



**The ECE Business  
Collaboratory**



# Access to Capital: Breaking Down Barriers for Child Care Entrepreneurs

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# Jerry Cutts

Chief Executive Officer, First Children's Finance



# Low Income Investment Fund

*ECE Business Collaboratory Convening 2022*

*Laura Jackman  
Deputy Director, ECE*



## Our Mission and Vision

Everyone in the United States should benefit from living in a community of opportunity, equity and well-being. LIIF mobilizes capital and partners to achieve this vision for people and communities.



# Early Care and Education: LIIF Impact to Date

**304,000**

slots created, enhanced or preserved

**\$244 million**

invested in child care facilities



Our Primary ECE Markets	Our Services	Additional Work
<ul style="list-style-type: none"><li>• San Francisco Bay Area</li><li>• Washington DC</li><li>• New York City</li><li>• Los Angeles</li><li>• Atlanta</li></ul>	<ul style="list-style-type: none"><li>• ECE grant and loan administration</li><li>• Technical assistance and training</li><li>• Promoting supportive policies</li><li>• Thought leadership</li></ul>	<ul style="list-style-type: none"><li>• National and state capacity building</li><li>• New Markets Tax Credits</li><li>• COVID relief program and disaster recovery</li></ul>

# Overcoming Barriers

## *Common Barriers and Solutions*

Barrier	Description	Solution
Inability to Afford Loans	Providers lack reserves/equity for down payment. Cost of capital/interest rates going up. Providers lack funds to start up new programs.	Provide grants at right size to leverage loan, buy down payments and to start up once ready to open. Offer low interest rates.
Loan Types	Different types of loans needed (Acquisition, Construction/Rehab, Bridge Financing)	Provide a comprehensive package of loans to meet all stages of projects.
Lack of Proven Revenue Sources	Annual contracts through states and Federal sources prove sustainable over time but not all providers have them	Provide TA to develop pro forma budgets that show how cash flow can repay debt



# Overcoming Barriers cont'd

## *Common Barriers and Solutions*

Barrier	Description	Solution
Property Conditions Need Rehab	Affordable properties often need rehab. Child Care licensing and regulatory agencies require renovations	Provide grants to improve properties
Provider Credit	Providers often have little or low credit	Provide credit counseling or programs to build credit
Banking Relationships/Track Record of Repayment	Small businesses lack financial leverage with banks to obtain loans or lines of credit	SBA lenders often help here with small business lending



# Overcoming Barriers cont'd

## *Common Barriers and Solutions*

Barrier	Description	Solution
Systemic Racism	Effects of redlining still occurring	Provide programs targeted to neighborhoods and providers within historically under-resourced areas
Retail Space Leases vs. Condos	Leases are offered more for ground floor retail space. Providers often required to do build out. Banks don't want to lend on a leased space.	Provide more condo opportunities or grants to support tenant improvements/build out of space. Developers can reduce rent or offer financing to tenants directly
Financial Literacy	Providers' expertise is in child development/early learning, not developing business plans, conducting market/feasibility analysis, and creating budgets	Provide TA and capacity building to get providers ready for business planning and underwriting.

