BEFORE YOU SIGN • GUIDE 08

The Childcare Edition

What every childcare center owner needs to know about commercial space before they sign the lease.

08

A Note Before We Start

Opening a childcare center is one of the most mission driven business decisions a person can make. You are not just leasing a commercial space. You are creating an environment where children will spend their days, where families will place their deepest trust, and where your staff will do some of the most important work in your community.

The real estate decision for a childcare center is also among the most regulated and most consequential of any business in this series. Ohio has detailed licensing requirements for childcare facilities that directly govern the physical space you can use, the outdoor area you must provide, the number of children you can enroll per square foot, the plumbing and sanitation requirements, and the safety standards your facility must meet before you open your doors.

Getting the space wrong is not just a business problem. It is a licensing problem that can prevent you from opening at all or force a costly redesign after you have already signed a lease and started construction. This guide covers five areas: your space requirements, the Ohio childcare licensing picture, the buildout reality, the lease clauses that matter most for childcare operators, and how to calculate what you can actually afford. Read every section before you commit to any location.

SECTION 1

Know Your Space Requirements

Childcare space requirements are not driven by preference or business concept. They are driven by Ohio law. The Ohio Department of Job and Family Services sets minimum square footage requirements per child, outdoor space requirements, room configuration standards, and safety requirements that determine whether a given space can be licensed as a childcare center. Start with Ohio's requirements and work backward to your location criteria, not the other way around.

Indoor Square Footage: Ohio's Minimum Requirements

Ohio Administrative Code sets minimum indoor space requirements for licensed childcare centers. These are legal minimums, not design targets. A well designed childcare environment typically exceeds them:

Infants and Toddlers	Ohio requires a minimum of 50 square feet of usable indoor space per child for infant and toddler groups. This is net usable space, not gross square footage. Hallways, restrooms, storage, and staff areas do not count toward the per child calculation.
Preschool Age Children	Ohio requires a minimum of 35 square feet of usable indoor space per child for preschool age groups. Again, this is net usable space in the classroom or activity areas, not the total square footage of the facility.
School Age Children	Ohio requires a minimum of 35 square feet of usable indoor space per child for school age programs.
Support Space	Kitchen or food preparation area, staff restrooms, director's office, storage for supplies and equipment, and parent reception area are required and do not count toward child capacity calculations. Budget 25 to 35 percent of total square footage for support functions.

IMPORTANT

Your licensed capacity, which determines your maximum enrollment and therefore your maximum revenue, is calculated directly from your usable classroom square footage. Choosing a space that is too small for your enrollment target is a business model problem that no amount of good programming can overcome.

Calculating Your Licensed Capacity

Here is the basic capacity math before you evaluate any space. This is one of the most important calculations in this entire guide:

- Determine your total gross square footage of the prospective space.
- Subtract support spaces: hallways, restrooms, kitchen, office, and storage. This typically reduces gross square footage by 25 to 35 percent.
- Divide the remaining usable classroom square footage by the applicable per child requirement for your age group mix.
- The result is your maximum licensed capacity for that space.
- Compare that capacity to your enrollment target and your financial model. If the capacity is too low to support your projected revenue, the space is not the right size regardless of how appealing everything else is.

Outdoor Space Requirements

Ohio requires licensed childcare centers to provide outdoor play space. This is not optional and it cannot be waived. The outdoor space requirement is one of the most common reasons a prospective childcare location fails:

- Ohio requires a minimum of 60 square feet of usable outdoor play space per child for the maximum number of children who will use the outdoor space at one time.
- The outdoor space must be on or immediately adjacent to the premises, safely enclosed, and meet Ohio's safety requirements for surfacing, equipment, and fencing.
- The outdoor space must be accessible directly from the childcare facility without children crossing a parking lot or public street without direct supervision.
- Rooftop play areas are not permitted under Ohio childcare licensing rules. Ground level or grade accessible outdoor space is required.

In urban locations and strip centers, finding adequate compliant outdoor space is one of the biggest challenges in childcare real estate. Confirm that any outdoor space associated with a prospective location can be licensed before you negotiate the lease.

Restroom Requirements

Ohio sets minimum restroom ratios for childcare centers. Here is what the code requires:

- One toilet and one handwashing sink for every 10 children in the licensed capacity for children age two and older.
- Infant and toddler programs require a diaper changing area that is separate from food preparation areas and meets Ohio sanitation requirements.

- Child sized fixtures are required for children's restrooms. Standard adult height toilets and sinks do not meet the requirement without modifications.
- Staff restrooms must be separate from children's restrooms.

The plumbing requirements for a childcare center are significant. A center licensed for 60 children needs a minimum of six child height toilets and six handwashing sinks in the children's restroom areas alone. If the prospective space does not have this infrastructure, adding it is a major plumbing cost.

Kitchen and Food Service

If your center serves meals or snacks prepared on site, a food preparation area is required. Ohio childcare licensing and the local health department both have jurisdiction over food service in childcare settings:

- A licensed food service operation requires a designated kitchen area with appropriate equipment, ventilation, handwashing facilities, and surfaces that meet food safety standards.
- Meal service in childcare centers is regulated under the Ohio Childcare Licensing Rules and may also be subject to Ohio Department of Agriculture or local health district oversight depending on the scope of food preparation.
- If you plan to participate in the Child and Adult Care Food Program (CACFP), which provides federal reimbursement for meals served to eligible children, your kitchen must meet CACFP standards in addition to licensing requirements.

Safety and Physical Plant Requirements

Ohio childcare licensing rules include detailed physical plant requirements that affect space selection and buildout:

- Natural light: classrooms must have windows that provide natural light. Interior rooms without windows cannot be used as primary classroom space.
- Ventilation: adequate ventilation for all occupied spaces is required. Confirm the HVAC system can maintain appropriate temperature and air quality in all classroom areas.
- Ceiling height: a minimum ceiling height of 7 feet 6 inches is required in areas used by children.
- Exit requirements: sufficient exits from each classroom and from the building as a whole are required under both fire code and childcare licensing rules. Confirm that the prospective space has adequate egress from all areas where children will be present.
- Separation of age groups: Ohio rules require physical separation of infant and toddler groups from older children in many circumstances. This affects your floor plan and room configuration requirements.

QUESTIONS TO ASK BEFORE YOU COMMIT

- What is the usable classroom square footage after subtracting support spaces and how does that translate to licensed capacity for my age group mix?
- Is there compliant outdoor play space on or immediately adjacent to the property and can it be licensed under Ohio requirements?
- Do all prospective classroom areas have windows providing natural light?
- What is the existing plumbing situation and can it support the required restroom ratios for my target enrollment?
- Does the ceiling height in all areas meet the Ohio minimum of 7 feet 6 inches?
- Is this location accessible for drop off and pickup without children crossing a parking lot or street unsupervised?

SECTION 2

Permit and Licensing Pitfalls

Childcare licensing in Ohio is administered by the Ohio Department of Job and Family Services (ODJFS). The licensing process is detailed, time consuming, and involves multiple inspections before a license is issued. It also runs on its own timeline entirely separate from your building permit, your lease commencement, and your planned opening date. Plan for this process to take longer than you expect.

Ohio Department of Job and Family Services: Childcare Center License

Every center based childcare program in Ohio serving five or more children from more than one family must be licensed by ODJFS. The licensing process involves:

- Submitting a license application to ODJFS before you open. The application includes your floor plan, your policies and procedures, your staffing plan, and your program description.
- A pre licensing inspection of the physical facility by an ODJFS licensing specialist. This inspection occurs after your buildout is complete and before you enroll any children.
- Inspections by the local fire marshal and local health department as part of the licensing process. ODJFS coordinates these inspections but they are conducted by separate agencies.
- Issuance of your childcare center license after all inspections are passed and all documentation requirements are met.

The pre licensing process typically takes 60 to 120 days from application submission to license issuance under normal circumstances. In practice it often takes longer. Do not plan your opening date around a 60 day licensing timeline. Build 90 to 120 days into your projection and have a financial cushion for the possibility that it takes longer.

WATCH OUT

Your lease starts running before you are licensed to operate. Every month between lease commencement and license issuance is a month of rent with no revenue. Negotiate a rent abatement period that covers your buildout timeline plus your licensing timeline, not just your construction period.

Ohio Administrative Code: Childcare Center Rules

The Ohio Administrative Code Chapter 5101:2 to 12 governs licensed childcare centers. These rules cover everything from physical space requirements to staff qualifications, child to staff ratios, health and safety policies, and program requirements. Key physical requirements you must confirm before signing a lease:

- Staff to child ratios by age group determine how many staff you need per enrolled child, which directly affects your payroll cost. Infant ratios are 1 to 5. Toddler ratios are 1 to 6. Preschool ratios are 1 to 12. School age ratios are 1 to 18.
- Group size limits by age group cap how many children can be in a single classroom regardless of square footage. Infant groups are limited to 12. Toddler groups are limited to 12. Preschool groups are limited to 24. These group size limits affect your room configuration requirements.
- Staff qualification requirements including director qualifications, lead teacher requirements, and ongoing training obligations affect your hiring and payroll planning.

Building Permits and Occupancy Classification

Childcare centers are classified as Group E occupancy under the Ohio Building Code when serving more than five children above the age of 2.5 years, or as Group I 4 when serving children age 2.5 and under. These classifications trigger specific building code requirements:

- Group E and Group I 4 occupancies require automatic fire suppression sprinkler systems in most new and substantially renovated facilities. Confirm whether the prospective space has an existing sprinkler system and whether it covers all areas where children will be present.
- Egress requirements for Group E and I 4 occupancies are more stringent than standard commercial occupancies. Confirm that the prospective space has adequate exits from all classrooms.
- Building permits are required for all construction work including partition walls, plumbing, electrical, HVAC modifications, and any structural changes. The building department will review your plans under the applicable occupancy classification requirements.

Fire Marshal Inspection

The local fire marshal inspects childcare facilities as part of the ODJFS licensing process. Key fire safety requirements:

- Automatic fire suppression system covering all areas where children are present.
- Smoke detectors in all rooms used by children.
- Fire extinguishers in required locations.
- Emergency exit signage and emergency lighting.
- Fire drill documentation and emergency evacuation plan.

If the prospective space does not have an existing compliant fire suppression system, installation is a significant cost. A fire suppression system in a 3,000 square foot childcare center runs 15,000 to 40,000 dollars depending on whether the building has an existing water main and riser that can support the system.

Local Health Department Inspection

The local health department inspects childcare facilities as part of the ODJFS licensing process. Key areas of inspection:

- Kitchen and food service areas if meals or snacks are prepared on site.
- Restroom facilities: fixture count, child height fixtures, handwashing accessibility, and sanitation.
- Diaper changing areas: location, surface materials, and sanitation protocols.
- Water supply and sewage systems.
- General sanitation and housekeeping standards.

Zoning

Childcare center use is not automatically permitted in all commercial zones. In many Northeast Ohio municipalities, childcare is classified as a conditional use or a special use that requires a separate approval process beyond standard building permits. Before you commit to a location:

- Confirm that childcare center use is a permitted use or conditional use under the zoning classification at your prospective location.
- If a conditional use approval is required, understand the process, the timeline, and the standards the municipality applies. Conditional use approvals can take 60 to 120 days and are not guaranteed.
- Parking requirements for childcare centers vary by municipality but typically account for drop off and pickup traffic in addition to staff parking. Confirm the applicable parking ratio before you evaluate the site's parking situation.
- Some municipalities have specific location restrictions for childcare centers related to proximity to certain uses. Confirm there are no location based restrictions at your prospective site.

ADA Compliance

Childcare centers must be accessible to children and adults with disabilities. Key requirements:

- Accessible entrance and accessible route throughout all areas of the facility.
- Accessible restrooms. At least one restroom must meet ADA clearance requirements.
- Accessible outdoor play area with an accessible route from the building entrance.
- Accessible drop off and pickup area.

QUESTIONS TO ASK BEFORE YOU COMMIT

- Is childcare center use a permitted or conditional use at this location and what is the approval process?
- Does the building have an existing fire suppression sprinkler system covering all areas where children will be present?

- Have I built 90 to 120 days of licensing timeline into my financial projections beyond my buildout period?
- What are the parking requirements for childcare use in this municipality and does the site meet them?
- Does the prospective space meet Ohio Building Code Group E or I 4 occupancy requirements or what modifications would be required?

SECTION 3

Buildout Reality Check

Childcare center buildouts are infrastructure heavy and code driven in ways that generic commercial buildouts are not. The combination of plumbing requirements for child height fixtures, fire suppression systems, outdoor play area development, and the safe and engaging environment children need to thrive creates a cost profile that surprises most first time childcare operators. Here is an honest breakdown.

What Does It Actually Cost

Childcare center buildout costs in the Midwest generally fall in these ranges:

Basic Buildout	Partition walls to create classrooms, child height plumbing fixtures, basic finishes, and fire suppression in a suitable shell space. Budget 60 to 100 dollars per square foot.
Standard Buildout	Classroom configurations with natural light, child height restrooms at required ratios, commercial kitchen, outdoor play area development, fire suppression, and a welcoming reception environment. Budget 100 to 160 dollars per square foot.
Premium Buildout	Custom classroom environments, high quality finishes throughout, premium outdoor play structures and surfacing, nature based or specialty program spaces, and a parent facing environment that communicates your program quality. Budget 160 to 250 dollars per square foot or more.
Outdoor Play Area	Budgeted separately from interior construction. A compliant outdoor play area including fencing, safety surfacing, age appropriate play structures, and shading for a 40 child capacity typically runs 30,000 to 80,000 dollars depending on equipment quality and site conditions.

Plumbing: The Line Item That Grows With Enrollment

Childcare plumbing is uniquely expensive because the fixture count is mandated by regulation and scales directly with your licensed enrollment. Here is what the math looks like:

- One child height toilet and one child height handwashing sink per 10 children in licensed capacity. A center licensed for 60 children requires 6 child height toilets and 6 child height sinks in the children's restroom areas.

- Child height toilets and sinks are specialty fixtures that cost more than standard commercial fixtures and require specific rough in dimensions.
- Diaper changing stations with adjacent handwashing sinks in infant and toddler rooms add additional plumbing points.
- Kitchen plumbing for a commercial food service area adds further cost.
- Total plumbing for a 60 child childcare center built from a shell space with no existing childcare infrastructure: 25,000 to 60,000 dollars depending on floor level, existing rough in locations, and fixture quality.

Fire Suppression

If the building does not have an existing fire suppression system, installation is one of the largest single line items in a childcare buildout. Key factors that affect cost:

- Whether the building has an existing water main and fire riser that can support a sprinkler system. If not, connecting to the municipal water supply for fire suppression is a significant additional cost.
- The square footage of the area requiring coverage.
- The ceiling height and construction type, which affect the sprinkler head type and spacing required.
- A fire suppression system for a 3,000 to 5,000 square foot childcare center in a building with an existing riser: 15,000 to 35,000 dollars. Without an existing riser, costs can increase substantially.

Outdoor Play Area Development

The outdoor play area is a unique capital investment for childcare operators that has no equivalent in any other business in this series. It must be compliant, safe, age appropriate, and engaging enough to support your program quality and parent expectations. Key cost drivers:

- Perimeter fencing: a compliant childcare fence with self closing, self latching gates typically runs 20 to 40 dollars per linear foot installed.
- Safety surfacing: Ohio requires impact absorbing surfacing under and around play equipment. Engineered wood fiber, rubber mulch, and poured in place rubber are the most common options. Budget 8 to 25 dollars per square foot depending on material.
- Play structures: age appropriate commercial grade play equipment for a preschool program runs 15,000 to 50,000 dollars installed. Infant and toddler appropriate equipment is separate from preschool equipment.
- Site work: grading, drainage, and concrete work for pathways and play area perimeter add cost that varies significantly by site condition.

Tenant Improvement Allowance Strategy

Childcare tenants present a mixed picture for landlords. The long lease terms required to justify the buildout investment are appealing. The specialized buildout, the regulatory complexity, and the outdoor space requirements create concerns. Here is how to approach TI negotiation for childcare:

- Target single tenant buildings, freestanding pads, or larger shopping centers with exterior space where outdoor play area development is feasible. Many multi tenant strip centers do not have usable exterior space for a compliant play area.
- Document your buildout requirements with real contractor estimates before you negotiate TI. A landlord who understands what childcare construction actually requires is more likely to engage seriously.
- Childcare operators typically sign longer initial lease terms, often 10 to 15 years, given the capital investment. Use the length of your commitment to justify a higher TI allowance.
- Negotiate a rent abatement period that covers your full buildout timeline plus your licensing timeline. Childcare is the only business in this series where the regulatory timeline after construction completion routinely adds 60 to 120 days before you can open.

QUESTIONS TO ASK BEFORE YOU COMMIT

- Does the building have an existing fire suppression system and does it cover all areas where children will be present?
- Is there usable exterior space for a compliant outdoor play area and what are the site conditions?
- What is the TI allowance and does it cover plumbing, fire suppression, and outdoor area development?
- What is the lease term and is it long enough to justify the buildout investment?
- What is the rent abatement period and does it cover both the buildout and the licensing timeline?

SECTION 4

Understanding Your Lease

Childcare leases have specific pressure points that reflect the long term commitment the buildout requires, the regulatory dependency on the physical space, and the mission critical nature of the location for the families who rely on your program. Here are the provisions that matter most.

Use Clause

Negotiate a use clause that covers licensed childcare center operations in full, including infant care, toddler care, preschool programming, school age care, and any enrichment or tutoring programs you may offer. Also confirm that the use clause permits ancillary uses that are common in childcare centers: food service, after school programs, summer camps, and early childhood education programs. If you plan to add services as your program grows, the use clause is where that flexibility begins.

Outdoor Space Rights

This is a lease provision that is unique to childcare operators. Your licensed outdoor play area is a required component of your childcare license. If you lose access to it, you lose your ability to operate at licensed capacity or potentially at all. Before you sign:

- Confirm that your lease grants you exclusive use of the outdoor play area you intend to license and develop. Shared outdoor areas that other tenants or the public can access during your operating hours are not licensable as childcare play spaces.
- Confirm that the lease term for the outdoor space matches the lease term for the indoor space. An outdoor area with a shorter or separately terminable right of use creates a risk to your license.
- Confirm that the landlord cannot modify, restrict, or reclaim the outdoor space during your lease term without your consent.

Lease Term

Childcare operators typically need longer initial lease terms than most businesses in this series because the capital investment in buildout, outdoor play area development, and licensing is so significant. A 10 to 15 year initial lease term with renewal options is common and appropriate. When negotiating renewal options, confirm:

- The rent escalation formula for renewal periods so you can project your long term occupancy cost.
- Whether renewal options are automatic or must be exercised by written notice within a specific window. Missing a renewal notice deadline can result in losing your lease even if you intend to stay.
- Whether your renewal options survive a sale of the building to a new owner.

Exclusivity

Exclusivity for a childcare operator means preventing the landlord from leasing adjacent space in the same property to another licensed childcare center. In a large shopping center or office park this is worth negotiating. In a single tenant or small multi tenant building it is less of a concern. Define your exclusivity around licensed childcare center use specifically. Get it in writing.

Structural Modifications and Restoration

Childcare buildouts involve significant permanent structural modifications including partition walls to create classrooms, plumbing for child height fixtures throughout, fire suppression modifications, and potentially exterior modifications for the outdoor play area. Before you sign:

- Confirm in writing which modifications require landlord approval and get that approval as a condition of the lease for your planned scope.
- Negotiate that childcare specific permanent improvements including plumbing, fire suppression modifications, partition walls, and outdoor fencing are not subject to removal at lease expiration. Requiring a childcare tenant to remove a compliant fire suppression system or a licensed outdoor fence at lease end is unreasonable and most landlords will agree to waive restoration requirements for these items if asked specifically.

Demolition and Recapture Clauses

A demolition or recapture clause allows a landlord to terminate your lease early if the property is to be redeveloped. For a childcare operator with a 10 to 15 year lease, a significant buildout investment, and 60 to 100 enrolled families depending on your program, an early termination would be devastating. Push back on any demolition or recapture clause in a childcare lease. If the landlord insists on one, negotiate a buyout provision that covers your full unamortized buildout cost, relocation assistance, and adequate notice to allow families to find alternative care.

Personal Guarantee

Given the long lease terms and significant capital investment typical of childcare buildouts, the personal guarantee deserves careful attention. Negotiate:

- A guarantee burn down that reduces personal exposure after a defined period of on time payment. For a 10 to 15 year lease, the guarantee should decrease meaningfully after the first three to five years of successful operation.
- A good guy clause that terminates personal liability upon vacating and giving proper notice.
- A cap on total personal exposure that reflects the lease term length and your buildout investment but does not leave you personally responsible for the full remaining value of a 15 year lease obligation.

QUESTIONS TO ASK BEFORE YOU COMMIT

- Does the use clause cover all the childcare and early education programs I plan to offer?
- Does the lease grant me exclusive use of the outdoor play area for the full lease term?
- Are there any demolition or recapture clauses and if so what is the buyout provision?
- What structural modifications require landlord approval and have I obtained written approval for my planned scope?
- Are childcare specific permanent improvements excluded from restoration requirements at lease expiration?
- What are the personal guarantee terms and is there a burn down provision appropriate for a long term lease?

SECTION 5

What Can You Actually Afford

Childcare center revenue is driven by enrollment, which is directly capped by your licensed capacity, which is determined by your space. The affordability analysis for a childcare center is fundamentally a capacity analysis. Understanding the relationship between square footage, licensed capacity, tuition rates, and total operating cost is how you evaluate whether a given space can support a financially viable program.

The Childcare Rent Rule

The childcare industry benchmark is that occupancy costs should not exceed 10 to 15 percent of gross revenue. Quality childcare programs with full enrollment and market rate tuition can sustain up to 15 percent. Programs in more competitive markets with lower tuition rates need to stay closer to 10 percent. Given the high fixed cost of childcare staffing, which typically represents 50 to 60 percent of gross revenue, occupancy cost discipline is essential to operating a financially sustainable program.

Revenue Per Child Per Year

Your maximum annual revenue is your licensed capacity multiplied by your average annual tuition per child multiplied by your occupancy rate. Here is the framework:

Licensed Capacity	Determined by your usable classroom square footage divided by the per child minimum for your age group mix. This is your revenue ceiling.
Average Annual Tuition	Full time infant care in Northeast Ohio typically runs 12,000 to 18,000 dollars per year. Full time preschool runs 8,000 to 14,000 dollars per year. Use a weighted average based on your age group mix.
Enrollment Rate	New childcare centers rarely open at full capacity. Model at 60 percent enrollment for year one, 75 percent for year two, and 85 to 90 percent for stabilized operations. Full enrollment is uncommon because there are always transitional spots and waitlist gaps.
Subsidy and CACFP Revenue	If you serve subsidy eligible families through the Ohio Childcare Assistance Program or participate in the Child and Adult Care Food Program, these revenue sources affect your total gross revenue. Factor them into your projection if they are part of your program model.

The Staffing Cost Reality

Childcare staffing is the largest cost driver in the business and it is not discretionary. Ohio's staff to child ratios are mandated by law and cannot be reduced below minimum requirements. Before you model your financials:

- Calculate your required staffing for each age group at licensed capacity based on Ohio ratios: 1 to 5 for infants, 1 to 6 for toddlers, 1 to 12 for preschool.
- Budget for the full cost of employed staff including wages, payroll taxes, and benefits. Total payroll costs in a well run childcare center typically run 50 to 60 percent of gross revenue.
- Confirm that your projected revenue at stabilized enrollment can cover staffing, occupancy, food costs, insurance, supplies, and leave adequate margin for debt service and owner compensation.

Total Occupancy Cost

Beyond base rent, your full occupancy obligation includes:

- CAM charges: in a retail or office park setting, common area maintenance can add 3 to 8 dollars per square foot annually.
- Property taxes: your proportional share in a triple net or modified gross lease.
- Utilities: childcare centers are heavy utility users. Children require warmer temperatures than standard commercial occupancies, increasing heating costs. Water usage from frequent handwashing, restroom use, and cleaning is above average. Get 12 months of prior data before projecting costs.
- Insurance: childcare liability insurance is specialized and costs more than standard commercial general liability. Budget for childcare specific coverage and get quotes before you project profitability.

The Affordability Formula

Formula	Your Numbers
Stabilized Annual Gross Revenue x 12%	$_____
Divide by 12 = Monthly Occupancy Budget	$_____
Minus: CAM + Taxes + Insurance + Utilities	($_____)
Max Affordable Base Rent (Monthly)	**$_____**

Example

Childcare center licensed for 60 children with a blended age group mix averaging 11,000 dollars per child annually in tuition, at 85 percent stabilized enrollment. Annual gross revenue: 60 children times

85 percent times 11,000 dollars equals 561,000 dollars. Maximum occupancy budget at 12 percent: 67,320 dollars per year, or 5,610 dollars per month. Estimated CAM, taxes, utilities, and insurance: 2,200 dollars per month. Maximum affordable base rent: approximately 3,410 dollars per month. At 3,500 square feet, that is 11.69 dollars per square foot annually.

That is a modest rent number that reflects the high fixed cost structure of childcare operations. It means location selection for a childcare center is less about finding a premium location and more about finding the right size space with compliant outdoor area at a rent level the tuition model can support. Run your actual numbers before you fall in love with a space.

HONEST CHECK

Childcare is one of the most mission driven businesses you can open and also one of the most financially challenging. High staffing costs mandated by law, tuition rates constrained by what families can afford, and significant buildout and licensing costs create thin margins. If your stabilized model shows less than 10 percent net margin after all expenses including your own salary, the space is too expensive or the capacity is too small. Do not sign a lease hoping the numbers will work out.

QUESTIONS TO ASK BEFORE YOU COMMIT

- What is the usable classroom square footage and what is my maximum licensed capacity for my age group mix?
- Does my projected stabilized tuition revenue support the total occupancy cost at 10 to 15 percent?
- Have I modeled my full staffing cost at Ohio required ratios for my licensed capacity?
- Do I have adequate capital to cover buildout, outdoor play area development, licensing timeline, and a ramp up reserve through 85 percent enrollment?
- What are the prior year actual utility costs for this space?

BEFORE YOU SIGN

The Childcare Edition: Cheat Sheet

The Affordability Formula

Formula	Your Numbers
Stabilized Annual Gross Revenue x 12%	$_____
Divide by 12 = Monthly Occupancy Budget	$_____
Minus: CAM + Taxes + Insurance + Utilities	($_____)
Max Affordable Base Rent (Monthly)	**$_____**

Licensed Capacity Quick Calculator

Step	Ohio Minimum	Your Numbers
Total gross square footage	N/A	_____ sq ft
Minus support space (25 to 35%)	30% typical	(_____ sq ft)
Usable classroom square footage	N/A	_____ sq ft
Divide by sq ft per child for your age mix	35 to 50 sq ft per child	divide by ___
Maximum Licensed Capacity	Your revenue ceiling	**_____ children**

Key Benchmarks to Remember

Rent to Revenue Ratio	Total occupancy cost at 10 to 15 percent of gross revenue. Staffing at 50 to 60 percent leaves limited margin for higher occupancy ratios.
Indoor Space Minimums	50 sq ft per child for infants and toddlers. 35 sq ft per child for preschool and school age. Net usable classroom space only.
Outdoor Space Minimum	60 square feet per child for the maximum outdoor group size. Ground level, enclosed, and exclusively accessible to your program.
Restroom Ratio	One child height toilet and one handwashing sink per 10 children in licensed capacity.

Licensing Timeline	90 to 120 days from application to license issuance under normal conditions. Build this into your rent abatement negotiation.
Outdoor Play Area Budget	30,000 to 80,000 dollars for fencing, surfacing, and play equipment. Budgeted separately from interior construction.
Fire Suppression	15,000 to 35,000 dollars if not already in place. Required for Group E and I 4 occupancy classifications.

Pre Opening Permit and Licensing Checklist

	Item	Notes
☐	Zoning confirmed for childcare center use	*Permitted or conditional use; allow time for approval*
☐	Conditional use approval obtained if required	*Can take 60 to 120 days; start immediately*
☐	Ohio Building Code occupancy classification confirmed	*Group E or I 4 depending on age group served*
☐	Building permit obtained for full buildout scope	*Required before construction begins*
☐	Plumbing permit obtained for childcare fixtures	*Child height toilets, sinks, diaper areas*
☐	Fire suppression system permit obtained	*Required for Group E and I 4 occupancy*
☐	Fire suppression system installed and inspected	*Must cover all areas where children are present*
☐	Outdoor play area fencing installed and inspected	*Confirm meets Ohio childcare licensing standards*
☐	Outdoor play equipment installed with safety surfacing	*Commercial grade; age appropriate for enrolled groups*
☐	Certificate of occupancy issued for childcare use	*Required before ODJFS licensing inspection*
☐	ODJFS license application submitted	*Submit as early as possible; 90 to 120 day timeline*
☐	ODJFS pre licensing inspection passed	*After buildout is complete*
☐	Local fire marshal inspection passed	*Coordinated through ODJFS licensing process*
☐	Local health department inspection passed	*Coordinated through ODJFS licensing process*
☐	ODJFS childcare center license issued	*Required before enrolling any children*

☐	Staff background checks completed for all employees	*Ohio requires BCI and FBI checks for all staff*
☐	Director qualifications confirmed and documented	*Ohio requires specific education and experience*
☐	CACFP application submitted if participating	*Federal meal reimbursement program*
☐	Childcare liability insurance bound	*Confirm coverage before first child enrolled*
☐	ADA compliance review completed	*Accessible entrance, restrooms, and outdoor area*

QUESTIONS TO ASK YOUR LANDLORD BEFORE YOU SIGN

- Does the lease grant exclusive use of the outdoor play area for the full lease term and do the terms match the indoor lease term?
- Does the building have an existing fire suppression system that covers all areas where children will be present?
- What structural modifications require written approval and have I obtained approval for my planned buildout scope?
- Are childcare specific permanent improvements excluded from restoration requirements at lease expiration?
- Is there a demolition or recapture clause and if so what are the buyout and notice terms?
- What is the rent abatement period and does it cover both the buildout and the licensing timeline?
- What are the prior year actual CAM, tax, utility, and insurance costs?
- What are the lease renewal terms and does my renewal option survive a sale of the building?
- What are the personal guarantee terms and is there a burn down provision appropriate for a long term lease?

CiCi Caver | Licensed Real Estate Sales Agent | Kowit and Company Real Estate Group

This guide is for educational purposes only and does not constitute legal or financial advice. Always consult a licensed attorney and accountant before signing a commercial lease.

QUESTIONS ABOUT COMMERCIAL SPACE?

Let's talk it through.

Hey, I'm CiCi Caver, Licensed Real Estate Sales Agent at Kowit and Company Real Estate Group. If you're looking at a space in Cuyahoga County and want a second set of eyes before you sign, reach out.

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