement is not justified by this analysis. The program may set space requirements at any level below this requirement.

The space requirement program should also be consistent with the any in-lieu fee provision, although the options can be weighted to encourage one option vs. the other.

At the ceiling levels determined by the demand analysis, the implications for a program are:

- If the minimal size viable child care center is 50 children, a standard frequently used in child care documents, it will take an office building of 379,000 square feet to justify a full child care center or the demand for an on-site facility. If the 13 child care space requirement is lowered, then the threshold building size will be larger.
- The program could be structured to encourage on-site buildings as much as possible; it could also encourage pooling of requirements among developers. Absence of restrictions on rental arrangements should encourage the construction option.

- To encourage pooling of child care space requirements and developer construction of child care centers, the City could also consider the selling and purchasing of credits among developers.

- Buildings over a specified size threshold could be required to build an on-site facility, with the in-lieu option being available only if certain variance conditions are met.

- If workable, large buildings that may not make the threshold size could receive in-lieu fee funds to make up the deficit. Office buildings in excess of, say, 250,000 square feet could be encouraged to pursue this arrangement.

The City should periodically survey child care centers built through this program to determine if the size of the child care center is consistent with the demand. Part of the periodic survey should include asking building employees about their views of the center and why they do or do not use it.

It is noted that the distribution of child care spaces among age groups as determined by this analysis differs somewhat from actual practice in setting up child care centers. This analysis, based on Census information on distribution by age of child and incidence of one and two parents working, etc. suggests that 46% of the children in a preschool child care center will be in the age 0 to 2 or infants and toddler portion and 56% will be age 2 through 5. In setting up child care centers, usually far fewer infants and toddler spaces are made available. We believe this divergence has a couple of explanations:

- Infant and toddler spaces are provided in fewer number because of the higher cost of providing care to this age group, particularly the infant component. The higher cost results primarily from the higher staffing ratio required; in addition, there are specialized equipment and supplies needed. To compound the problem, there has been a lack of legislative support for the development of a targeted subsidized infant care program. Generally, infant and toddler spaces have the longest waiting lists and lowest vacancies, so the current condition is not an accurate reflection of demand.

- Current usage of child care arrangements indicates that licensed arrangements (child care centers and family day care) are used most heavily by the children aged three and four, where use is 60% of all arrangements according to a national survey. The same survey found that only 42% of the children under age 3 with working mothers were using the licensed arrangements. With school age children the percentage drops as the No Care at all category becomes dominant.

The ultimate space requirement program could be tailored to recognize the lower profitability of serving the very young children and allow centers to cater to age groups in a manner that varies from these demand conclusions.

The In-Lieu Cost Equivalents - Workplaces

To establish the in-lieu cost equivalents for the space requirement conclusions summarized above, the space requirements are multiplied by the costs of child care facilities presented in Section IV of this report. To briefly summarize the conclusions of the cost analysis, per child care space averages were determined as follows:

- Child care facility for infants, toddlers and preschoolers at the workplace - $6,000 per space (in suburban locations)
- Child care facility for infants, toddlers and preschoolers in residential areas - $5,500 per space, or lower than in commercial areas to reflect lower land costs.
- Child care facility school age children at schools or parks (in used modular structures, with no land cost) - $2,600 per space.

	Office	Industrial	Retail	Hotel
Licensed Child care Demand for Workplace Facility				
Number of Child Care Spaces per Sq.Ft. Building Area	.0001320	.0000409	.0001021	.0000405
Cost of Child Care Facility	$6,000	$6,000	$6,000	$6,000
Cost per Sq.Ft. of Building	$0.79	$0.25	$0.61	$0.24

The in-lieu cost equivalent for office buildings is based on the cost of building child care space in suburban locations.

The total in-lieu cost equivalents for the child care requirement established in the preceding table represent a ceiling for setting in-lieu fees. Fees above this level are not supported by this analysis; fees may be set at any level below as long as there is a rational basis. It is recommended that fees be set at half or less of the indicated nexus cost above. See subsequent sections.

In-Lieu Cost Equivalents - Residential

Child care facilities required near the place of residence are of two kinds — those for the younger age 0 to 5 group and those for school age children. As demonstrated in Section III, for every 100 dwelling units, 2.51 spaces are required for the younger group (or 40% of the total demand) and 7.80 spaces are required for the school age children up through age 10, and another 5.97 spaces for the age 11-15 group.

The facility cost conclusions reached in Section IV are that child care centers developed at school or park sites with used modular units can be delivered in the cost range of $2,600 per space. As for facilities for the younger age group, we recommend an average cost per space of $5,500 to recognize the lower land cost of residential areas. (The $5,500 child care space is the same facility as the $6,000 child care space recommended in the workplace alternative with the land cost reduced to half.) Total child care facility costs demanded in the residential neighborhood, associated with 100 dwelling units are:

Licensed Child Care Demand Near Residence	
Age 0-5 Yrs/Child Care Spaces Per Unit	.0251 spaces
Cost Per Unit @ $5,500	$138
Age K-10 Yrs/Child Care Spaces Per Unit	.078 spaces
Cost Per Unit @ $2,600	$203
Age 11-15 Yrs/Child Care Spaces Per Unit @ $2,600	.060 spaces
	$155
Total Cost Per Unit	
	$496

The analysis has been conducted for average residential units. To reflect the fact that larger units are more likely to accommodate larger households with children needing child care than are smaller units, the cost allocation can be weighted accordingly. The above figure represents a ceiling; it is recommended that fees be set at less than half.

Issues in Setting In-Lieu Fees

The conclusions regarding in-lieu cost equivalents represent ceilings above which fees cannot be set, based on this analysis. Fees may be set at any level below these calculated ceilings, based on other considerations. The following considerations, at a minimum, should be brought to bear.

- The impact on development activity should be considered; total fee burden should be monitored for excess. The fee system in West Sacramento vis-a-vis competing jurisdictions should also be monitored.

- In establishing in-lieu fee options for residential projects, impact on the affordability of housing should be taken into account. Specifically, the program could be structured to minimize impacts on affordable price or rent range units. Multi-family housing production is particularly sensitive to very small cost impacts; any curtailment of production will likely curtail supply and force rents higher.

- To avoid discouraging small scale projects in certain target areas, the City may wish to consider a minimal size exemption.

- A fee level and the space requirement provision should have consistency. While being consistent and rational, it is still possible to weigh one option in favor of the other.

- Fees that have been adopted by other jurisdictions do have some impact on perceived acceptability levels and should be reviewed in that context. In reviewing fees elsewhere, it is always important to take into account the market strength of the jurisdiction (downtown Boston and San Francisco, for example, are not relevant to what can be done in very many other cities).

- A comprehensive program should spread the burden of child care among many parties and this program should not bear a disproportionate share.

In summary, the design of the program should weigh many factors in determining what is right for West Sacramento.

Consultant Recommendations

If the fee level for office is set at approximately half the ceiling, the fee for residential could be similarly positioned. As noted, however, the City is at liberty to modify and adjust the residential portion of the program independent of the commercial and industrial portion, based on other policy considerations. For discussion purposes, the $496 ceiling, adjusted by 50% siimilar the office requirement, would produce an average fee in the $250 per unit range. Adjusted for unit size by mix of units in the market area, the fee range per unit might look like the following:

Unit Description	Sq.Ft. Equivalent	Fee Range @ 50%
0 and 1 Bedroom	Under 600 SF	$0-$100
2 Bedroom	601-1,000 SF	$100-$200
3 Bedroom	1,001-1,400 SF	$200-$300
4+ Bedroom	Over 1,400 SF	$300-$500
Average	$1,200-$1,400	$250

A residential fee can be adjusted by unit size to reflect the condition that larger units will, on average, have a greater incidence in the number of children requiring child care. For ordinance purposes, we recommend using per square foot size ranges instead of bedrooms to simplify the administrative need to separate bedrooms from dens and other ancillary spaces.

Most child care ordinances that entail fees or in lieu payments provide for an annual adjustment to address the escalating costs of building child care centers. The consumer

price index or a construction cost index is sometimes used as a basis for an automatic annual adjustment. Some jurisdictions provide for adjustments through a process requiring review and evaluation prior to enacting increases.

Comparison of Findings and Recommendations to City of Sacramento Negotiated Child Care Requirements

The City of Sacramento and the Sacramento Redevelopment Agency have negotiated child care centers in a number of office buildings in the downtown Sacramento in recent years. For reference, following is a summary:

Project	Size (Sq.Ft.)	Child Care Spaces	Ratio[1]	Cost of Facility per Sq.ft. Bldg.
Plaza Park Towers	434,000	66	15.2	$2.07[2]
1215 K Street	226,000	36	15.9	.50
1325 J Street	365,000	43	11.8	.44
Wells Fargo Center	372,648	58	15.6	.49
Watkins	120,560	45	37.3	.50
8th and J	175,000	67	38.2	.43
Average	282,200	53	18.8	--
KMA Option	100,000	18	18.0	--

[1]Number of child care space per 100,000 sq.ft.
Source: City of Sacramento

[2]This project is the only one for which a center has been built. The center is a rehab with significant cost attributable to the historic restoration.

While each negotiation had its own particular circumstances and trade-offs against other benefits and burdens, on average the number of child care spaces required was similar to the findings of this analysis.

APPENDIX TABLE 1
CHILD CARE DEMAND RELATED TO DWELLING UNITS
WEST SACRAMENTO CHILD CARE DEMAND ANALYSIS[1]
(Based on West Sacramento Demographics)

1. 100 Residential Units[2]
   Total Households - 100

2. Percent Worker Households - 72%

	0-2 Yrs.	3-5 Yrs.[3]	5-10 Yrs.[3]	11-15	Total
3. Worker Households with a Child in Age Categories					
Factor	7.8%	6.5%	14.8%	10.5%	39.6%
Number	5.62	4.68	10.65	7.56	28.51
4. Worker Households Needing Child Care					
Factor	65%	70%	75%	80%	74%
Number	3.65	3.27	7.98	6.05	20.95
5. Children in Worker Households Needing Child Care					
Factor	1.22	1.19	1.42	1.14	1.27
Number	4.41	3.89	11.33	6.89	26.52
6. Children Needing Licensed Child Care					
Factor	75%	75%	75%	75%	75%
Number	3.31	2.91	8.49	5.17%	19.89
7. Licensed Child Care Space Demand Associated with Residential Areas					
Factor	40%	40%	100%	100%	81%
Number	1.32	1.17	8.49	5.17	16.15

[1] City of West Sacramento base data.
[2] Representative of all housing units on average. Program and analysis could separate smaller units from larger units and demonstrate higher demand for larger units.
[3] Five year old children are distributed at 50% to the 3-5 year age group and 50% to the 5-12 group.

Note: 393 dwelling units contain the same number worker households as a 100,000 sq.ft. office building.

Source: Keyser Marston Associates, Inc.

April 1994

APPENDIX TABLE 2
CHILD CARE SPACE REQUIREMENTS RELATED TO OFFICE BUILDINGS
WEST SACRAMENTO CHILD CARE DEMAND ANALYSIS[1]
(Based on West Sacramento Demographics)

100,000 sq.ft. Office Building

1. Number of Employees - 424
   (@ 236 SF/Employee) - after allowance for 5% vacancy)

2. Number of Worker Households - 319
   (@ 1.33 Employees/Household)

	0-2 Yrs.	3-5 Yrs.[2]	5-10 Yrs.[2]	11-15	Total
3. Worker Households with a Child in Age Categories					
Factor	7.8%	6.5%	14.8%	10.5%	39.6%
Number	24.90	20.73	47.21	33.49	126.33
4. Worker Households Needing Child Care					
Factor	65%	70%	75%	80%	74%
Number	16.20	14.51	35.40	26.80	92.90
5. Children Needing Child Care					
Factor[3]	1.22	1.19	1.42	1.14	1.27
Number	19.76	17.26	50.26	30.55	117.83
6. Children Needing Licensed Child Care					
Factor	75%	75%	75%	75%	75%
Number	14.92	12.94	37.69	22.91	88.36
7. Licensed Child Care Space Demand Associated with the Workplace					
Factor	60%	60%	0%	0%	20%
Number	8.90	7.76	0	0	16.66

[1]City of West Sacramento base data.
[2]Five year old children are distributed at 50% to the 3-5 year age group and 50% to the 5-10 group, based on Census information.
[3]Average number of children per household.

Source: Keyser Marston Associates, Inc. April 1994