Phase III: Development
Steps #15 – 19 Summary

Step # 15: Close Loan, Start Construction
The operator must close the loan and start construction. This means that the operator must finalize and agree to the terms of the loan that will be used to fund the project. Then, the operator should work with the contractor to begin construction or renovation of the child care facility. These processes are very important, because the successful completion of these steps will lead to the successful opening of a child care facility. Without the necessary funding, construction cannot begin.

Step # 16: Supervise Construction, Site Work, and Foundations
The operator must supervise the construction, site work, and the foundations. This means that the operator will need to be on site and play an active role in the construction or renovation of the child care facility. This is important, because the operator will have the best idea as to the goals of the architectural designs and how he or she wants to see the facility develop. This will also provide the contractor with an opportunity to ask questions of the operator and to solve disputes with the operator if they should arise.

Step # 17: Prepare Licensing Application; Supervise Construction, Framing, and Rough Installations
The operator should prepare a licensing application and have it reviewed prior to a site inspection. The operator must also supervise construction, framing, and rough installations. This means that the operator will need to be on site and play an active role in the construction or renovation of the child care facility. This phase of development is important, because at this time, the contractor will be conducting the bulk of the construction work. Having the operator readily available for the contractor will assist with any questions or problems that arise.

Step # 18: Supervise Construction, Finish Work, Landscape, and Punch List
The operator must supervise and complete the construction of the child care facility, landscape the outside area, and complete the punch list (a checklist of all construction and landscaping related tasks that must be completed before the facility can open). This means that the operator will need to be on site and play an active role in the construction or renovation of the child care facility. At this point, the operator should ensure that construction and landscaping are finished and that everything on the operator’s checklist has been completed.

Step # 19: Convert to Permanent Loan; Obtain License to Operate
The operator must convert to a permanent loan and obtain a license to operate. This means that the operator should operate under a mortgage on the property (as opposed to a predevelopment loan). The operator should also make sure that he or she has the requisite licenses and permits to operate the facility, including a certificate of occupancy, a fire approval, contracts for the necessary utilities, and a license to operate.
Step #15: Close Loan, Start Construction

The fifteenth step is to close the loan and start construction. This means that the operator must finalize and agree to the terms of the loan that will be used to fund the project’s development (see step #9). Then, the operator should work with the contractor to begin construction or renovation of the child care facility. These processes are very important, because the completion of these steps will lead to the successful opening of a child care facility. Without the necessary funding, construction cannot begin. Further, at this time, the operator should prepare the application for a license to operate a child care center.

The following are suggestions to help operators in order to close the loan and start construction (not all inclusive):

Close Loan
The operator should finalize the loan so as to ensure adequate financing for the project. At this time, it is likely that the operator will be trying to obtain a short term loan (usually twenty four months or less) for the construction, acquisition, or renovation of the facility. This loan should be closed or closing at the time construction begins. The Low Income Investment Fund (LIIF) can serve as a great resource for obtaining a child care friendly loan.

Start Construction
With the help of the operator’s selected architect and the contractor, construction or renovation should begin. During this time, the operator should make periodic site visits to assure that the construction is in compliance with the design intent. The operator should also meet frequently with the contractor to be sure that the construction is going according to plan. If an operator can afford to, it is advisable to hire a development consultant to assure the project is running smoothly and to protect the best interest of the operator/borrower.

Prepare Community Care Licensing Child Care Center Application
The operator must prepare an application for a license to operate a child care center. The application is available online, and Public Counsel is available to assist the operator with the application if the need arises.

Available Resources for Step #15: Close Loan, Start Construction

1. First Five Los Angeles (First 5 LA) (www.first5la.org)

First 5 LA is committed to creating a future throughout Los Angeles' diverse communities where all young children are born healthy and raised in a loving and nurturing environment so that they grow up healthy, are eager to learn, and reach their full potential. There are often opportunities for funding from First 5 LA to support programs and services for...
children ages 0-5 and their families. First 5 LA is a non-profit organization dedicated to enhancing the early development of all children in Los Angeles County through a variety of programs addressing preschool, health insurance, safety and parent education.

2. **Valley Economic Development Centers (VEDC)** [www.vedc.org](http://www.vedc.org/)

VEDC is a member of the Opportunity Finance Network which is the leading national network of community development financial institutions investing in opportunities that benefit low-income, low-wealth, and other disadvantaged communities across the United States. VEDC acquired the California Economic Development Leading Initiative loan portfolio in 2015. VEDC provides loans and micro-financing options to small businesses, particularly those owned by women and minorities that do not qualify for traditional bank financing.

3. **Local Initiatives Support Corporation** [www.lisc.org/los_angeles](http://www.lisc.org/los_angeles)

Local Initiatives Support Corporation helps resident led, community based development organizations transform distressed communities and neighborhoods into healthy ones. By providing capital, technical expertise, training, and information, LISC supports the development of local leadership and the creation of affordable housing, commercial, industrial and community facilities, businesses and jobs.

4. **Low Income Investment Fund (LIIF)** [www.liifund.org](http://www.liifund.org)

The Low Income Investment Fund is dedicated to creating pathways of opportunity for people and communities with low incomes. In its 18-year history, LIIF's lending and technical assistance have helped hundreds of community organizations serving the nation's hardest-to-reach populations. LIIF can provide the operator with information on how to close the loan and may also be able to help the operator obtain a loan, if the operator is having difficulty doing so.

5. **The Matrix of Financial Resources for Child Care Facilities Development in California**

The Insight Center for Community Economic Development published “The Matrix,” which is designed to help child care operators and child care advocates in their efforts to access financial assistance to build, purchase, expand or renovate child care centers and homes.

6. **Statewide Private Foundations and Corporate Grant-making List**

This resource lists grant-making organizations for child care and after-school programs.

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*Reference in this guide to any specific resource or the use of any trade, firm or corporation name is for the information and convenience of the public, and does not constitute endorsement, recommendation, or favoring by Public Counsel.*
7. **Community Care Licensing** [www.celd.ca.gov; www.celd.ca.gov/PG411.htm](http://www.celd.ca.gov/PG411.htm)

Community Care Licensing is the State agency that issues licenses and provides oversight for Family Child Care Homes and Child Care Centers. Community Care Licensing is a division within the California Department of Social Services. The operator may visit this website to view the license application as well as instructions on how to apply [www.dss.ca.gov/CDSSWEB/ENTRES/FORMS/ENGLISH/4ic281a.pdf](http://www.dss.ca.gov/CDSSWEB/ENTRES/FORMS/ENGLISH/4ic281a.pdf)

An operator should attend a Community Care Licensing orientation for child care centers before submitting a child care center license application – even if the operator has attended an orientation in the past. Further, if it has been a year or more since an operator last attended a Community Care Licensing orientation, the operator will be required to attend another orientation.

8. **Public Counsel Law Center** [www.publiccounsel.org](http://www.publiccounsel.org)

Public Counsel is the largest pro bono law firm in the nation and has nine different practice areas. The Early Care and Education (“ECE”) Law Unit advocates on behalf of the child care community to increase the quantity and quality of child care. The ECE Law Unit provides free legal services to qualifying family child care providers and child care centers. Public Counsel can assist operators in Los Angeles County by reviewing the Community Care Licensing application. Find more information regarding the legal services provided by the ECE Law Unit here: [http://www.publiccounsel.org/practice_areas/early_childhood_care_and_education](http://www.publiccounsel.org/practice_areas/early_childhood_care_and_education)
Step #16: 
Supervise Construction, Site Work, and Foundations

The sixteenth step is to supervise the construction, site work, and the foundations. This means that the operator will need to be on site and play an active role in the construction or renovation of the child care facility. It is critical to note that an operator may not have the expertise to supervise the construction. Therefore, an operator should consider hiring a development consultant. Ideally, the development consultant and the operator should be present to supervise construction and the site work. This is important, because the operator will have the best idea as to what the goals of the architectural designs are and how he or she wants to see the facility develop. This will also provide the contractor with an opportunity to ask questions of the operator (and/or the development consultant) and to solve disputes with the operator if they should arise.

The following are suggestions for what operators can do if a problem arises with the contractor (not all inclusive):

Avoid Problems Before They Arise
The operator should make every effort to avoid problems with the contractor. This is best accomplished by communicating with the contractor regularly. By being present at the construction site, asking the contractor questions, and answering the contractor’s questions, the operator can likely avoid problems before they begin.

Understand Construction Lien Law
The Construction Lien Law allows persons who have performed labor and/or provided building materials on or for the operator’s property and have not received payment for their goods and/or services to make a legal claim for payment against the operator’s property. It is important to include a “release of lien” clause in the contract with the contractor. This clause should state that the contractor must furnish the operator with a partial release of lien from all subcontractors and suppliers upon each payment and with a final release of lien from all subcontractors, suppliers and the contractor himself upon completion of the project and final payment. Further, whenever the operator makes any payment to the contractor, the operator should be sure to receive a partial lien release. Public Counsel can help review these clauses and contracts.

Available Resources for Step #16: Supervise Construction, Site Work and Foundations

1. Public Counsel Law Center  www.publiccounsel.org

Public Counsel is the largest pro bono law firm in the nation and has nine different practice areas. The Early Care and Education (“ECE”) Law Unit advocates on behalf of the child care community to increase the quantity and quality of child care. The ECE Law Unit provides free legal services to qualifying family child care providers and child care centers.

Child Care Operator Resource Guide 
Phase III: Development

*Reference in this guide to any specific resource or the use of any trade, firm or corporation name is for the information and convenience of the public, and does not constitute endorsement, recommendation, or favoring by Public Counsel.
Find more information regarding the legal services provided by the ECE Law Unit here: http://www.publiccounsel.org/practice_areas/early_childhood_care_and_education

2. Contractor Watch Dog  www.contractorwatchdog.com/ipswearness.html

This website provides tips on frequently asked questions by individuals working with contractors. In particular, the website offers advice on how to assure quality, how to assure the project is completed on time, and what to do if problems do arise.

3. Contractors State License Board (CSLB)  www.cslb.ca.gov/consumers/

CSLB provides a wide range of tools to help individuals have a better experience when hiring a contractor in order to ensure the job is done right. The CSLB website provides information on how to select a licensed and qualified contractor, how to check a contractor’s license, how to negotiate a clear contract, how to prevent disputes and mechanic’s liens, and how to resolve disputes with the contractor if they arise. The CSLB also has an article on their website entitled, “What You Should Know Before Hiring a Contractor” which explains what to do when hiring a contractor. This article can be found at: www.cslb.ca.gov/Resources/GuidesAndPublications/WYSKPamphlet.pdf.

4. Understanding Mechanic’s Liens
    www.cslb.ca.gov/Consumers/Legal_Issues_For_Consumers/Mechanics_Lien/

Contractors, subcontractors and suppliers can file what is called a mechanic’s lien on the operator’s real property if they do not get paid. Property owners need to be aware of the process so they can avoid the financial and legal pitfalls that can occur.

For additional information, see this section from the Contractors State License Board, which describes mechanic’s liens and the steps that can be taken to avoid them.
The seventeenth step is to prepare a licensing application and supervise construction, framing, and rough installations. This means that the operator should prepare the licensing application and have it reviewed prior to the inspection of the child care facility. In addition, the operator will need to be on site and play an active role in the construction or renovation of the child care facility. This is important because the operator will have the best idea as to what the goals of the architectural designs are and how he or she wants to see the facility develop. This will also provide the contractor with an opportunity to ask questions of the operator and to solve disputes with the operator if they should arise.

### Available Resources for Step #17: Prepare Licensing Application; Supervise Construction, Framing, and Rough Installations

1. **Community Care Licensing – Becoming a Licensed Child Care Provider** [www.cclld.ca.gov](http://www.cclld.ca.gov); [www.cclld.ca.gov/PG411.htm](http://www.cclld.ca.gov/PG411.htm)

   Community Care Licensing is the State agency that issues licenses and provides oversight for Family Child Care Homes and Child Care Centers. Community Care Licensing is a division within California’s Department of Social Services. Community Care Licensing requires four steps be taken before a license can be obtained: (1) attend an orientation; (2) be familiar with all Child Care Center licensing laws and regulations; (3) pass a child care facility inspection; and (4) complete and submit all the information and forms required in the application packet.

2. **Public Counsel Law Center** [www.publiccounsel.org](http://www.publiccounsel.org)

   Public Counsel is the largest pro bono law firm in the nation and has nine different practice areas. The Early Care and Education (“ECE”) Law Unit advocates on behalf of the child care community to increase the quantity and quality of child care. The ECE Law Unit provides free legal services to qualifying family child care providers and child care centers. Find more information regarding the legal services provided by the ECE Law Unit here: [http://www.publiccounsel.org/practice_areas/early_childhood_care_and_education](http://www.publiccounsel.org/practice_areas/early_childhood_care_and_education)

3. **Contractor Watch Dog** [www.contractorwatchdog.com/tipsawareness.html](http://www.contractorwatchdog.com/tipsawareness.html)

   This website provides tips on frequently asked questions by individuals working with contractors. In particular, the website offers advice on how to assure quality, how to assure the project is completed on time, and what to do if problems do arise.

4. **Contractors State License Board (CSLB)** [www.cslb.ca.gov/consumers/](http://www.cslb.ca.gov/consumers/)

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*Reference in this guide to any specific resource or the use of any trade, firm or corporation name is for the information and convenience of the public, and does not constitute endorsement, recommendation, or favoring by Public Counsel.*
CSLB provides a wide range of tools to help individuals have a better experience when hiring a contractor in order to ensure the job is done right. The CSLB website provides information on how to select a licensed and qualified contractor, how to check a contractor's license, how to negotiate a clear contract, how to prevent disputes and mechanic's liens, and how to resolve disputes with the contractor if they arise. The CSLB also has an article on their website entitled, “What You Should Know Before Hiring a Contractor” which explains what to do when hiring a contractor. This article can be found at www.cslb.ca.gov/Resources/GuidesAndPublications/WYSKPamphlet.pdf.
Step #18: 
Supervise Construction, Finish Work, Landscape, and Punch List; Submit Licensing Application

The eighteenth step is to supervise and complete the construction of the child care facility, landscape the outside area, and complete the punch list (a checklist of all construction and landscaping related tasks that must be completed before the facility can open). This means that the operator will need to be on site and play an active role in the construction or renovation of the child care facility. This is important, because the operator will have the best idea as to the goals of the architectural designs and how he or she wants to see the facility develop. The operator should ensure that construction and landscaping are finished and make sure that everything on the operator’s punch list has been completed. In addition, during this step an operator should consider submitting the completed application to Community Care Licensing. (See below for guidance of whether it would be appropriate to submit the Licensing application at this time.)

The following are suggestions for obtaining a certificate of occupancy and submitting the child care center application (not all inclusive):

Certificate of Occupancy
A certificate of occupancy is a document issued by a local government agency or building department certifying a building’s compliance with applicable building codes and other laws, indicating that the building is suitable for occupancy. The certificate is generally required whenever a new building is constructed, when a building that was built for one use is now going to be used for another, when the occupancy of a commercial or industrial building changes, or when ownership of a commercial, industrial, or multiple-family residential building changes.

A certificate of occupancy is sometimes obtained when a city inspector performs a final inspection of the facility. If the operator is not given a certificate of occupancy by the inspector, then the operator should ask the inspector to issue one. Alternatively, the operator can apply for a certificate of occupancy with the Department of Building and Safety.

Submit Application for License to Community Care Licensing
At this time, the operator should apply for a license to operate the child care center with Community Care Licensing (see step #15). Once the operator has applied for the license, Community Care Licensing has thirty days in which to send someone to the site to inspect the property. They will usually inform the operator of the date and time at which they will arrive at the property. Since Licensing may come out for an inspection shortly after receiving the application, an operator must ensure that the site is ready for inspection – this means that the site must be furnished and ready to operate.
Available Resources for Step #18: Supervise Construction, Finish Work, Landscape and Punch List; Submit Licensing Application

1. **Community Care Licensing** [www.ccld.ca.gov; www.ccld.ca.gov/PG411.htm]

   Community Care Licensing is the State agency that issues licenses and provides oversight for Family Child Care Homes and Child Care Centers. Community Care Licensing is a division within California’s Department of Social Services. Community Care Licensing can help operators complete an application and obtain a License to Operate.

2. **Los Angeles Department of Building and Safety**

   The Los Angeles Department of Building and Safety issued a document describing the applicable codes that a building must meet in order for the city to issue a certificate of occupancy. By accessing this document, the operator will learn which codes the facility must comply with in order to obtain a certificate of occupancy.

3. **Public Counsel Law Center** [www.publiccounsel.org]

   Public Counsel is the largest pro bono law firm in the nation and has nine different practice areas. The Early Care and Education ("ECE") Law Unit advocates on behalf of the child care community to increase the quantity and quality of child care. The ECE Law Unit provides free legal services to qualifying family child care providers and child care centers. Find more information regarding the legal services provided by the ECE Law Unit here: [http://www.publiccounsel.org/practice_areas/early_childhood_care_and_education](http://www.publiccounsel.org/practice_areas/early_childhood_care_and_education)

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**Step #19:**

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Convert to Permanent Loan; Obtain License to Operate

The nineteenth step is to convert to a permanent loan which can be paid back over a longer period of time, and to obtain a license to operate. This means that the operator should convert the short term loan (see steps #4, #9, and #15) to a long term, permanent loan.

The operator should also make sure that he or she has the requisite licenses and permits to operate the facility, including a certificate of occupancy, a fire clearance, contracts for the necessary utilities, and a license to operate.

The following are suggestions that operators should consider when converting to a permanent loan and obtaining a license to operate (not all inclusive):

Ensure Proper License is Issued by Community Care Licensing
A license to operate a child care center is issued by Community Care Licensing (Licensing), a division of the California Department of Social Services (see step #1). Operating a child care center without a license is against State law. An operator may be cited by Licensing and fined for operating without a license. Licensing will issue a license after a thorough review of the licensing application and a site inspection. At the time of the inspection, the facility should be completed and furnished with the necessary adult and child furniture and equipment needed for effective functioning. Information about vendors who provide appropriate equipment and furnishings can be found on the internet or by contacting the local resource & referral program.

Convert to Permanent Loan
The operator must convert the short term loan (see step #4) into a permanent loan. The operator should get to know the lending institutions in his or her community and develop relationships with them. Banks and Community Development Financial Institutions are more likely to lend to individuals with whom they have relationships. Most conventional lenders will convert the short term loan into a permanent loan that will amortize over about fifteen years. The operator should look for a bank that has experience lending to small businesses and/or practices commercial lending. Conventional lenders’ commercial interest rates can range greatly (often they are between 7.5% and 12%).

The Low Income Investment Fund converts short term loans into “mini-permanent” loans. These loans are designed for a five year term, with an average interest rate of 6.5%.

Obtain Fire Clearance
Pursuant to California Regulation 101171, all child care centers must secure and maintain a fire clearance approved by the city or county fire department, the district providing fire protection services, or the State Fire Marshal. The request for a fire clearance is made by Community Care Licensing based on the information the operator has provided in the licensing application. In addition to describing the number and ages of children to be served, and the emergency evacuation plan, the applicant must also state whether children with physical handicaps will be enrolled at the
site. Community Care Licensing will not issue a license until the child care center has received a fire clearance.

### Available Resources for Step #19: Convert to Permanent Loan; Obtain License to Operate

1. **Community Care Licensing** [www.cclid.ca.gov; www.cclid.ca.gov/PG411.htm](http://www.cclid.ca.gov; www.cclid.ca.gov/PG411.htm)
   
   Community Care Licensing is the State agency that issues licenses and provides oversight for Family Child Care Homes and Child Care Centers. Community Care Licensing is a division within California’s Department of Social Services. Community Care Licensing can help operators complete the licensing application and obtain a License to Operate.

2. **Low Income Investment Fund (LIIF)** [www.liifund.org](http://www.liifund.org)
   
   The Low Income Investment Fund is dedicated to creating pathways of opportunity for people and communities with low incomes. In its 18-year history, LIIF’s lending and technical assistance have helped hundreds of community organizations serving the nation’s hardest-to-reach populations. By contacting LIIF, the operator can receive help with loan conversion difficulties.

   
   Operators can view the Los Angeles fire code on LAFD’s website, which may provide an idea of standards that must be met in order to obtain a fire clearance.