



# CITY OF SAN MATEO

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## Agenda Report

Agenda Number: 18

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**TO:** City Council  
**FROM:** Alex Khojikian, City Manager  
**PREPARED BY:** Community Development Department  
**MEETING DATE:** October 21, 2024

**SUBJECT:**

Child Care Facilities Fund Loan for Improvements at 847-849 N. San Mateo Drive – Agreement

**RECOMMENDATION:**

Adopt a Resolution to approve a Child Care Facilities Fund loan of \$1,143,800 to Mi Second Casa Spanish Immersion Preschools, Inc. for tenant improvements at 847-849 N. San Mateo Dr. to establish a new childcare facility and authorize the City Manager to execute the loan agreement, promissory note, short form deed of trust and agreement containing covenants affecting real property and all related documents in such a manner that does not substantially change the loan terms.

**BACKGROUND:**

The Child Care Facilities Fund was originally established in 2004 with the Child Care Development Fee to address the critical need for more childcare spaces in the City. It took several years to receive sufficient fee revenue to facilitate financial assistance for projects that result in an increase in new, licensed, and high-quality childcare spaces. In October 2018, the City Council approved the Interim Child Care Fund Guidelines and authorized the release of a Notice of Funding Available (NOFA) in 2019, making San Mateo the first jurisdiction in the County to offer funds for childcare construction. That NOFA resulted in the completion of three childcare projects which created a total of 98 new, licensed childcare spaces; with six of those spaces dedicated for infants of low-income families. The three projects completed construction and opened in 2020 and 2021. A fourth childcare project was funded in December 2023 and completed construction in August 2024, adding 48 new licensed childcare spaces.

The 2019 NOFA experience provided lessons and new ideas. There has been a longtime need for greater amount of information and assistance for potential childcare providers who are interested in starting or expanding their businesses. With input from childcare professionals and the lessons learned from the first completed projects, the City developed a comprehensive program for creating childcare facilities. The first and most important tool is the Child Care Start Up Guide, which is available in both English and Spanish. This publication is available on the City's website ([www.cityofsanmateo.org/childcarefacilitiesfund](http://www.cityofsanmateo.org/childcarefacilitiesfund)) and provides information about local and state requirements, and steps to complete the City's permitting process.

The first step in the process is the Site Assessment Report, which is a unique service offered by the City to support childcare providers in selecting a viable location for their facility. This is a service available for anyone who has identified a location, has a set of plans for the facility and needs help in determining if the location and/or building is viable and feasible. The site assessment is conducted by Building, Planning, Public Works, and San Mateo Consolidated Fire Department staff. This is a free service that provides an assessment of a site's existing conditions, summary of applicable codes and requirements, and recommendations to facilitate establishment of a childcare facility at the site. The feasibility of a location and if it is appropriate for a childcare facility is also assessed. Loan applicants are required to complete this assessment to use for project planning and budgeting.

For those interested in obtaining financial assistance, the program offers various options, with the primary funding method being a secured loan. The funds are legally restricted to capital expenditures only, which is limited to construction and elements that are fixed in the property. The funds may not be used for operational or programmatic expenditures. These loans are available to childcare providers and/or developers to specifically develop, expand, or otherwise enhance childcare facilities resulting in new licensed childcare spaces. The benefits to the loan option are that the terms include zero percent interest, deferred/no payments, and a loan forgiveness schedule based on the amount of money borrowed. The loan forgiveness is contingent upon consistently meeting the annual performance requirements.

The City completed a comprehensive fee study in 2021 that included updates for applicability and increase of the Child Care Development Fee, and adopted the Fee via Municipal Code Chapter 23.65. The City Council revised the Interim Child Care Fund Guidelines in August 2022 to include the revised fee, new ordinance, additional information about the loan terms, and program processes. Upon approval of the interim guidelines, the Child Care Facility Fund (CCFF) program was initiated and made available to applicants on a first-come first-serve basis with a priority for requests from projects that are the most “shovel ready”. The Child Care Development Fee that was adopted for FY23-24 is \$4,677.29 for a new single-family residential unit and \$3,373.46 for a new multi-family unit. For new commercial development, which includes retail, office, industrial, and hotels, the fee ranges from \$0.14 to \$0.67 per square-foot of new floor area.

#### **DISCUSSION:**

In December 2023, Michael Tejada inquired about the CCFF program. Michael Tejada, along with Graciela Tejada and Miguel Tejada, currently own and operate Mi Second Casa (MSC) as a family-owned in-home daycare business located at 601 Rand St. in San Mateo, which provides care for children aged three months to five years old. Their mission is to empower young children to reach their full potential through holistic development in an inclusive, Spanish immersion program. As part of their commitment to inclusivity, they work closely with local agencies to offer subsidized care spaces for low-income families, ensuring that services remain accessible and affordable for all members of the community. Since opening in 2007, the family daycare has flourished and has operated at or near max capacity. Graciela has a BA in Early Childhood Education from San Francisco State University and over 30 years working in early childhood education. Miguel joined MSC in 2012 and has 24 units of early childhood education credits. Michael joined MSC in 2022, has a BA in Economics from California State University, Sacramento and holds a Child Development Site Supervisor Permit from the California Commission on Teacher Credentialing. Michael also works with the San Mateo Small Business Development Center as a business advisor to other in-home daycare providers in the area and volunteers as a member of the Childcare Care Partnership Council of the San Mateo County Office of Education. They have identified a new location at 847-849 N. San Mateo Dr. in San Mateo to expand their business to create a new childcare center with a significantly larger capacity.

Prior to his inquiry, Mr. Michael Tejada had already reviewed the CCFF program materials and submitted his request for the Site Assessment Report with his inquiry. The assessment was completed onsite in January 2024 with Mr. Tejada and City staff. The report outcome supported the determination that the proposed location is viable, concurrent with the plans of the applicants. With a viable location confirmed, the next step was for the applicants to complete and submit the loan application, which was originally submitted on February 15, 2024, with an updated, revised application submitted on June 9, 2024, based on staff feedback related to additional required tenant improvements. The updated application and plans were deemed complete later in the summer, with the proposed budget appropriate for the size and scope of the project.

With the determination of the loan application as viable and meeting CCFF requirements, staff recommends approval of the \$1,143,800 loan to Mi Second Casa Spanish Immersion Preschools, Inc., to support the production of up to 60 new licensed childcare spaces per the proposed Resolution (Attachment 1). This loan and tenant improvements are comparable to one of the earlier project loans provided by the CCFF program, which was for \$430,000 but supports a significantly greater number of childcare spaces in a high need, low-income area of San Mateo. The borrowers will be required to enforce prevailing wage requirements in accordance with California law, and the loan forgiveness period will be 10 years. The documents to process the loan are included as Exhibit 1. Property owner Great Wall Advertising Inc. has reviewed the loan and understands that the agreement is effective upon the executing signature of the City. Termination of the loan agreement will occur after one of the following occurs: 1) Borrower satisfies the Program requirements for 10 years, in which case the entire loan amount shall be forgiven; 2) Full repayment of the loan; or 3) Thirty years after the effective

date.

**BUDGET IMPACT:**

The Child Care Facility Fund currently has approximately \$1,800,000 allocated funds available for projects, which is sufficient to fund the \$1,143,800 loan.

**ENVIRONMENTAL DETERMINATION:**

This loan agreement and related childcare facility improvements are categorically exempt from CEQA as an “existing facility,” because it consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, involving negligible or no expansion of use. (CEQA Guidelines Section 15301.)

**NOTICE PROVIDED:**

All meeting noticing requirements were met.

**ATTACHMENTS**

Att 1 – Proposed Resolution

Exhibit 1 – Loan Agreement

Exhibit 2 – Promissory Note

Exhibit 3 – Short Form Deed of Trust

Exhibit 4 – City Use Agreement

**STAFF CONTACT**

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