



CITY COUNCIL STAFF REPORT

MEETING DATE: November 25, 2024

ITEM TITLE: Consideration of Adopting a Resolution Approving Childcare Grant Requests and Appropriating an Additional Budget Amount from the Child Care Grant Fund (Fund 26) Unassigned Fund Balance as Needed to the Newly Established Childcare Grant Program to Utilize Funds Collected through the Childcare Development Impact Fees to Increase Childcare Spaces Within the City of San Carlos.

RECOMMENDATION:

Staff recommends that the City Council adopt a Resolution approving childcare grant requests and appropriating an additional \$250,000 from the Child Care Grant Fund (Fund 26) Unassigned Fund Balance to the newly established Childcare Grant Program to utilize funds collected through the Childcare Development Impact Fees to increase childcare spaces within the City of San Carlos.

FISCAL IMPLICATIONS:

Fund 26, the Childcare Development Impact Fee Fund, is the source of grant funding to local childcare centers (commercial and in-home). To date, the City has collected Childcare Development Impact fees in the amount of \$1,033,530. The approved budget for grant expenditures from this fund for fiscal year (FY) 2024-25 is \$250,000. Staff recommends an additional allocation of \$250,000 for FY 2024-25 from the Fund 26 Unassigned Fund balance to increase the total program budget to \$500,000.

At the close of the Childcare Grant Program NOFA (See Attachment 2) on October 18, 2024, the City received five strong applications, each meeting the baseline grant requirements and requesting the maximum \$100,000 grant amount, totaling \$500,000 in requests. Increasing program funding for FY 2024-25 would enable these childcare providers to complete their capital improvement projects more quickly, thereby expanding childcare spaces in San Carlos sooner. Funding for future fiscal years would come from the remaining current funds as well as replenishment from Childcare Development Impact Fees collected from future applicable developments.

BACKGROUND:

One of the City Council's ("Council") ongoing strategic goals is to increase access to childcare by reducing regulatory and financial barriers to the creation and expansion of childcare facilities in the city. At the end of 2022, the City Council adopted the Childcare Development Impact Fee (Ordinance 1585 and Resolution 2022-104), which was authorized under the Mitigation Fee Act

and applies to new nonresidential development. A nexus study was also prepared to determine the appropriate fee levels and plans for how to use the funds. One of the proposed uses of funds was the development of a Childcare Grant Program.

In August 2024, the Council established the City of San Carlos' Childcare Grant Program. The program was designed in accordance with the City's Childcare Development Impact Fee Ordinance (Ord. 1585) and to support the 2024 San Carlos Strategic Goals and Objectives. The program aims to encourage and support the creation and expansion of quality childcare spaces available to residents and employees in San Carlos.

Eligible applicants for the Childcare Grant Program must be local childcare providers (commercial, in-home, or non-profit) located within City limits. Applicants must demonstrate financial viability, provide a valid business registration, and agree to use the funds exclusively for capital improvements to expand childcare spaces. Priority is given to providers who serve infants, create a larger number of childcare spaces, accept vouchers, or accommodate children with special needs. See attachment 2 for the full Childcare Grant Program NOFA which includes the qualification criteria, permissible uses of the grant funds, funding priorities, and other requirements.

ANALYSIS:

Eligible Applicants:

The NOFA for the childcare grant program was open from August 26, 2024 to October 18, 2024. Five local childcare providers submitted competitive applications. They included three for-profit commercial centers, one non-profit center, and one in-home provider. After preliminary review, all five applicants met the baseline qualifications and are eligible for the maximum grant amount of \$100,000 each (See Attachment 3). If all applicants receive funding, a total of 75 net new childcare spaces are anticipated across these providers. Below is a summary of the proposed capital improvements at each center:

- **Learn and Play Montessori (for-profit commercial)** seeking funding for new floors, shelves, capital materials, and fire alarm system.
- **Happy Campers (for-profit commercial)** seeking funding for ADA bathrooms, five kids toilets, fire sprinklers, electrical, and HVAC.
- **Challenge School (for-profit commercial)** is seeking funding for an ADA toilet, toddler playground, and air conditioning.
- **The Children's Place (non-profit)** is seeking funding for fire alarm improvements, construction materials for expansion, and classroom furnishings.
- **Little Troopers Childcare (in-home)** is seeking funding to build a structural extension of the playroom.

Recommendation:

Staff recommends increasing the Childcare Grant Program budget for FY 2024-25 from \$250,000 to \$500,000. This adjustment would enable each of the five applicants to receive the full \$100,000

grant, allowing them to complete their capital improvement projects and accelerate the expansion of childcare spaces in San Carlos.

Next Steps:

If the Council approves an additional \$250,000 allocation for the Childcare Grant Program, staff will initiate the grant award notification and distribution process. This will include:

- Informing qualified applicants of their approved grant amounts
- Assisting applicants with necessary documentation, including executing the Agreement for Receipt of Grant Funds
- Distributing grant funds
- Monitoring project completion and tracking the increase in childcare spaces

ALTERNATIVES:

The alternatives available to the City Council include:

1. Adopt a Resolution Approving Childcare Grant Requests and Appropriating an Additional \$250,000 to the Newly Established Childcare Grant Program to Utilize Funds Collected through the Childcare Development Impact Fees to Increase Childcare Spaces Within the City of San Carlos; or
2. Do not adopt the Resolution; or
3. Provide staff with alternative direction.

Respectfully submitted by:

Al Savay, Community Development Director

Approved for submission by:



Jeff Maltbie, City Manager

ATTACHMENT(S):

1. Resolution
2. Childcare Grant Notice of Funding Availability
3. Grant Applications
4. Links to Additional Documents