Technical
Development
Corporation
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August 10, 1994

José Cerda III, Senior Policy Analyst
Domestic Policy Council
Old Executive Office Building, Room 218
Washington, DC 20500

Dear José:

Thank you for taking the time to meet last Thursday with my colleagues and me to talk about Head Start, child care facilities finance, and related issues. We were all encouraged by your interest in these issues and especially by your understanding of the untapped financial leveraging potential associated with federally funded programs.

Recognizing that potential and restructuring government contracts to enable grantees to tap private capital is an exceptional example of the potential of "reinventing government." Moreover, the government can do this without either issuing publicly-backed guarantees or sacrificing the accountability of its grantees.

Two pivotal issues facing Head Start (which are also issues with relation to child care too, especially in the context of welfare reform) are **quality** and **expansion**. These two topics are either primarily or significantly facilities-related concerns requiring capital planning and investment. Neither grantees nor HHS are particularly comfortable embracing these issues.

The failure to address the grantees' lack of access to capital and their limited ability to plan for their facilities needs has severely circumscribed the pace of Head Start expansion according to the Inspector General and has undermined the quality of Head Start programs -- an area needing priority attention according to the Advisory Committee on Head Start Quality and Expansion.

I have enclosed a copy of **Region I Head Start Facilities Demonstration Project: A Feasibility Study and Implementation Plan**, the unsolicited proposal I recently submitted to the U.S. Department of Health and Human Services. This is my effort to address these problems based on my experience managing the Child Care Capital Investment Fund and 25 years of work on community development finance issues in housing and economic development.

The proposed project is designed to help HHS restructure its contractual relationship with Head Start grantees in New England so that these small- and medium-sized nonprofit grantees can raise capital using tax-exempt revenue bonds to develop and improve Head Start facilities. At the same time, the project is conceived to provide development technical assistance to grantees; supplying the resources they need to identify new sites and to develop them as Head Start centers.

If successful, this program could be replicated in other regions and could even be transferred to other federally-funded programs. Indeed, as investors become more familiar with tax-exempt bond products underwritten on the strength of revenue streams derived from federal human service contracts, the bonds will become more marketable and the cost of borrowing will drop.

I have also sent copies of the proposal to the other Domestic Policy Council participants at the meeting last Thursday and to Paul Diamond at the National Economic Council. Once again, thank you very much for your interest in this issue. I look forward to talking to you further about strategies for using federal service dollars to leverage private sector capital.

Sincerely yours,

Carl A. Sussman
Principal

Enclosure

cc: Paul Diamond

Technical Development Corporation

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August 10, 1994

Paul Diamond, Special Assistant to the President
National Economic Council
Old Executive Office Building, Room 225
Washington, DC 20500

Dear Mr. Diamond:

I met last week with Jeremy Ben-Ami, José Cerda, and Paul Weinstein at the Domestic Policy Council. They requested copies of the enclosed proposal and asked that I also forward a copy to you.

As you can see, I have been working recently with child care and Head Start programs to address their facilities needs. The strength and stability of federal funding for these activities represents an exciting opportunity to leverage capital to invest in early childhood facilities. This is a field that is chronically undercapitalized; a circumstance that has a very detrimental impact on program quality. Lack of access to capital and technical assistance for service providers will severely inhibit the Clinton Administration's Head Start expansion and welfare reform objectives.

The enclosed proposal describes a pilot program to develop a series of Head Start centers in New England financed with a pooled 501(c)(3) tax-exempt bond. Our proposal is to use a private placement which would be marketed to the economically targeted investor divisions of life insurance companies headquartered in the region. We would work with the Administration for Children and Families to structure Head Start grants in a manner that will:

- make these bonds marketable,
- permit the same level of accountability from its grantees as currently exists, and yet
- avoids the need for the federal government to guarantee the bonds.

I hope I will have the opportunity to discuss this concept with you once you have had a chance to review the proposal. Please feel free to call me if you have any questions.

Sincerely yours,

Carl A. Sussman
Principal

Enclosure

cc: José Cerda III
Jeremy Ben-Ami
Paul Weinstein

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Region I Head Start Facilities Demonstration Project: A Feasibility Study and Implementation Plan

An Unsolicited Proposal Submitted to:

The US Department of Health and Human Services
Administration for Children and Families
Head Start Bureau

Proposal Submitted by:

Carl A. Sussman, Principal
Technical Development Corporation
30 Federal Street
Boston, MA 02110

July 20, 1994

Region I Head Start Facilities Demonstration Project:
A Feasibility Study and Implementation Plan

July 20, 1994

Purpose

Technical Development Corporation (TDC) proposes to design a facilities demonstration program capable of assisting selected Head Start grantees in New England to plan, finance and develop quality facilities in which to operate Head Start programs. The demonstration seeks to harness the enormous leveraging potential generated by the revenue stream that funds Head Start programs in order to produce greatly enhanced facilities, serving more children while actually saving federal funds. This will require a combination of providing Head Start grantees with technical assistance in facility planning and, with highly leveraged low cost financing, to buy, renovate, and/or construct Head Start Centers designed to meet the developmental needs of children. The goal is to create a nonprofit intermediary developer capable of tapping the tax-exempt municipal bond market on behalf of small and medium-sized nonprofit Head Start grantees. The intermediary, in turn, will lease facilities to Head Start grantees during the life of the bonds. Thereafter, the grantees will assume ownership. Using this tax-exempt intermediary vehicle, ACF could structure its annual grants to Head Start providers as a sufficiently reliable multi-year revenue stream to secure these bonds. However, by separating facility ownership, ACF would retain its ability to annually review and fund grantees. If successful, this demonstration will:

- lead to <u>better quality Head Start centers</u> designed to meet the programmatic needs of parents, children, staff and grantees;
- <u>overcome one of the most challenging barriers to Head Start expansion</u>;
- result in <u>more children being served</u> with limited Head Start funds by financing start-up costs with tax-exempt bonds rather than capitalizing them up front with grant funds; and
- <u>save federal funds</u> over time by enabling grantees to acquire facilities at current costs and pay for them over time, rather than lease space on a more costly short-term basis.

Background

Head Start programs, long recognized for their effectiveness in providing low-income preschool children with a comprehensive child development and school readiness program, have delivered high quality services despite often inadequate facilities. As with many nonprofit organizations, Head Start grantees have typically treated facilities as a secondary concern, in no small part because of the statutory prohibition preventing Head Start funds from being used to pay interest expenses. But as Head Start matures and expands, funders and program directors are recognizing the detrimental effect of poorly adapted facilities.

Several recent developments have created the opportunity to address facilities needs and the undercapitalization facing Head Start programs:

- First, Head Start is undergoing an expansion. As providers add classrooms, they inevitably find themselves assessing space utilization and capital investment questions.

- Second, grantees can now use Head Start funds to pay the interest expense on facilities-related debt. This means that many more providers can purchase facilities, achieve greater stability, and justify investments in space that will improve program quality.

- Finally, the Administration for Children and Families already capitalizes start-up costs incurred when grantees open new sites or relocate. However, when invested in more permanent program sites, these front end investments have a more lasting value.

In short, Head Start programs are at the threshold of a new era; an era in which they can carry-out serious facilities planning, contemplate and make capital investments that were previously impossible, and look forward to a future of more stable tenures.

Most Region I Head Start grantees are small to medium-sized nonprofit organizations, typically community action programs, single purpose agencies, or other social service entity. In acquiring facilities, organizations such as these face a series of structural problems.

Need for Technical Assistance - Head Start grantees, like most social service providers, operate their programs in leased facilities, in part because funding restrictions, like those which until recently effected Head Start providers, prevented them from billing interest expenses to their grants. Consequently, these organizations are unfamiliar with the real estate development process, and therefore require access to technical assistance. They frequently lack the experience to do capital planning; prepare specifications for new sites; project future costs into agency operating budgets; evaluate potential sites; select, contract with, and manage development professionals; assemble the necessary financing; and manage the construction or renovation process. Previous experience has demonstrated that such organizations need technical assistance -- the services of real estate professionals -- as well as help in consuming those services. If an organization has not previously hired an architect or a development consultant, for example, they will probably experience problems selecting the most appropriate professional, controlling their scope of work, and in evaluating their work products. Managing the development process involves skills organizations learn through experience and with the help of a technical assistance provider whose primary task it is to facilitate the grantee's capital planning process.

Underinvestment in Facilities - There is growing evidence that Head Start grantees, like most child care and human service providers, underinvest in facilities. A survey of Head Start grantees in metropolitan Boston found that 94% of the sites were leased for one or two years although through lease renewals more than half occupied the same site for over five years. Fifty-two percent spent less than $6,500 over the past five years on capital improvements and 83% spent less than $13,000 over the same period. These low investment figures contrast sharply with the grantees' dissatisfaction with key elements are their facilities:

> Overall, 71% of the grantees reported being relatively satisfied with their facilities and 96% were either satisfied or very satisfied with the location of their sites. Yet:
>
> - 54% were <u>dissatisfied</u> with how their facilities functioned for the children in the program;
> - 55% were <u>dissatisfied</u> with how their facilities functioned for the staff and three-quarters of these were <u>very dissatisfied</u> with how the space functioned for the staff;
> - 61% were <u>dissatisfied</u> with their outdoor play space; three-quarters of these were <u>very dissatisfied</u> with this aspect of their facilities;
> - Only 4% of the sites had indoor gross-motor space; only 14% had a teacher lounge, and only 33% had kitchen facilities of any kind.
>
> The picture of Head Start centers that emerges from this survey is one of well-located small centers occupying inexpensive space with few amenities. The survey documents two interesting paradoxes:
>
> - First, program operators appear to have low expectations with respect to facilities. Despite a majority being dissatisfied with how the space functions for both children and staff, when cost, location and all other attributes are combined for an overall rating, 71% of the grantee are either satisfied or very satisfied with their facilities.

- Second, grantees appear reluctant to make significant commitments to locations in terms of either planned length of tenure or financial investment. Their leasing and investment behavior reflects an expectation of temporary tenancies. Yet, the reality is that grantees are more than likely to be relatively long-term, stable occupants of the facilities they rent.[1]

Inability to Leverage Enough Debt - The financing obstacles are even more challenging. Small and medium-sized nonprofits rarely have the net worth and dependable revenue streams to allow conventional lenders to extend credit. Moreover, special purpose facilities, like a Head Start center, especially those located in weak real estate markets, will not have an appraised value high enough to support the project's development costs. Thus, even with the ability to charge the interest expense on facilities debt to service contracts, they will be unable to leverage sufficient debt to acquire a site and build or renovate a structure. Properly arranged, tax-exempt municipal bond financing can address these credit problems.

Concept

We propose to plan a regional response to these problems that will enable Head Start grantees in New England to access the technical assistance and capital they need to make prudent facilities investments. Our approach focuses on a structure designed to enable grantees to access the tax-exempt bond market. Tax-exempt municipal revenue bonds provide a source of low interest capital for nonprofit tax-exempt organizations. However, the high transaction costs associated with marketing the bonds and documenting their tax-exempt provisions have meant that only large nonprofit institutions like universities and hospitals can cost effectively access this market. Furthermore, smaller nonprofits rely more heavily on annual funding cycles that bond underwriters see as uncertain.

Over the past five years, a number of organizations have tried to fashion a product that could meet the needs of these small to medium-sized human service organizations and yet be salable in the tax-exempt municipal bond market. Attention has focused on a structure with two elements:

- pooled bonds to raise capital for multiple organizations in order to reduce the fixed transaction costs, and

- creation of a special purpose intermediary to hold the real estate until the bonds are repaid in order to allow funding agencies to establish a dependable multi-year revenue stream to support the bond debt on the

[1] "Summary of CCCIF Survey of Metropolitan Boston Head Start Facilities", Child Care Capital Investment Fund, December 1993,

property. The funding agency insures accountability through its annual contract award cycle to grantees that in effect links utilization of the space with the agency's annual grant.

In a recent monograph, Louis Winnick described the need for such an intermediary to bridge the gap between the needs of nonprofit organizations to develop facilities and the desire of program funders to insure accountability on the one hand, and the requirements of the capital market on the other:

> A consensus of leading municipal-bond specialists suggest an efficient means to de-mystify the procedures to surmount the market impediments. It is a purpose-built intermediary, sponsored by foundations, and charged with (a) guiding small/medium 501(c)(3)s through the thickets and (b) custom-tailoring leveraged investment aids. A specialized technical-cum-credit assistance organization is a key to unlock the door to least-cost financing for a broad range of community-serving nonprofits, stunted by cramped habitations and obsolete facilities.*2

The experience to date suggests that pooled municipal bonds for smaller nonprofits and the use of tax-exempt intermediaries for both technical assistance and interim ownership is feasible, although it is not a widely accepted or standardized product in the bond market. A state-sponsored program in Massachusetts with mixed results has been more successfully implemented in Illinois with the Illinois Facilities Fund serving as the intermediary. There have been other instances of special purpose intermediaries assisting segments of the nonprofit sector to develop complicated real estate projects. There is also relevant experience in delivering real estate-related technical assistance and transferable nonprofit human service lending experience such as TDC's work over the past five years managing the Child Care Capital Investment Fund. TDC conceives the proposed Region I Head Start Facilities Demonstration Project as an extension and improvement on the "intermediary/pooled municipal bond model" which it is hoped will advance the emerging practice of tapping the bond market for small human service provider organizations by integrating lessons gleaned from related technical assistance and development lending experiences into the model. The proposal involves the following elements:

- creating the capacity to fund and deliver technical assistance needed by Head Start grantees in order to develop new and improved facilities;

- structuring a pooled 501(c)(3) bond issue through a nonprofit intermediary to finance multiple projects;

2* Louis Winnick, "A Wider Doorway to the Municipal Bond Market: Improved Access for Small/Medium Nonprofit Organizations", Program on Non-profit Organizations, Institution for Social and Policy Studies, Yale University, November 1992.

- structuring government grants to these Head Start providers in a manner that will leverage inexpensive debt through the bond market; and,

- working with other government agencies and philanthropic organizations to create further credit enhancements to insure, if necessary, that these small and medium sized nonprofits gain access to the municipal bond market.

This model recognizes the limited capacity of most Head Start grantees to undertake real estate development projects without technical support. It taps a source of capital that is specifically designed to deliver low cost credit to nonprofit organizations. Moreover, unlike conventional mortgage debt, this is a financing vehicle that offers extremely high financial leverage (near 100% financing) and relies on an identifiable revenue stream -- such as program grant revenue -- rather than the borrower's frequently inadequate net worth or mortgageable assets to secure the debt. Key elements of the proposed model are:

Technical Assistance The demonstration will access technical assistance either through an existing entity or by the intermediary responsible for structuring the bond and owning the real estate while the bonds are outstanding. The assistance will include advice in capital planning, site selection and analysis, feasibility studies, architectural design, and related planning exercises. Unlike the Illinois Facilities Fund model, TDC intends to structure the planning to insure that selected providers choose the members of their own development team. Thus, an important element in the design of the technical assistance component is the provision of predevelopment loan funds to pay for professional services. To succeed, this approach will require that the intermediary or development partner work with each grantee to facilitate their consumption of these technical assistance services and to facilitate the grantee's capital planning process.

Leverage An important characteristic of tax-exempt bond financing for Head Start grantees is the high leverage that borrowers can achieve. With limited net worth providers needed to finance a high proportion of the total development costs.

Interest Rates Below market interest rates are a frequently cited reason for using tax-exempt bond financing. While the tax-exempt feature has value to those who invest in this type of financial instrument, a bond issue of this type will be perceived as a relatively new and risky product. It is unrealistic to expect rates to approach those of a rated institution. Rates can be expected to be closer to those available from conventional lenders on a taxable basis.

Issuance Costs As previously mentioned, the transaction costs associated with issuing a 501(c)(3) bond are high and relatively fixed. Creating a pooled bond that finances several projects allows smaller borrowers to spread these costs. Up to 2 percent of the bond proceeds can be used to finance issuance costs, providing a further reason for creating a pooled bond for smaller borrowers with less net worth.

Private Placement Since privately placed tax-exempt bonds are exempt from SEC Rule 15c2-12 requirements, transaction costs can be reduced if this bond can be privately placed. Moreover, because this product will be unfamiliar to investors, those associated with the transaction may have more success marketing it to institutional investors in the region. The primary marketing strategy being proposed is to form a partnership (a pooled investment) with corporate investors having an appetite for "Economically Targeted Investments."

Security The key to the feasibility of this transaction is ACF's success in structuring its grants in a manner that maximizes the certainty that the Head Start revenue stream will be continuously available and adequate to service the bond. Since Head Start is unable to make multi-year commitments to grantees and moreover such commitments, if permissible, would conflict with ACF's annual funding cycles, it will be necessary to develop mechanisms designed to mitigate the bondholder's risk but retain the integrity of the government's mechanism for funding Head Start programs. For example, the model would involved ACF in selecting grantees serving locales that, because of demographics, can be expected to need a Head Start program for the term of the bond. Thus even if Head Start appropriations experienced a cut, the probability that the grantees participating int he demonstration would continue to be funded to operate programs in these new facilities would be high. These, among other, security arrangements involving the structure of the ACF grants will be explored.

Other forms of security, like those used in Illinois, may be used in the proposed demonstration. For example, a "negative pledge" which prevents the intermediary from encumbering the real estate with additional debt, and a pooled debt service reserve fund to cover debt payments should the revenue stream become interrupted for any reason could be incorporated into the program if needed.

Technical Development Corporation

Technical Development Corporation (TDC) is an nonprofit, tax exempt 501(c)(3) organization that for more than 25 years has specialized in serving the nonprofit sector through management consulting. TDC works with a broad range of clients nationally in the arts, education, community development, and human services, including the philanthropic and public institutions that support them. TDC is broadly committed to advancing the vitality and effectiveness of the nonprofit sector in America through improving the management of mission-driven organizations and stimulating constructive change in the institutional environment that supports the growth and development of the sector.

Carl A. Sussman, a principal at TDC, developed this proposal as a logical extension of community development, planning, and finance work he has been pursuing for the past 25 years. Mr. Sussman was formerly the founding executive director of the Massachusetts Community Economic Development Assistance Corporation (CEDAC), a model quasi-public technical assistance intermediary involved in housing and economic development issues. During his 14 year tenure at CEDAC the agency pioneered the field of predevelopment lending. It provided technical assistance to over 100 community development corporations, tenant organizations, community action agencies, and other nonprofits, enabling them to develop over 6,500 units of affordable housing worth over $500 million. Under Mr. Sussman's leadership, CEDAC played a pivotal role in preserving over 2,000 of federally assisted private rental housing units through a strategy of assisting tenant organizations to purchase the properties from the U.S. Department of Housing and Urban Development or from private owners of expiring use properties. CEDAC also served as the loan underwriter for the state's $30 million Housing Innovations Fund of subordinated deferred mortgages for affordable supported, single room occupancy, and cooperative housing developments.

The proposed project is more specifically the outgrowth of the Child Care Capital Investment Fund, a $3.5 million technical assistance and loan fund for nonprofit providers, managed and largely developed through a partnership between TDC and CEDAC. As the Fund Manager, Mr. Sussman has played a leadership role in crafting the financial proforma, in developing the loan products and underwriting standards, and in operating the loan program.

The Fund and Mr. Sussman have worked with a number of Head Start programs, especially those located in metropolitan Boston. For example, the Fund has provided technical assistance and a $100,000 loan to the North Shore Community Action Program (NSCAP) for its Head Start center in Peabody, Massachusetts. The center has been seen as a model of thoughtful design and rehabilitation. Mr. Sussman has subsequently written an article about the project, *"Out of the Basement: Discovering the Value of Child Care Facilities,"* that draws lessons from that experience for operators of Head Start and child care programs. (Attachment A). The Fund is also providing technical assistance to Escuelita Aqueybana, a bilingual Head Start program operating in Boston; the Lynn (Massachusetts) Economic Opportunity, and Community Action Program Inner City (CAPIC) in Chelsea, Massachusetts. Mr. Sussman is also providing informal advice to Community Teamwork, Inc. in Lowell, Massachusetts, and Southern Middlesex Opportunity Council based in Framingham, Massachusetts.

On December 9, 1993, the Fund jointly sponsored a day-long workshop with the regional office of the Administration for Children and Families for metropolitan Boston Head Start grantees and program directors on developing Head Start facilities. TDC's staff prepared the agenda and a slideshow, and designed and administered a survey of providers concerning their facilities. The results were used to stimulate discussion during the session. A copy of the agenda, survey, and survey summary are attached (Attachment B).

Mr. Sussman will be assisted on the project by Susan E. Nelson, a Principal at TDC who specializes in nonprofit financial management. She has managed finances for a number of nonprofit and quasi-public organizations prior to joining TDC in 1987. Those organizations included the Boston Opera Company, the Handel & Haydn Society, and the Boston Housing Authority where Ms. Nelson served as the accounting area supervisor. During her tenure at TDC Ms. Nelson has consulted to dozens of nonprofit organizations. (Resumes for Carl Sussman and Susan Nelson are attached as Appendix C). The team will also include one of more Associates on the TDC staff and third-party legal services from a law firm experienced in structured financings.

Proposed Scope of Services

Technical Development Corporation, proposes to conduct a feasibility study of how to adapt this structure to the Head Start program and the needs of its grantees. The study would involve the following research tasks:

- Literature review.
- Meetings and focus groups with Head Start grantees, program directors, and parents.
- Meetings with ACF Headquarters staff in Washington to negotiate authority to undertake the demonstration.
- Meetings and interviews with issuing agencies, investment bankers, and bond counsels.
- Meetings and interviews with potential public and private collaborators including state and local government officials, foundation executives, and potential institutional investors.
- Interviews and focus groups with participants in the Illinois and Massachusetts pooled-bond issues.

This data will be used to analyze the demonstration's feasibility, and, if feasible, to make specific implementation recommendations such as structure, cost, participants, timetables, etc. The implementation plan will include:

- The design for the technical assistance program including funding and delivery mechanism.

- Proposed bond structure including a detailed description of the funding mechanism to be used by ACF as the primary security for the bonds.

- Proposed structure of the bond pool including marketing, enhancement vehicles if necessary, placement method, and cost projections.

- Recommendations for long and short-term ownership arrangements to address needs and desires of lenders and grantees.

- Identification of institutional collaborations, governance structure for the demonstration, timing, coordination, and identification of the development team.

- Comprehensive financial analysis including proposed sources and uses of funds for technical assistance, debt service reserve, intermediary expenses, working capital, etc.

Such a detailed plan and analysis will clearly identify what resources and circumstances would have to be created to successfully develop new Head Start facilities using a pooled bond approach and the risks and obstacles to its success. With this plan, it will be possible for all potential participants -- grantees, ACF, foundations, state governments, and others -- to make a judgment about their further participation.

Budget

The proposed budget of $149,295 for the project is shown on the following two pages. The project will be completed with 12 months.

Region I Head Start Facilities Demonstration Project Budget

	Sussman Hours	Nelson Hours	TDC Associate Hours	Subcontract Hours	Total Hours
Literature Review	30	10	2		42
Data Gathering					
Grantees	5	8	10		23
Program Directors	5	16	10		31
Parents	5	8	10		23
ACF Staff	10	10			20
Issuing agencies	5	5			10
Investment Bankers	5	5			10
Bond Counsels	5	5			10
Illinois Facilities Fund Participants		16	16		32
Massachusetts Provider Pool Participants	5	5	5		15
Prepare Refined Program Design	5	10	20		35
Consultation & Negotiations with Collaborators					
HHS	40	15			55
ACF Region I	40	10	10		60
Foundations	5	10	10		25
Investors	20	20			40
Final Program Design, Budget & Timetable	10	20	40		70
Design Technical Assistance Program					
Identify & Analyze Models	16		24		40
Input from Head Start Programs	8		12		20
Prepare Narrative Description	8		16		24
Develop Head Start Program Selection Process					
Coordinated Planning with Region I ACF	20				20
Prepare Narrative Description	8				8
Develop Structure of Bond & Bond Pool					
Marketing & Underwriter Selection	60	10	20	2	92
Primary Security	120	30		40	190
Credit Enhancement	30	20		10	60
Multi-State Processing Procedures	20	10		4	34
Placement Method	12	4		4	20
Cost Projections	16	24		2	42
Prepare Narrative Description	24		12		36
Develop Ownership Structure					
Identify & Analyze Models	16		8	2	26
Input from Head Start Programs	8		12		20
Prepare Narrative Description	8		16		24
Intermediary Development					
Identify or Propose Creation of Intermediary	10			2	12
Identify Collaborators	25		14		39
Develop Governance Structure	4		10	2	16
Identify Development Team	16		20		36
Develop System to Manage Development Professionals	4	4	8		16
Develop Schedule	12	8	16		36
Budgetting & Financial Analysis					
Prepare Budget for Demonstration	24	40	40		104
Develop Funding Strategy	32	2	40		74
Assess Feasibility	24	8	40		72
Prepare Narrative Description	8	4	32		44
Total Hours	728	337	473	68	1606
Total Staff Cost	65,520	26,960	26,015	17,000	135,495

Continued on next page

Region I Head Start Facilities Demonstration Project Budget

Continued from previous page

Travel					
Washington	3,500	500			4,000
Chicago, New York, Philadelphia, etc.	3,200	1,700	2,400		7,300
Non-Local Region I	900	400	700		2,000
New York City	$500				$500
Total Travel Cost	$8,100	$2,600	$3,100	$0	$13,800
Total Cost	**$73,620**	**$29,560**	**$29,115**	**$17,000**	**$149,295**

Attachment A

CHILD
CARE
CAPITAL
INVESTMENT FUND

Out of the Basement:

Discovering the Value of Child Care Facilities

By

Carl A. Sussman

September, 1993

The Child Care Capital Investment Fund is a $3.5 million technical assistance and loan fund created by the United Way of Massachusetts Bay, the Ford Foundation, and a consortium of local foundations and corporations. The Fund provides technical assistance and flexibly structured low-interest loans for equipment and capital improvements to non-profit child care programs serving low income children in the 81 communities that comprise the metropolitan Boston area.

United Way
of Massachusetts Bay

"We were tired of lousy space in church basements," explained Sandy Waddell. "We thought the real estate crash might give us an opportunity to do better."

Waddell, the director of the North Shore Community Action Programs' (NSCAP) Head Start center in Peabody, Massachusetts, eventually leased space in a former school building that had been converted to public housing for the elderly. Technically, being a few feet below grade, the organization had again leased basement space. But after a dramatic renovation, the center suggests that quality space is both more achievable and more important than providers typically recognize. Metaphorically at least, this center has emerged from the basement.

"We were tired of lousy space in church basements."

An 18 year veteran of Head Start, Waddell, who followed a well-worn career path from teacher to director, heads a 207-child collection of Head Start and child care programs housed at three sites north of Boston. NSCAP's Head Start programs serve low income children in the small working class cities of Peabody, Salem and Beverly and in surrounding communities. The experience renovating this new site illustrates five lessons for providers considering facilities improvements.

A tour of NSCAP's bright, clean, and spacious new Peabody center awakens the senses to the possibilities. This is a building thoughtfully designed for both children and staff. Entering the building everyone passes through a reception area; an open space of work stations with plenty of visibility. The arrangement channels visitors through the office, enabling staff to welcome all children and establishing control over access to the center. The architect clustered the social services offices and conference room on one side of the entry and the administrative offices on the other side. Two brightly colored glass doors straight ahead under a sign identifying it as the entrance to "Play Street" lead to the children's territory.

...the center suggests that quality space is both more achievable and more important than providers typically recognize...

Play Street is the metaphor employed for the corridor connecting the four classrooms and the "play pavillion." It's a broad and brightly-lit boulevard of checkered floor tiles and colorfully painted walls. Architect Gail Sullivan, who specializes in designing child care centers, softened the normally straight and monotonous corridor by breaking-up walls with indentations and rich details. Pulling the walls back in places created larger spaces at points along the corridor where people naturally congregate. But the real inspiration is the corridor's conversion into a streetscape. Every classroom has double-hung windows and dutch doors that open on to Play Street. It allows the corridor to borrow natural light from the adjoining classrooms and introduces prominent residential design details. This home-like feeling is reinforced by the entries to the classrooms: Resembling the front door to a residence, each is individually and uniquely designed to symbolically represent a house. The architect asked herself, "What is a friendly place to a child? A house. What do kids draw when they draw a house? A gable over a box with a door and two windows. That was my starting point." The motif repeats itself frequently along Play Street. These architectural elements simultaneously reinforce the street motif in the corridor and carefully cultivate the warm, safe, and intimate feel of a home in each classroom.

The architect asked herself, *"What is a friendly place to a child? A house. What do kids draw when they draw a house? A gable over a box with a door and two windows. That was my starting point."*

The "Head Start Cafe" is another feature along Play Street. A legacy of the high school cafeteria that formerly occupied this space, the large commercial kitchen had strongly influenced the decision to lease this space. Since relocating, the program uses the kitchen to turn-out 207 lunches and snacks each day for the three centers NSCAP operates. Long sliding windows and exterior-style light fixtures create a storefront through which children passing to and from classrooms can view food preparation activities.

Head Start encourages parent involvement. This involvement takes a very tangible form in the center's Parent's Room which is separated from Play Street by a glass wall. Sullivan's design reflects her belief that "everyone needs their own turf." Just as the staff 's space is separate and distinct from the children's territory, the Parent's Room provides an area that the parents "own." Parents are encouraged to spend time in the center. This room gives them a home base. They can hold meetings there or relax. It is stocked with materials on educational and employment opportunities, parenting, and other topics that reflect the program's commitment to parental as well as child development.

Rehabilitation of existing spaces presents problems, especially with a limited budget. Sometimes those problems can be transformed into opportunities. The play pavilion at one end of Play Street emerged from just such a problem/opportunity; a small interior room surrounded by a wheelchair ramp on three sides and a half flight of stairs on the remaining wall. The architect transformed the room into a giant sandbox by removing the upper walls on all four sides, constructing a foot high threshold in the door way, and finishing it off with large spherical lights at each corner, peek-a-boo cut-outs in the wall between the sandbox and the glass entryway partition separating the elderly housing from the child care center, and a dramatic paint job. The gabled sandbox entrance and the

In an industry struggling to deliver a very expensive service to a market with tight family and public sector budgets, equipment and facilities costs are routinely deferred and minimized in favor of bolstering inadequate staff salaries.

little peek-a-boo windows has the look of one more house on Play Street. The peek-a-boo windows also allows seniors sitting in the housing lobby to watch the children playing and to interact with them through the glass partition. The classrooms themselves are spacious and sunny. Each has its own color scheme and a bathroom with sinks and toilets at child level. With the separate bathrooms, toileting need not be an organized activity and children have greater independence around the most basic bodily functions. It also facilitates Head Start educational objectives which include teaching hygiene. So, for example, each child has a tooth brush in the bathroom. Each classroom also has counter space designed to serve the teachers needs: A place where a teacher can keep papers and other materials out of the reach of children. A phone is mounted on the wall next to the teacher's work-station.

Lesson 1: Space Matters

For the Head Start grantee, the program director, the architect, and the Child Care Capital Investment Fund which lent funds to the center to finance the construction project, creating a well functioning center out of raw space held many lessons. The first lesson is simply that space matters. In an industry struggling to deliver a very expensive service to a market with tight family and public sector budgets, equipment and facilities costs are routinely deferred and minimized in favor of bolstering inadequate staff salaries. The result is a norm within much of the child care industry, especially among non-profit providers, that accepts extraordinary low facility and equipment standards. Jury-rigged space in church basements filled with tired-looking hand-me-down equipment is the defacto standard. It is so firmly entrenched that providers rarely notice the depressing conditions, reflect on its programmatic ramifications, or imagine changing it.

In Peabody, space matters in two respects: square footage and the programmatic and psychological value of good quality space. With respect to the former, more is better. The center's classrooms average 50 square feet per student, well above Massachusetts' 35 square foot requirement. Minimum space requirements for licensure tend to become the the standard to which everyone builds. But the Peabody center has a spacious quality that is noticeably less cramped than most other centers. As a result, classrooms seem less chaotic. It is easier for several teachers to supervise different activities in the same classroom without being disruptive to other activities.

Frequently, young children spend more of their waking hours in child care than at their home. Space ought to be clean, well-ordered, comfortable, bright, and stimulating.

Space also matters in another respect. While providers correctly calculate that good space does not make a good program, architect Sullivan observes that "negative space is somewhat determinant. It depletes people." In short, nice space attracts parents — a lesson many for-profit providers learned years ago — contributes to staff morale, and enhances the experience for children. "Children literally grow up in these centers," notes Mav Pardee, an advisor to the Child Care Capital Investment Fund. Frequently, young children spend more of their waking hours in child care than at their home. Space ought to be clean, well-ordered, comfortable, bright, and stimulating.

Lesson 2: Good Design Can Be Affordable

Members of the local housing authority, who found themselves giving a lot of ground during lease negotiations with NSCAP, like to refer to the completed center as the Taj Mahal. Sullivan estimates that close to 45% of the $270,000 construction budget represented repairs to the building structure and systems; expenses typically borne by the property owner, not the tenant. Indeed, the housing authority eventually acknowledged the point when they reduced the annual lease payments for the first five years from $20,000 to $1. In effect, the owner had the day care center finance the costs of putting the heating and cooling systems in working order, refurbishing the kitchen, and upgrading the fire protection system by installing additional sprinklers, among other big-ticket items. Thus, the square foot cost associated with reconfiguring the space for the child care program was closer to $16 per square foot after netting out the $9 per square foot that would normally have been paid for by the landlord.

Many of the most eye-catching features of the Peabody center cost relatively little. The strong "Play Street" design concept, for example, relies on creatively designed entrances to each classroom. After installing the windows and dutch doors, each entry required a few hours of carpentry and, in Sullivan's words, "a little pine and plywood." Color is perhaps the center's most striking feature. Sullivan, who selected 27 different colors to enliven the space noted, "Color variety I could get almost for free although I had to listen to the complaints of the contractor and painters who had a hard time keeping track of all the different cans of paint. But when we completed the project, they were proud enough of the product to want pictures."

Lesson 3: Get Help

One of the greatest stumbling-blocks facing any child care provider contemplating a relocation or renovation is inexperience. That may be one reason so few even consider the option. But just as no one in their right mind would willingly contemplate an appendectomy without a surgeon, no one should embark on a major real estate transaction and construction project without a professional development team. Waddell, who applied for a grant and had initial lease negotiations before engaging an architect or engineer, places the "get help" lesson at the top of her list. Only after she began to work with development professionals did she begin to uncover the hidden costs that nearly torpedoed her dream. As Waddell put it:

Only after she began to work with development professionals did she begin to uncover the hidden costs that nearly torpedoed her dream.

> You have to be brave to do a project like this. Just to take the first step you have to be brave because if you get off on the wrong foot, you'll have real problems. Most of us weren't raised to do this stuff. You have to get technical assistance and you better get it early.

The Head Start grantee found assistance, albeit a little late, from two sources. First, through a referral from the Child Care Capital Investment Fund, they hooked-up with the architectural firm of Gail Sullivan Associates, and an engineer. When Sullivan in turn realized that the $90,000 the program had scrapped together would not begin to do the job, she reminded her client that they might borrow money for the project from the Child Care Capital Investment Fund. The Fund became the second source of technical assistance.

The Fund had been created almost two years earlier by United Way of Massachusetts Bay and a group of foundations and corporations in metropolitan Boston to provide technical assistance and make loans for child care facilities serving low income children. The Fund provides technical assistance loans to cover the costs of development professionals during the planning phase. These technical services are often referred to as "soft costs". If the project proves infeasible, the loan is forgiven. However, if the project is feasible, these professional fees are treated like the other costs of constructing or rehabilitating the facility: The provider repays the technical assistance loan with the proceeds of grants and loans raised to finance the construction project once the construction is actually underway. In short, these "soft costs" represent project costs too, just like the "hard costs" of bricks and mortar. Given the uncertainty about project feasibility at the early stage when much

A subtle but extremely important function that the [Child Care Capital Investment] Fund supplies is help in determining what kind of development professionals are needed; how to select the best consultants, lawyers, architects, contractors, and others, and how to evaluate their work.

Providers need to cultivate the cognitive dissonance of living with inadequate facilities and yet harboring an ambitious vision that could sustain a greatly enhanced program.

of the professional technical assistance is most needed, finding a source willing to front the cost and assume the risk that the project may turn out to be infeasible, greatly facilitates project planning.

The Fund provides more than money. Dan Violi, the Fund's loan officer, has years of development experience. He advises providers about construction, legal, financing and other matters. Susan Nelson, the Fund's financial management consultant, helps providers carryout financial feasibility planning to determine how much they can afford for new space. Hedda Rublin, the project manager, delivers strategic planning advice. The Fund also supplies a child care expert to provide marketing and programmatic guidance.

A subtle but extremely important function that the Fund supplies is help in determining what kind of development professionals are needed; how to select the best consultants, lawyers, architects, contractors, and others, and how to evaluate their work. The objective is to insure that the provider has the information they need to make informed choices and decisions so that the facility enables them to achieve their programmatic objectives.

Lesson 4: Cultivate A Vision

"I sometimes ask child care directors to describe their ideal center," Sullivan recalled. "Too often they will tell me only about the new hot water heater they need or about other relatively minor obstacles in their space." Contrast this reaction to the grandiose advice of the famous Chicago city planner Daniel H. Burnham who counselled to "make no little plans." Years of budget balancing and the widespread acceptance of inadequate facilities has desensitized providers to their environment creating chronically low expectations. Periodic relocations, expansions, or rehabilitations engender opportunities to capitalize facilities — to raise money that can be invested in facilities and equipment, offering lasting value. The value of these opportunities are lost if the center's leadership has failed to nurture aspirations — a vision — for the way things ought to be. Providers need to cultivate the cognitive dissonance of living with inadequate facilities and yet harboring an ambitious vision that could sustain a greatly enhanced program. Moreover, providers should seek out design and other professionals who truly support their vision. Waddell and Sullivan formed a relationship that more closely resembled a cabal than that of a client-consultant. One of the few serious dangers of probono professional services is that in saving money the client sacrifices the level of commitment to their vision that they ought to be entitled to receive as the client.

In the final analysis, the lesson of this project is that Waddell's style of risk-taking and strong-willed leadership was rewarded and supported by its corporate parent, NSCAP.

It is hard to overlook the fact that what happened in Peabody was out of the ordinary. Underpaid and overworked, child care professionals learn a harsh lesson: determination that goes unrewarded causes burnout. To conserve energy for the educational task at hand, many teachers and administrators learn to live with modest expectations. They can avoid disappointment by sacrificing their vision. This environment does not cultivate the type of risk-taking behavior that is needed to conceive and carry-out a major facilities improvement project. Yet it can emerge, as it did with Waddell. In the final analysis, the lesson of this project is that Waddell's style of risk-taking and strong-willed leadership was rewarded and supported by its corporate parent, NSCAP. Hopefully it will encourage others to entertain ambitious ideas for improving child care facilities and, like Waddell, perhaps even to realize them.

Lesson 5: Learn New Ways to Raise Money; Lots of It

Vision is important because it translates a staff's child care experience into a plan. Equally as important, it provides the motivation to tackle the most distasteful and seemingly insurmountable problem; raising the money. Many directors give up here. Don't. Waddell scrapped together $90,000 for her job. The actual bill grew to $270,000. The architect figures the real value of the rehabilitation at closer to $350,000. The $80,000 difference between the actual cost and the value of the rehab can be attributed to good will, successful negotiations, timing, and good luck. The recession created a competitive environment for negotiations with contractors. Moreover, Sid Kumins, Inc., the contractor who eventually landed the job, had previously worked with the architect, needed an interior construction job for the winter months, and was willing to substantially reduce its original bid, working with little overhead and no profit. "We were lucky with the project to put together a cooperative and committed team," Sullivan noted.

The original $90,000 represented a Head Start grant; a figure that eventually grew to $170,000. When Waddell could not bridge the $70,000 gulf between grants in hand and the construction budget that existed at that point in the development planning, Sullivan suggested that she consider borrowing the balance from the Child Care Capital Investment Fund. This is where many child care directors would have climbed off the bus. Without access to bank credit, child care providers, like most smaller non-profit organizations, have relied on grants to cover capital costs. The practice is so ingrained that nonprofit child care providers are more

Borrowing money to make capital improvements makes sense because buildings, equipment, and renovations, have a long useful life. Just like a car or a house, these are items that can (and in many cases ought to) be paid for over a period of years.

likely to forgo needed capital improvements than to borrow the funds to pay for them. This aversion to debt made sense when capital grant-making was common. But according to philanthropists, there is a long term trend away from capital grants-making. Most providers have been slow to entertain alternatives to grants. Waddell might have been too had it not been for her single-minded desire to develop a model facility and her recent participation in a 2-week management training program for Head Start directors at the UCLA school of management sponsored by Johnson and Johnson. There she began to think about her program more as a business. Most importantly, she was encouraged to borrow funds,"to use other peoples' money", as Waddell later described the lesson. Finally, NSCAP, the Head Start grantee, shared Waddell's vision, agreeing to enter into a long term lease for the space and consenting to borrow almost 40% of the renovation costs.

Borrowing money to make capital improvements makes sense because buildings, equipment, and renovations, have a long useful life. Just like a car or a house, these are items that can (and in many cases ought to) be paid for over a period of years. Indeed, it may be the only way to purchase most expensive items. A loan provides that capacity. Child care directors fear appropriately that they simply cannot afford to add interest and principal payments to their already tight budgets. Like any new expense, the center's management and board needs to evaluate the cost relative to what it buys. In any event, neither the borrower nor the lender wants to create a financial burden that the center cannot manage. However, sometimes centers can find ways to cut elsewhere in their budgets. In other cases, the improvements may themselves generate operating savings, such as reduced fuel bills after making energy savings improvements, or new revenues, such as fees from previously vacant slots filled because the center enhanced its marketability.

After all was said and done, Waddell's $70,000 loan grew to $100,000 when they encountered unexpected conditions during the construction that had to be rectified. The 5% loan spread over a relatively short 7 year period translated into very manageable loan repayments of $1.54 per square foot per year; an amount made all the more palatable by the fact that she had gotten the landlord to abate her entire rent for five years as a concession for the fact that she was going to finance all the rehabilitation, including a number of expensive items that were the landlords financial responsibility. Head Start generated the final $20,000 from its operating budget by conserving supplies and deferring repairs and other costs.

Most state child care subsidy programs reimburse providers less than the full cost of caring for the children. These inadequate state-financed programs create the culture of undercapitalization that plagues the non-profit child care industry and thwarts efforts to deliver the quality that generates lasting value.

The financing scenario in Peabody also suggests an important public policy issue. Head Start provides start-up grants that can help pay for facilities improvements. Most state child care subsidy programs reimburse providers less than the full cost of caring for the children. These inadequate state-financed programs create the culture of undercapitalization that plagues the non-profit child care industry and thwarts efforts to deliver the quality that generates lasting value. Philanthropists and governments interested in supporting facilities development must invest public equity — grants to cover a portion of the costs — to make adequate space improvements financially feasible and to leverage additional private sector loans. That was the effect of Head Start's grant money. Few child care programs could afford to support the full cost of facilities improvements on the scale undertaken in Peabody relying entirely on borrowed funds repaid out of future operating budgets. Philanthropy and public policy must recognize the value of facilities with loans, grants and compensation practices that reflect the cost of facilities that have been appropriately adapted for child care.

Conclusion

The problem facing non-profit child care providers, as this center's renovation experience demonstrates, is not that they are forced to rent low cost basement space: The problem is the "as is" character of the space. Cubbies, small tables and chairs, and other materials and furnishings cannot adequately adapt a space for child care. The NSCAP Head Start center did not literally emerge from the basement; only metaphorically with an investment that converted raw space into a playful environment obviously suited for children.

NSCAP Head Start transformed this former high school cafeteria with an admittedly hard to reproduce constellation of circumstances. First, the center had the leadership and vision of a strong-willed program director. Second, the parent organization, a well-established community action agency, was willing to commit to a long term lease and to borrow $100,000 to renovate the center. Third, unlike many other types of subsidized child care, as a Head Start program, NSCAP's center benefitted from start-up grants that covered a significant portion of the rehabiliation budget. Fourth, the center assembled an able group of development professionals who shared the director's vision and who helped to transform the space. Finally, the center had access to a special purpose lender prepared to extend credit to a non-profit child care provider.

The NSCAP Head Start center did not literally emerge from the basement; only metaphorically with an investment that converted raw space into a playful environment obviously suited for children.

While these circumstances may be difficult to reproduce, they are not impossible to recreate. More importantly, this center's experience suggests the need for public policy and institutional reforms that will make it easier for providers to adapt space to accommodate quality child care programs. This means that funders need to grant funds to cover a portion of renovation costs and work with child care loan funds, non-profit facilities funds, and other development lenders (see sidebar) willing to provide technical assistance and extend credit to providers. Finally, fees and reimbursement rates for subsidized child care ought reflect the cost of operating in appropriately adapted child care space. Unimproved church basements just won't do, especially after you have seen a creatively adapted space, like the Head Start center in Peabody. The lesson, in short, is that space matters in child care. To deliver quality child care, providers need quality space as well as quality teachers and programs.

Carl A. Sussman is a Principal with Technical Development Corporation (TDC), a Boston-based non-profit management consulting organization serving the public and non-profit sectors. He serves as Senior Project Advisor to the Child Care Capital Investment Fund's management team.

Want More Help?

The NSCAP Head Start program received technical assistance and borrowed money from the Child Care Capital Investment Fund, a new type of "development lender" that is emerging in many areas of the country. Created by the United Way of Massachusetts Bay and a group of local foundations and corporations, this new entity assists only non-profit child care providers serving low-income children in the metropolitan Boston area. With the help of the Ford Foundation, the Fund has raised $3.5 million that it lends at low-interest rates to providers who are not considered creditworthy by conventional banks.

Similar development lending institutions exist elsewhere. In New York City, the Nonprofit Facilities Fund, and in Illinois, the Illinois Facilities Fund, lend to nonprofit organizations more generally although child care providers are important customers. In Maine, a community development corporation, Coastal Enterprises Incorporated, operates a child care loan fund. Other cities have community development loan funds which are primarily involved in financing affordable housing. However, some have funds they can invest in other types of community development projects like child care.

For a fuller list of child care lenders, refer to *Investing in the Future: Child Care Financing Options for the Public and Private Sectors*, a report published by the Center for Policy Alternatives (1875 Connecticut Avenue, NW, Suite 710, Washington, DC 20009) and the Child Care Action Campaign (330 7th Avenue, 17th Floor, New York, NY 10001). For more information about community development loan funds, write to the National Association of Community Development Loan Funds (924 Cherry Street, 3rd Floor, Philadelphia, PA 19107-2405).

Attachment B

Facilities Meeting for Metropolian
Boston Head Start Programs
December 9, 1993

Proposed Agenda and Invited Panelists

- **Introduction (10:00 am)**
  - Welcome by Hugh Galligan, Regional Administrator, Administration for Children and Families
  - Welcome by Anna Colton, Vice President, Shawmut Bank and Chair, Child Care Capital Investment Fund
- **Panel 1: Case Study of the NSCAP Head Start Center (10:15 am)**
  - Slide Show
  - Panel
    - Carl Sussman, Facilitator
    - Daniel LeBlanc, NSCAP Executive Director
    - Sandra Waddell, former NSCAP Head Start Director
    - Gail Sullivan, Gail Sullivan Associates, Architect
    - Richard Stirling, Assistant Regional Administrator in Charge of Office of Family Support Services, Administration for Children & Families
- **Panel 2: Development Planning -- Assessing Needs, Selecting Sites & Development Team, & Managing the Project (11:30 am)**
  - Dan Violi, Facilitator, Senior Project Manager, Child Care Capital Investment Fund
  - James R. McSherry, McSherry & Company
  - Patti Seitz, Principal, Seitz Architects
  - Kate McDonough, Executive Director, John F. Kennedy Center
  - Mav Pardee, Principal, Mills & Pardee
- **Working Lunch**
- **Panel 3: Financing the Project (1:00 pm)**
  - Ann Linehan, Facilitator, Program Manager, Head Start/Runaway Youth, ACF
  - Carl Sussman, Senior Program Advisor, Child Care Capital Investment Fund
  - Anna Colton, Vice President, Shawmut Bank and Chair, Child Care Capital Investment Fund
  - Leonard Clark, Deputy Director, City of Boston Public Facilities Department
  - Marguerite Shaw, Assistant Regional Administrator, Administration for Children and Families
- **Panel 4: Mini-Charrette -- Beginning to think about individual program needs (2:30 pm)**
  - Small sessions -- two or three providers meeting with two or three panalists to identify needs and to generate ideas and concepts about providers' space needs and facilities planning.
- **Reconvene to report back and plan follow-up development activities (4:00 pm)**

FACILITIES SURVEY OF METROPOLITAN BOSTON
HEAD START PROGRAMS

In connection with the December 9, 1993 meeting of Head Start program and grantee directors being sponsored by the Administration for Children and Families and the Child Care Capital Investment Fund, we are asking each program director to complete the following survey and return it **promptly** to Carl Sussman by December 2, 1993 .

Via Fax (617) 728-9138

Via Mail Child Care Capital Investment Fund
30 Federal Street, 5th Floor
Boston, MA 02110

Head Start Program: ______________________ Respondent ______________________

Title: ______________________

Who else from your organization will attend the December 9th meeting?

Name: ______________________ Title: ______________________

Name: ______________________ Title: ______________________

If you want to elaborate on any questions, please attach pages and reference your comments with the question number. We recommend you ask teachers and parents for their input too.

	Sites	A. Number of Classrooms	B. Number of children	C. Number of Years at Location
#1				
#2				
#3				
#4				
#5				
#6				

Site	D. Own	Rent	E. Term of Lease	F. Rent per year	G. Includes taxes Yes	No	H. Includes utilities Yes	No	I. Within last 5 yrs, how much have you spent on renovations?
#1	❑1	❑2	______ yrs.	$	❑1	❑2	❑1	❑2	$
#2	❑1	❑2	______ yrs.	$	❑1	❑2	❑1	❑2	$
#3	❑1	❑2	______ yrs.	$	❑1	❑2	❑1	❑2	$
#4	❑1	❑2	______ yrs.	$	❑1	❑2	❑1	❑2	$
#5	❑1	❑2	______ yrs.	$	❑1	❑2	❑1	❑2	$
#6	❑1	❑2	______ yrs.	$	❑1	❑2	❑1	❑2	$

J. Is there a separate space for parents who wish to spend time at the center?

	Yes	No
Site #1	☐1	☐2
Site #2	☐1	☐2
Site #3	☐1	☐2
Site #4	☐1	☐2
Site #5	☐1	☐2
Site #6	☐1	☐2

K. Do you have a non-classroom in-door activity space for the children?

	Yes	No
Site #1	☐1	☐2
Site #2	☐1	☐2
Site #3	☐1	☐2
Site #4	☐1	☐2
Site #5	☐1	☐2
Site #6	☐1	☐2

L. Do you have a space exclusively for staff or parent meetings?

	Yes	No
Site #1	☐1	☐2
Site #2	☐1	☐2
Site #3	☐1	☐2
Site #4	☐1	☐2
Site #5	☐1	☐2
Site #6	☐1	☐2

M.. Do you have a lounge area for teachers?

	Yes	No
Site #1	☐1	☐2
Site #2	☐1	☐2
Site #3	☐1	☐2
Site #4	☐1	☐2
Site #5	☐1	☐2
Site #6	☐1	☐2

N. What kind of kitchen do you have?

Site #1	☐1 Commercial	☐2 Residential	☐3 None
Site #2	☐1 Commercial	☐2 Residential	☐3 None
Site #3	☐1 Commercial	☐2 Residential	☐3 None
Site #4	☐1 Commercial	☐2 Residential	☐3 None
Site #5	☐1 Commercial	☐2 Residential	☐3 None
Site #6	☐1 Commercial	☐2 Residential	☐3 None

O. How satisfied are you with how this facility functions for the children?

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Site #1	☐1	☐2	☐3	☐4
Site #2	☐1	☐2	☐3	☐4
Site #3	☐1	☐2	☐3	☐4
Site #4	☐1	☐2	☐3	☐4
Site #5	☐1	☐2	☐3	☐4
Site #6	☐1	☐2	☐3	☐4

P. How satisfied are you with how this facility functions for the staff?

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Site #1	☐1	☐2	☐3	☐4
Site #2	☐1	☐2	☐3	☐4
Site #3	☐1	☐2	☐3	☐4
Site #4	☐1	☐2	☐3	☐4
Site #5	☐1	☐2	☐3	☐4
Site #6	☐1	☐2	☐3	☐4

Q. How satisfied are you with how this facility functions for the parents?

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Site #1	☐1	☐2	☐3	☐4
Site #2	☐1	☐2	☐3	☐4
Site #3	☐1	☐2	☐3	☐4
Site #4	☐1	☐2	☐3	☐4
Site #5	☐1	☐2	☐3	☐4
Site #6	☐1	☐2	☐3	☐4

R. How satisfied are you with how this facility functions for outdoor play?

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Site #1	☐1	☐2	☐3	☐4
Site #2	☐1	☐2	☐3	☐4
Site #3	☐1	☐2	☐3	☐4
Site #4	☐1	☐2	☐3	☐4
Site #5	☐1	☐2	☐3	☐4
Site #6	☐1	☐2	☐3	☐4

S. How satisfied are you with the location of this facility?

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Site #1	☐1	☐2	☐3	☐4
Site #2	☐1	☐2	☐3	☐4
Site #3	☐1	☐2	☐3	☐4
Site #4	☐1	☐2	☐3	☐4
Site #5	☐1	☐2	☐3	☐4
Site #6	☐1	☐2	☐3	☐4

T. How satisfied are you with how the handicapped access?

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Site #1	☐1	☐2	☐3	☐4
Site #2	☐1	☐2	☐3	☐4
Site #3	☐1	☐2	☐3	☐4
Site #4	☐1	☐2	☐3	☐4
Site #5	☐1	☐2	☐3	☐4
Site #6	☐1	☐2	☐3	☐4

U. How satisfied are you with the adequacy of the heating, air conditioning and ventilation systems?

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Site #1	☐1	☐2	☐3	☐4
Site #2	☐1	☐2	☐3	☐4
Site #3	☐1	☐2	☐3	☐4
Site #4	☐1	☐2	☐3	☐4
Site #5	☐1	☐2	☐3	☐4
Site #6	☐1	☐2	☐3	☐4

V. How satisfied are you with how the proximity of the children's bathroom to the classrooms.

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Site #1	☐1	☐2	☐3	☐4
Site #2	☐1	☐2	☐3	☐4
Site #3	☐1	☐2	☐3	☐4
Site #4	☐1	☐2	☐3	☐4
Site #5	☐1	☐2	☐3	☐4
Site #6	☐1	☐2	☐3	☐4

W. How satisfied are you with how the kitchen facility?

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Site #1	☐1	☐2	☐3	☐4
Site #2	☐1	☐2	☐3	☐4
Site #3	☐1	☐2	☐3	☐4
Site #4	☐1	☐2	☐3	☐4
Site #5	☐1	☐2	☐3	☐4
Site #6	☐1	☐2	☐3	☐4

X. How satisfied are you with the pick-up, drop-off and parking area?

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Site #1	☐1	☐2	☐3	☐4
Site #2	☐1	☐2	☐3	☐4
Site #3	☐1	☐2	☐3	☐4
Site #4	☐1	☐2	☐3	☐4
Site #5	☐1	☐2	☐3	☐4
Site #6	☐1	☐2	☐3	☐4

Y. How satisfied are you with the office space?

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Site #1	☐1	☐2	☐3	☐4
Site #2	☐1	☐2	☐3	☐4
Site #3	☐1	☐2	☐3	☐4
Site #4	☐1	☐2	☐3	☐4
Site #5	☐1	☐2	☐3	☐4
Site #6	☐1	☐2	☐3	☐4

Z. How satisfied are you with how this facility from the perspective of safety and security?

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Site #1	☐1	☐2	☐3	☐4
Site #2	☐1	☐2	☐3	☐4
Site #3	☐1	☐2	☐3	☐4
Site #4	☐1	☐2	☐3	☐4
Site #5	☐1	☐2	☐3	☐4
Site #6	☐1	☐2	☐3	☐4

AA. How satisfactory are your relations with the landlord?

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Site #1	☐1	☐2	☐3	☐4
Site #2	☐1	☐2	☐3	☐4
Site #3	☐1	☐2	☐3	☐4
Site #4	☐1	☐2	☐3	☐4
Site #5	☐1	☐2	☐3	☐4
Site #6	☐1	☐2	☐3	☐4

BB. Overall, how satisfied are you with this facility?

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Site #1	☐1	☐2	☐3	☐4
Site #2	☐1	☐2	☐3	☐4
Site #3	☐1	☐2	☐3	☐4
Site #4	☐1	☐2	☐3	☐4
Site #5	☐1	☐2	☐3	☐4
Site #6	☐1	☐2	☐3	☐4

Thank you for completing this survey.
Please return it promptly so that we can compile this data for the meeting.
We look forward to seeing you on December 9th.

Summary of CCCIF Survey of
Metropolitan Boston Head Start Facilities
Conducted in December, 1993

April 27, 1994

Tenure:

Lease tenures tend to be very short but actual tenure is relatively long:

- 63 % of the sites had one year leases and 94% had either one or two year leases.
- Half of sites had been occupied by the Head Start program for 5 or more years, and, because some have occupied the same site for 13-15 years, the mean number of years at a site exceeds 6.2 years.

Scale:

Sites tend to be very small scale. Despite the overwhelmingly urban character of the metropolitan area, 76% of the sites contained only one or two classrooms.

Rent:

Rents varied widely, probably because many grantees occupy space supplied at less than market cost and which represents a portion of the local match for the federal Head Start funding. Grantees have invested very little money in making improvements to the space.

- Rents range from $400-15,000 per classroom with more than half paying less than $3,500 a year per classroom.
- 52% of the grantees spent less than $6,500 over the past five years in renovation costs at each site and 83% spent less than $13,000.

Facility Satisfaction:

Overall, 71% of the grantees reported being relatively satisfied with their facilities and 96% were either satisfied or very satisfied with the location of their sites. Yet:

- 54% were dissatisfied with how their facilities functioned for the children in the program;
- 55% were dissatisfied with how their facilities functioned for the staff and three-quarters of these were very dissatisfied with how the space functioned for the staff;

- 61% were dissatisfied with their outdoor play space; three-quarters of these were very dissatisfied with this aspect of their facilities;
- Only 4% of the sites had indoor gross-motor space; only 14% had a teacher lounge, and only 33% had kitchen facilities of any kind.

Summary:

The picture of Head Start centers that emerges from this survey is one of well-located small centers occupying inexpensive space with few amenities. The survey documents two interesting paradoxes:

- First, program operators appear to have low expectations with respect to facilities. Despite a majority being dissatisfied with how the space functions for both children and staff, when cost, location and all other attributes are combined for an overall rating, 71% of the grantee are either satisfied or very satisfied with their facilities.

- Second, grantees appear reluctant to make significant commitments to locations in terms of either planned length of tenure or financial investment. Their leasing and investment behavior reflects an expectation of temporary tenancies. Yet, the reality is that grantees are more than likely to be relatively long-term, stable occupants of the facilities they rent.

Attachment C

CARL A. SUSSMAN

TECHNICAL DEVELOPMENT CORPORATION
30 FEDERAL STREET
BOSTON, MA 02110
(617) 728-9151

CAREER SUMMARY

Twenty-five years of increasing responsibility in the fields of development finance, community development and economic development. For the past fourteen years, chief executive of a quasi-public corporation with statewide development responsibilities. Skilled in all aspects of administration and management. Strong track-record in personnel and financial management. Excellent communication, organizational and interpersonal abilities. Adept in design and operation of development finance institutions, programs, and products.

CAREER HISTORY

TECHNICAL DEVELOPMENT CORPORATION, Boston, MA
Principal *(1993-present)*

MASSACHUSETTS COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION (CEDAC), Boston, MA
Executive Director *(1979-1993)*

MASSACHUSETTS SOCIAL AND ECONOMIC OPPORTUNITY COUNCIL, Boston, MA
Economic Development Specialist *(1978-1979)*

CENTER FOR COMMUNITY ECONOMIC DEVELOPMENT, Cambridge, MA
Researcher *(1976-1978)*

CAMBRIDGE POLICY STUDIES INSTITUTE, Cambridge, MA
President/Institute Fellow *(1970-1976)*

URBAN SYSTEMS LABORATORY
MASSACHUSETTS INSTITUTE OF TECHNOLOGY, Cambridge, MA
Executive Director of New Communities Project *(1968-1970)*

PROFESSIONAL EXPERIENCE

Management and Administration

- As first executive director, established and perfected all administrative and management systems for an efficiently running public corporation with a $700,000 operating budget and $40 million in development finance capital.

- Attracted an exceptional team of development professionals to staff organization and created a high-productivity, low-turnover environment.

- Interact frequently with high-level government officials, private sector executives and a gubernatorially-appointed board composed of influential individuals in public service and private business.

- Oversee technological systems including design and development of sophisticated database software applications to manage lending programs.

- Responsible for all aspects of program planning, policy development, contract negotiations, budget preparation, and program performance for a quasi-public corporation with statewide development responsibilities.

Development Finance

- Overall responsibility for originating and managing over $10 million small, short-term front money loans; $28 million in long-term subordinated mortgage loans on multifamily housing, and $3 million in term loans and loan guarantees to child care centers.

- Supervised provision of technical assistance that led to the creation of 6,500 housing units during the past ten years with an additional 3,000 units in the planning phase.

- Provided technical assistance to non-profit developers of real estate in all aspects of project planning, design, and finance.

- Convened the HUD Distressed Project Task Force, a public-private partnership composed of the Mayor of Boston, the Governor, and representatives of the business community, in a successful effort to preserve 4,000 units of financial and physically distressed rental housing.

- Designed and had principle management responsibilities for innovative economic development, housing, real estate development, and social service lending programs supporting the non-profit sector.

Program and Policy Planning

- Planned and developed a technical assistance program and a high risk loan program to cover pre-development front money costs for commercial and residential real estate projects that has become a national model.

- Created a pioneering technical assistance intermediary recognized in 1992 by the Corporation for Enterprise Development as one of nine outstanding state development agencies nationally.

- Designed loan program and created proforma for a privately-funded lending program to finance capital improvements by child care centers.

- Have written and lectured widely on state, regional and local development planning.

- As principal author or important contributor, drafted legislation to create institutions designed to finance and package development projects.

- Evaluated public and quasi-public development institutions and structured policy recommendations to enhance their effectiveness and efficiency.

EDUCATION

MASSACHUSETTS INSTITUTE OF TECHNOLOGY, Cambridge, MA Completed course requirements for a Doctorate specializing in Development Planning in 1979. Attended 1976-1979. Currently on leave.

GODDARD COLLEGE, Plainfield, VT Bachelor of Arts in 1968

PROFESSIONAL DEVELOPMENT

- Real Estate Law (New York University) 1987
- Economic Development Finance (Harvard University) 1984
- Commercial and Business Credit Analysis (Robert Morris Associates & Omega) 1983.
- Developing Real Property (Harvard University) 1982.

ADDITIONAL BACKGROUND

- Authored book entitled *Planning the Fourth Migration*, a history of regional planning, published by M.I.T. Press (1976); an outgrowth of a decade-long correspondence with Lewis Mumford.
- Authored a number of research reports and articles.
- Developed strong writing skills as a free-lance journalist while in college.
- Sharpened communications skills as an Instructor at M.I.T., Boston University, the University of Massachusetts and the Boston Architectural Center.

AFFILIATIONS

- Director, Metropolitan Boston Housing Partnership
- Member, Citizens Housing and Planning Association
- Member, United Way of Mass Bay, Housing Advisory Committee
- Trustee, Center for the Study of Public Policy
- Member, The Center for Policy Alternatives, Public Capital Advisory Group
- Director, Newton Community Development Foundation
- Member, MIT Community Economic Development & Finance Program Advisory Group
- Member, Boston Computer Society

SUSAN E. NELSON

TECHNICAL DEVELOPMENT CORPORATION
30 FEDERAL STREET
BOSTON, MA 02110

EXPERIENCE

TECHNICAL DEVELOPMENT CORPORATION August 1987 - present
CONTROLLER
FINANCIAL CONSULTANT

-Assistance with design and implementation of accounting systems, reconstruction of books, financial systems, budgeting and external reporting;
- Assistance with the development of business plans and financial strategies;
- Assistance with computerization of all financial systems.

Clients include: Peabody Museum, Essex Institute, Veterans Benefit Clearinghouse, Child Care Capital Investment Fund, USS Constitution Museum, Boston Aging Concerns, Boston Urban Gardeners, Homeowners Rehab Inc., Child Care Resource Center, Lena Park CDC, ProMedia, Codman Square HDC, Central School, and Jefferson Park Writing Center

THE BOSTON HOUSING AUTHORITY August 1984 - August 1987
ACCOUNTING AREA SUPERVISOR

- Produced a forty million dollar annual payroll for the country's fourth largest housing authority
- Managed the installation and conversion of a new payroll/personnel computer module. Assured conformance with generally accepted accounting principles. Designed and tested new database for the module. Designed and wrote, in conjunction with MIS staff new financial reports.
- Hired, trained, and supervised a staff of seven
- Performed research and analysis of payroll expenditures for internal and external reporting purposes
- Recommended and carried out controls and procedures within the payroll department and with its interface with fiscal division
- Introduced the use of PC's and spreadsheet software to facilitate management reports

THE HANDEL & HAYDN SOCIETY May 1983 - August 1984
BUSINESS MANAGER

- Produced monthly financial statements
- Developed and implemented budget
- Managed and generated cash flows
- Maintained endowment investments
- Generated Federal and State proposals
- Negotiated artists contracts
- Supervised subscription staff

THE OPERA COMPANY OF BOSTON October 1980 - May 1983
CONTROLLER

- Developed and implemented the administrative budget
- Maintained books thru trial balance
- Generated federal and state grant proposals
- Maintained records two associated companies : The Opera House, Inc. and Opera New England
- Acted as financial liaison for outside promoters and the Opera House, Inc.
- Co-managed a joint venture of the Opera Company of Boston and Mitch Leigh Production in a twelve week EQUITY stage production

EDUCATION

B.A., 1979, College of Saint Rose, Albany, New York
Major: History Minor: Business Administration

A.A, 1980, Albany Business College, Albany, New York
Major: Accounting