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November 18, 2003

Ms. Carol B. Richardson
Assistant City Manager
City of West Sacramento
1110 West Capitol Avenue
West Sacramento, CA 95691

Dear Ms. Richardson:

Per your request, we are pleased to provide this letter regarding our analysis of child care demand and mitigation cost in the City of West Sacramento.

In 1994 our firm, with myself as principal in charge, prepared a report for the Community Development Department entitled Child Care Demand Analysis, West Sacramento, California. The purpose of the report was to quantify the impacts on the need for child care associated with new development. The analysis addressed both development of work place buildings such as office, retail and industrial spaces and new residential development. The report also contained an analysis of the costs of mitigating the new demands by the construction of child care facility spaces.

The report was prepared to meets the requirements of AB 1600 in support of a possible ordinance to a levy fee on new development to fund the construction of child care facilities. The City of West Sacramento did not proceed with a fee at the time but is now considering a child care impact fee and has asked whether the findings of the 1994 analysis are still valid.

Our response to the question is that the basic relationships identified and established in the 1994 report have not been significantly altered. The report was prepared using relationships from the 1990 Census, such as the incidence of preschool age children among working parents (two parents working or single parents working). We have reviewed the findings of the

1994 analysis against similar relationships from the 2000 U.S. Census and find that changes in relationships have occurred, but the changes are very minor. In addition to the newer U.S. Census, far superior data on how American families meet their needs is now available from both special Census reports and from national surveys by organizations such as the Urban Institute. These surveys find that roughly half of working families meet their child care needs by parents managing (working different shifts, bringing children to work, etc.) and through relatives. If we compare the conclusions of our 1994 analysis for West Sacramento against new demographic information and the findings these newer surveys, we find that the child care demand based on the new information represents a slight decrease from the 1994 conclusions.

The portion of the analysis that clearly has increased substantially in the nine years since the earlier study is the cost of developing new child care center facilities. In our 1994 analysis, we determined that new child care centers cost around $6,000 per space. This finding was based on other recently constructed child care centers and on an itemized pro forma development for a 50-child facility. The per square foot cost for construction and all indirects (including finishes, equipment, landscaping, financing, etc) used in the analysis was $95. This cost represents less than a third of the costs we are now finding in our recent work, in part due to more expensive construction configurations in denser urban areas, and in part because of better information on equipment, furnishings, and start-up costs. Also, our recent surveys have determined that most child care centers are built at a size (sq. ft. per child) that is a good 20% higher than the figure used in the 1994 analysis. Interviews with child care operators confirm that the minimum size per state law does not allow enough space for a well functioning child care center. The land cost assumption in the 1994 analysis was $6 per square foot, another cost that is too low as an average for land costs in West Sacramento today. In our work in recent years in the Bay Area and West Los Angeles, we are seeing average costs in the range of $20,000 to $30,000 per child care space, excluding the land cost component, many times the $6,000 per space used in our 1994 analysis for West Sacramento.

As part of the update process, we reviewed the study entitled *Child Care Needs of Yolo County, Update of the 1999 Needs Assessment and Strategic Plan 2003-2008.* That study is an assessment of total demands for child care resources compared to supply of spaces for the communities of Yolo County in the year 2000. Our analysis is an analysis of the child care demand associated with each net new workspace and residential unit. The relationships for both the Yolo study and our update were drawn from the same Census data and utilize similar information on child care demands. As such the two findings are consistent with one another.

In summary our reevaluation and informal update of the 1994 analysis indicates that while our demand figures might have been slightly high given the newer information available, the costs of developing child care centers has increased substantially. The net result is a confirmation that the findings of the 1994 analysis are upheld as a basis for proceeding with a fee program.

As long as the City of West Sacramento adopts fees that are no higher than the fees indicated in the 1994 report, we believe the conclusions of the 1994 are still valid.

Sincerely,

KEYSER MARSTON ASSOCIATES, INC.

Kate Earle Funk