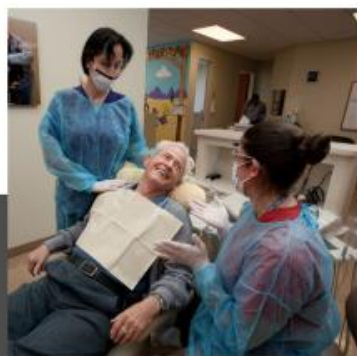




NATIONAL ASSOCIATION OF

Community Health Centers



America's Voice for Community Health Care



NATIONAL ASSOCIATION OF --- Community Health Centers

America's Voice for Community Health Care

The NACHC Mission

The National Association of Community Health Centers (NACHC) was founded in 1971 to promote the provision of high quality, comprehensive and affordable health care that is coordinated, culturally and linguistically competent, and community directed for all medically underserved populations.

HRSA's Loan Guarantee Program Explained & Your Questions Answered!

Part 2 of Two-Part Webinar Training

NACHC Webinar Series

Thursday, May 16, 2019

2:00 pm – 3:30 pm EDT

Allison Coleman, CEO, Capital Link

Capital Link Overview

- Launched in 1995, nonprofit, HRSA national cooperative agreement partner
- Offices in MA, CA, CO, FL, MO, and WV
- **Over \$1.1 billion** in financing for **232** capital projects (about 10% of current health center facility space)
- We help health centers:
 - **Plan for Sustainability and Growth** - Market assessments; new service line feasibility; scenario modeling; business planning and forecasts; understand costs of existing and new services; plan for collaborations, mergers and acquisitions.
 - **Access Capital** - Tools, resources, training; direct one-on-one assistance to leverage capital from a variety of sources
 - **Improve and Optimize Operations and Financial Management** - Provide analytics, tools and training in using comparative data to improve performance
 - **Articulate Value** - Assess value and impact of health centers on communities, the health system and the economy

LGP Recap

What is the HRSA Loan Guarantee Program (LGP)?

- Originally authorized by Congress in 1997
- Congress appropriated new funding for the program in 2018, allowing HRSA to update and modernize the program to provide guarantees on **~\$900 million** in new loans to health centers
- Guarantee covers up to 80% of the principal amount of loans made by “non-federal lenders”
 - Mitigates risk to lenders, allowing them to:
 - Make loans that they otherwise would not
 - Improve the terms and conditions they can offer to health centers



Eligibility

- 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, PACE center, etc.)

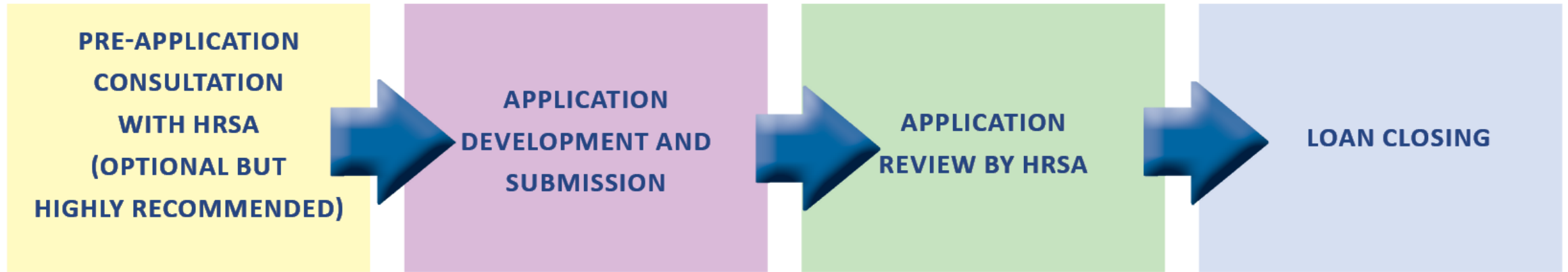


Eligibility, *continued*

- 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, but only if part of a construction, renovation or modernization project
- No maximum or minimum size
- No fee for LGP



Process for Applying for LGP



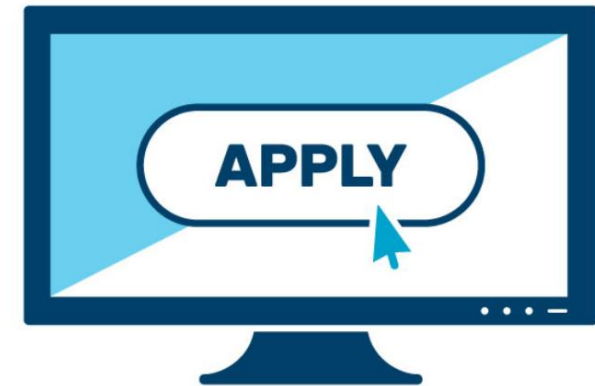
Pre-Application Consultation

- Not required, but highly recommended!
 - Gives you (and HRSA) an opportunity to gain a better understanding of the process and any special issues or requirements you may need to address with your specific project
- Process:
 - Send an email to LGProgram@hrsa.gov, providing the following information:
 - Health center name and H80 Award Number
 - Anticipated Project Scope
 - Type of construction activity (i.e. new construction, renovation, new site, replacement facility)
 - Total project cost
 - Financing needs and potential lender(s) and
 - Timeline and status of project planning and financing

<https://bphc.hrsa.gov/programopportunities/loan-guarantee-program.html>

Application Development and Submission

- To submit an application, you must have a loan commitment from a lender
- So “application preparation” really means completing all the planning processes you normally would to obtain a lender commitment:
 - ✓ Market Assessment
 - ✓ Site selection
 - ✓ Project team development
 - ✓ Program, staff and space planning
 - ✓ Architectural and engineering work
 - ✓ Project budget development
 - ✓ Business Plan development
 - ✓ Plan of finance and financial projections
 - ✓ Lender identification and negotiations



Application Development and Submission, *continued*

- Health center must initiate the application, but the lender will also be required to submit information directly to HRSA
- Details still being finalized, but likely process is this:
 - Health center requests HRSA's consideration of a guarantee and submits loan commitment letter, outlining terms and conditions of the proposed loan, signed by health center.
 - Lender submits:
 - Lender's credit memorandum, together with the health center's business plan and financial projections used to underwrite the loan
 - A statement outlining the better terms and conditions the lender can offer as a result of the guarantee

Application Review by HRSA

- HRSA expects to rely heavily on the lender's due diligence to streamline HRSA review process
- HRSA and its Lender Coordinator will review the lender's credit memo, acting similarly to a "Senior Credit Officer"
- Once a complete application is submitted, HRSA will generally make a determination of approval or disapproval within 60-90 days



Loan Closing

- The lender will manage the loan closing, using the lender's standard loan documents and security agreements
- Appraisals and environmental reports will generally be required
- Required HRSA documents will be limited in number and in standard form
- The lender will manage the loan as it would any other loan, reporting periodically to HRSA regarding its status



Available Technical Assistance

- As HRSA's National Cooperative Agreement partner, Capital Link can provide a range of technical assistance to health centers applying to the LGP
 - **Short duration assistance: < 4 hours**
 - General advice and assistance regarding eligibility and readiness; debt capacity analysis; risk evaluation; determination regarding whether to apply; work plan development; funding source identification; timeline considerations; eligibility for a range of funding sources, including NMTC
 - **Longer duration assistance: > 4 hours**
 - In-depth assistance: market assessment; site selection; program, staff and space planning; design consultation; business planning; financial projections; lender identification and negotiation; NMTC structuring and closing
 - While most longer duration assistance is fee-based, Capital Link has a limited pool of resources from HRSA to pay for certain services for LGP applicants
 - **New resources for LGP applicants will be posted here:**
 - <http://caplink.org/services/finance/hrsa-loan-guarantee-program>

www.capl原因ink.org/resources

- Assembling a Capital Project Team
- Engaging Staff and Community in Defining Your Capital Project
- Creating a Dynamic and Useful Strategic Plan: A Toolkit for Health Centers
- Steps to Success: A Toolkit for Health Centers Navigating a Capital Development Venture
- Selecting the Right Capital Project Financing: A Guide for Health Center Staff and Board
- Creating a Business Plan for a Community Health Center Capital Project
- Creating a Facility that Supports the Patient-Centered Medical Home
- Debt Capacity Calculator
- NMTC Program Spotlights

Questions?



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