

Health Center Capital Planning

Building Upon What We Know



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Building Upon What We Know



Capital Link Overview



Plan for health center sustainability and growth



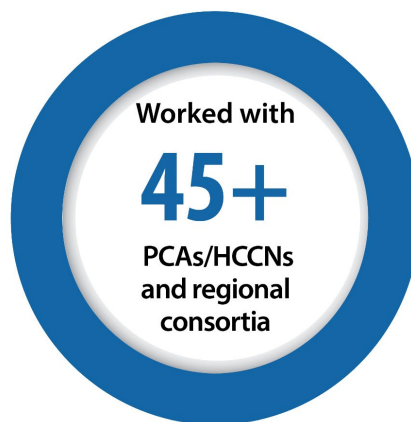
Help health centers access capital



Improve and optimize health center operations and financial management



Articulate health center value



ASSISTED **2/3^{rds}** OF HEALTH CENTERS NATIONALLY

LEVERAGED **\$1.34 billion**

FOR **241+** HEALTH CENTER PROJECTS

TOTALING OVER **\$1.6 billion**

Assessing Risk “at the Edges”

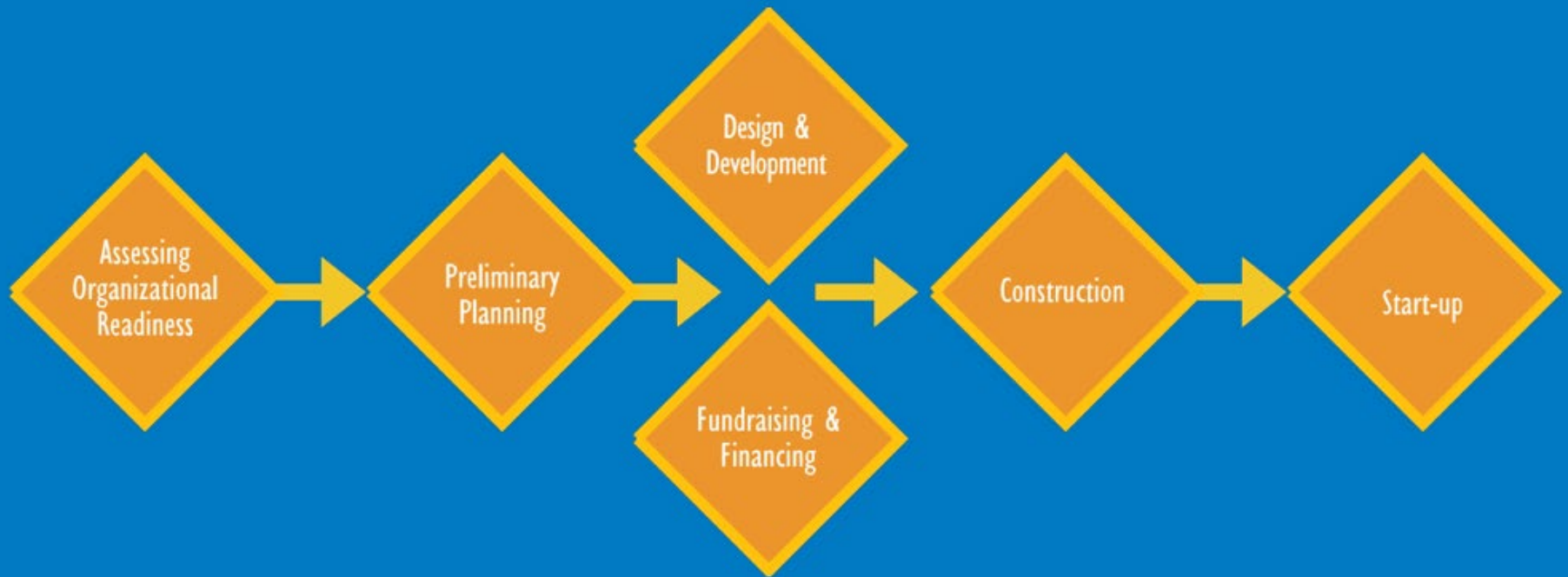


POLL #1: Current Capital Project(s)



- We have a small project that HRSA's recent funding will completely financing
- We have a significant project that HRSA's recent funding will help finance
- We have a small and/or significant project that we're not using HRSA's recent C8E funding for
- A combination of above
- None of the above/Other

There is a method to the madness...



- Non-Competitive, Amounts Known
- Eligibility
- Timelines
 - General Planning
 - Application Submission
 - Construction/Overall Project
- Financing
- Project Scope/Design

Visualize the Timeline

Project Process Stage	Time Line																																										
	Month 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36							
Assessing Organizational Readiness Stage																																											
Mission, Vision and Planning	X	X																																									
Financial Systems and Position		X	X																																								
Community Engagement and Collaboration				X	X	X																																					
Organizational Leadership	X	X					X	X																																			
Board of Directors	X	X	X																																								
Fund Development History and Infrastructure						X	X																																				
Preliminary Planning Stage																																											
Preliminary Project Concept		X																																									
Work Plan Development			X	X																																							
Market Assessment				X	X																																						
Program & Staff Planning						X	X																																				
Space Planning							X	X																																			
Capital Campaign Planning & Feasibility Study	X	X	X	X	X	X	X	X	X																																		
Education & Preliminary Planning for Debt Financing			X	X	X																																						
Plan of Finance & Preliminary Sources & Uses of Funds					X	X	X																																				
Preliminary Financial Forecast							X	X	X	X																																	
Design & Development Stage					X	X			X	X	X	X	X	X	X	X	X	X	X	X																							
Fundraising & Financing Stage									X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Construction Phase																							X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X			
Start-Up Phase																																						X	X	X	X	X	X

*Note: Timeline does not represent a specific health center project, rather, it is a guide for determining approximately when and in what sequence certain steps should occur.

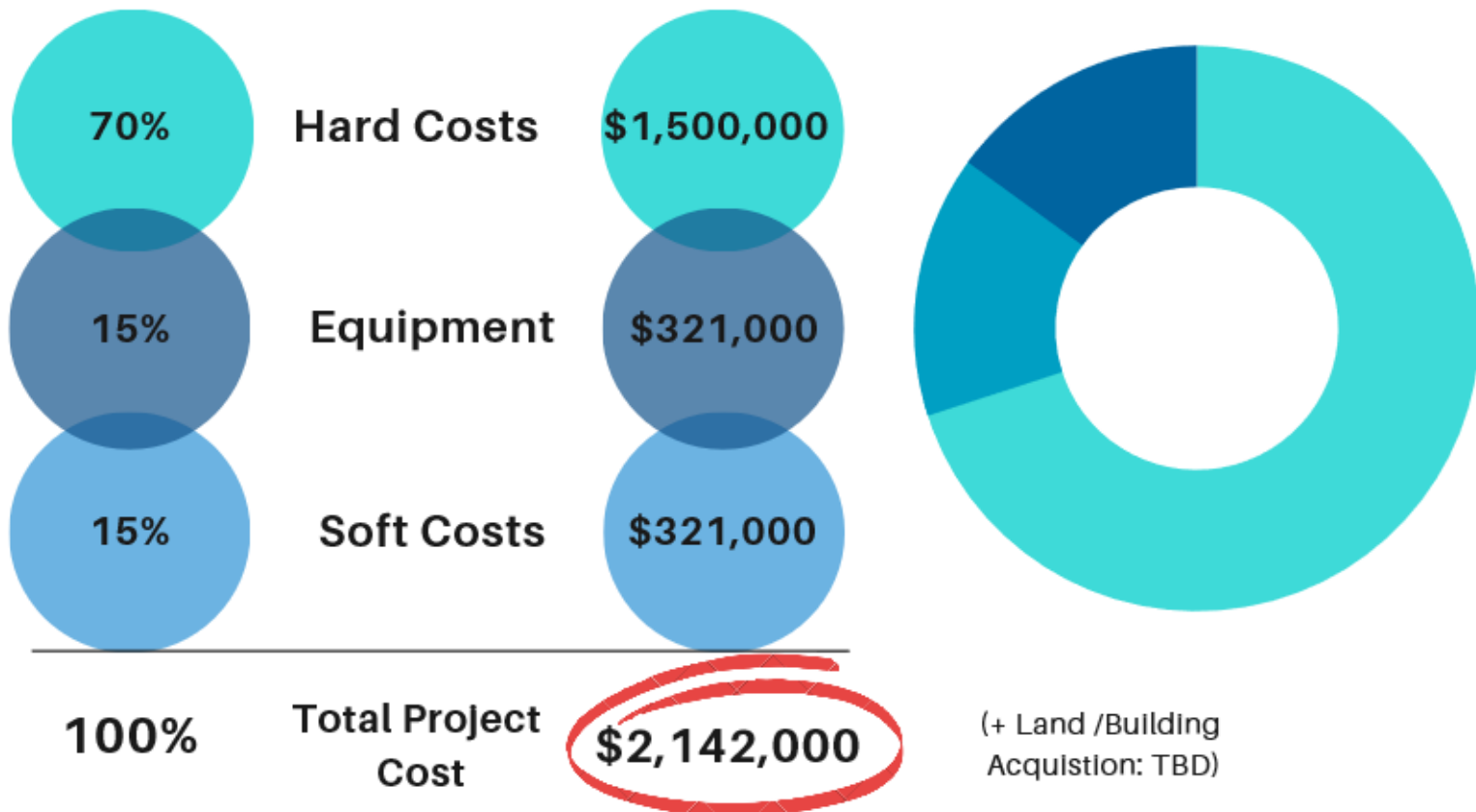
Expansion Considerations

	A	B	C	D	E	F
1		Scenario 1			Scenario 2	
2		Driver Variables	Calculations			
3	Service Area Patients	15,000				
4	Service Area General Population	50,000	30.0%			
5	Service Area Low-Income Population	25,000	60.0%			
6						
7	FQHC Patient Visits	43,000				
8	FQHC Visits per Patient		2.87			
9						
10	FQHC Provider FTE	21.0				
11	FQHC Patient Visits		43,000			
12	FQHC Visits per Provider FTE		2,048			
13						
14	Percent Change in Low-Income Market Penetration	10.00%				
15	New Low-Income Patient Goal		16,500			
16	Additional FQHC Low-Income Patients		1,500			
17	Additional FQHC Low-Income Visits		4,300			
18						
19	New Provider Visit per FTE Productivity		2,252			
20	OR					
21	Additional FQHC Provider FTE Needed		2.1			
22						
23	Square Feet per Provider (typically 1,000 to 1,500)	1,500				
24	Additional Square Feet Needed		3,150			
25						
26	Cost of Construction per Square Foot	\$250				
27	Estimated Construction Cost		\$787,500			
28						
29	Hard Costs - Construction		\$787,500			
30	Furniture, Fixtures, and Equipment (FF&E)		\$168,750			
31	Soft Costs - Architectural, Engineering, etc		\$168,750			
32						
33	Total Estimated Cost - before land/acquisition		\$1,125,000			

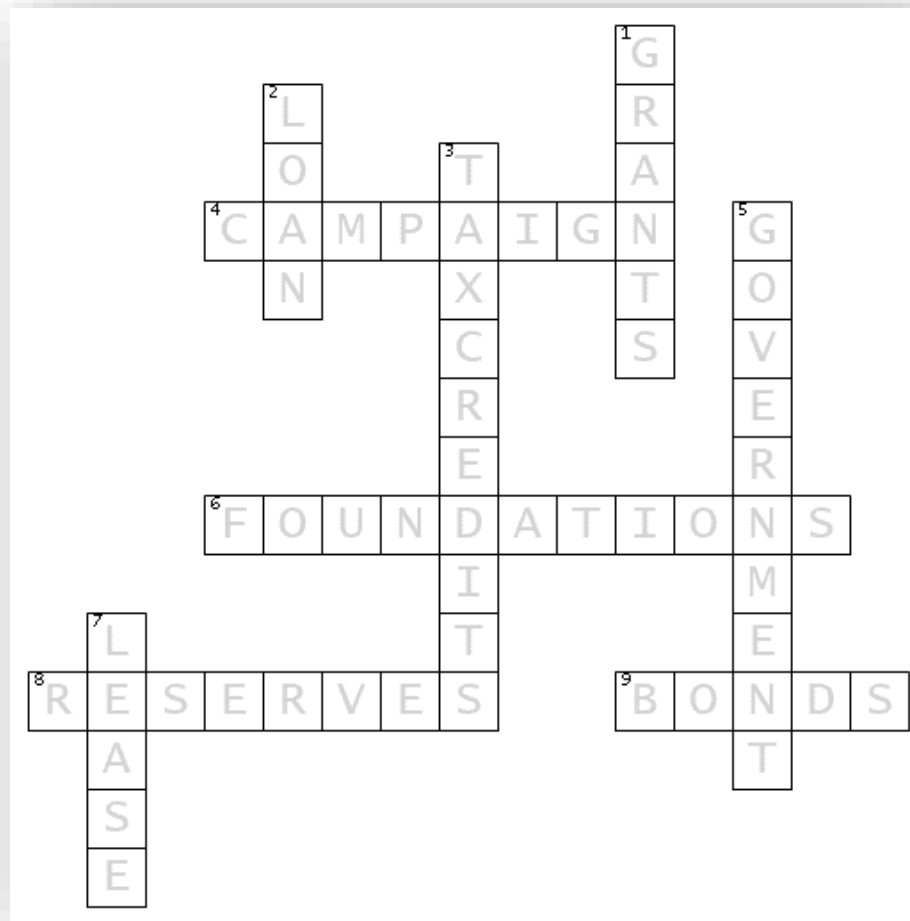
Expansion Considerations

PROJECT COSTS FOR HEALTH CENTERS

A Typical Breakdown



Financing Games



Capital Financing



Real Estate Related Costs:	Amount	%
Land Acquisition	1,000,000	
Total Real Estate Costs:	\$1,000,000	9%

Hard Costs:	Amount	%
Construction/Renovation:	6,818,182	59%
Construction Contingency (10%)	681,818	6%
Total Hard Costs:	\$7,500,000	65%

Furniture, Fixtures & Equipment (FF&E) Costs:	Amount	%
Furniture	220,000	2%
Medical Equipment	450,000	4%
Dental Equipment	450,000	4%
Telephone/Data	300,000	3%
Signage	8,600	0%
Sub-Total FF&E	1,428,600	12%
Equipment Contingency	71,430	1%
Total FF&E Costs:	\$1,500,030	13%

Soft Costs:	Amount	%
Architectural & Engineering Fees	1,000,000	9%
Geotechnical (Test Borings)	14,900	0%
Environmental Assessment	10,000	0%
Surveys	15,000	0%
Title Reports & Title Insurance	10,000	0%
Appraisal	10,000	0%
Other Fees	1,000	0%
Owner's Representative	50,000	0%
Owner's Attorney (corporate, finance, real estate)	10,000	0%
Financial Feasibility	20,000	0%
Telecommunications Consultant	10,000	0%
Owner's Insurance (Builder's Risk, Liability, Property, Other)	15,000	0%
Permits and Fees	100,000	1%
Title/Escrow	10,000	0%
Capitalized Interest Costs (during Construction)	75,000	1%
Moving	12,709	0%
Sub-Total Soft Costs	1,363,609	12%
Soft Cost Contingency (10%)	136,361	1%
Total Soft Costs:	\$1,499,970	13%

Total Project Costs: \$11,500,000 100%

Capital Financing



SOURCES AND USES OF PROJECT FUNDS			
Uses of Funds:	Amount	Totals	%
Property (acquisition cost)		1,000,000	9%
Total Construction-Related		7,500,000	65%
Total Soft Costs		1,500,000	13%
Total Equipment Costs		1,500,000	13%
Total Uses of Funds		\$11,500,000	100%
Sources of Funds:	Amount		%
Land Contribution	1,000,000		
Predevelopment Expenditures	500,000		
External Capital Support	1,000,000		
Additional Cash Required for Closing	1,000,000		
Total Equity Contribution		3,500,000	30%
Long-Term Debt		8,000,000	70%
Total Sources of Funds		\$11,500,000	100%

Debt Capacity Sensitivity Analysis



	A	B	C	D	E
1	Capital Link - Debt Capacity Sensitivity Analysis				
2		FY18	FY19	FY20	FY21
3	Change in Net Assets	150,000	200,000	120,000	250,000
4	Add: Depreciaton	20,000	18,000	16,000	14,000
5	Add: Interest Exp.				
6	Funds Available For Debt Service	170,000	218,000	136,000	264,000
7	Add Rent Rebate/Savings				
8	Total Funds Available for Debt Service	170,000	218,000	136,000	264,000
9	Debt Service Coverage discount (1.25)	\$ 136,000	\$ 174,400	\$ 108,800	\$ 211,200
10					
11	Interest Rate	4.0%	4.0%	4.0%	4.0%
12	Term (years)	20	20	20	20
13	Debt Capacity	\$ 1,848,284	\$ 2,370,153	\$ 1,478,628	\$ 2,870,277
14					
15	Interest Rate	5.0%	5.0%	5.0%	5.0%
16	Term (years)	20	20	20	20
17	Debt Capacity	\$ 1,694,861	\$ 2,173,409	\$ 1,355,888	\$ 2,632,019
18					
19	Interest Rate	5.0%	5.0%	5.0%	5.0%
20	Term (years)	30	30	30	30
21	Debt Capacity	\$ 2,090,653	\$ 2,680,955	\$ 1,672,523	\$ 3,246,662
22	www.caplink.org				

<https://www.caplink.org/debt-calculator>

Identifying Funding Resources



- Grants/Gifts
- New Market Tax Credits (NMTC)
- Tax-Exempt Bonds
- US Department of Agriculture (USDA)
- HRSA Loan Guarantee Program (LGP)
- HRSA Capital Grants
- Foundations
- Bank Loan
- State Funds
- Cash Reserves
- Lease vs Loan
- Covid-19 Relief

<https://www.capl原因.org/c8e-funding>

Things to Consider Before You Finance



- Longevity of the terms?
- True, total cost of the financing?
- Calculated risk to health center?
- Would this project go forward otherwise?
- Is this project realistic?



Hypothetical FQHC Project

Assumes \$10 Million in Project Costs



Example: \$10 Million Health Center Project CAPITAL LINK

- **Conventional Bank Loan Only**

- Loan is 80% of project value: \$8,000,000. Where is other \$2,000,000 coming from?
- Interest rate is 6% with 15 year amortization
- Annual Debt Service (P&I) **\$810,103**

- **Conventional Bank Loan with NMTC**

- NMTC “net benefit” approximately 25% of project budget
- \$2,500,000 subsidization from NMTC’s Program
- Bank loan for the balance reduced to \$7,500,000
- Annual Debt Service **\$791,971** During 1st 7 years; then \$759,471

- **Tax-Exempt Bonds with NMTC**

- NMTC net benefit approximately 25% of project cost - \$2,500,000
- TE Bonds for the balance - \$7,500,000
- Interest rate – 4.0 % (fixed 10 years); 15 YR AMORT
- Annual Debt Service **\$709,474** During 1st 7 years; then \$665,724

- **Foundation’s PRI with NMTC**

- NMTC subsidy approximately 25% of project budget: \$2,500,000
- PRI Loan for the balance - \$7,500,000; Interest rate of 3.0%; 40 year term
- Annual Debt Service **\$365,936** During 1st 7 years; then \$322,186



Windows of Opportunity

- Low Interest Rates... for foreseeable future
- Government Financing Programs available
 - Tax Exempt Bonds
 - NMTC
 - USDA
 - HRSA capital grants and Loan Guarantee Program



POLL #2: Potential Financing Options



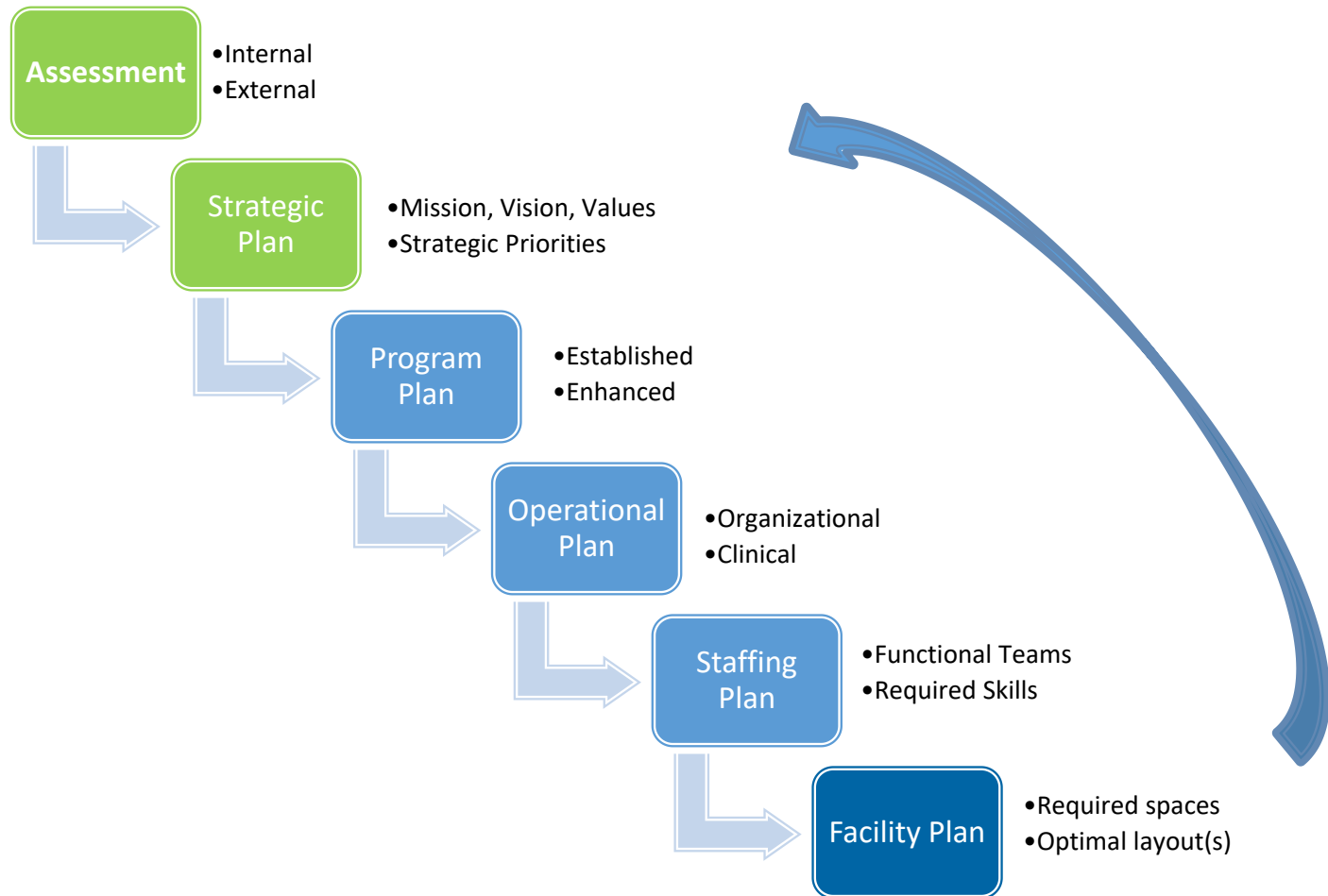
We are considering the following primary funding source(s):

1. Traditional Loans
2. New Markets Tax Credits
3. Tax-Exempt Bonds
4. HRSA Resources
5. A Combination of the Above
6. Other/Unknown/None of the Above

- New Markets Tax Credits (NMTC)
 - <http://caplink.org/advisory-services/financing-assistance/new-markets-tax-credits>
 - <http://caplink.org/resources/client-stories>
 - Determining & Mapping NMTC project or site eligibility, please contact us.
- HRSA Loan Guarantee Program (LGP)
 - <https://caplink.org/advisory-services/financing-assistance/hrsa-loan-guarantee-program>
 - <https://bphc.hrsa.gov/programopportunities/loan-guarantee-program>
- Scenario Planning
 - Expansion Considerations – please contact us
 - Debt Capacity Worksheet <https://www.caplink.org/debt-calculator>



Respect the Process

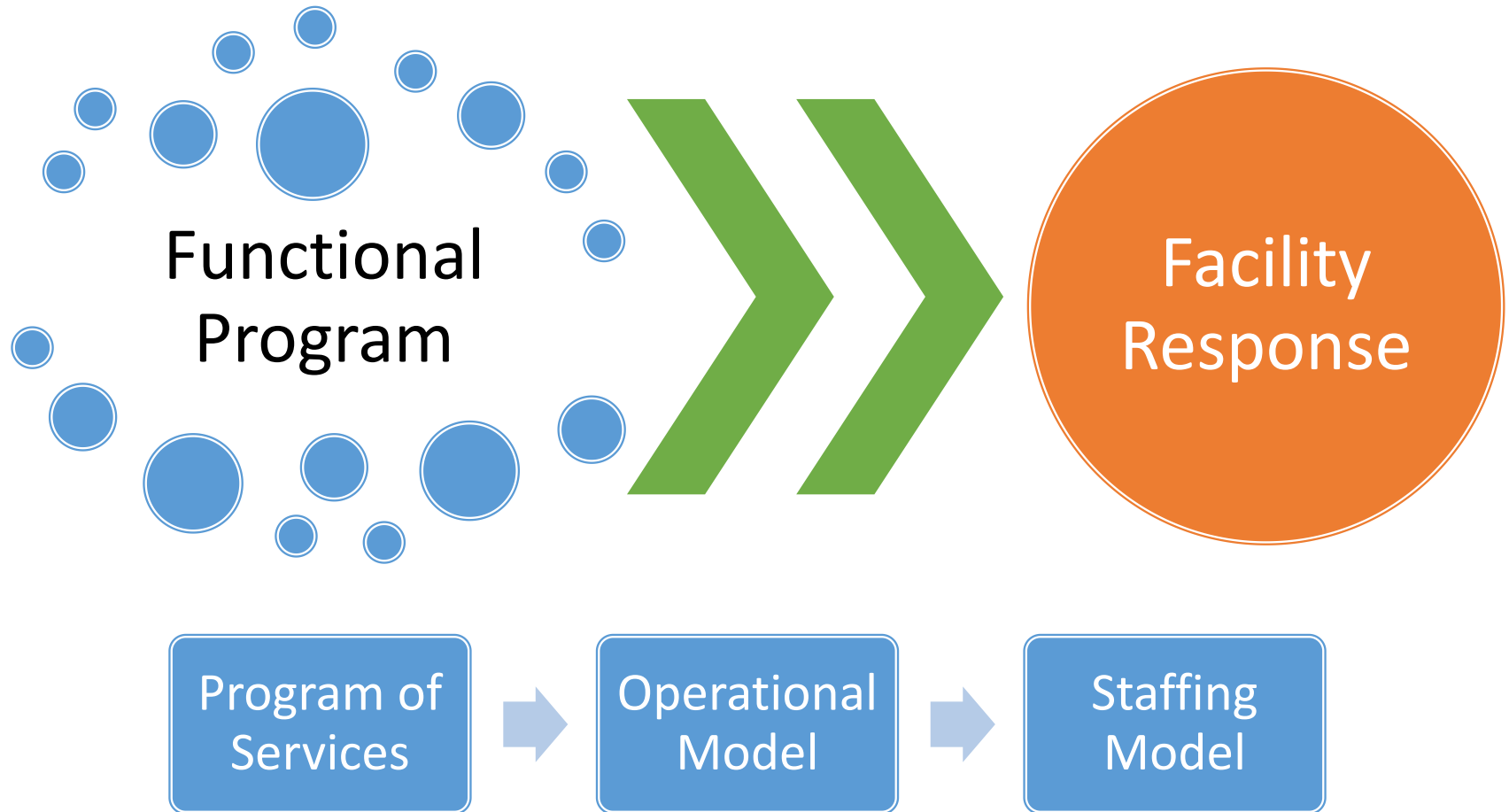


Remember Principle 1: YOUR Community, YOUR Health Center

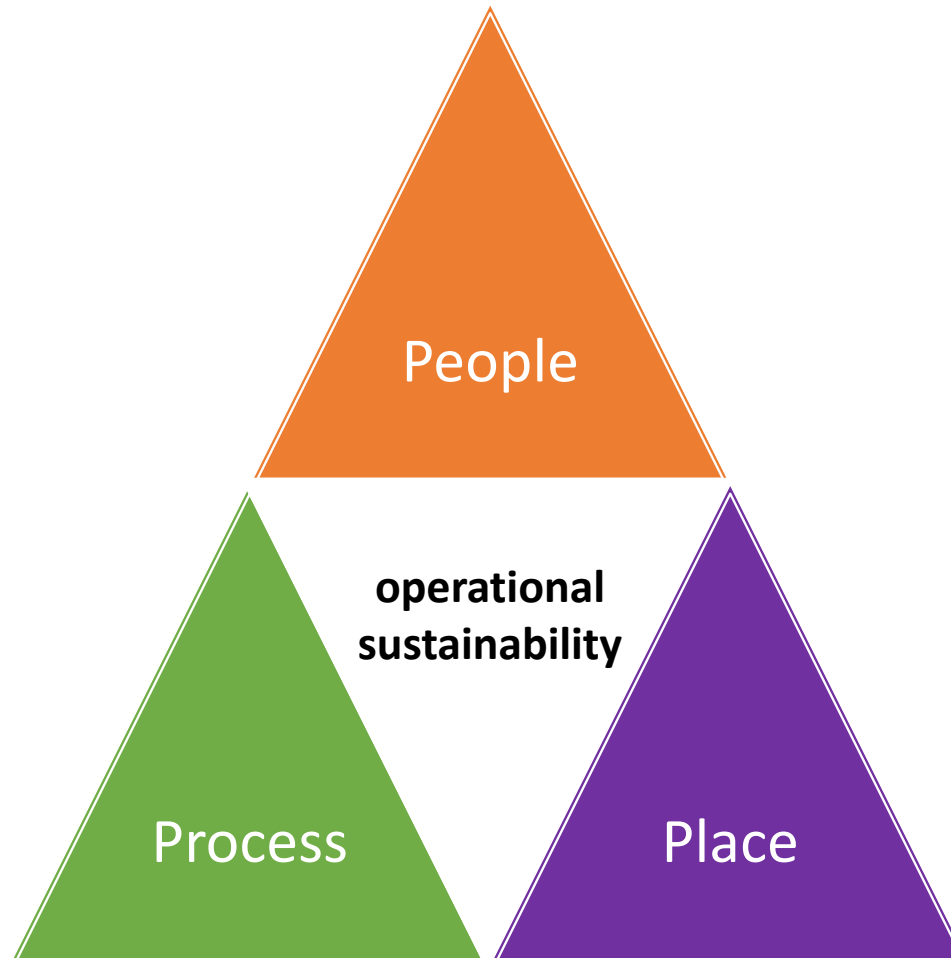


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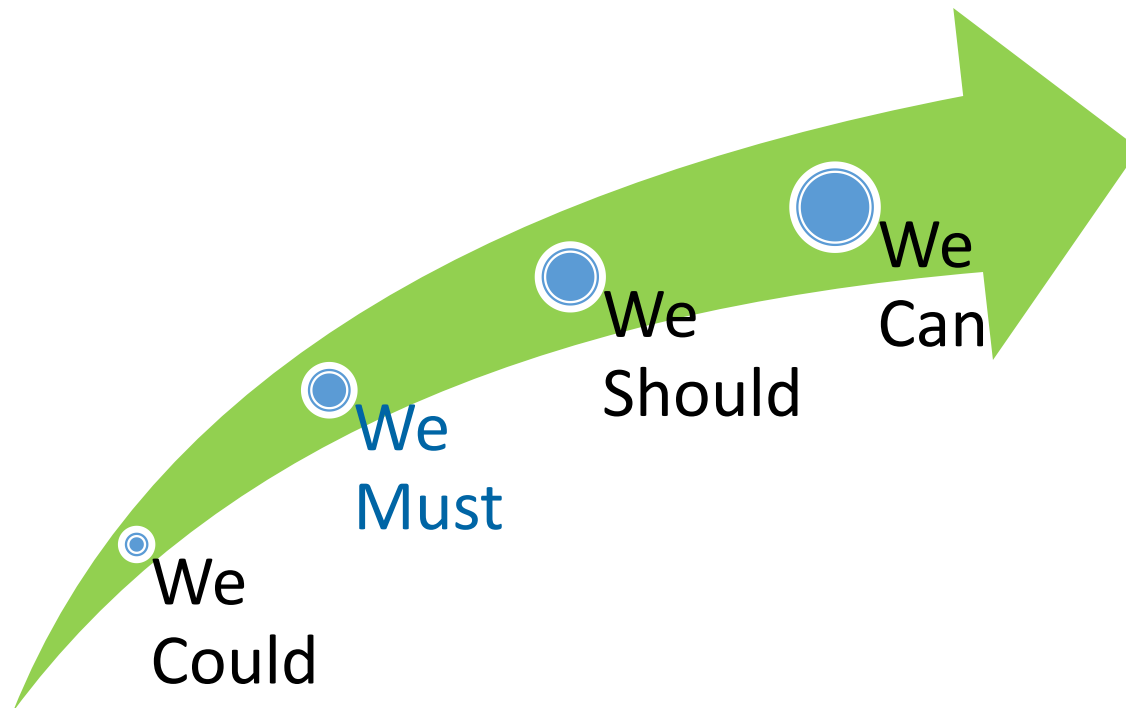
Remember Principle 2: Programming Drives the Project



Remember Principle 3: Promote Dynamic Alignment



Remember Principle 4: Pause to Capture Change



Not Just Bigger – But Better!

Open Discussion



- Resources devoted to C8E funding:
 - Educational Series <https://caplink.org/c8e-funding>
 - Fact Sheet https://caplink.org/images/ARP_Capital_Funding_Opportunity_Fact_Sheet.pdf
- Capital Planning & Financing Guides
- Strategic Planning & Benchmarking Toolkits
- Business Plan and Work Plan Manuals
- Trends & Assessment Reports
- Upcoming and Recorded Webinars
- Learning Collaboratives
<https://www.caplink.org/trainings-and-programs/learning-collaborative>

www.caplink.org



Contact Us



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