

CITY OF SANTA CRUZ CHILDCARE DEVELOPMENT IMPACT FEE (CCDF)  
THREE-YEAR GRADUATED INCREASE PROPOSAL  
Based on City Demographic Data  
EXHIBIT A

**CITY OF SANTA CRUZ CHILDCARE IMPACT FEE<sup>[1]</sup>**

	<b>FY20/21</b>	<b>FY21/22</b>	<b>FY22/23</b>
<b>RESIDENTIAL USE</b>	Cost Per Sq. Ft.	Cost Per Sq. Ft.	Cost Per Sq. Ft.
Single-Family	\$ 0.28	\$ 0.42	\$ 0.56
Multi Family <sup>[2]</sup>	\$ 0.21	\$ 0.32	\$ 0.42
	Cost Per Sq. Ft.	Cost Per Sq. Ft.	Cost Per Sq. Ft.
Retail	\$ 0.77	\$ 1.15	\$ 1.53
Office	\$ 0.89	\$ 1.34	\$ 1.78
Industrial	\$ 0.36	\$ 0.53	\$ 0.71
Hotel	\$ 0.27	\$ 0.41	\$ 0.54

[1] Charges include 2% administrative fee.

[2] The multi-family residential charge was set at a rate of 75% of the maximum justified residential fee to encourage multi-family and affordable housing units.

This table outlines recommended three-year graduated increase in CCDF. KMA's analysis supports a maximum child care development fee amount. In order to minimize the impact of the rise in fees, a three-year graduated increase is proposed. Fiscal year 20/21 would increase the fees by 50% of the total recommended fee, fiscal year 21/22 would increase fees by 75% and FY 22/23 would bring the fees to the full recommended amount.



# KEYSER MARSTON ASSOCIATES

## **CHILD CARE FACILITY DEVELOPMENT IMPACT FEE NEXUS ANALYSIS**

*Prepared for:*

**The County of Santa Cruz**

*Prepared by:*

**Keyser Marston Associates, Inc.**

**June 13, 2018**

## TABLE OF CONTENTS

<b>I.</b>	<b>EXECUTIVE SUMMARY</b>	<b>1</b>
A.	Non-Residential Development and Maximum Child Care Facility Development Impact Fees Supported by Nexus Analysis	1
B.	Residential Development and Maximum Child Care Facility Development Impact Fees Supported by Nexus Analysis	2
<b>II.</b>	<b>INTRODUCTION</b>	<b>3</b>
A.	Background	3
B.	Organization	4
C.	Disclaimer	4
<b>III.</b>	<b>ANALYSIS CONCEPT, PARAMETERS AND METHODOLOGY</b>	<b>5</b>
A.	General Approach	5
B.	Analysis Parameters	5
C.	Underlying Concepts and Assumptions	6
<b>IV.</b>	<b>CHILD CARE DEMAND ANALYSIS</b>	<b>8</b>
A.	The Demand for Child Care Spaces Associated with Non-Residential Development	8
B.	The Demand for Child Care Spaces Associated with Residential Units	11
<b>V.</b>	<b>CHILD CARE FACILITY COST ANALYSIS</b>	<b>20</b>
A.	Development Costs for a Prototypical Child Care Center	20
B.	Development Costs for A Prototypical Family Child Care Home	21
C.	Development Costs For A Prototypical Onsite After School Care Center	22
<b>VI.</b>	<b>MAXIMUM CHILD CARE DEVELOPMENT IMPACT FEES SUPPORTED BY NEXUS ANALYSIS</b>	<b>26</b>
A.	Non-Residential Buildings	26
B.	Residential Units	27
<b>VII.</b>	<b>FEE PROGRAM IMPLEMENTATION AND ADMINISTRATION</b>	<b>31</b>

## I. EXECUTIVE SUMMARY

This report documents and quantifies the linkages between new non-residential and residential development in Santa Cruz County, the demand for child care spaces and the cost of mitigating the demand by developing new child care spaces. It has been written to meet the requirements of AB 1600, as incorporated into the California Government Code, Section 66000.

The analysis focuses on the demand for child care for infants, toddlers, preschool and school-age children generated by future workers and residents of Santa Cruz County. Per the requirements of AB 1600, impact fee revenues can only be spent on capital facilities that mitigate demand generated by new development and not on facilities to mitigate the demand of existing development. Child care improvement expenditures are limited to the costs associated with creating new or expanding existing child care centers, family child care homes (FCCH), and after school care spaces.

### A. Non-Residential Development and Maximum Child Care Facility Development Impact Fees Supported by Nexus Analysis

The analysis finds that, on average, a universe of 1,000 employees in Santa Cruz County generates demand for 10.7 child care center spaces and 8.8 FCCH spaces.

Based on a survey of recently developed child care centers in Santa Cruz County, new child care centers cost approximately \$38,500 per child care space and new FCCH spaces cost approximately \$12,900 per child care space. The demand for child care spaces (10.7 child care center spaces and 8.8 FCCH spaces) per 1,000 employees is converted into a total mitigation cost per 1,000 employees by multiplying the demand by the cost to build new child care spaces.

Using standard employment density figures, the mitigation cost per 1,000 employees is converted to cost per square foot of building area.

	Density	Maximum Child Care Facility Development Impact Fee Supported by Nexus Analysis
Office	300 SF/employee	\$1.75 per sq.ft.
Hotel	1,000 SF/employee	\$0.53 per sq.ft.
Retail/ Restaurant	350 SF/employee	\$1.50 per sq.ft.
Manufacturing / Lt. Industrial	750 SF/employee	\$0.70 per sq.ft.

These are the total child care linkage costs for non-residential buildings and represent the ceiling below which jurisdictions in the County may set fee levels; they are not necessarily recommended fee levels.

## **B. Residential Development and Maximum Child Care Facility Development Impact Fees Supported by Nexus Analysis**

In Santa Cruz County, 1,000 bedrooms are associated with the demand for 5.3 child care center spaces, 4.4 FCCH spaces, 7 onsite after school care spaces, and 3.5 FCCH after school care spaces.

Translating the demand and child care mitigation costs to a per bedroom basis, the total nexus cost is:

Preschool Nexus Cost	\$260 per bedroom
<u>After School Care Nexus Cost</u>	<u>\$166 per bedroom</u>
Total Child Care Nexus Costs	\$426 per bedroom

The total maximum development impact fee on residential development supported by the nexus analysis is \$426 per bedroom.

KMA also calculated the total maximum development impact fee on a per-square-foot basis instead of a per-bedroom basis. KMA estimates that the average home in the County has 629 square feet of living area per bedroom, based on an analysis conducted as part of the Affordable Housing Impact Fee program. Translating the demand and child care mitigation costs to a per square foot basis, the total nexus cost is:

Total Child Care Nexus Costs	\$0.68 per square foot
------------------------------	------------------------

## II. INTRODUCTION

This report presents an analysis of the relationships between new development and child care demands in Santa Cruz County. The analysis examines non-residential development and residential development and includes the child care needs of infants, toddlers, preschool and school age children. Keyser Marston Associates, Inc. (KMA) prepared the analysis under contract with the County. This nexus analysis evaluates the impact of new residential and non-residential development on child care demand and the costs of mitigating these demands, to serve as the basis for updating the County's Child Care Developer Fee pursuant to AB 1600. The report was also prepared to be used by the incorporated jurisdictions in the County as a basis for potentially establishing child care impacts fees in the incorporated areas.

### A. Background

The County of Santa Cruz adopted its Child Care Developer Fee program in 1991. The program levies a fee on new residential and non-residential construction. The fee is used to support the Child Care Developer Fees Loan Program, which provides loans for projects that increase or maintain the supply of licensed child care in Santa Cruz County. The current fee amounts, as specified in the County's Unified Fee Schedule, are as follows:

Land Use Category	2018 County of Santa Cruz Childcare Fee Schedule
6005 - Single Family Dwelling	\$109.00 per bedroom
6015 - Multi-Family Bedroom	\$36.00 per bedroom
6020 – Non-Residential Category I: Churches, warehouse/distribution, movie theaters, heavy industrial, health clubs, commercial shell space, schools, mills, public assembly, and congregate care/assisted living	\$0.12 per square foot of new construction
6025- Non-Residential Category II: personal services, general commercial, nursing homes, retail, hotel/motel, banks, conference centers, light industrial/mfg., service commercial, R&D center, office building, hospital, medical office, medical clinic, sales office, veterinary office/clinic, office park auto repair and restaurant	\$0.23 per square foot of new construction

The purpose of the study is: (1) to analyze and quantify the impacts of new non-residential and residential development on the demand for child care in the County; (2) to determine the costs to mitigate the impacts in terms of new child care facilities; and (3) to recommend an appropriate mitigation fee range. The analysis and report meet the needs of AB 1600 as incorporated in the California Government Code 66000.

## **B. Organization**

The report is divided into the following sections:

- *Analysis Concept, Parameters and Methodology.* This section provides background information on nexus analysis and presents the parameters and assumptions that guide the analysis.
- *Child Care Demand Analysis.* This section presents the quantification of demand for child care spaces generated by new non-residential and residential construction.
- *Child Care Facility Cost Analysis.* The cost analysis examines the cost of developing child care facilities in Santa Cruz and concludes with a cost of development per child care space, depending on the type of child care.
- *Maximum Development Impact Fees Supported by the Nexus Analysis.* This section connects the demand analysis to the cost analysis to determine the maximum development impact fee amounts supported by the nexus analysis.
- *Fee Program Implementation and Administration.* This section provides information about implementing the fee program and meeting the ongoing reporting requirements of the Mitigation Fee Act.

## **C. Disclaimer**

The analyses in this report were prepared using the best and most recent data available. Secondary sources, such as the American Community Survey, were used extensively. Local information from Santa Cruz County was used whenever it was available. While we believe these sources of data are sufficiently accurate for the purposes of the analysis, we cannot guarantee their complete accuracy. As a result, KMA assumes no liability for conclusions drawn from these sources.

### **III. ANALYSIS CONCEPT, PARAMETERS AND METHODOLOGY**

#### **A. General Approach**

The analysis demonstrates and quantifies (1) the linkages between the construction of new non-residential workplace buildings (office, retail, hotel, etc.), the employees who work in them and the demand for child care; and (2) the linkages between the construction of new residential units, the households that live in them and the demand for child care. The basic approach is a series of linkages that moves from construction of new buildings to new employees (bedrooms), from new employees (bedrooms) to the number of new children by age, to the number of children needing child care (either in a child care center or a family child care home), to the portion of the demand allocated to non-residential and residential development, to the cost of creating new child care spaces to meet that demand. The conclusion of the impact analysis is the total nexus cost per square foot of new building area (non-residential buildings) or per bedroom (residential).

Our approach examines the demand for child care from a group, or 'universe,' of employees or bedrooms. For ease of analysis and understanding, we utilized a universe of 1,000 employees for non-residential construction and a universe of 1,000 bedrooms for residential construction. This allows us to avoid expressing the demand for child care spaces as very small fractions.

The analysis and the nexus established by the analysis do not address existing child care shortages; the analysis addresses only new demand for child care associated with the construction of new non-residential buildings and residential units. The analysis should not be construed to suggest that development is the only cause of child care supply shortages, nor should it be construed to suggest that the development community should bear the full cost of addressing child care problems.

#### **B. Analysis Parameters**

The following parameters apply throughout the analysis.

##### ***1. Preschool Age Children Only (Non-Residential) / Preschool and School Age (Residential)***

For non-residential development, the scope of the analysis is limited to children not yet in school, which for the purposes of this study, we define as infants, toddlers, and three and four year olds. The analysis focuses on demand for child care located at or near the place of work (as opposed to near the home). Essentially, this limits the universe to child care for preschool children, as child care near the workplace is usually no longer a viable option once the child is in school, unless the school is close by.



For residential development, the analysis includes the demand for preschool spaces and after school care spaces.

## ***2. Capital Costs Only***

The Child Care Developer Fee program is an impact fee program that meets the requirements of the Mitigation Fee Act, AB 1600, as written into California Government Code, Section 66000 and following. The generally accepted, but narrow, interpretation of the Code language is that impact fees in California can be levied to fund capital projects only, not operational or programmatic costs. This means that only the costs of developing new child care facilities (including lifecycle costs) are legitimate subjects of child care fee programs.

## ***3. Child Care Centers, Family Child Care Homes, and Onsite After School Care***

The analysis focuses on the development of new child care spaces within child care centers, family child care homes (FCCHs), and onsite after school care centers. Based on discussions with the County, these three types of care are eligible for assistance through the Child Care Developer Fee Loan Program.

## ***4. Allocation of Preschool Child Care Between Non-Residential and Residential***

The demand for preschool child care in a certain area is driven both by place of employment and place of residence. The choice of location of child care is constrained by the overall supply of child care, the quality of available child care, the affordability of available care and the availability of spaces in child care centers. Current patterns of location of child care, either near the place of work or near the home, do not necessarily reflect the preferences of parents because of these supply constraints. Surveys of parent preferences for location of child care near the place of work versus near the home have shown widely varying preferences, with no consistent results. For the purposes of this analysis, KMA has allocated the demand for preschool child care between non-residential uses and residential uses equally; each are allocated 50% of the demand generated. This allocation ensures that the analysis is not double-counting demand for child care generated by non-residential and residential uses.

The demand for after school child care is allocated entirely to residential development, as the location of a child's school is generally determined by place of residence.

## **C. Underlying Concepts and Assumptions**

There are several fundamental concepts and assumptions that are important underpinnings to the nexus concept and methodology. Following is a brief summary of these concepts and key assumptions.

- The relationship between job growth and population growth is based on the premise that growth in most US regions is job driven. Over the long term, the Bay Area, including Santa Cruz County, would not grow and draw people to the area if people could not expect to find jobs. People born here would not stay here without job growth.
- The relationship between construction and job growth is also fundamental to establishing a nexus. While employment growth does not have a single cause, construction of new non-residential development does play a critical role in enabling growth to occur. Construction encourages growth, particularly in conjunction with the political and regulatory environment. Finally, the provision of non-residential buildings is a condition precedent to job growth and therefore bears a unique relationship to growth.
- The analysis assumes that new child care facilities are not being added to the supply in sufficient quantities to meet new needs. It is important, if difficult, to separate vacancies in child care centers due to the real or perceived inferior quality of care or the cost of care or some other factor from vacancies due to lack of overall demand for child care.
- By associating demand for child care with newly constructed non-residential and residential buildings, there is an underlying assumption that the new construction is “net” new to the economy. New office space or residential units may be occupied by a firm or household already located in Santa Cruz County, but somewhere in the chain of moves, net new jobs or households are added to the economy.
- The nexus analysis for non-residential buildings only considers ‘direct’ employees, or employees who work within a building. Office, retail, and hotel buildings are all serviced by a range of additional employees such as janitorial, security services, window washers, landscape maintenance personnel, etc. These indirect employees are not counted in the analysis. No multipliers or recognition of the multiplier effect of new developments is accounted for in the analysis. Construction employment is also not factored into the analysis.

## IV. CHILD CARE DEMAND ANALYSIS

In this section, the relationships between non-residential and residential development and demand for child care center spaces are quantified. Subsections A and B provide separate analyses for development of non-residential buildings and for new residential construction.

### A. The Demand for Child Care Spaces Associated with Non-Residential Development

The analysis examines how new non-residential buildings increase the need for child care spaces. The demand analysis quantifies this relationship by estimating the average demand for child care spaces from a given universe of employees.

#### 1. Demand Analysis and Methodology

To estimate the demand for child care from non-residential buildings, the analysis moves through a series of steps from the number of children per 1,000 employees, to the number of children requiring child care, to the number of children who would receive child care in a daycare center or FCCH near a parent's place of work. Later in the analysis, we translate this estimate from 1,000 employees to a per-square-foot of non-residential building area basis (Section IV).

The primary data source for the demand analysis is the 2012 – 2016 American Community Survey (ACS) and other surveys from the U.S. Census Bureau.

#### 2. Demand for Child Care Spaces

Using ACS data, we calculate the percent of children under 6 years old in Santa Cruz County who have working parent(s), which can be either two parent households with both parents working or single parent households with the parent working. Overall, 63.6% of children under 6 in Santa Cruz County have working parents. The calculation is shown in Step 1 on Table 1.

Santa Cruz County	
Percent of Children Under 6 With Working Parents	63.6%

Source: 2012-2016 American Community Survey. US Census Bureau.

Using the percentage from above and ACS data on the population of Santa Cruz County, we calculate the *number* of children with working parent(s) per employed county resident. We use this as the baseline for estimating the rate at which children under age 5 require some form of child care. The demand for child care from a universe of 1,000 employees is 74 children of preschool age and under, determined as follows:

	<b>Under 3 Years</b>	<b>Ages 3 to 4 Years</b>	<b>Total</b>
Number of Children in Santa Cruz County	8,839	6,062	14,901
Percent with Working Parent(s)		63.6%	
Number of Children with Working Parent(s)	5,621	3,855	9,476
Number of Employed Residents in SC County		128,528	
Number of Children with Working Parent(s) per 1,000 Employees	44	30	74

See Step 2 on Table 1 for more information.

### **3. How Child Care Needs Are Met**

The analysis is concerned with children for whom child care needs are met by child care centers and FCCHs. The U.S. Census Bureau compiles data on child care arrangements as part of the “Who’s Minding the Kids? Child Care Arrangements” series. The data is published by employment status of the mother and by age of the child, in addition to many other factors. It is based on a national survey. The most recent data, from Spring of 2011, suggests that for children under age 3, 24% attend daycare at a child care center and 8% in an FCCH. For 3 and 4 year olds, 36% attend daycare at a child care center and 7% at an FCCH.

To determine whether national data are representative of the situation in Santa Cruz, KMA examined the current supply of child care centers and FCCHs in the county. Based on child care supply estimates from the 2017 California Child Care Portfolio published by the Child Care Resource & Referral Network, 67% of licensed child care spaces available for children under 3 in Santa Cruz County are in FCCHs and 33% are in child care centers. Given these supply figures, the percent of children attending FCCHs compared to child care centers in Santa Cruz is likely to be significantly higher than the national survey suggests. KMA used the current supply ratios to adjust the national usage estimates. Our estimates are as follows:

<b>Type of Child Care</b>	<b>Under 3 Years</b>	<b>Ages 3 to 4 Years</b>
Child Care Center	24%	36%
Family Child Care Home	30%	15%
Other	<u>46%</u>	<u>49%</u>
Total	100%	100%

Source: KMA, US Census Bureau, Child Care Resource & Referral Network.

See Table 2, Step 3 for more information.

#### **4. Demand for Center-Based and FCCH Child Care**

Using our estimate of the percent of children attending child care centers and FCCHs, we calculate that from a universe of 1,000 employees, parents would demand approximately 21 child care center spaces and 18 FCCH spaces.

	Under 3 Years	Ages 3 to 4 Years	Total
Number of Children with Working Parent(s) per 1,000 Employees	44	30	74
<b>Type of Child Care</b>			
Child Care Center	24%	36%	
Family Child Care Home	30%	15%	
Children Needing Center-Based Care per 1,000 Employees	10.6	10.8	21.4
Children Needing FCCH Care per 1,000 Employees	13.1	4.5	17.6

Source: ACS, US Census Bureau, Child Care Resource & Referral Network, KMA.

#### **5. Demand for Child Care Spaces near the Workplace**

The last step in the analysis is an allocation of the child care center space demand to two generic locations – near the place of work or near the place of residence. As discussed earlier, KMA utilizes a 50% share of the demand for child care centers and FCCHs located near the workplace. The demand analysis for non-residential buildings suggests that a universe of 1,000 employees will generate demand for an average of approximately 10.7 child care center spaces and 8.8 FCCH spaces near the workplace.

	Under 3 Years	Ages 3 to 4 Years	Total
Children Needing Center-Based Care per 1,000 Employees (previous table)	10.6	10.8	21.4
Children Needing FCCH Care per 1,000 Employees (previous table)	13.1	4.5	17.6
Center-Based Care Near Work @ 50% of Demand	5.3	5.4	10.7
FCCH Care Near Work @ 50% of Demand	6.6	2.2	8.8

Sources: ACS, US Census Bureau, Child Care Resource & Referral Network, KMA.

See Table 2, Step 4 for more information.

#### **6. Summary of Conclusions**

From a universe of 1,000 employees in Santa Cruz County, 74 children require some form of child care. Of these 74 children, 21.4 would seek care in a child care center and 17.6 in an

FCCH. Of these, 10.7 center-based spaces and 8.8 FCCH spaces would be located near the parent's place of work. Therefore, one can expect that, on average, a universe of 1,000 employees would be associated with the demand for 10.7 child care center spaces and 8.8 FCCH spaces near the workplace.

## **B. The Demand for Child Care Spaces Associated with Residential Units**

New residential units also increase the need for child care in Santa Cruz County. The demand analysis quantifies this relationship by estimating the average demand for child care spaces from a given universe of bedrooms. The County's existing program assesses fees on a per-bedroom basis, to account for the association between the number of bedrooms and likelihood of children and number of children in the home.

For residential development, the analysis estimates the demand for child care from preschool age children, and the demand for after school care from school age children. The analyses are presented separately below.

### ***1. Preschool Age Children (Under 5 Years)***

To estimate the demand for preschool child care from new residential units, we use a methodology similar to the non-residential analysis. A series of steps takes us from the number of children per 1,000 bedrooms, to the number of children requiring child care, to the number of children who would receive child care in a daycare center or FCCH near the home. Later in the analysis, we translate this estimate from a per 1,000 bedrooms basis to a per bedroom basis (Section IV).

As with the non-residential analysis, the primary data source for the demand analysis is the 2012-2016 American Community Survey data. The analysis follows a series of sequential steps similar to the non-residential analysis; the steps are described below.

#### ***a. Demand for Child Care***

As calculated in the non-residential nexus analysis, 63.6% of children under 6 years old in Santa Cruz County have working parent(s). Using this percentage and ACS data on the population of Santa Cruz, we calculate the *number* of children with working parent(s) per household. We then divide that by the total number of bedrooms in Santa Cruz County, using ACS data on the distribution of housing units by bedroom count. We use this as the baseline estimate of the number of children requiring some form of child care. The demand for child care from a universe of 1,000 bedrooms is about 36.5 children of preschool age and under.

	<b>Under 3 Years</b>	<b>Ages 3 to 4 Years</b>	<b>Total</b>
Number of Children in Santa Cruz County	8,839	6,062	14,901
Percent with Working Parent(s)		63.6%	
Number of Children with Working Parent(s)	5,621	3,855	9,476
Number of Bedrooms in SC County		259,911	
Number of Children with Working Parent(s) per 1,000 Bedrooms	21.6	14.8	36.5

See Table 3 for more information.

*b. Demand for Child Care, by Type of Care*

The residential analysis relies on the same data sources as the workplace analysis to allocate child care by the type of care. Using the estimate of the percent of children attending child care centers and FCCHs, we calculate that from a universe of 1,000 bedrooms, parents would demand approximately 10.6 child care center spaces and 8.7 FCCH spaces.

	<b>Under 3 Years</b>	<b>Ages 3 to 4 Years</b>	<b>Total</b>
Number of Children with Working Parent(s) per 1,000 Bedrooms	21.6	14.8	36.5
<b>Type of Child Care</b>			
Child Care Center	24%	36%	
Family Child Care Home	30%	15%	
Children Needing Center-Based Care per 1,000 Bedrooms	5.3	5.3	10.6
Children Needing FCCH Care per 1,000 Bedrooms	6.5	2.2	8.7

Source: ACS, US Census Bureau, Child Care Resource & Referral Network, KMA.

See Table 4 for more information.

*c. Demand for Child Care Center Spaces near the Home*

As previously discussed, KMA allocated the demand for preschool child care evenly between non-residential and residential. Therefore, to complete the residential demand analysis, we calculate the number of children receiving child care near home as 50% of all children receiving center based and FCCH care.

	<b>Under 3 Years</b>	<b>Ages 3 to 4 Years</b>	<b>Total</b>
Center-Based Care per 1,000 Bedrooms @ 50% of Demand	2.6	2.7	5.3
FCCH Care per 1,000 Bedrooms @ 50% of Demand	3.2	1.1	4.4

Source: ACS, US Census Bureau, Child Care Resource & Referral Network, KMA.

See Table 4 for more information.

*d. Summary of Conclusions – Preschool Age Children*

From a universe of 1,000 bedrooms in Santa Cruz County, about 36.5 preschool children require some form of child care. Of these 36.5 children, 10.6 would receive child care from a child care center and 8.7 from an FCCH. Of these, 5.3 center based spaces and 4.4 FCCH spaces would be located near the home.

**2. School Age Children (5 - 14 Years)**

For the residential units, we also estimate the demand for after school care from school age children. The methodology is the same as for the preschool age children, but the inputs vary. As with the preschool analysis, the primary data source is the 2012-2016 American Community Survey data. The steps are described below.

*a. Demand for Child Care*

Using ACS data, we calculate the percent of school age children in Santa Cruz County who have working parent(s), which can be either two parent households with both parents working or single parent households with the parent working. Overall, 70.9% of children 6-17 in Santa Cruz County have working parents. The calculation is shown in Step 1 on Table 5.

	<b>Santa Cruz County</b>
<b>Percent of Children 6-17 With Working Parents</b>	70.9%

Source: 2012-2016 American Community Survey. US Census Bureau.

Using this percentage and ACS data on the population of Santa Cruz, we calculate the *number* of school age children with working parent(s) per household. We then divide that by the total number of bedrooms in Santa Cruz County, using ACS data on the distribution of housing units by bedroom count. We use this as the baseline estimate of the number of children requiring some form of child care. The demand for school age child care from a universe of 1,000 bedrooms is about 82 children.

Number of Children Age 5-14 in Santa Cruz County	30,160
Percent with Working Parent(s)	71%
Number of School Age Children with Working Parent(s)	21,394
Number of Bedrooms in SC County	259,911
Number of School Age Children with Working Parent(s) per 1,000 Bedrooms	82

Source: 2012-2016 American Community Survey. US Census Bureau.

See Table 5 for more information.



*b. Demand for Child Care, by Type of Care*

The US Census Bureau's Who's Minding the Kids series publishes survey data on the type of care used by school age children after school. For children with employed mothers, 9% of school age children use an after school care center located onsite at school and 4% use an FCCH. Applying these percentages, we calculate that from a universe of 1,000 bedrooms, parents would demand approximately 7 onsite after school care spaces and 3.5 FCCH spaces.

Number of School Age Children with Working Parent(s) per 1,000 Bedrooms	82
<b>Type of Child Care</b>	
Onsite After School Care	9%
Family Child Care Home	4%
School Age Children Needing Onsite Care per 1,000 Bedrooms	7
School Age Children Needing FCCH Care per 1,000 Bedrooms	3.5

Source: 2012-2016 American Community Survey. US Census Bureau.

See Table 5 for more information.

*c. Summary of Conclusions*

From a universe of 1,000 bedrooms in Santa Cruz County, about 82 school age children require some form of child care. Of these 82 children, 7 would attend an onsite after school care program and 3.5 would attend an FCCH.

**Table 1**  
**Child Care Demand Analysis: Steps 1 and 2**  
**Non-Residential Buildings**  
**Child Care Impact Fee Nexus Analysis**  
**County of Santa Cruz, CA**

---

**Step 1. Percent of Children in Santa Cruz County with Working Parent(s)**

a. Total Number of Children Under 6 in Families/Subfamilies <sup>1</sup>	17,119
b. Number of Children Under 6 with Working Parent(s) <sup>2</sup>	10,886
c. <i>Percent of Children Under 6 with Working Parent(s)</i>	63.6%

**Step 2. Children Under 5 Needing Some Form of Child Care**

	<b>Under 3 Years</b>	<b>Ages 3 and 4</b>	<b>Total</b>
Total Number of Children in Age Group <sup>3</sup>	8,839	6,062	14,901
Percent of Children With Working Parent(s) (Step 1)		63.6%	
Number of Children with Working Parents	5,621	3,855	9,476
Number of Employed Residents in Santa Cruz County <sup>4</sup>		128,528	
Number of Children With Working Parent(s) per 1,000 Employees	44	30	74

---

**Notes:**

1. This is the universe from which the statistic in Step 1b is drawn. A subfamily is defined as "a married couple (with or without children) or a single parent with one or more never-married children under the age of 18, residing with and related to the householder, but not including the householder or the householder's spouse."
2. Working parent(s) can be either a single parent who is in the labor force, or two parents who are both in the labor force.
3. General population numbers from the US Census. Does not match total in Step 1 because it does not include five year olds and it includes all children, not just own children in families.
4. 2012-2016 American Community Survey 5-Year Estimates.

Source: 2012-2016 American Community Survey 5-Year Estimates, US Census Bureau.

**Table 2**  
**Child Care Demand Analysis: Steps 3 and 4**  
**Non-Residential Buildings**  
**Child Care Impact Fee Nexus Analysis**  
**County of Santa Cruz, CA**

---

**Step 3. Children Under 5 Needing Child Care, By Type of Care**

	<b>Under 3 Years</b>	<b>Ages 3 and 4</b>	<b>Total</b>
<b>Type of Child Care<sup>1</sup></b>			
Center-Based Care	24%	36%	
Family Child Care Home (FCCH) <sup>2</sup>	30%	15%	
Other (Nanny, Relatives, etc.)	46%	49%	
	100%	100%	
Children Needing Center-Based Care per 1,000 Employees	10.6	10.8	21.4
Children Needing FCCH Care per 1,000 Employees	13.1	4.5	17.6

**Step 4. Children Under 5 Needing Child Care, Allocated to Place of Employment**

	<b>Under 3 Years</b>	<b>Ages 3 and 4</b>	<b>Total</b>
Children Needing Center-Based Care per 1,000 Employees @ 50%	5.3	5.4	10.7
Children Needing FCCH Care per 1,000 Employees @ 50%	6.6	2.2	8.8

1. U.S. Census Bureau, "Who's Minding the Kids? Child Care Arrangements of Preschoolers Under 5 Years Old Living with Mother, by Employment Status of Mother and Selected Characteristics, Spring 2011."

2. KMA adjusted the national Census data to account for the relative supply of FCCH child care spaces in Santa Cruz County.

Sources: US Census Bureau. 2017 California Child Care Portfolio, Child Care Resource & Referral Network. Santa Cruz County Early Care and Education Needs Assessment, June 2016 - 2021.

**Table 3**  
**Child Care Demand Analysis: Steps 1 and 2**  
**Residential Buildings**  
**Child Care Impact Fee Nexus Analysis**  
**County of Santa Cruz, CA**

---

**Step 1. Percent of Children in Santa Cruz County with Working Parent(s)**

a. Total Number of Children Under 6 in Families/Subfamilies <sup>1</sup>	17,119
b. Number of Children Under 6 with Working Parent(s) <sup>2</sup>	10,886
c. <i>Percent of Children Under 6 with Working Parent(s)</i>	63.6%

**Step 2. Children Under 5 Needing Some Form of Child Care**

	<b>Under 3 Years</b>	<b>Ages 3 and 4</b>	<b>Total</b>
Total Number of Children in Age Group <sup>3</sup>	8,839	6,062	14,901
Percent of Children With Working Parent(s) (Step 1)		64%	
Number of Children with Working Parents	5,621	3,855	9,476
Number of Bedrooms in Santa Cruz County <sup>4</sup>		259,911	
Number of Children With Working Parent(s) per 1,000 Bedrooms	21.6	14.8	36.5

1. This is the universe from which the statistic in Step 1b is drawn. A subfamily is defined as "a married couple (with or without children) or a single parent with one or more never-married children under the age of 18, residing with and related to the householder, but not including the householder or the householder's spouse."

2. Working parent(s) can be either a single parent who is in the labor force, or two parents who are both in the labor force.

3. General population numbers from the US Census. Does not match total in Step 1 because it does not include five year olds and it includes all children, not just own children in families.

4. 2012-2016 American Community Survey 5-Year Estimates.

Source: 2012-2016 American Community Survey 5-Year Estimates.

**Table 4**  
**Child Care Demand Analysis: Steps 3 and 4**  
**Residential Buildings**  
**Child Care Impact Fee Nexus Analysis**  
**County of Santa Cruz, CA**

---

**Step 3. Children Under 5 Needing Child Care, By Type of Care**

	<b>Under 3 Years</b>	<b>Ages 3 and 4</b>	<b>Total</b>
<b>Type of Child Care<sup>1</sup></b>			
Center-Based Care	24%	36%	
Family Child Care Home (FCCH) <sup>2</sup>	30%	15%	
Children Needing Center-Based Care per 1,000 Bedrooms	5.3	5.3	10.6
Children Needing FCCH Care per 1,000 Bedrooms	6.5	2.2	8.7

**Step 4. Children Under 5 Needing Child Care Allocated to Residential**

	<b>Under 3 Years</b>	<b>Ages 3 and 4</b>	<b>Total</b>
Children Needing Center-Based Care per 1,000 Bedrooms @ 50%	2.6	2.7	5.3
Children Needing FCCH Care per 1,000 Bedrooms @ 50%	3.2	1.1	4.4

1. U.S. Census Bureau, "Who's Minding the Kids? Child Care Arrangements of Preschoolers Under 5 Years Old Living with Mother, by Employment Status of Mother and Selected Characteristics, Spring 2011."

2. KMA adjusted the national Census data to account for the relative supply of FCCH child care spaces in Santa Cruz County.

Sources: US Census Bureau. 2017 California Child Care Portfolio, Child Care Resource & Referral Network. Santa Cruz County Early Care and

**Table 5**  
**School Age Children**  
**Residential Buildings**  
**Child Care Impact Fee Nexus Analysis**  
**County of Santa Cruz, CA**

---

**Step 1. Percent of School Age Children in Santa Cruz County with Working Parent(s)**

a. Total Number of Children 6-17 in Families/Subfamilies <sup>1</sup>	34,882
b. Number of Children 6-17 with Working Parent(s) <sup>2</sup>	24,744
c. <i>Percent of Children 6-17 with Working Parent(s)</i>	70.9%

**Step 2. Children Age 5-14 Needing Some Form of After School Care**

	<u><b>5-14 Years</b></u>
Total Number of Children in Age Group <sup>3</sup>	30,160
Percent of Children With Working Parent(s) (Step 1)	71%
Number of Children with Working Parents	21,394
Number of Bedrooms in Santa Cruz County <sup>4</sup>	259,911
Number of Children 5-14 With Working Parent(s) per 1,000 Bedrooms	82

**Step 3. Children 5-14 Needing After School Care, By Type of Care**

	<u><b>5-14 Years</b></u>
<b>Type of After School Care<sup>5</sup></b>	
Onsite School Care Programs	9%
Family Child Care Home (FCCH)	4%
Children Needing Onsite School Care per 1,000 Bedrooms	7
Children Needing FCCH After School Care per 1,000 Bedrooms	3.5

1. This is the universe from which the statistic in Step 1b is drawn. A subfamily is defined as "a married couple (with or without children) or a single parent with one or more never-married children under the age of 18, residing with and related to the householder, but not including the householder or the householder's spouse."

2. Working parent(s) can be either a single parent who is in the labor force, or two parents who are both in the labor force.

3. General population numbers from the US Census. Does not match total in Step 1 because age group is different and it includes all children, not just own children in families.

4. 2012-2016 American Community Survey 5-Year Estimates.

5. U.S. Census Bureau, Who's Minding the Kids?, Table 3B: Child Care arrangements of Gradeschoolers 5 to 14 Years Old Living with Mother, by Employment Status of Mother and Selected Characteristics: Spring 2010.

## **V. CHILD CARE FACILITY COST ANALYSIS**

The mitigation costs for child care demand associated with non-residential and residential buildings must relate to the cost of creating child care facilities for preschool and after school age children, according to the parameters of the nexus analysis. In this section, we estimate the cost of developing a new child care center, a new FCCH and a new after school care center, all on a per-child-care-space basis. Combining the results of the demand analyses and this cost analysis produces the estimates of mitigation costs.

To develop a cost estimate, we examined the experience of recently developed child care centers in Santa Cruz County. We also assembled third party construction cost estimates and recent commercial land sales in the County. In addition to current development costs, each cost estimate includes a Lifecycle Replacement Cost Factor of 15%. This factor covers the capital replacement and maintenance of the new child care facilities going forward.

The information in this section on local child care centers was assembled with the assistance of staff from the Child Care Advisory Council and the Child Development Resource Center.

### **A. Development Costs for a Prototypical Child Care Center**

Table 6 presents an estimate of the cost to develop a new child care center. The analysis is summarized below.

#### ***1. Development Program***

For purposes of this analysis, we assume that the center will have 50 licensed child care spaces, an average of 65 square feet of indoor space per child, and 75 square feet per child of outdoor play space. Based on County zoning requirements, we assume one parking space per 400 square feet of building area, for a total of 8 spaces.

#### ***2. Development Costs***

KMA estimated the cost components for new child care centers based on the experiences of local child care centers, as well as from third party construction cost estimators including Marshall Swift and R.S. Means. The main components and unit costs of a 50-space child care center are as follows:

	PSF Bldg. Area	Bldg. Area	Total
Building shell, On-sites, and Tenant Improvements	\$275/SF	3,250 SF	\$893,800
Furnishings, Equipment and Indirects <sup>1</sup>	\$110/SF	3,250 SF	\$357,500
Lifecycle Replacement Cost Factor		15% of above	\$187,700
<u>Land</u>	\$42/ SF Land	11,530 SF land	<u>\$484,300</u>
Total Development Costs (50 spaces)	\$530/SF	3,250 SF	\$1,923,300
Total Mitigation Cost per Space			\$38,500

1. Includes indoor furnishings and fixtures, as well as outdoor play structures, design and engineering, fees and hookups, and financing.

The conclusion of this analysis is that it costs approximately \$38,500 per space to develop a new child care center in Santa Cruz County.

## B. Development Costs for A Prototypical Family Child Care Home

Table 7 presents an estimate of the cost to develop a new FCCH. The analysis is summarized below.

### 1. Development Program

For purposes of this analysis, we assume a large FCCH with 12 licensed child care spaces, an average of 75 square feet of indoor space per child, and 75 square feet per child of outdoor play space.

### 2. Development Costs

For the FCCH, KMA estimated renovation and remodeling costs, assuming that the provider owns a home large enough to accommodate the FCCH. This is a conservative assumption that does not include land costs or the construction costs of the home. The main components and unit costs of a new FCCH are estimated as follows:

	PSF Bldg. Area	Bldg. Area	Total
Remodeling and Renovations	\$110/SF	900 SF	\$99,000
Furnishings, Equipment and Indirects <sup>1</sup>	\$40/SF	900 SF	\$36,000
Lifecycle Replacement Cost Factor		15% of above	\$20,300
<u>Land</u>			<u>Not included</u>
Total Development Costs (12 spaces)	\$150/SF	900 SF	\$155,300
Total Mitigation Cost per Space			\$12,900

1. Includes indoor furnishings and fixtures, as well as outdoor play structures, design and engineering, fees and hookups, and financing.

The conclusion of this analysis is that it costs approximately \$12,900 per space to develop an FCCH in Santa Cruz County.



## C. Development Costs for a Prototypical Onsite After School Care Center

Table 8 presents an estimate of the cost to develop a new onsite after school center. The analysis is summarized below.

### 1. Development Program

For purposes of this analysis, we assume a modular building located on school property with 50 child care spaces and an average of 50 square feet of indoor space per child. No additional outdoor play equipment is assumed.

### 2. Development Costs

For the after school care building, KMA estimated the costs for a new modular building. Cost estimates were provided by local after school care providers, and KMA supplemented that data with cost estimates from our work in other Bay Area locations. No land costs are assumed because the building is located on school property. The main components and unit costs of a new onsite after school care building are estimated as follows:

	PSF Bldg. Area	Bldg. Area	Total
Modular Building, Furnishings, Permitting and Start-up Costs	\$300/SF	2,500 SF	\$750,000
Lifecycle Replacement Cost Factor		15% of above	\$112,500
Total Development Costs (50 spaces)			\$862,500
Total Mitigation Cost per Space			\$17,300

The conclusion of this analysis is that it costs approximately \$17,300 per space to develop an onsite after school care center in Santa Cruz County.

**Table 6**  
**Estimated Child Care Center Facility Costs**  
**Child Care Impact Fee Nexus Analysis**  
**County of Santa Cruz, CA**

---

Number of Children:	50		
Size of Facility			
Indoor Space @	65 sq. ft. per child	3,250 sq. ft.	
Outdoor Space @	75 sq. ft. per child	3,750 sq. ft.	
Total		<u>7,000</u> sq. ft.	
Cost of Facility			
Building shell, On-sites and Tenant Improvements, and Parking @	\$275 /sf	3,250 sq. ft.	\$893,800
Furnishing, equipment, and indirects (includes financing, permit fees, start-up costs, etc.) @	\$110 /sf	3,250 sq. ft.	\$357,500
Lifecycle Replacement Cost Factor		15%	<u>\$187,700</u>
			\$1,439,000
Land required:			
Building pad		3,250 sq. ft.	
Parking <sup>1</sup>			
Facility Parking @ 8 spaces		2,800 sq. ft.	
Outdoor play area		<u>3,750 sq. ft.</u>	
		9,800 sq. ft.	
Total land required @ 85% coverage		11,530 sq. ft.	
Land cost @ \$42 per sq. ft. x 11,530 sq.ft.			<u>\$484,300</u>
Total Development Cost			\$1,923,300
Cost per sq. ft. child care facility			\$592
<b>Total Cost Per Child Care Space</b>			<b>\$38,500</b>

Sources: Interviews with local child care operators, Marshall Swift, RS Means, KMA.

**Table 7**  
**Estimated Family Child Care Homes Facility Costs**  
**Child Care Impact Fee Nexus Analysis**  
**County of Santa Cruz, CA**

---

Number of Children: 12

Size of Facility

Indoor Space @	75 sq. ft. per child	900 sq. ft.
Outdoor Space @	75 sq. ft. per child	900 sq. ft.
Total		<u>1,800 sq. ft.</u>

Cost of Facility

Remodeling and Renovations	\$110 /sf	900 sq. ft.	\$99,000
Furnishing, equipment, and indirects (includes financing, permit fees, start-up costs, etc.)	\$40 /sf	900 sq. ft.	\$36,000
Lifecycle Replacement Cost Factor		15%	<u>\$20,300</u>
Total Development Cost			\$155,300
Cost per sq. ft. child care facility			\$173
<b>Total Development Cost per Child Care Space</b>			<b>\$12,900</b>

Sources: Interviews with local child care operators, Marshall Swift, RS Means, KMA.

**Table 8**  
**Estimated After School Care Facility Costs**  
**Child Care Impact Fee Nexus Analysis**  
**County of Santa Cruz, CA**

---

Number of Children:	50			
Size of Facility				
Indoor Space @	50 sq. ft. per child	2,500 sq. ft.		
Cost of Facility				
Modular Building, Furnishings, Permitting, Start-Up Costs.	\$300 /sf	2,500 sq. ft.		\$750,000
Lifecycle Replacement Cost Factor		15%		<u>\$112,500</u>
Total Development Cost				\$862,500
Cost per sq. ft. child care facility				\$350
<b>Total Development Cost per Child Care Space</b>				<b>\$17,300</b>

Sources: Interviews with local child care operators, Marshall Swift, RS Means, KMA.

## **VI. MAXIMUM CHILD CARE DEVELOPMENT IMPACT FEES SUPPORTED BY NEXUS ANALYSIS**

In this section, we join the conclusions of the demand analysis with the conclusions of the cost analysis to determine the maximum amount of development impact fees that are supported by the nexus analysis.

### **A. Non-Residential Buildings**

#### **1. Employment Density**

In order to translate the demand analysis from a per 1,000 employee basis to a per square foot basis, we utilize average employment densities, which vary by the type of workplace. In the Jobs Housing Nexus Analysis prepared for the County of Santa Cruz by Keyser Marston Associates in 2014, we estimated employment densities as follow:

- Office – 300 square feet per employee.
- Hotel – 1,000 square feet per employee.
- Retail/Restaurant – 350 square feet per employee.
- Manufacturing / Industrial – 750 square feet per employee.

As noted in the Jobs Housing Analysis, these densities are averages and we would expect differences within each category as well as changes over time due to the economic conditions.

#### **2. Child Care Demand and Mitigation Costs Related to Building Area**

At this juncture, we are able to link building area with number of employees, with child care demand, and the costs of mitigating child care demand. The analysis is shown on Table 9 and summarized below.

Demand for Child Care Centers per 1,000 Employees (Section II)	10.7
Cost of Child Care Centers Per Space (Section III)	\$38,500
Cost of Child Care Spaces for 1,000 Employees (10.7 x \$38,500)	\$412,000
Demand for FCCHs per 1,000 Employees (Section II)	8.8
Cost of FCCHs Per Space (Section III)	\$12,900
Cost of FCCHs for 1,000 Employees (8.8 x \$12,900)	\$113,600
Total Cost of Child Care Spaces per 1,000 Employees	\$526,000
Total Cost Per Employee	\$526

	<b>Square Feet per Employee</b>	<b>Child Care Mitigation Cost per SF Building Area – Maximum Development Impact Fee Supported by Nexus Analysis</b>
Office	300 SF/employee	\$1.75
Hotel	1,000 SF/employee	\$0.53
Retail/Restaurant	350 SF/employee	\$1.50
Manufacturing / Industrial	750 SF/employee	\$0.70

These are the total child care nexus costs for non-residential buildings. These costs, also referred to as total nexus costs, represent the legal ceiling for potential fees; they are not necessarily recommended fee levels. The County may set fees at any level below these nexus costs. The next section of the report provides additional materials for assisting in selecting fee levels.

## **B. Residential Units**

The following table shows the linkage between residential construction and the demand for new child care spaces to the cost of providing the new spaces in order to calculate the maximum development impact fee supported by the nexus analysis. The costs are shown separately for preschool age children and then school age children. The analysis is shown on Table 10 and below.

### **1. Maximum Supported Development Impact Fee Per Bedroom**

#### **Preschool Age Children**

Demand for Child Care Centers per 1,000 Bedrooms (Section II)	5.3
Cost of Child Care Centers Per Space (Section III)	\$38,500
Cost of Child Care Spaces for 1,000 Bedrooms (5.3 x \$38,500)	\$204,000
Demand for FCCHs per 1,000 Bedrooms (Section II)	4.4
Cost of FCCHs Per Space (Section III)	\$12,900
Cost of FCCHs for 1,000 Bedrooms (4.4 x \$12,900)	\$56,000
Total Cost of Child Care Spaces per 1,000 Bedrooms	\$260,000
Total Cost Per Bedroom	<b>\$260</b>

### School Age Children

Demand for Onsite After School Centers per 1,000 Bedrooms (Section II)	7.0
Cost of Onsite After School Centers Per Space (Section III)	\$17,300
Cost of Onsite After School Spaces for 1,000 Bedrooms (7.0 x \$17,300)	\$121,000
Demand for FCCHs per 1,000 Bedrooms (Section II)	3.5
Cost of FCCHs Per Space (Section III)	\$12,900
Cost of FCCHs for 1,000 Bedrooms (3.5 x \$12,900)	\$45,000
Total Cost of Child Care Spaces per 1,000 Bedrooms	\$166,000
Total Cost Per Bedroom	<b>\$166</b>

The total residential nexus cost for preschool and school age children is \$426 per bedroom, which represents that maximum development impact fee that is supported by the nexus analysis.

### 2. Maximum Supported Development Impact Fee per Square Foot

KMA also calculated the total maximum development impact fee on a per-square-foot basis instead of a per-bedroom basis. To do this, KMA used the residential prototypes developed as part of the Affordable Housing Impact Fee Analysis. The prototypes represent typical new residential development in Santa Cruz County and range from attached multi-family units to large single family detached projects. In 2017, KMA analyzed building permit data for the unincorporated County and determined that the average home built in the prior two-year period most closely resembled the Smaller Single Family Detached prototype, which averages 3.5 bedrooms and 2,200 square feet. This equates to 629 square feet of home per bedroom. Translating the demand and child care mitigation costs from a per-bedroom to a per square foot basis, the total nexus cost is:

Total Child Care Nexus Costs	\$0.68 per square foot
------------------------------	------------------------

**Table 9**  
**Total Child Care Nexus Costs**  
**Non-Residential Buildings**  
**Child Care Impact Fee Nexus Analysis**  
**County of Santa Cruz, CA**

---

**I. Total Nexus Costs, Per Employee**

	<b>Total</b>
Children Needing Center-Based Care per 1,000 Employees @ 50% (See Table 2)	10.7
Children Needing FCCH Care per 1,000 Employees @ 50% (See Table 2)	8.8
Cost per New Center-Based Care Space (See Table 6)	\$38,500
Cost per New FCCH-Based Care Space (See Table 7)	\$12,900
Total Cost for New Center-Based Care Spaces, per 1,000 Employees	\$412,263
Total Cost for New FCCH Care Spaces, per 1,000 Employees	\$113,638
Total Cost for New Spaces, per 1,000 Employees	\$525,901
Total Cost for New Spaces, per Employee	\$525.90

**II. Total Nexus Costs, Per Square Foot**

	<b>Office</b>	<b>Hotel</b>	<b>Retail / Restaurant</b>	<b>Manuf. / Industrial</b>
Employment Density (SF/Employee) <sup>1</sup>	300	1,000	350	750
<b>Total Nexus Cost for New Child Care Spaces, Per SF</b>	<b>\$1.75</b>	<b>\$0.53</b>	<b>\$1.50</b>	<b>\$0.70</b>

1. Keyser Marston Associates, Jobs Housing Nexus Analysis, County of Santa Cruz, 2014.



**Table 10**  
**Total Child Care Nexus Costs**  
**Residential Buildings**  
**Child Care Impact Fee Nexus Analysis**  
**County of Santa Cruz, CA**

---

**I. Total Child Care Nexus Costs, Per Bedroom**

	<b>Total</b>
Children Needing Center-Based Care per 1,000 Bedrooms @ 50% (See Table 4)	5.3
Children Needing FCCH Care per 1,000 Bedrooms @ 50% (Table 4)	4.4
Cost per New Center-Based Care Space (See Table 6)	\$38,500
Cost per New FCCH-Based Care Space (See Table 7)	\$12,900
Total Cost for New Center-Based Care Spaces, per 1,000 Bedrooms	\$203,867
Total Cost for New FCCH Care Spaces, per 1,000 Bedrooms	\$56,195
Total Cost for New Spaces, per 1,000 Bedrooms	\$260,062
Total Cost for New Spaces, per Bedroom	\$260

**II. Total After School Care Nexus Costs, Per Bedroom**

	<b>Total</b>
Children Needing Onsite School Care per 1,000 Bedrooms (See Table 5)	7.0
Children Needing FCCH After School Care per 1,000 Bedrooms (See Table 5)	3.5
Cost per New After School Care Space (See Table 8)	\$17,300
Cost per New FCCH-Based After School Care Space (See Table 7)	\$12,900
Total Cost for New After School Care Spaces, per 1,000 Bedrooms	\$121,043
Total Cost for New FCCH After School Care Spaces, per 1,000 Bedrooms	\$44,598
Total Cost for New Spaces, per 1,000 Bedrooms	\$165,641
Total Cost for New Spaces, per Bedroom	\$166

**III. Total Residential Nexus Costs, Per Bedroom** **\$426**

**IV. Total Residential Nexus Costs, Per Square Foot**

Average Square Footage of Home per Bedroom	629
Total Residential Nexus Costs, per Square Foot	<b>\$0.68</b>

## **VII. FEE PROGRAM IMPLEMENTATION AND ADMINISTRATION**

The Mitigation Fee Act includes a series of reporting requirements designed to ensure that development impact fee revenues are properly accounted for, used appropriately, and when funds are ultimately not used, that they are reimbursed. In addition, jurisdictions adopting fee programs should determine their preferred approach to updating the fee schedule and whether they intend to allow for exemptions, credits, and reimbursements (under any additional circumstances). The following fee program implementation and administration parameters are our standard recommendations. The County's existing program may already include some or all of these recommendations.

### ***1. Fee Accounting***

The County should deposit child care facility impact fee revenues into a separate restricted fee account to be used only for eligible child care capital facility improvements.

### ***2. Annual Reporting***

The Mitigation Fee Act/AB 1600 (at Gov. C. §§ 66001(c), 66006(b)(1)) stipulates that each local agency that requires payment of a fee make specific information available to the public annually within 180 days of the last day of the fiscal year. This information includes the following:

- A description of the type of fee in the account
- The amount of the fee
- The beginning and ending balance of the fund
- The amount of fees collected and interest earned
- Identification of the improvements constructed
- The total cost of the improvements constructed
- The fees expended to construct the improvement
- The percentage of total costs funded by the fee
- The approximate date by which the construction of the public improvement will commence if the County determines that there is sufficient funds to complete an incomplete public improvement
- A description of each interfund transfer or loan made from the account

### ***3. Five-Year Reporting***

Starting in the fifth fiscal year following the first deposit into the child care impact fee account, and every five years thereafter, the Mitigation Fee Act requires the County to make the following findings with respect to funds that have not been spent:

- Identify the purpose to which the fee is to be put;
- Demonstrate a reasonable relationship between the fee and the purpose for which it is charged;

- Identify all sources and amounts of funding anticipated to complete target eligible improvements;
- Designate the approximate dates on which the additional funds sufficient for completing the target eligible improvements are expected to be deposited into the account.

If the required findings are not made, the County is required to refund the moneys in the account.

#### ***4. Credits, Reimbursement, and Exemptions***

Under certain and limited circumstances, as determined by the County, the Impact Fee Resolution could allow developers subject to the fee to obtain credits, reimbursements, or exemptions. In cases of redevelopment, the demolition of space should provide a fee credit. In other words, the gross fee obligation should be calculated based on the scale of the proposed new development, with a fee credit to be applied for existing square footage to be removed (or retained) using the applicable fee for the existing square footage (land uses). Residential units that are being replaced due to a natural disaster are also exempt from the impact fees.

All other fee credits and/or reimbursements should not be allowed by right but rather should be subject to review by County staff and the Board of Supervisors to ensure that such credits or reimbursements are warranted and appropriate. Potential examples where fee credits and reimbursements might be considered include: (1) cases where a Development Agreement specifically envisions extraordinary, direct investments in child care facilities of equal to or greater value to the County than the child care facility impact fees; and (2) exemptions where the County elects not to impose fees for certain categories of development.

#### ***5. Securing Supplemental Funding***

The maximum, supportable development impact fees are set to cover the child care facilities investments that will maintain countywide capital facilities levels as new growth occurs. To the extent that the adopted fees are less than the maximums and/or the County's goals envision an overall increase in child care facility standards, supplemental funding will be required to fund new facilities. In addition, to the extent that exemptions are provided for particular types of development, supplemental funding will be required to make up for this lost funding.

#### ***6. Inflation Adjustment***

The funding capacity of the fee will erode over time due to inflation. To mitigate this impact, the fee should be adjusted annually using a reputable source, such as the Engineering News Record. The selected inflation index should be identified in the fee ordinance.

## ***7. Periodic Review***

Because of the dynamic nature of growth and capital equipment requirements, the County should monitor inventory activity, the need for improvements, and the adequacy of the fee revenues and other available funding. To the extent particular issues are identified, adjustments to the fee program may be required. We recommend that the fee levels be reviewed every five years.

**Table 1**  
**Child Care Demand Analysis: Steps 1 and 2**  
**Non-Residential Buildings**  
**Child Care Impact Fee Nexus Analysis**  
**City of Santa Cruz, CA**

---

**WORKING DRAFT**

**Step 1. Percent of Children in Santa Cruz County with Working Parent(s)<sup>1</sup>**

a. Total Number of Children Under 6 in Families/Subfamilies <sup>2</sup>	17,119
b. Number of Children Under 6 with Working Parent(s) <sup>3</sup>	10,886
c. <i>Percent of Children Under 6 with Working Parent(s)</i>	<i>63.6%</i>

**Step 2. Children Under 5 Needing Some Form of Child Care**

	<b>Under 3 Years</b>	<b>Ages 3 and 4</b>	<b>Total</b>
Total Number of Children in Age Group <sup>4</sup>	8,839	6,062	14,901
Percent of Children With Working Parent(s) (Step 1)		63.6%	
Number of Children with Working Parents	5,621	3,855	9,476
Number of Employed Residents in Santa Cruz County <sup>5</sup>		128,528	
Number of Children With Working Parent(s) per 1,000 Employees	44	30	74

---

**Notes:**

1. The non-residential analysis, which focuses on workplaces, uses demographics for Santa Cruz County because workers are assumed to live throughout the county and not just in the City of Santa Cruz.
2. This is the universe from which the statistic in Step 1b is drawn. A subfamily is defined as "a married couple (with or without children) or a single parent with one or more never-married children under the age of 18, residing with and related to the householder, but not including the householder or the householder's spouse."
3. Working parent(s) can be either a single parent who is in the labor force, or two parents who are both in the labor force.
4. General population numbers from the US Census. Does not match total in Step 1 because it does not include five year olds and it includes all children, not just own children in families.
5. 2012-2016 American Community Survey 5-Year Estimates.

Source: 2012-2016 American Community Survey 5-Year Estimates, US Census Bureau.

**Table 2**  
**Child Care Demand Analysis: Steps 3 and 4**  
**Non-Residential Buildings**  
**Child Care Impact Fee Nexus Analysis**  
**City of Santa Cruz, CA**

---

**WORKING DRAFT**

**Step 3. Children Under 5 Needing Child Care, By Type of Care**

	<b>Under 3 Years</b>	<b>Ages 3 and 4</b>	<b>Total</b>
<b>Type of Child Care<sup>1</sup></b>			
Center-Based Care	24%	36%	
Family Child Care Home (FCCH) <sup>2</sup>	30%	15%	
Other (Nanny, Relatives, etc.)	46%	49%	
	100%	100%	
Children Needing Center-Based Care per 1,000 Employees	10.6	10.8	21.4
Children Needing FCCH Care per 1,000 Employees	13.1	4.5	17.6

**Step 4. Children Under 5 Needing Child Care, Allocated to Place of Employment**

	<b>Under 3 Years</b>	<b>Ages 3 and 4</b>	<b>Total</b>
Children Needing Center-Based Care per 1,000 Employees @ 50%	5.3	5.4	10.7
Children Needing FCCH Care per 1,000 Employees @ 50%	6.6	2.2	8.8

1. U.S. Census Bureau, "Who's Minding the Kids? Child Care Arrangements of Preschoolers Under 5 Years Old Living with Mother, by Employment Status of Mother and Selected Characteristics, Spring 2011."

2. KMA adjusted the national Census data to account for the relative supply of FCCH child care spaces in Santa Cruz County.

Sources: US Census Bureau. 2017 California Child Care Portfolio, Child Care Resource & Referral Network. Santa Cruz County Early Care and Education Needs Assessment, June 2016 - 2021.

**Table 3**  
**Child Care Demand Analysis: Steps 1 and 2**  
**Residential Buildings**  
**Child Care Impact Fee Nexus Analysis**  
**City of Santa Cruz, CA**

---

**WORKING DRAFT**

**Step 1. Percent of Children in City of Santa Cruz with Working Parent(s)**

a. Total Number of Children Under 6 in Families/Subfamilies <sup>1</sup>	2,373
b. Number of Children Under 6 with Working Parent(s) <sup>2</sup>	1,785
c. <i>Percent of Children Under 6 with Working Parent(s)</i>	75.2%

**Step 2. Children Under 5 Needing Some Form of Child Care**

	<b>Under 3 Years</b>	<b>Ages 3 and 4</b>	<b>Total</b>
Total Number of Children in Age Group <sup>3</sup>	1,411	805	2,216
Percent of Children With Working Parent(s) (Step 1)		75%	
Number of Children with Working Parents	1,061	606	1,667
Number of Bedrooms in City of Santa Cruz <sup>4</sup>		52,273	
Number of Children With Working Parent(s) per 1,000 Bedrooms	20.3	11.6	31.9

1. This is the universe from which the statistic in Step 1b is drawn. A subfamily is defined as "a married couple (with or without children) or a single parent with one or more never-married children under the age of 18, residing with and related to the householder, but not including the householder or the householder's spouse."

2. Working parent(s) can be either a single parent who is in the labor force, or two parents who are both in the labor force.

3. General population numbers from the US Census. Does not match total in Step 1 because it does not include five year olds and it includes all children, not just own children in families.

4. 2012-2016 American Community Survey 5-Year Estimates.

Source: Demographic data provided by the City of Santa Cruz, based on 2012-2016 American Community Survey 5-Year Estimates.

**Table 4**  
**Child Care Demand Analysis: Steps 3 and 4**  
**Residential Buildings**  
**Child Care Impact Fee Nexus Analysis**  
**City of Santa Cruz, CA**

---

**WORKING DRAFT**

**Step 3. Children Under 5 Needing Child Care, By Type of Care**

<b>Type of Child Care<sup>1</sup></b>	<b>Under 3 Years</b>	<b>Ages 3 and 4</b>	<b>Total</b>
Center-Based Care	24%	36%	
Family Child Care Home (FCCH) <sup>2</sup>	30%	15%	
Children Needing Center-Based Care per 1,000 Bedrooms	4.9	4.2	9.1
Children Needing FCCH Care per 1,000 Bedrooms	6.1	1.7	7.8

**Step 4. Children Under 5 Needing Child Care Allocated to Residential**

	<b>Under 3 Years</b>	<b>Ages 3 and 4</b>	<b>Total</b>
Children Needing Center-Based Care per 1,000 Bedrooms @ 50%	2.5	2.1	4.6
Children Needing FCCH Care per 1,000 Bedrooms @ 50%	3.0	0.9	3.9

1. U.S. Census Bureau, "Who's Minding the Kids? Child Care Arrangements of Preschoolers Under 5 Years Old Living with Mother, by Employment Status of Mother and Selected Characteristics, Spring 2011."

2. KMA adjusted the national Census data to account for the relative supply of FCCH child care spaces in Santa Cruz County.

Sources: US Census Bureau. 2017 California Child Care Portfolio, Child Care Resource & Referral Network. Santa Cruz County Early



**Table 5**  
**School Age Children**  
**Residential Buildings**  
**Child Care Impact Fee Nexus Analysis**  
**City of Santa Cruz, CA**

---

**WORKING DRAFT**

**Step 1. Percent of School Age Children in City of Santa Cruz with Working Parent(s)**

a. Total Number of Children 6-17 in Families/Subfamilies <sup>1</sup>	5,426
b. Number of Children 6-17 with Working Parent(s) <sup>2</sup>	3,754
c. <i>Percent of Children 6-17 with Working Parent(s)</i>	69.2%

**Step 2. Children Age 5-14 Needing Some Form of After School Care**

	<b><u>5-14 Years</u></b>
Total Number of Children in Age Group <sup>3</sup>	4,265
Percent of Children With Working Parent(s) (Step 1)	69%
Number of Children with Working Parents	2,951
Number of Bedrooms in City of Santa Cruz <sup>4</sup>	52,273
Number of Children 5-14 With Working Parent(s) per 1,000 Bedrooms	56

**Step 3. Children 5-14 Needing After School Care, By Type of Care**

	<b><u>5-14 Years</u></b>
<b>Type of After School Care<sup>5</sup></b>	
Onsite School Care Programs	9%
Family Child Care Home (FCCH)	4%
Children Needing Onsite School Care per 1,000 Bedrooms	5
Children Needing FCCH After School Care per 1,000 Bedrooms	2.4

1. This is the universe from which the statistic in Step 1b is drawn. A subfamily is defined as "a married couple (with or without children) or a single parent with one or more never-married children under the age of 18, residing with and related to the householder, but not including the householder or the householder's spouse."

2. Working parent(s) can be either a single parent who is in the labor force, or two parents who are both in the labor force.

3. General population numbers from the US Census. Does not match total in Step 1 because age group is different and it includes all children, not just own children in families.

4. 2012-2016 American Community Survey 5-Year Estimates.

5. U.S. Census Bureau, Who's Minding the Kids?, Table 3B: Child Care arrangements of Gradeschoolers 5 to 14 Years Old Living with Mother, by Employment Status of Mother and Selected Characteristics: Spring 2010.

Source: Demographic data provided by the City of Santa Cruz, based on 2012-2016 American Community Survey 5-Year Estimates.

**Table 9**  
**Total Child Care Nexus Costs**  
**Non-Residential Buildings**  
**Child Care Impact Fee Nexus Analysis**  
**City of Santa Cruz, CA**

**WORKING DRAFT**

**I. Total Nexus Costs, Per Employee**

	<u><b>Total</b></u>
Children Needing Center-Based Care per 1,000 Employees @ 50% (See Table 2)	10.7
Children Needing FCCH Care per 1,000 Employees @ 50% (See Table 2)	8.8
Cost per New Center-Based Care Space (See Table 6)	\$38,500
Cost per New FCCH-Based Care Space (See Table 7)	\$12,900
Total Cost for New Center-Based Care Spaces, per 1,000 Employees	\$412,263
Total Cost for New FCCH Care Spaces, per 1,000 Employees	\$113,638
Total Cost for New Spaces, per 1,000 Employees	<u>\$525,901</u>
Total Cost for New Spaces, per Employee	\$525.90

**II. Total Nexus Costs, Per Square Foot**

	<u><b>Office</b></u>	<u><b>Hotel</b></u>	<u><b>Retail / Restaurant</b></u>	<u><b>Manuf. / Industrial</b></u>
Employment Density (SF/Employee) <sup>1</sup>	300	1,000	350	750
<b>Total Nexus Cost for New Child Care Spaces, Per SF</b>	<b>\$1.75</b>	<b>\$0.53</b>	<b>\$1.50</b>	<b>\$0.70</b>

1. Keyser Marston Associates, Jobs Housing Nexus Analysis, County of Santa Cruz, 2014.

**Table 10**  
**Total Child Care Nexus Costs**  
**Residential Buildings**  
**Child Care Impact Fee Nexus Analysis**  
**City of Santa Cruz, CA**

---

**WORKING DRAFT**

**I. Total Preschool Care Nexus Costs, Per Bedroom**

	<b>Total</b>
Children Needing Center-Based Care per 1,000 Bedrooms @ 50% (See Table 4)	4.6
Children Needing FCCH Care per 1,000 Bedrooms @ 50% (Table 4)	3.9
Cost per New Center-Based Care Space (See Table 6)	\$38,500
Cost per New FCCH-Based Care Space (See Table 7)	\$12,900
Total Cost for New Center-Based Care Spaces, per 1,000 Bedrooms	\$175,232
Total Cost for New FCCH Care Spaces, per 1,000 Bedrooms	\$50,497
Total Cost for New Spaces, per 1,000 Bedrooms	\$225,729
Total Cost for New Spaces, per Bedroom	\$226

**II. Total After School Care Nexus Costs, Per Bedroom**

	<b>Total</b>
Children Needing Onsite School Care per 1,000 Bedrooms (See Table 5)	4.8
Children Needing FCCH After School Care per 1,000 Bedrooms (See Table 5)	2.4
Cost per New After School Care Space (See Table 8)	\$17,300
Cost per New FCCH-Based After School Care Space (See Table 7)	\$12,900
Total Cost for New After School Care Spaces, per 1,000 Bedrooms	\$83,008
Total Cost for New FCCH After School Care Spaces, per 1,000 Bedrooms	\$30,584
Total Cost for New Spaces, per 1,000 Bedrooms	\$113,592
Total Cost for New Spaces, per Bedroom	\$114

**III. Total Residential Nexus Costs, Per Bedroom**

Average Square Footage of Home per Bedroom	614
Total Residential Nexus Costs, per Square Foot	<b>\$0.55</b>