

Special Issue
May 2012

CAPITALink

A Quarterly Newsletter by Capital Link

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A Message from the CEO



Allison Coleman, CEO

On May 1st, Health and Human Services (HHS) Secretary Kathleen Sebelius announced awards made possible by the Affordable Care Act that will help build, expand and improve community health centers nationwide. Grants from two capital programs, the last in a series of major federal grant investments for community health centers, were awarded to 398 existing centers.

Capital Link congratulates the health centers that received awards and provides details about the grant announcement in this special issue of *Capital Ink*. For health centers that didn't receive grant funding and are committed to maintaining their capital project momentum, we offer the assurance that there are many paths to success and advice on next steps.

The article entitled "*So You Didn't Get It: How to Make Your Capital Project Happen Even Without a HRSA Capital Development Grant*" discusses action items to help CHCs move forward and reviews funding and financing alternatives. Terry Glasscock, Capital Link Senior Project Consultant, will also conduct a free encore webinar on this topic on May 23rd. See page 7 for registration information.

This issue also contains an invitation to explore Capital Link's newly improved website at www.caplink.org! The website includes information about the services we provide to community health centers and Primary Care Associations, easy access to capital development resources, a debt capacity calculator, and much more. We hope you find it useful and informative!



Regards,

Allison Coleman
Chief Executive Officer

Visit our newly improved website
at www.caplink.org



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HRSA Capital Development Grant Awards Announced



On May 1st, Health and Human Services Secretary Kathleen Sebelius announced funding totaling more than \$728 million across the United States to support community health center renovation and construction projects, boosting their ability to care for additional patients and creating jobs. The awards are the final installment of a series of capital investments that were made available to community health centers through the Affordable Care Act, which provided \$9.5 billion to expand services over five years and \$1.5 billion to support major construction and renovation projects at community health centers.

According to a report released the same day by the White House (see link on page 3), the health care law has already supported the construction and renovation of 190 health center sites and the creation of 67 new health center sites across the country, and will support the construction and renovation of more than 485 health center sites and the creation of 245 new health center sites over the next two years.

Overall, since the beginning of 2009, employment at community health centers nationwide has increased by 15 percent. And, primarily due to the Affordable Care Act and the Recovery Act, community health centers are serving nearly 3 million additional patients today and will serve an additional 1.3 million additional new patients in the next two years. A summary of federal investment in health center capital projects since 2009 is included below:

Award	Authorizing Legislation	# of Awards	Total Awarded	Award Date	Average Award
Capital Development-Immediate Facility Improvements	Affordable Care Act	227	\$99,000,000	5/1/2012	\$436,123
Capital Development-Building Capacity	Affordable Care Act	171	\$629,000,000	5/1/2012	\$3,678,363
Capital Development (FY11)	Affordable Care Act	143	\$727,000,000	10/8/2010	\$5,083,916
Facility Investment Program	American Recovery and Reinvestment Act	86	\$520,000,000	12/9/2009	\$6,046,512
Totals		627	\$1,975,000,000		

The new grants are from two Capital Development programs for community health centers. The Capital Development-Building Capacity Program (CD-BC) will provide approximately \$629 million to 171 existing health centers across the country for longer-term projects to expand their facilities, improve existing services, and serve more patients. This program will expand access to an additional 860,000 patients.

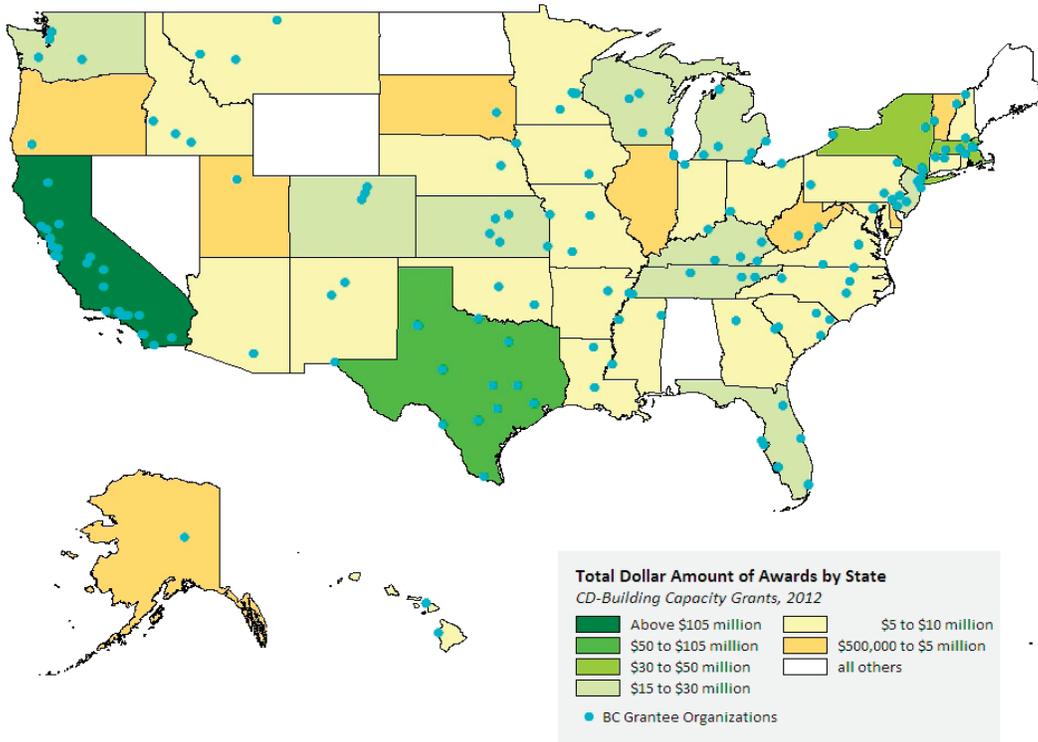
A List of Capital Development – Building Capacity Program awards by state can be found at <http://www.hrsa.gov/about/news/2012tables/120501healthcentercapital.html>.

The second set of awards, the Capital Development-Immediate Facility Improvement Program (CD-IFI), will provide approximately \$99.3 million to 227 existing health centers to address pressing facility and equipment needs.

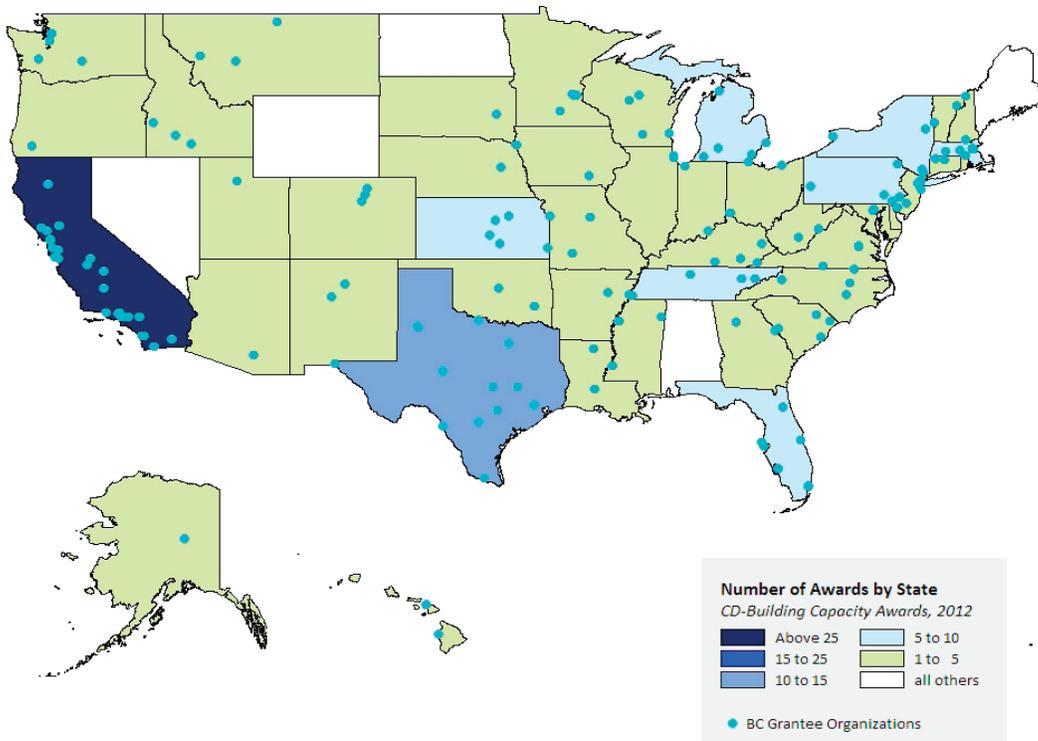
A List of Capital Development – Immediate Facility Improvement Program awards by state can be found at <http://www.hrsa.gov/about/news/2012tables/120501facilityimprovement.html>.



HRSA Capital Development Grant Awards By State



This map shows the **total dollar amount** of the CD-BC awards by state.



This map shows the **total number** of the CD-BC awards by state.

Information on the Affordable Care Act is available at www.healthcare.gov.

For more information on HRSA's community health center program, visit <http://bphc.hrsa.gov/>.

So You Didn't Get It: How to Make Your Capital Project Happen Even Without a HRSA Capital Development Grant



Although it's wonderful that federal funding over the past few years has helped so many health centers increase their capacity, it's clear that the need for investment still remains. Capital Link's recent national Capital Needs Assessment estimated a need for \$13.1 billion in additional capital investment in order to reach the goal of serving 40 million patients. Subtracting the amount already raised leaves an \$11.2 billion funding gap for health center capital projects. Given that no additional federal grants are expected for the foreseeable future, how can health centers advance their capital projects? Below we provide action steps as well as links to free capital development resources, available at www.caplink.org. Capital Link developed these publications for Federally Qualified Health Centers and Primary Care Associations with support from HRSA.

Understand the Qualities that Attract Investment

Health centers that have been successful in stimulating investment from grantors and lenders have some common elements, so the first step is to assess if improvements or changes need to be made to move you forward.

Does your health center have the following qualities?

- Management and Board strength
- Demonstrated internal planning capabilities
- Realistic project timeline
- A compelling business case
- The ability to leverage community partnerships or resources
- A financing strategy with a variety of sources identified

Complete Strategic Capital Planning

If you feel that your health center doesn't demonstrate the qualities referenced above as well as it could, you may need to step back and complete a strategic capital planning process to ensure you are ready to proceed with your project. The overall process, which is diagrammed below, results in specific action steps to improve operational efficiencies, maintain a good financial condition, and plan long-range facility requirements given patient population needs. Once these key planning activities are complete, your health center has the data to put together a written business plan.

Market Analysis	Program & Staff Planning	Facility Planning	Financial Planning
Describe Market & Current Patient Base	Identify Program Priorities	Calculate Required Spaces	Consider Funding Sources & Financial Profile
Identify Key Competitors	Consider Capacity & Efficiencies	Consider Adjacencies & Flow	Develop Financing Plan
Analyze Demand for Future Services	Create Staffing & Recruitment Plan	Facility Layout & Design	Project Financials Based on Trends & Demonstrate Financial Feasibility

For more information on capital project readiness, community health centers may access Capital Link's free manual "*Preparing for a Capital Project: Are You Ready?*" at www.caplink.org.



How to Make Your Capital Project Happen Even Without a HRSA Capital Development Grant (continued)

Develop a Compelling Business Case

Health centers that are ready to proceed with their expansion will need to develop a written business plan. A business plan for a capital project succinctly introduces a health center and its leaders to intended financing sources; it clearly demonstrates the need for the capital investment, and describes the project, its rationale and its financial implications for the health center. Financial projections (5-7 years) are a critical component of a business plan, showing the overall financial feasibility of the project. Especially important is to include how the capital project will enhance your ability to be financially successful over the long-term.

For more information on developing a business plan, community health centers may access Capital Link's free manual "*Creating a Business Plan for a Community Health Center Capital Project: A 'How-to' Manual*" at www.caplink.org.

Develop a Plan of Finance

Now that you have your business plan, it's imperative to consider a variety of funding and financing sources to meet your goal, taking into account your project budget. Successful health centers are creative in patching together funding from multiple sources, seeking a combination of equity and low-cost debt.

Even with no major federal grant opportunities on the horizon, health centers can increase the amount of cash they can contribute to a project by active community engagement and careful capital campaign preparation. Capital Link is in the process of developing capital campaign resource materials for health centers, available on our website this summer! Additional equity sources are outlined below.

Debt is an important consideration because it can extend a health center's ability to move ahead with its project in the near term and to pay for it over its useful life. However, debt is only a feasible option if a health center has the ability to secure it and can demonstrate to a lender that it can be paid back. To this end, health center management needs to understand its project's financing requirements and its current debt capacity in relation to the options for financing.

For a preliminary idea of your health center's debt capacity, try Capital Link's new debt capacity calculator at <http://www.caplink.org/services/for-health-centers/54-strategic-readiness>. Information about determining the best sources of funds for your health center can be found in Capital Link's free manual "*Selecting the Right Capital Project Financing: A Guide for Health Center Staff and Boards*," available at www.caplink.org.

Sources of Equity

Sources of equity to investigate:

Health Center Cash Reserves

A health center can invest its own cash reserves into its capital project, but should keep at least 30-to-60 days cash on hand in order to support ongoing operations.

Grants and Sources of Grants

Charitable donations can come from individuals; private, corporate, community, and conversion foundations; corporations; and private businesses. Types and sources of grants include:

- **Community Development Block Grants** (CDBG) is a U.S. Department of Housing & Urban Development (HUD) program administered through local governments. If the health center is located in an Entitlement Area or is located within a state with an eligible program, it would be eligible for funding from this program. For more information, visit www.hud.gov/offices/cpd/communitydevelopment/programs.
- **The Department of Commerce's Economic Development Administration** (EDA) Additional information can be found at www.eda.gov.



How to Make Your Capital Project Happen Even Without a HRSA Capital Development Grant (continued)

Grants and Sources of Grants

- **The USDA Rural Housing Service Community Facilities Program** provides small grants, typically less than 10% of total project size, direct loans up to \$750,000 and up to 100% loan to value if a project is under \$750,000, and loan guarantees of up to 90% of project financing, including soft costs rolled into the loan to assist in the development of essential community facilities and services in rural areas of up to 20,000 in population. More information on the USDA's programs can be found at www.rurdev.usda.gov.
- **Foundations** operate on a national or international basis, but many limit their support to specific geographic regions and have particular fields of interest and stipulations about the types of support they are willing to provide. Visit www.foundationcenter.org to search for options.

Fundraising or Capital Campaigns

A fundraising campaign generally involves an intensive effort to meet a specific financial goal within a certain time period. The success of a campaign is contingent on many factors, including the funding goal, the appeal of the project, the giving environment, the extent of the prospect research, and the health center's contacts within the philanthropic community. Websites to research include: www.gih.org; www.philanthropyjournal.org; and www.guidestar.org.

Partnerships

Most health centers have very good working relationships with local hospitals. It's worth exploring if hospitals can award health centers "community benefit" grants for their capital projects or would consider leasing or donating land at a very low or no cost.

Sources of Affordable Financing

Sources of debt financing to investigate:

Conventional Bank Lenders

A health center should start its search for debt options by first contacting its own depository bank. In some cases, a health center can leverage a local banking relationship for lower rates, more flexible terms, and quicker turnaround. Also, a health center could potentially borrow more money or borrow at a lower interest rate, if it has a loan guarantee from a hospital partner, HRSA, or the USDA.

Community Development Financial Institutions (CDFIs)

CDFIs are organizations that were created to expand the availability of credit, investment capital, and financial services in distressed urban and rural communities. A CDFI is a private-sector financial intermediary whose primary mission is community development. CDFIs can be development corporations, community development banks, credit unions, and micro-enterprise loan funds at the local and national level. The following website provides more information about CDFIs and provides a list of CDFIs in your area: www.cdfifund.gov.

Quasi-public or Mission-based Loan Funds

These vehicles are loan funds targeted to special recipients, such as community health centers. Most are non-profits and are owned by a public agency, a bank, or even a CDFI. As specialized lenders working in a market niche, they often make loans and investments that are considered too risky by industry standards. They are also usually able to offer flexible terms and structuring. Because most of these loan funds rely on pooled resources, they may be able to offer advantageous terms.

How to Make Your Capital Project Happen Even Without a HRSA Capital Development Grant

(continued)

Tax-exempt Bonds

Tax-exempt bonds are bonds issued by municipal, county or state governments, whose interest payments are not subject to federal, and sometimes state or local, income tax. Because the interest income from tax-exempt bonds is exempt from taxation, bond investors can offer lower-interest loans to certain types of eligible borrowers, including community health centers.

New Markets Tax Credits

In 2000, Congress passed legislation creating a economic development tax credit program called New Markets Tax Credits (NMTC). This tax credit was designed to stimulate private investment in low-income communities. The program is administered by the Community Development Financial Institutions (CDFI) Fund under the US Department of the Treasury. Capital Link recently developed *“Spotlight on Capital Resources: New Markets Tax Credit Program”* describing how the NMTC Program works and providing an example. Find it on our website.

USDA Community Facilities Program

The Community Facilities Program, a division of the USDA Rural Development Rural Housing Service, administers both direct loans and loan guarantees for projects located in rural areas and towns of up to 20,000 in population. Additional information on the USDA's programs can be found at www.rurdev.usda.gov.

Community Benefit Loans from Hospitals or Other Partners

In this arrangement, the hospital or other interested partner lends interest-free money to a health center for its capital project. These loans are tied to certain criteria, typically clinical requirements that the health center has to fulfill. If the health center successfully meets the criteria, the loan is forgiven.

Attend the Webinar

Additional information on the topics outlined in the article above will be covered in our upcoming webinar. Sign up today as participation is limited to the first 100 registrants.

Register at: <http://surveys.verticalresponse.com/a/show/614760/9cdb23b76d/0>

So You Didn't Get It: How to Make Your Capital Project Happen Even Without a HRSA Capital Development Grant

Wednesday, May 23rd, 2-3 PM EST

Presented Terry Glasscock, Senior Project Consultant, Capital Link

Visit Our Improved Website

We've updated our website to make it easier to explore our capital development services for health centers and PCAs, free publications, health center stories, and much more. Visit www.caplink.org and establish an account with Capital Link today for quick access to our resources.

About Capital Link:

Since 1998, Capital Link has provided planning and capital solutions for hundreds of health center building projects. A non-profit organization, we assist health centers and primary care associations in accessing capital for building and equipment projects, and we provide extensive technical assistance throughout the entire capital development process.

For more information, visit www.caplink.org

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