



Supporting Child Care Providers with Real Estate

@MDFinanceSD



About Mission Driven Finance



IA 50[®]
2023
MANAGER

Certified

Corporation



We design, develop, and manage impact capital vehicles across the country



All economic opportunity, all the time

- Inclusive entrepreneurship
- Shared ownership
- Early care & education
- Environmental justice
- Housing & real estate
- Immigrants, refugees & New Americans
- Indigenous communities



Investing in San Diego

The Advance Strategy:

- **\$16.7M** assets into San Diego community
- **58%** of investments owned or led by **women**
- **70%** of investments owned or led by people of color

The Homebuilding Investment Fund:

- **\$2M pilot fund** with San Diego Habitat
- **27 families** moved into their new homes
- **60% increase** in San Diego Habitat's affordable home construction
- **\$10M facility** to continue pace of expansion and increase stock of affordable homes for families



Legendary Stucco
Skills training &
workforce development



Care Access Real Estate (CARE)



The New York Times

Jobs Aplenty, but a Shortage of Care Keeps Many Women From Benefiting

A lack of child care and elder care options has forced some women to limit their hours or sidelined them altogether, hurting their career prospects.

By Lydia DePillis, Jeanna Smialek and Ben Casselman

July 7, 2022 (As usual, a disproportionate impact on single parents and working class families):

A deeper dive into the Labor Department's monthly survey of households shows that unmarried women without college degrees who have young children have returned to work more slowly than others, a sign that the **shortage of care is making them particularly vulnerable.**

Click on the headlines to read more.

The Atlantic

America's Child-Care Equilibrium Has Shattered

Although care is expensive for parents—often obscenely so—providers are paid a pittance. And now there isn't even enough expensive child care to go around.

By Elliot Haspel

July 23, 2022:

America's fragile child-care equilibrium has shattered. [M]any child-care programs (of all types, including day cares and preschools) are operating at reduced capacity, while some have closed entirely. **In big cities and small towns, red states and blue, parents are hitting a wall of wait lists.** Demand is high, but supply is woefully low.



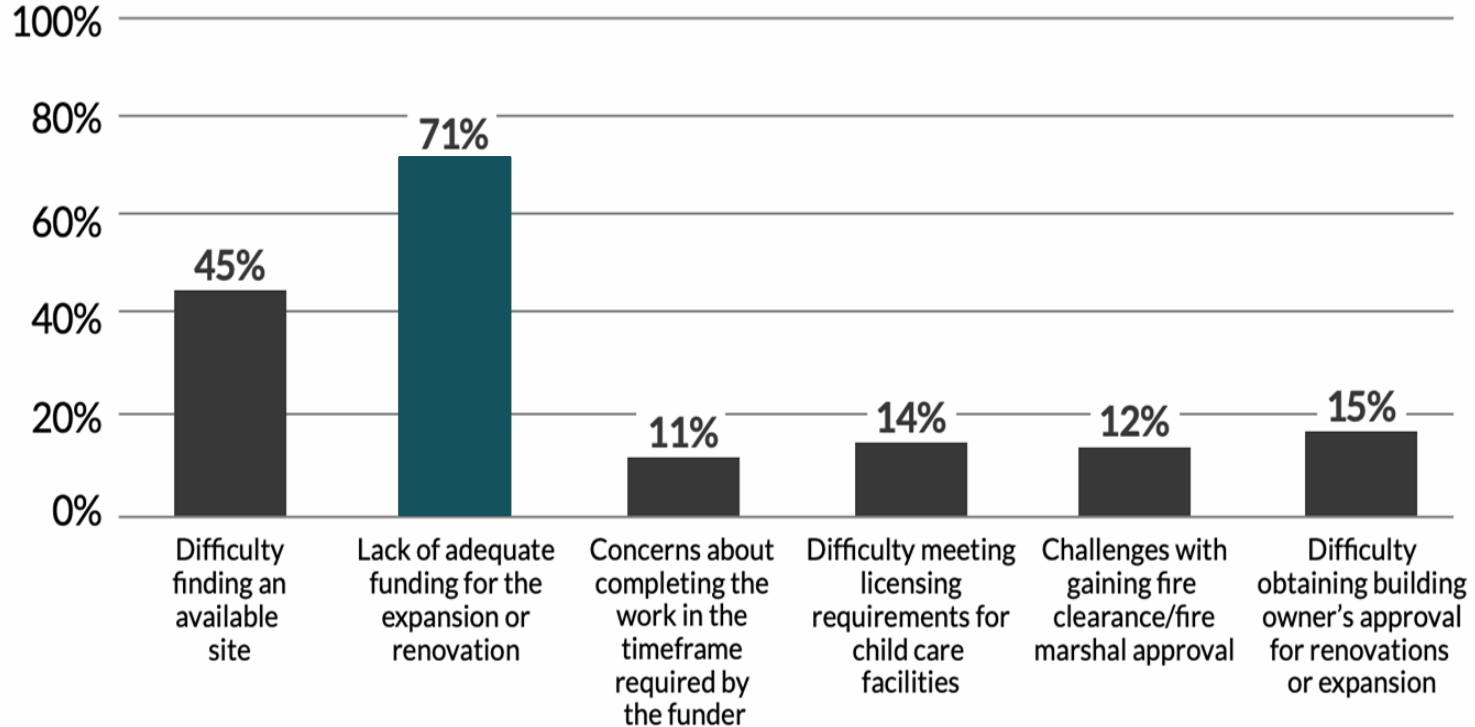
The fragile \$60B U.S. child care sector includes a *literal* cottage industry, and it rests on the shoulders mainly of **women of color** . Key features:

- **Small -business dominated:** Only ~10% of young children are cared for in a center run by the ten largest for-profit chains of child care centers. The total licensed care market:
 - 75,000 center-based child care businesses (for profit and nonprofit)
 - 91,000 licensed family child care home-based businesses*
- **Mainly women, many women of color:** 96.5% of child care business owners are women; half are people of color

**Family child care (FCC) is state-licensed child care provided in a house or apartment. In all but a few states, the FCC business owner must live in the location where they provide care.*



Why focus on real estate for child care?



Source: 2019 Provider Survey, Preschool Development Grant Needs Assessment californiaforallkids.chhs.ca.gov/resources. Centers that had considered expansion but had not proceeded were asked what were the barriers to their expansion aspirations.

Why focus on real estate for child care?

Unstable, unfavorable leases — increased instability

- Providers stressed about lease or landlord have to split their focus
- Possible displacement discourages providers from investing in their space

Real estate financing & complexity — major barriers to expansion

- Difficult for providers to qualify for financing
- Overwhelmingly complex & risky requirements

Sector needs a new path for investors to engage at scale

- Small business loans = high risk mitigation requirements
- Expansion projects often seen as too small or too risky





Why a Real Estate Investment Trust (REIT)?

Long-term hold = stability

- Not incentivized to pump up, then sell off a portfolio
- Investor goals of steady yield match providers' needs of stable rent

Familiarity = scale

- Common portfolio holding for large institutional investors
- Specialty REITs in healthcare properties, senior housing, and biotech already exist demonstrating targeted impact -focused real estate portfolios can work
- Unlike private funds with a 99 investor limit, REITs require 100+ investors after year 1, making scale a core feature

Private → public = long-term liquidity

- CARE intends to IPO at year 10



The Care Access Real Estate (CARE) model



- 1 Increase quality licensed child care capacity**
by creating child care-optimized properties that enable existing excellent providers to scale



- 2 Stabilize child care businesses**
by being a child care-friendly landlord & sourcing business supports



- 3 Increase the wealth of child care providers**
by providing the opportunity to purchase after 2+ years renting & sharing any appreciation on the asset



CARE will create **tens of thousands** of affordable, quality child care spots around the nation, in communities that are ready for it.

National portfolio of child care real estate

- Half commercial child care centers
- Half residential child care homes (by asset value)

Partnering with strong care ecosystems

- Wraparound support for providers to grow scale and quality
- Sourcing quality providers poised for growth

Deep roots in equity creates opportunities

- Layering in government funds in a unique policy moment
- Off -market and/or below -market acquisitions

Target Investment Communities

CARE is optimized to support providers creating spots in communities that need access to affordable care.

Target investment communities:

- At least **one strong anchor** early care ecosystem partner
- **Attractive real estate market** fundamentals
- Areas of child care scarcity or increasing demand, **prioritizing historically underserved communities**
- **Positive tailwinds** and support from public agencies, local investors, and philanthropy



Target Provider -tenants

CARE is optimized to support providers creating spots in communities that need access to affordable care.

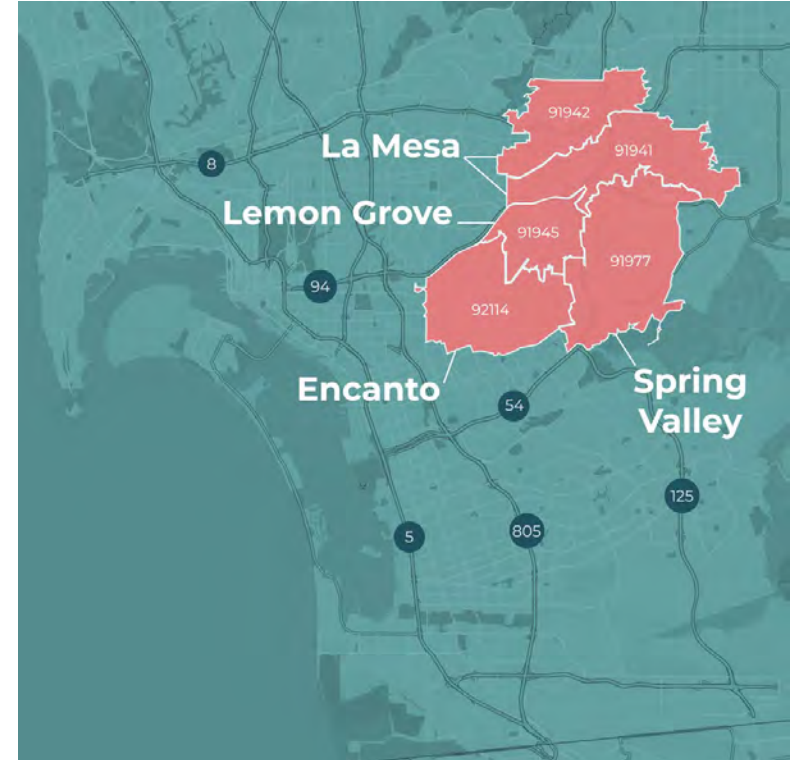
Target provider -tenants:

- **Actively looking to expand** existing operations
- **Experienced**, with >2 years providing care
- **Evidence of providing quality early care**
- **Economically diverse customers:** planning to serve at least $\frac{1}{3}$ families below 100% AMI via contract, subsidies, or scholarships and with non-traditional service hours for working families
- Providers that have been **historically marginalized** due to race, gender, and ethnicity



CARE San Diego Operations

- **\$1M Congressional Earmark**
Championed by Congresswoman Sara Jacobs, administered by SD County
- **Child Development Associates (CDA)**
primary ecosystem partner
- **Launched information session** with providers in Fall 2022
- **13+ women of color providers** now approved for CARE property
- **10-14 residential property acquisitions** with at least 6 new child care seats added per CARE home



CARE in action in Clark County, NV



CARE asset #1:

- Moved-in:
October 2023



Markeshia:

“It’s the ideal space to be effective with the children,” she said after learning about CARE’s renovation plans.

CARE asset #2:

- Target move -in:
End of October
2023



Destinee:

“A child care program? Inside a house? No landlord is going to allow that,” said her real estate agent. *CARE is different.*

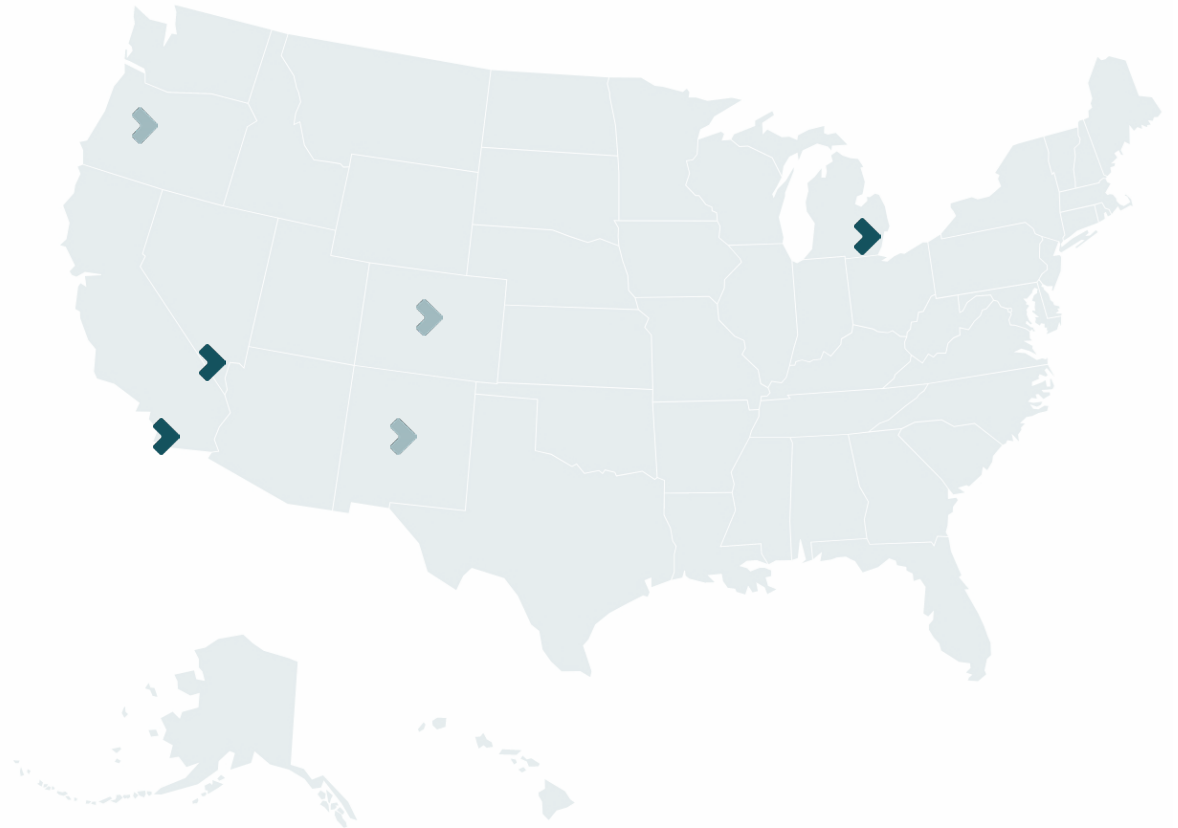


➤ Phase I

- San Diego County, CA
- Clark County, NV
- Southeast MI
- Nationwide with Wildflower Schools

➤ Phase II*

- Supportive provider ecosystems and local government support
- Real estate opportunities that meet REIT acquisition specifications
- Notable capital appetite



**unconfirmed & subject to change*

Opportunity in San Diego - Financial Inclusion and Economic Justice



SAN DIEGO MARKET NEEDS STRONG PARTNERSHIPS FOR LASTING CHANGE

- San Diego's market conditions require creative public-private solutions to solve intersecting issues of child care, economic development, and affordable home ownership
- Unique opportunity to address financial inclusion and economic justice through a strategy that advances the region's early care expansion and affordable homeownership demand

REINVESTMENT TASK FORCE LEADING BODY FOR LOCAL BANK REINVESTMENT

- Reinvestment Task Force is a critical public-private body guiding strategic recommendations for reinvestment in LMI communities with respect of banking community and community organizations
- Ability to shape regional agenda among critical decision makers invested in cross-cutting issues of affordable housing, small business growth, and financial inclusion especially for LMI residents

MDF IS LEADING INNOVATION IN COMMUNITY CONNECTED CAPITAL

- Leading impact asset management platform and Certified B Corporation co-founded and co-owned by a woman of color
- \$138M+ assets under administration predominantly deployed to businesses and nonprofits owned or led by people of color





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