Enhancing Patient Care with Updated Community Facilities: A Guide to Affordable Funding and Financing

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Steps to Receiving Affordable Funding
The Demand for Community Health and Services

• Difference between Community Services and Hospital Services
  – Community Citizenship
    • Healthy Lifestyles
    • Mental Health
  – Hospital Nursing Home Service Demand
  – AgStar and USDA as resources for industry norms
Steps to Receiving Affordable Funding

1. Stay relevant in your communities
2. Gather community support
   a) Board Support
   b) Construction Team
      a) Internal Departments head meetings
      b) Contractor, financier, USDA, Architect
3. Financial Resources
   a) Look at liquidity / cash reserves & ability to raise funds
   b) Have the ability to service debt with margin for error
Steps to Receiving Affordable Funding

1. Don’t overbuild the project up-front!
2. Account for services in-demand
   Profitability is important for longevity and risk management
3. Conduct a feasibility study
4. Determine construction and long-term financing options
   Risk Management
   Community Health
Stay Relevant in your Communities

• Know the Community & Marketplace
• Community support is extremely important!
• Buy in from key stakeholders
  – Management/Governance
  – Administrator & Sr. Leadership Tenure
  – Board of Director Involvement
  – Physician / Staffing
Gather Community Support

• Contact financial professional early in the process
  – Help review debt capacity study and market study
  – Develop construction schedules
• Discuss experience with contractors and architects
  – Talk with local lenders and community leaders that can help build community support
  – Contact local news outlets to build community support
• Communicate with staff to set expectations
Benefits of a Feasibility/Market Study

• Market Study
  – Ensures disciplined approach to market assessments
  – Demographics / future demand
  – Financial Stress Testing
  – Marketplace assessment
• Provides management a rigorous date from which to lead board of directors
  – Credibility and accountability
• Depending on the size of the project you may or may not need a feasibility study
• Contacts for Feasibility Studies:
  – Wipfli, McGladry & Pullen, Eide Bailey
Construction Contracts

• Design Bid Build
• General Contractor
  – Contractor at Risk
    • Guaranteed Maximum Price Contract
  – Construction Management
    • Owner risk
• Design Build
  – Not USDA eligible
Construction Considerations

- Choose your market
  - Public
  - Private
  - Government

- Select best value
  - Construction and long-term financing

- Know where your Principal and Interest (P&I) goes – keep it rural
Considerations for Post Construction Long-Term Financing

- Requires mortgage on property and a security agreement
- Tax exempt bonds limited to $30 MM
- Combinations of products
  - Guarantee loan
  - Direct loan
North Shore Hospital and Care Center
AgStar:
It’s Our Mission to Serve Rural America

• Members of the Farm Credit System
• Cooperative Structure
• Grant for Feasibility Study
• Start-to-Finish Relationship
• Facility types we assist with:
  – Senior Living
  – Healthcare
  – Multi-family housing
U.S.D.A: Committed to the Future of Rural Communities

• United States Government

• 3 in 1 package
  – Grants
  – Direct loans
  – Guarantee loans

• Funding can be used in combination to meet your needs
Community Facility Program

- Eligible Purposes
  - Fire/Rescue Facilities & Equipment
  - Healthcare Facilities
    - Emphasis on Mental Health
  - Public Service Buildings
    - Library, Community Center, Food Shelf, Daycare
  - Transportation Facilities
    - Street / Sidewalks
Eligible Applicants

- Entities serving communities of 20,000 or less in population
  - Public Bodies
    - City, County, Township
    - Water / Sanitary Districts
  - Recognized Native American Tribes
  - Cooperatives
  - Nonprofit Organizations
Eligible Project Costs

• Project Construction
• Land Purchase / Easement Acquisition
• Engineering/Architect
• Related Soft Costs
  • Attorney fees
  • Bond Council – Closing Costs
  • Bidding/Testing/Public Notices
• Interim Construction Interest
• Potentially: Refinance of Existing Debt
Community Facility Program

- Grants
  - Maximum of 75% of Project cost
    - Sliding scale determined by MHI and need
  - Maximum of $50,000 per project
- Funding –
  - 2016 State Allocation : $420,000
- Priority for fire/rescue equipment
- Loan not required, can be in combination
Community Facility Program

• Direct Loan
  • Up to 40 year term
  • Current interest rate 2.875%
• Funding –
  • 2016 State Allocation : $30 Million
  • $2.2 Billion Nationwide
Community Facility Program

• Guaranteed Loan
  • Generally Nonprofit Applicants
  • RD provided 90% guarantee to lender
  • Rates & Terms negotiated with lender
  • Funding – $208 million available Nationwide
Construction and Post Construction Capital Stack

<table>
<thead>
<tr>
<th>Capital Stack</th>
<th>Construction</th>
<th>Rate</th>
<th>Post Construction</th>
<th>Rate</th>
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</thead>
<tbody>
<tr>
<td>Term</td>
<td>2 Years</td>
<td>4.18%</td>
<td>28 Years</td>
<td>4.05%</td>
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</tbody>
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Fully Blended Rate 4.06%
Mercy Hospital
Mercy Hospital Cont.
Aurora Northern Pines
Baldwin Care Center