As a direct result of the recently awarded Early Head Start Expansion grant in the amount of $2,644,199, we have accelerated our efforts to secure an appropriate facility to serve an additional 80 infants and toddlers. After an exhaustive search of existing childcare facilities, we have located an appropriate facility in west Champaign that will fully address the short and long-term demand for enhanced infant-toddler childcare services.

The Early Head Start expansion grant combined with Preschool for All funding and the fee-for-service childcare subsidy will allow further development of our center-based programming options for at-risk, low-income children ages zero to five. Federal and state funding will support 14 additional year-round classrooms with programming for up to 10 hours/day to meet the needs of our families that are working or going to school. We have identified an existing one-story school/office building on a four-acre site at 103 S. Country Fair Drive, Champaign, IL as the preferred option for this expanded center-based programming. We have secured an independent appraisal of this facility from Whitsitt & Associates, Inc. resulting in a market value of the property of $3.5M. The value of the customized improvements to include seven additional classrooms is estimated at $453,365 for a total cost of $3,908,415.

This 28-year-old, 20,217 square foot facility is in excellent condition and underwent a complete interior remodel in 2017 to accommodate a new preschool, with the creation of six infant-toddler and one preschool classroom inclusive of child-size restrooms, a full commercial grade kitchen, expansive interior play space, automated daycare tracking and camera systems, solarium, conference rooms, laundry, offices, adult restrooms, and parking provided on concrete and asphalt-surfaced lots. The remodel was estimated at $1,500,000. No necessary repairs were identified during a visual inspection of the property by the appraisers, with the effective age estimated at 5 – 10 years.

Based on ongoing discussions and negotiation with the owners, they are willing to accept an offer of $3,908,415 inclusive of customized improvements in the amount of $453,365. In order to develop an appropriately beneficial financing strategy, it appeared inadvisable for either the RPC or the county to assume ownership of this facility. As the Commissioners may recall, we had a similar situation with the recent acquisition of the Urbana Early Childhood Center. In that circumstance, the Regional Planning Commission provided an economic development loan to Illinois Ventures for Community Action for the purchase and renovation of the Urbana Early Childhood Center and entered into a corresponding long-term lease for the facility.

As the Commissioners may also recall, we also had a parallel situation with the extensive renovation of the dental clinic on the former Chanute Air Force Base in which the Village of Rantoul remained the owner of record. The Regional Planning Commission provided an economic development loan to the Village for the major renovation and, at the same time, entered into a corresponding long-term lease for the facility. This financing strategy eliminated any federal interest in the
property. Likewise, the Village of Savoy retains ownership of the former elementary school utilized as a Head Start site and Unit 4 retains ownership of the Champaign Head Start site.

In seeking a partner that would be willing to assume ownership of this facility, staff again contacted Illinois Ventures for Community Action (IVCA), a non-profit statewide economic development organization that has worked with several community action agencies to secure appropriate Head Start facilities. The RPC has been a long-time member of IVCA, with Commission CEO’s having served on its board of directors and with the COO currently serving as its vice-president. IVCA has agreed to become the owner of record with the Regional Planning Commission entering into a corresponding long-term lease for the facility. Using the Rantoul and Urbana facility acquisitions as our models, we have structured this project in a manner that provides expanded infant-toddler and preschool programming in Champaign that allows us to address the outstanding demand for these services and is consistent with the goals and outcomes identified in the federal expansion grant. The geographic location of this facility is in close proximity to currently eligible families and further supports our long-term interest in this facility.

The new location, with seven existing infant-toddler and preschool classrooms will allow us to begin programming this fall. The remaining build-out of seven additional classrooms will be completed by February 2020 with the ability to accommodate a total of 80 infants and toddlers and 51 preschoolers for a total of 131 nearly doubling the number of children that can be served in Champaign. We will also employ an additional 55 staff including site management, family advocates, teachers, and support personnel.

The actual financial structure of this project, while including some complexity up front, is intended to eliminate complexity in future years. For a variety of reasons, it is most advantageous to continue the federal and state interest in the programming side of early childhood development but NOT introduce any such interests into the facility ownership side of our preschool offerings, as is the case with all of our other locations. This arrangement also has the distinct advantage of eliminating any issues of county responsibility for building ownership.

The project has three immediate steps to be carried out nearly simultaneously.

Step 1 - In the pattern of our economic development revolving loan program, and exactly as was done for the Urbana facility, we request approval from the Commission to execute a loan to Illinois Ventures for Community Action for the purchase of 103 S. Country Fair Drive, Champaign, IL in the amount of $2.3M. The FY19 budget already includes this potential debt financing in a separately identifiable fund (475). The loan will be extended at 2.5% interest with a 25-year amortization schedule. The loan term of 25 years was selected to match the lease agreement discussed in step 3. The corresponding lease, in effect, reduces the loan risk to near zero. Formerly designated Community Development Assistance Program and facility reserve funds will be utilized for the IVCA loan. These funds have been held in a restricted reserve for the expressed purpose of advancing community and economic development initiatives. The loan agreement will have no prepayment penalty and will reflect the language utilized in the Urbana project. The loan agreement allows for a recalculation of the amortization schedule every five years to accommodate any prepayment of principal, thus potentially reducing future occupancy costs. Any realized reduction in loan payments will be reflected in a corresponding reduction in annual rent. All loan documents and lease agreements will be reviewed and approved by RPC’s legal counsel consistent with current and past practice for the last 35 years.
Step 2 – Illinois Ventures for Community Action purchases 103 S. Country Fair Drive, Champaign, IL for $3,908,415. Illinois Ventures for Community Action secures a bank loan in the amount of $1,608,415 from a commercial lender at or below 4.75% on a five-year adjustable basis with a 25-year amortization.

Step 3 – RPC enters into triple net* 25-year lease with IVCA for usage of the building. This provides our early childhood program with 25 years of predictable and affordable occupancy costs. Funds to pay the rent will be derived from a combination of Head Start, Early Head Start, Preschool for All, and state childcare subsidies. Entering into the lease will be an administrative action taken by the CEO. Extensive budgetary projections indicate that current and future revenue streams are adequate to support the lease payments (consisting of an amortization component and an IVCA administrative fee of 15% of the outstanding loan balance) as well as the associated operating expenses inclusive of current property taxes. It is expected, however, that IVCA will seek a property tax exemption at some point in the future. It is anticipated that in ensuing 25 years, the RPC will continue to grow its restricted infrastructure reserve and will be able to adequately support all necessary capital improvements as specified under the terms of the triple net lease.

*Triple Net Lease (NNN) is defined as a lease structure where the tenant is responsible for paying all operating expenses associated with a property. The triple net or NNN lease is considered a “turnkey” investment since the landlord is not responsible for paying any operating expenses.