

HRSA Loan Guarantee Program

Capital Link's 2024 Learning Collaborative Introduction

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Our Vision: Stronger health centers, actively building healthy communities

Our Mission: Capital Link works to strengthen community health centers—financially and operationally—in a rapidly changing marketplace. We help health centers:



Nearly
30 years
of experience

Worked with
50+
PCAs/HCCNs
and regional
consortia

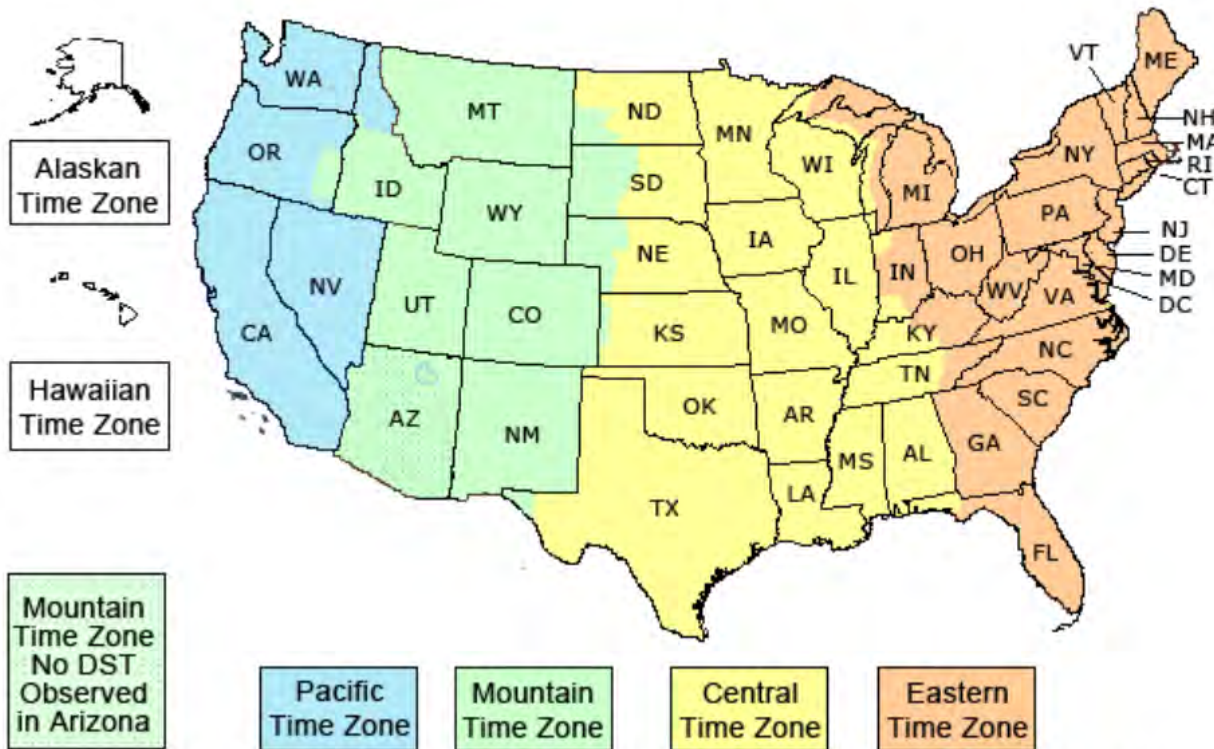
ASSISTED **2/3rds** OF ALL HEALTH CENTERS

LEVERAGED **\$1.6 billion**

FOR **260+** HEALTH CENTER PROJECTS

TOTALING OVER **\$2.3 billion**

Where is your organization located?



- Eastern/Atlantic
- Central
- Mountain
- Pacific
- Hawaii or Alaska

At what stage is your capital project?

- We are starting to consider a potential project.
- We are in the initial planning phase (2 to 5-year timeline).
- We expect to begin construction in 1-2 years.
- We want/need the project, but are still figuring out the best timing.



What is the HRSA Loan Guarantee Program?

- Originally authorized by Congress in 1997.
- Congress appropriated *new funds* for the program in 2018, providing guarantees for almost \$900 million in new loans.
- Offers loan guarantees for the **construction, renovation, and modernization of medical facilities** operated by Section-330-funded health centers.
- The guarantee can cover up to 80% of the principal and accrued interest on loans made by non-federal lenders. No limit on loan size—loans for projects of \$5-7 million or more have been typical.



- Borrower **must be a Section 330-funded health center**
- Many types of projects are eligible
 - “Medical facilities” operated by a health center
 - Interpreted broadly: Any facility consistent with the health center’s scope of project (i.e. medical, dental, BH, substance use treatment, vision, enabling, pharmacy, administrative offices, call center, wellness services, etc.)
- Most costs are eligible:
 - Land and building purchases
 - Renovation and new construction costs
 - Equipment and “fit out” costs
 - Limited refinancing of existing debt
 - Capitalizable pre-development costs
 - Financing and consultant fees
 - Capitalized interest during construction
 - Limited working capital during a start-up phase
 - Land and equipment only if part of a construction, renovation or modernization project
- No maximum or minimum size



Health Center Benefits

- Can **enhance a health center's credit profile**, reducing a lender's risk, allowing them to lend to health centers under **more favorable terms** than otherwise possible.
- For some centers, this might mean the difference between getting a "yes" vs. "no" from a lender.
- For others, the guarantee may allow the lender to offer a lower interest rate, a longer fixed-rate term, a higher loan-to-value ratio and/or the lender might accept less collateral.



- You are experiencing financial fluctuations.
- Your ability to repay a loan is dependent upon a higher level of provider productivity than previously achieved.
- You are located in a rural area where it is more difficult to recruit and retain providers, and a loan is predicated on ability to increase providers.
- You have a large project scale.
- The appraised value of the project is likely to be less than the cost to build.
- Weak/fluctuating economic conditions make lenders leery of lending in “risky sectors”.

Planning and the Application Process

- Pre-Application Consultation with HRSA Loan Guarantee Staff AFTER site control and you have at least a *BASIC PLAN* for your project.
- Ideally AFTER a lender has reviewed the loan guarantee agreement documents.
- These steps are not required but strongly recommended.



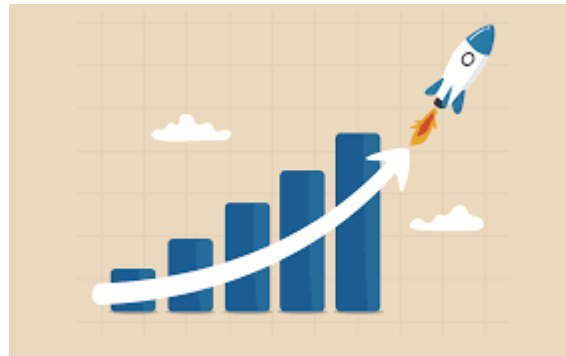
Use the [HPHC Contact Form](#)

Provide the following info:

- Health center name and H80 Award Number
- Anticipated project scope
- Type of construction activity (i.e., new construction, renovation, new site, replacement facility)
- Total estimated project cost (preliminary)
- Financing needs and potential lender(s)
- Timeline and status of project planning and financing
- EID checklist form - your **Architect** knows how to address

- **Market Assessment** – A clear understanding of the market you wish to serve.
- **Strategy Development** - An overarching strategy to meet the market's needs.
- **Project Planning** - A detailed and specific plan for your project.
- **Financial Planning** - A detailed outline of costs and financial projections.
- **Project Team Development** - An experienced team of internal and external experts.
- **BUSINESS PLAN - *REQUIRED.***
- **Lender's legal has reviewed HRSA LGP guarantee agreement documents in advance.**

- The LGP application requires **two financial projections**: 1) for the health center's operations as a whole/consolidated, and 2) for the proposed project as if it were a stand-alone entity.
- Third party appointed by HRSA reviews projections.

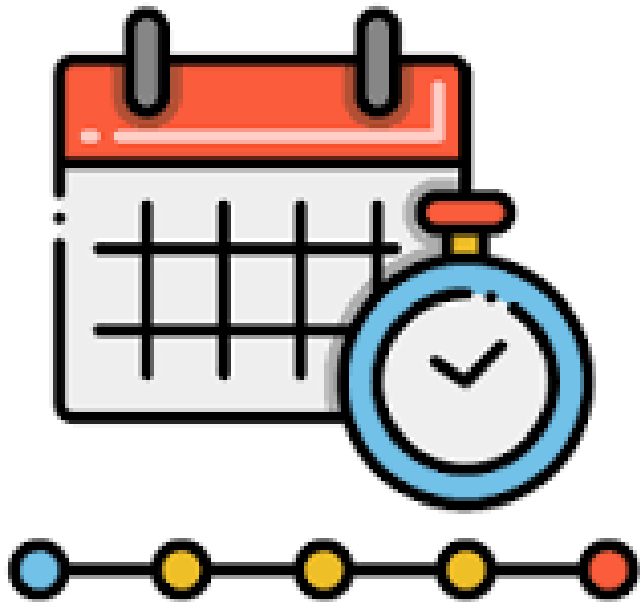


- No Federal Lenders; (FDIC or CDFI = OK)
- No Tax Exempt Bond Authorities
- Due Diligence / Underwriting = Loan Approval = Commitment Letter
- Commitment may be subject to HRSA's Guarantee Approval
- Submission of as-built appraisal for the project required – lender orders





- Application materials are submitted through the Electronic Handbook link on HRSA's [website](#).
- Lender also submits comprehensive credit analysis and statement describing the value of the HRSA loan guarantee to the applicant and project.
- HRSA performs both an onsite and desk review of the application, generally **within 60 days of complete application submission**. (Programmatic review, Architectural/Engineering Reasonableness review, & NEPA and Historic Preservation review)



- If the application is approved, HRSA will issue a Loan Guarantee Commitment Letter. Thereafter, the lender coordinates the loan closing.
- HRSA LGP application approval process is expected to take **two months** following submission of completed application.

Upcoming Education and Resources

- [Creating a Business Plan for a Community Health Center Capital Project](#)
Resource to assist with writing a business plan:
- [Webinar: Tools and Techniques to Assess Your Health Center's Market and Community Needs](#) Webinar to assist with market assessment :
- [Creating a Dynamic and Useful Strategic Plan: A Toolkit for Health Centers](#)
Toolkit to assist with strategy development :
- [Assembling a Capital Project Team](#) Publication to assist with project team creation:
- [Capital Project Work Plan](#) - Helps health centers identify the necessary steps in the capital development process that specifically address their individual capital projects.
- [Checklist: Sustainable Community Health Center Renovations](#) - This checklist consists of no-or low-cost sustainable principles for implementation into health center expansions and renovations, to be used in the earliest stages of project planning.
- [Estimating Capital Project Costs for Health Centers](#) – Outlines the main components of a capital project budget and provides assistance in estimating top-line construction costs, based on the review of approximately 50 community health center capital projects.



- As HRSA's capital development NTTAP, Capital Link can provide a range of technical assistance to health centers applying to the LGP
 - General assistance for health centers and lenders regarding eligibility and readiness
 - Debt capacity analysis
 - Determination regarding whether to apply
 - Work plan development
 - Funding source identification
 - Timeline considerations
 - Eligibility for a range of funding sources including NMTC, and
 - Upcoming Learning Collaborative





- For community health centers **planning or anticipating a capital project** in the next **one to three years**
- **No cost** to participants.
- Four interactive learning sessions will provide guidance and insights on applying for a HRSA Loan Guarantee.
- Approximately 45-minute learning sessions **between February and March 2024** conducted virtually.
- **Organizational participation** – no one person is expected to participate in all sessions
- One-on-One support available.





The Application Process



Planning Principles for Facility Development



Market Assessment & Scenario Planning



Developing a Business Plan & Financial Forecast

Submit an application by February 23, 2024

Session One: The Application Process

February 28th, 2024, at 1-2 pm ET

Session Two: Planning Principles for Facility Development

March 6th, 2024, at 1-2 pm ET

Session Three: Market Assessment & Scenario Planning

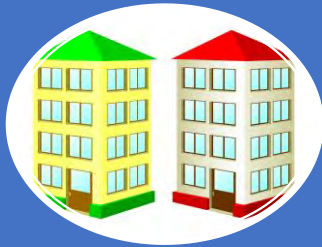
March 13th, 2024, at 1-2 pm ET

Session Four: Developing a Business Plan & Financial Forecast

March 20, 2024, at 1-2 pm ET

**All sessions and most referenced tools and resources will be available [online](#)*

Who Should Participate?



Health centers
expanding/
renovating in 1-5
years



Cohort Size:
10-20
Health Centers



Health Center
Staff: Executive,
Financial,
Planning



<https://www.caplink.org/trainings-and-programs/learning-collaboratives/lgp-lc>

Submit application by
2/23/24

Assemble a Learning
Collaborative Team

Next Steps

Organize your project
information

Provide two years of
financial audits/UDS
reports



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