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CONNECTING HEALTH CENTERS TO CAPITAL INFORMATION

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Allison Coleman,
CEO Capital Link

A Message from the CEO

“Onwards and upwards” is the phrase I would use to describe our attitude at Capital Link these days. Spring always brings evidence of new growth, and Capital Link staff continues to work hard to help health centers achieve their growth objectives by seeking low-cost financing opportunities for capital projects.

2009 was a year of opportunities, most notably through the availability of \$1.5 billion in capital grants through the American Reinvestment and Recovery Act (ARRA). This remarkable funding source helped some health centers complete their capital projects, but represented a fraction of the total need. This year, the historic passing of the Health Care & Education Affordability Reconciliation Act of 2010 offers additional funding for health center capital projects, although the timing and structure of the grant opportunities are uncertain. The package includes \$9.5 billion to allow health centers to expand their operational capacity and \$1.5 billion to expand and improve existing facilities or construct new sites.

Capital Link is currently actively providing assistance to more than 120 health centers and 15 PCAs in more than 30 states and territories. In particular, the past year was an exceptional one due to our extensive support to over 80 Capital Improvement Program (CIP) and Facility Investment Program (FIP) applicants. Enclosed are details about recent sources of health center capital funding and project highlights.

Another milestone for Capital Link was our certification as a CDFI in December, 2009 and our decision to launch a Loan Fund. To assist us in this endeavor, we welcomed **Mary Ann Wayne**, Loan Fund Director, to Capital Link in January 2010. Located in our Boston office, Mary Ann will provide focus to our effort to develop our Loan Fund capacity in the coming years.

In 2009, Capital Link grew significantly with five additional staff members. **Mohamet Diop** joined our Maryland office as a Financial Analyst. In Boston, **Crystal Chappell** was hired to provide administrative and financial coordination. **Rebecca Polan** and **Alex Hassinger** joined us in Boston as Associate Project Consultants to assist health centers with capital project planning. **Peg Underhill** joined us as the Marketing Communications Manager. I am excited to welcome them all to our organization!

Best regards,

Allison Coleman, CEO



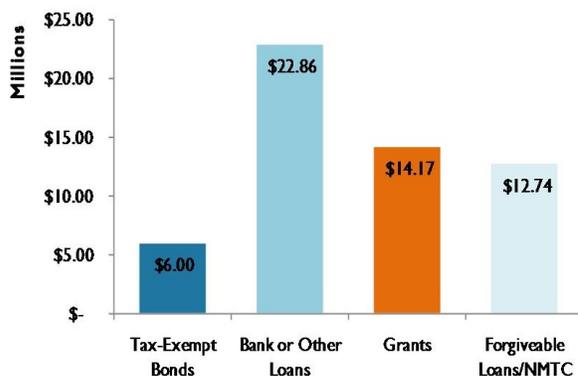
New & Notable—CDFI Designation and Loan Fund

In December of 2009, Capital Link was awarded certification as a Community Development Financial Institution (CDFI) from the U.S. Department of Treasury’s CDFI Fund. Why is this designation important? Because Capital Link hopes to inspire other lenders to participate in providing capital for health center projects by providing small leverage loans and/or subordinate loans with flexible terms through our newly launched Loan Fund.

The genesis of this concept occurred in late 2006, when Capital Link received a \$15 million allocation of New Markets Tax Credits (NMTC) from the U.S. Department of Treasury’s CDFI Fund for use in developing a loan program for health centers in the areas hardest hit by Hurricane Katrina (the “GO Zone”). The application cycle was highly competitive, with \$4.1 billion in tax credits awarded to 63 allocatees from among 254 applicants.

Capital Link closed its first NMTC Go Zone program transaction in June, 2009 by providing the Louisiana health center Primary Care Providers for a Healthy Feliciana financing of \$4.3 million for a project totaling \$4.9 million. A second project is preparing to close this spring. As a result of the success of the GO Zone Loan Program, Capital Link’s Board of Directors approved the concept of assisting health centers nationwide through a uniquely targeted below-market program. Capital Link can help alleviate a portion of the risk on projects that otherwise may not get funded.

Sources of Funding for Recently Completed Projects



In the final half of 2009 and early 2010, Capital Link completed work with five health centers totaling over \$55.8 million in capital project financing/funding. As with most health center capital projects, these five required a creative mix of resources, as shown in the chart to the left.

Three recently completed projects are highlighted on page 4.



Securing Funding for Capital Projects After ARRA

Since President Obama signed ARRA in February 2009, Community Health Center capital projects have moved ahead at an unprecedented pace. ARRA legislation included \$1.5 billion for health center construction, renovation, equipment, or information technology. By last June, more than \$851 million in Capital Improvement Program (CIP) grants were awarded for more than 2,600 projects ranging from \$250,000 to \$2.5 million. For larger health center capital projects, HRSA offered grants via the Facility Investment Program (FIP) and received more than 600 applications for projects totaling over \$4.2 billion. In December, HRSA announced 85 FIP awards ranging from \$792,000 to \$12 million. Despite this \$508 million investment, the program still left more than 530 applications worth \$2.7 billion unfunded. A majority of these projects are reported to be “shovel ready” and over 150 applications scored extremely high (90 or above) but did not receive funding.

Capital Link is working with health centers and PCAs to find funding sources for these valuable projects and is also partnering with NACHC to inform the need of additional capital resources via the federal government. As part of this effort, we are developing a list of all unfunded FIP projects and have received at least summary information from 38 states. Also, Capital Link sent a capital project survey in March, 2010 to over 1,000 health centers and PCAs to measure the remaining billions of dollars of health center capital needs so we can continue to identify possible sources of funding for these projects.

What can health centers do now? Besides responding to our survey (visit www.caplink.org), health centers should plan capital projects carefully and be creative in seeking funding from multiple sources. Many health centers focus on obtaining as much equity as possible, but should also recognize that *avoiding* debt may have a cost as well. Debt 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, provided a health center can prove to a lender it can pay the loan back. While considering trade offs, explore the following:

Sources of Equity Funding	Sources of Debt Financing
Health Center Cash Reserves	Conventional Lenders
Federal Government: ARRA, CDBG, EDA, USDA, OCS, NMTC, Earmarks	Tax-Exempt Bonds (Publicly offered and Private Placement Issues)
State/Local Government Grants/Earmarks	Community Development Financial Institutions
Foundation Grants	State & County Loan Programs
Hospital or Other Partners	New Markets Tax Credits
Community Capital Campaigns	Local Partner Financing
In-Kind Gifts, such as Donated Land/Equipment	Owner Financing

Capital Project Highlights

Crider Health Center

Crider Health Center, located in Wentzville, MO (near St. Louis), completed the financing for their Wentzville expansion project on November 5, 2009. The \$9 million project was funded with \$3 million in grant funds and approximately \$6 million in bond financing through the Missouri Health & Educational Financing Authority. Construction on the 43,000 square foot expansion began last fall and is expected to take approximately 12 months to complete. In preparation for financing, Capital Link provided Crider Health Center with the following pre-development services: a Preliminary Feasibility Analysis, a Program and Facility Plan, financial projections (ForecasT), and a Business Plan.



Crider Health Center in progress

Neighborcare Health

On January 25, 2010, Neighborcare Health (formerly Puget Sound Neighborhood Health Centers), located in Seattle, WA, completed their \$17.8 million New Markets Tax Credit financing for their capital project. The project was funded with limited debt, sale of property and with grants from a variety of sources including the City of Seattle, State of Washington, CIP funds and equity from their New Markets Tax Credit deal. Construction on the 26,050 square foot medical and dental facility is underway. Capital Link provided Neighborcare Health with a preliminary financial analysis and financing assistance.



Neighborcare Health in progress

Unity Health Care

In February, 2010, Unity Health Care in Washington DC completed their financing for the renovation of their Upper Cardozo facility. The \$14.6 million project will renovate all four floors of their existing flagship facility and also included \$680,000 in refinancing of existing debt associated with the facility. The project was funded through a \$2.5 million ARRA CIP grant, a \$7 million ARRA FIP grant, a \$151,208 grant from the DC Neighborhood Improvement Fund PDC Grant, and an \$8 million taxable loan. The taxable loan will provide \$5 million for the capital project and an additional \$3 million to cover operating expenses. The taxable loan was provided by BB&T and has a five year term with a 25 year amortization and interest only during the 18 month construction period. Capital Link assisted Unity Health Care with a Preliminary Feasibility Analysis, a market assessment, program and staff planning, financial projections, assistance with the DC Certificate of Need process and comprehensive financing assistance.

Additional project highlights can be found on our website: <http://www.caplink.org/mainProject.html>



For more information or to contact us,
visit our website at www.caplink.org

New Research and Financial Standards

Financial Standards Database

Through our work with various states, Capital Link continues to refine its services to include market research and assessment with an eye toward better understanding patient needs and populations. This includes compiling the most comprehensive Financial Standards Database utilizing health center audited financial statements available today (230 – 375 health center audits depending on year). The database analyzes financial trends of individual health centers as compared to state and national trends. It is utilized by individual health centers to track their financial trends and progress in meeting financial goals, PCAs for advocacy, training and information for their state “AAA” plans, lenders for industry benchmarks, and foundations to assess financial strength as one consideration in making grant decisions.

New Report in Conjunction with CHCF

In March 2009, Capital Link completed an exhaustive analysis of the financial trends of California Community Clinics on behalf of the California Health Care Foundation (CHCF). The report documented the enormous growth in California clinics—fueled largely by an expansion of FQHCs. Capital Link has reconnected with CHCF to update the initial report, analyze the factors or drivers that influence health center financial performance, and develop financial performance benchmarks. The new report, scheduled for release in the spring of 2010, will be the first intensive analysis of health center growth and financial performance since the 2008 economic downturn.

Upcoming Events

Capital Link provides educational presentations and interactive dialoguing for health centers and PCAs related to capital development. Below are a few of our upcoming scheduled events.

Date & Time	Place	Details
Tuesday, June 1, 2 p.m.	Region II Annual Primary Health Care Conference , Tropicana Casino & Resort, Atlantic City, NJ	Topic: How to Make Your Capital Project Happen Now! Really! Presenter: Terry Glasscock, Project Consultant
Monday, June 14, 3:30 p.m.	2010 Arkansas Primary Care Association Annual Conference , Embassy Suites, Little Rock, AR	Topic: Access for All Arkansans: Capital & Workforce Presenter: Jonathan Chapman, Project Consultant
Monday, July 12, 3 p.m.	2010 Florida Association of Community Health Centers Annual Meeting , Marco Island Marriott Resort & Spa, FL	Topic: Alternate Sources for FIP Funding Presenter: Terry Glasscock, Project Consultant

Since 1998, Capital Link has provided planning and capital solutions for hundreds of health center building projects. 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.

