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The Community Foundation Mission Investments Company



CARE Connecticut Market Entry Study

Bringing a social impact REIF for
childcare facilities to Connecticut

CARE Connecticut Market Entry Study Introduction

CERCLE and Mission Driven Finance have partnered to develop Connecticut's first real estate investment fund (REIF) for early childhood care and education facilities. The REIF is designed to promote a pathway to home and business ownership for the state's childcare provider community.

The partnership will tap community knowledge and expertise to potentially bring Care Access Real Estate (CARE)[®], the social impact REIF fund operated by Mission Driven Finance, to Connecticut to grow and stabilize the supply of licensed childcare to support families and the community. CERCLE, LISC Connecticut, Mission Driven Finance and The Community Foundation Mission Investment Company (MIC) will organize as a Steering Committee that will execute the planning phase and form a statewide Coalition Council that will guide the activation and implementation phases. This Coalition Council will be comprised of statewide Coalition Partners, Local Community Coordinators, Legislative Stakeholders and Funders.

A budget of \$350,000 has been identified for the planning phase of the initiative.



CARE Connecticut Market Entry Study

Overview



CARE enters a new market to create over 500 “seats” of quality childcare in CARE properties within two years of operations. While CARE’s core operations are consistent across geographies, the approach is adapted through close collaboration with local partners like CERCLE, LISC Connecticut, and The Community Foundation Mission Investment Company (MIC) to ensure that CARE will succeed in the new market. This thoughtful and community-informed process is essential to ensure CARE’s viability in Connecticut and to customize the CARE approach to local partners and conditions.

CARE’s entry into Connecticut would proceed in three phases: planning, activation, and ongoing operations. During the planning phase, a planning team led by CARE and CERCLE will hold meetings and site visits with a variety of stakeholders—focus groups/interviews with childcare providers, meetings with local early childhood support partners, identifying potential funding and investment partners, and initiating relationships with prospective real estate partners. CARE and CERCLE will conduct policy and regulatory analysis and real estate market research and adapt proprietary tools and templates for the community’s needs. Additional costs include legal and professional engagements.

At the end of the planning phase, the most likely and preferred result is that CARE Connecticut is ready to activate by beginning childcare provider recruitment efforts and real estate acquisitions. A less preferred and less likely outcome is a decision with local partners that CARE is not viable in the geography at this time, with clear articulation of the insurmountable challenges.





Planning Phase Objectives

CERCLE and CARE team members will work in collaboration with Connecticut childcare ecosystem partners to achieve the following objectives during the planning phase:

1. Select node sub-markets in Connecticut for initial operations.

We will work with partners to assess both state-wide conditions and local submarkets for CARE viability through interviews, research, and meetings with stakeholders, including childcare providers. Both statewide and in targeted submarkets, we will arrive at a mutual agreement that there are:

a. No barriers to CARE operations, such as unfavorable zoning or land use policies or unfavorable and insurmountable childcare licensing regulations. Generally, these conditions will be known early in the planning phase, but new information could emerge.

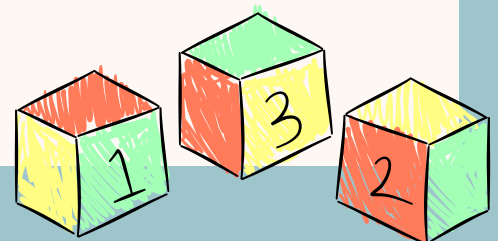
b. Favorable conditions for providers to thrive in CARE spaces. Providers thrive when their childcare business can generate sufficient revenue to generate a thriving wage for the business owner and all employees while delivering quality care.

c. Favorable real estate market conditions for CARE to earn moderate returns on its investments.

➔ **Deliverable:** Write-up of findings and decision about where CARE will launch in Connecticut.

2. Assess node investor feasibility - CARE raises national capital that is blended with local investor capital to buy and renovate properties. In addition, government and philanthropic grant funds complement the investor capital. By the end of the planning phase, Steering Committee members should have a line of sight to sufficient capital to develop 500 seats of childcare capacity.

➔ **Deliverable:** Investors, grantors, and lenders identified with specific go-forward processes and timelines.



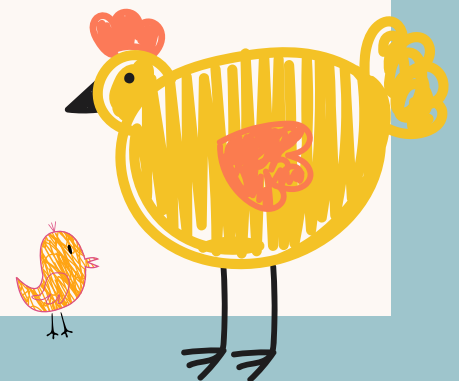


3. Local Community Coordinators will support childcare tenant recruitment, screening, and ongoing support.

- ➔ **Deliverable:** CARE Connecticut partners delineated and committed with any anticipated costs identified.

4. Build a plan for the activation and operation phases, deeply informed by conversations with Connecticut care providers and Connecticut data and research.

- ➔ **Deliverable:** CARE Connecticut activation and operations plan.





Planning Phase Work Strands



The work of the planning phase falls into the buckets below, with CARE spearheading the overall effort and working alongside the Steering Committee. CARE's operations tend to involve multiple partners, such as local governments, childcare resource and referral agencies, community development entities, and community development financial institutions (CDFIs). CERCLE will serve as the anchor partner and is committed to leading or, at minimum, coordinating the childcare provider operations for the partnership. MIC will serve as the startup CDFI and the Local Community Coordinators will coordinate the community engagement, outreach and education about the REIF. The work strands are as follows:

Learn from childcare providers - CARE must be informed by listening to the true experts, who are childcare providers in Connecticut, about their real estate challenges, current support system, and anticipated needs for growing their business in a CARE property.

Co-Leads: Local Community Coordinators and CERCLE

Relationship building and landscape learning - For CARE to succeed, stakeholders need ample time to understand the strategy and understand their role and interests in it. Additionally, existing efforts to cultivate childcare business growth can create momentum for CARE operations, and these opportunities will be identified.

Co-Leads: Local Community Coordinators, CARE and CERCLE

Aggregate existing supply/demand data - This includes facts about specific childcare deserts and provider needs, and is used to decide where CARE will acquire properties.

Co-Leads: CARE and CERCLE

Analyze licensing requirements and process - This information informs both CARE's acquisition criteria, our renovation standards, and the needed support for providers as they move into a CARE property.

Co-Leads: CARE, MIC, Local Community Coordinators and CERCLE



Analyze real estate market and zoning regulations - CARE aggregates extensive data on the real estate market and also interviews local real estate professionals to model our acquisition strategy and form our Connecticut buy-box.

Lead: CARE

Identify Connecticut capital allocators and initiate due diligence for investments and grants. This work strand includes any work with local and state governments regarding their participation in CARE.

Co-Leads: CARE and MIC

Build a CARE tenant operations plan - Identify local partners for provider recruitment, screening, and support. With identified partners, formulate the operations plan. This entails planning meetings, adaptation of templates and tools, and decisions on:

- Recruitment strategies
- Screening criteria and steps
- Supports plan, including licensing navigation, start-up funds/materials, business and personal financial coaching, quality coaching

Co-Leads: CARE, MIC, Local Community Coordinators, and CERCLE



Timeline and Requested Support

Timeline

The planning process is estimated to take about **6 months** and will begin with a launch meeting with initial partners and stakeholders.

1

The activation phase will begin once capital is secured and, therefore, may not immediately follow the planning phase.

2





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Requested Support

We are requesting \$350,000 to support the planning phase of this initiative. Of this amount, \$100,000 is allocated for outreach and capacity-building efforts with city coalitions across the state, ensuring we establish the necessary relationships, resources, and approvals to implement the childcare REIF locally. The remaining \$250,000 will fund a comprehensive feasibility study to assess implementation potential and inform next steps.



Connecticut Early Childhood REIF

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