"It’s All in the Numbers"

Planning and Financing for Your Dental Expansion

National Network for Oral Health Access

Jonathan Chapman and Cliff Davis, DDS

January 8, 2016
Capital Link Background

• **Mission**: Capital Link is a national nonprofit organization
  - We assist health centers in planning and obtaining financing for building and equipment projects, assessing and improving operational efficiencies, and
  - Primary Care Associations (PCAs) and other partners in leveraging capital resources and data analytics for health centers on a statewide, regional and/or national basis

• **Founded** as a joint effort of NACHC, the Community Health Center Capital Fund, and Primary Care Associations in MA, IL, NC, and TX

• **Staffed** in seven offices (MA, CA, LA, MO, RI, SC, WV)

• **Receives funding** through contracts with HRSA, foundations, health centers and PCAs
Long Term Goals
Short Term Goals...to get all this done

- Strategic Plan & Market Analysis
  - Define Intermediate and Long Term Goals
  - Describe Market and Current Patient Base
  - Analyze Demand for Future Services

- Recruitment & Staffing Plan
  - Use Market Analysis Results
  - Determine Provider Mix
  - Determine Optimal Support Staff

- Space Analysis & Planning
  - Audit Current Space
  - Program New Space
  - Estimate Costs

- Financial Feasibility
  - Analyze Current & Historical Financials
  - Project Financials Based on Trends & Market
  - Demonstrate Financial Feasibility
What It Looks Like in the Box...
Short Term Goals...
Short Term Goals...one piece at a time

- **Strategic Plan & Market Analysis**
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Most of the planning help you need you may already have...

Safety Net Dental Clinic Manual
http://www.dentalclinicmanual.com/index.html

Dental Space Design

Oral Health
http://www.hrsa.gov/publichealth/clinical/oralhealth/
http://bphc.hrsa.gov/programopportunities/fundingopportunities/oralhealth/index.html
National FQHC Dental FTE Trend

Dentists: 2,500
Hygienists: 5,000
Dental Assistants: 7,500

2011: 10,000
2012: 11,500
2013: 12,500
2014: 14,000
National FQHC Dental Visit/Patient Trend

Visits

Patients

<table>
<thead>
<tr>
<th>Year</th>
<th>Visits</th>
<th>Patients</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>9,991,320</td>
<td>4,037,384</td>
</tr>
<tr>
<td>2012</td>
<td>10,692,278</td>
<td>4,332,314</td>
</tr>
<tr>
<td>2013</td>
<td>11,034,286</td>
<td>4,442,177</td>
</tr>
<tr>
<td>2014</td>
<td>11,933,004</td>
<td>4,776,465</td>
</tr>
</tbody>
</table>
Short Term Goals...one piece at a time

Strategic Plan & Market Analysis
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National FQHC Dental Trends

Back-up your assumptions with industry data if possible or describe why your assumptions differ

National FQHC statistics have been very consistent

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dental Assistant/Dentist</td>
<td>1.92</td>
<td>1.92</td>
<td>1.96</td>
<td>2.00</td>
</tr>
<tr>
<td>Dental as % of Total Patients</td>
<td>20.0%</td>
<td>20.5%</td>
<td>20.4%</td>
<td>20.9%</td>
</tr>
<tr>
<td>Dental Visits/Patient</td>
<td>2.47</td>
<td>2.47</td>
<td>2.48</td>
<td>2.50</td>
</tr>
<tr>
<td>Ratio of Accrued Cost to Facility/Admin Overhead</td>
<td>2.02</td>
<td>1.99</td>
<td>1.97</td>
<td>1.99</td>
</tr>
</tbody>
</table>
### National FQHC Dental Services Trends

<table>
<thead>
<tr>
<th>National FQHC Visit Analysis</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>Avg RVU or Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Services</td>
<td>2.0%</td>
<td>1.9%</td>
<td>1.6%</td>
<td>2.0</td>
</tr>
<tr>
<td>Oral Exams</td>
<td>32.1%</td>
<td>33.0%</td>
<td>32.8%</td>
<td>1.8</td>
</tr>
<tr>
<td>Prophylaxis</td>
<td>18.0%</td>
<td>19.2%</td>
<td>18.9%</td>
<td>5.5</td>
</tr>
<tr>
<td>Sealants</td>
<td>3.0%</td>
<td>3.1%</td>
<td>2.8%</td>
<td>0.5 p/t</td>
</tr>
<tr>
<td>Fluoride Treatment</td>
<td>12.3%</td>
<td>9.6%</td>
<td>12.0%</td>
<td>0.7</td>
</tr>
<tr>
<td>Restorative Services</td>
<td>17.6%</td>
<td>18.1%</td>
<td>17.3%</td>
<td>1.5-4.0</td>
</tr>
<tr>
<td>Oral Surgery</td>
<td>8.1%</td>
<td>8.0%</td>
<td>7.3%</td>
<td>4.6</td>
</tr>
<tr>
<td>Rehabilitation Services</td>
<td>6.9%</td>
<td>7.1%</td>
<td>7.3%</td>
<td>2.0-18.0</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Note that every visit is not the same – and while dental visits are generally not paid on a RVU basis, the variation in RVU’s point out some of the pitfalls common to safety net dental practices.
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Let’s Open Up Your Project and Have a Look

You will need to develop these three tables in order:

• Detailed Project Costs (Hard, Soft and FFE)
• Sources and Uses
• Financing Detail

And then we’ll walk through a few financing scenarios...
## Project Costs

<table>
<thead>
<tr>
<th></th>
<th>3-chair (1800 sq ft)</th>
<th>6-chair (2925 sq ft)</th>
<th>9-chair (3490 sq ft)</th>
<th>12-chair (3970 sq ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remodeling ($148/sq ft)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction ($215/sq ft)</td>
<td>$387,000</td>
<td>$628,875</td>
<td>$750,370</td>
<td>$853,550</td>
</tr>
<tr>
<td>Large Equipment</td>
<td>$185,234</td>
<td>$287,193</td>
<td>$370,500</td>
<td>$501,025</td>
</tr>
<tr>
<td>Supplies, Instruments and Small Equipment</td>
<td>$52,218</td>
<td>$100,149</td>
<td>$147,480</td>
<td>$194,963</td>
</tr>
</tbody>
</table>

From: Safety Net Dental Clinic Manual
# Project Costs

## Best Community Health Center

### New Combined Medical/Dental Project

<table>
<thead>
<tr>
<th>Total Sq. Footage:</th>
<th>Total Costs</th>
<th>Cost/ Sq. Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Real Estate Related Costs:

- **Land Acquisition**: 1,000,000 acres
- **Acquisition of Existing Building**: 0 sq.ft.

**Total Real Estate Costs**: $1,000,000

### Hard Costs:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Site Preparation</strong></td>
<td>134,050</td>
<td>$3.83</td>
</tr>
<tr>
<td><strong>Asbestos Abatement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Environmental Remediation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Construction of New Building</strong></td>
<td>35,000</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Shell &amp; Core</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>General Conditions</strong></td>
<td>400,400</td>
<td>$11.44</td>
</tr>
<tr>
<td><strong>Sitework</strong></td>
<td>418,950</td>
<td>$11.97</td>
</tr>
<tr>
<td><strong>Concrete</strong></td>
<td>162,050</td>
<td>$4.63</td>
</tr>
<tr>
<td><strong>Masonry</strong></td>
<td>254,800</td>
<td>$7.28</td>
</tr>
<tr>
<td><strong>Metals</strong></td>
<td>69,650</td>
<td>$1.99</td>
</tr>
<tr>
<td><strong>Carpentry, Wood, Millwork</strong></td>
<td>192,500</td>
<td>$5.50</td>
</tr>
<tr>
<td><strong>Thermal &amp; Moisture</strong></td>
<td>21,000</td>
<td>$0.60</td>
</tr>
<tr>
<td><strong>Doors &amp; Windows</strong></td>
<td>324,100</td>
<td>$9.26</td>
</tr>
<tr>
<td><strong>Walls, Ceilings &amp; Finishes</strong></td>
<td>570,150</td>
<td>$16.29</td>
</tr>
<tr>
<td><strong>Floors</strong></td>
<td>155,050</td>
<td>$4.43</td>
</tr>
<tr>
<td><strong>Roofing</strong></td>
<td>395,500</td>
<td>$11.30</td>
</tr>
<tr>
<td><strong>Interiors &amp; Specialties</strong></td>
<td>59,500</td>
<td>$1.70</td>
</tr>
<tr>
<td><strong>Mechanical / HVAC / Geothermal</strong></td>
<td>1,085,700</td>
<td>$31.02</td>
</tr>
<tr>
<td><strong>Plumbing &amp; Fire Suppression</strong></td>
<td>537,250</td>
<td>$15.35</td>
</tr>
<tr>
<td><strong>Electrical &amp; Security</strong></td>
<td>849,800</td>
<td>$24.28</td>
</tr>
<tr>
<td><strong>Landscaping / Exterior Improvements</strong></td>
<td>143,150</td>
<td>$4.09</td>
</tr>
<tr>
<td><strong>Developer Contingency</strong></td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td><strong>Geo-Thermal</strong></td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td><strong>Project Administration &amp; Misc.</strong></td>
<td>146,650</td>
<td>$4.19</td>
</tr>
<tr>
<td><strong>GP Overhead &amp; Profit</strong></td>
<td>311,850</td>
<td>$8.91</td>
</tr>
<tr>
<td><strong>Construction Contingency</strong></td>
<td>325,000</td>
<td>$4.95</td>
</tr>
</tbody>
</table>

**Total Hard Costs**: $6,557,100 $187.35
Why You Need Contingencies...
# Project Costs

## Furniture, Fixtures & Equipment (FF&E) Costs:

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture</td>
<td>328,450</td>
<td>9.38</td>
</tr>
<tr>
<td>Medical Equipment</td>
<td>157,275</td>
<td>4.49</td>
</tr>
<tr>
<td>Dental Equipment</td>
<td>849,800</td>
<td>24.28</td>
</tr>
<tr>
<td>Computers</td>
<td>80,000</td>
<td>2.29</td>
</tr>
<tr>
<td>Telephone/Data</td>
<td>98,000</td>
<td>2.80</td>
</tr>
<tr>
<td>Security Systems</td>
<td>26,000</td>
<td>0.74</td>
</tr>
<tr>
<td>Signage</td>
<td>45,000</td>
<td>1.29</td>
</tr>
<tr>
<td>Artwork/Plants</td>
<td>28,000</td>
<td>0.80</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>89,000</td>
<td>2.54</td>
</tr>
<tr>
<td>Equipment Contingency</td>
<td>298,000</td>
<td>8.51</td>
</tr>
<tr>
<td><strong>Total FF&amp;E Costs:</strong></td>
<td><strong>$1,999,525</strong></td>
<td><strong>57.13</strong></td>
</tr>
</tbody>
</table>

## Soft Costs:

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architectural Fees</td>
<td>402,500</td>
<td>11.50</td>
</tr>
<tr>
<td>Reimbursibles</td>
<td>15,000</td>
<td>0.43</td>
</tr>
<tr>
<td>Engineering Fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Geotechnical (Test Borings)</td>
<td>7,950</td>
<td>0.23</td>
</tr>
<tr>
<td>Environmental (wetland)</td>
<td>3,300</td>
<td>0.09</td>
</tr>
<tr>
<td>Waterproofing</td>
<td>5,000</td>
<td>0.14</td>
</tr>
<tr>
<td>Structural</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plumbing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire Protection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mechanical</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrical</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acoustical</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Soft Costs:</strong></td>
<td><strong>$1,999,525</strong></td>
<td><strong>57.13</strong></td>
</tr>
</tbody>
</table>
## Project Costs

<table>
<thead>
<tr>
<th>Service</th>
<th>Cost</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment</td>
<td>25,000</td>
<td>0.71</td>
</tr>
<tr>
<td>Surveys</td>
<td>9,800</td>
<td>0.28</td>
</tr>
<tr>
<td>Title Reports &amp; Title Insurance</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Appraisal</td>
<td>10,000</td>
<td>0.29</td>
</tr>
<tr>
<td>Construction Testing</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Controlled Tests &amp; Inspections</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Owner’s Representative</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Owner’s Attorney (corporate, finance, real estate)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Consultants</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Project Management &amp; reimb.</td>
<td>125,000</td>
<td>3.57</td>
</tr>
<tr>
<td>Program &amp; Space Planning</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Predevelopment Feasibility</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Construction Manager (pre-construction)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost Estimator</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interior Designer</td>
<td>25,000</td>
<td>0.71</td>
</tr>
<tr>
<td>Signage/Graphic Designer</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Telecommunications Consultant</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>MIS Consultant</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Traffic</td>
<td>7,650</td>
<td>0.22</td>
</tr>
<tr>
<td>Security Consultant</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Consultants</td>
<td>5,450</td>
<td>0.16</td>
</tr>
<tr>
<td>Owner’s Insurance (Builder’s Risk, Liability, Property, Other)</td>
<td>83,371</td>
<td>2.38</td>
</tr>
</tbody>
</table>
## Project Costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Fees and Costs</td>
<td>$150,000</td>
<td>4.29%</td>
</tr>
<tr>
<td>Development Fee</td>
<td>$0</td>
<td>-</td>
</tr>
<tr>
<td>Lender’s Attorney</td>
<td>$0</td>
<td>-</td>
</tr>
<tr>
<td>Bond Counsel</td>
<td>$0</td>
<td>-</td>
</tr>
<tr>
<td>Engineer/Lender’s Rep. Fee</td>
<td>$0</td>
<td>-</td>
</tr>
<tr>
<td>Closing Costs</td>
<td>$0</td>
<td>-</td>
</tr>
<tr>
<td>Mortgage Recording Tax</td>
<td>$0</td>
<td>-</td>
</tr>
<tr>
<td>Interest Costs during Construction</td>
<td>$179,156</td>
<td>5.12%</td>
</tr>
<tr>
<td>Sales Tax estimate</td>
<td>$0</td>
<td>-</td>
</tr>
<tr>
<td>Fundraising Costs</td>
<td>$0</td>
<td>-</td>
</tr>
<tr>
<td>Payment and Performance Bonds</td>
<td>$0</td>
<td>-</td>
</tr>
<tr>
<td>Temporary Utilities</td>
<td>$0</td>
<td>-</td>
</tr>
<tr>
<td>Working Capital/Initial Operating Expenses</td>
<td>$0</td>
<td>-</td>
</tr>
<tr>
<td>Moving</td>
<td>$7,500</td>
<td>0.21%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$10,000</td>
<td>0.29%</td>
</tr>
<tr>
<td>Soft Costs Contingency</td>
<td>$150,000</td>
<td>4.29%</td>
</tr>
<tr>
<td><strong>Total Soft Costs</strong></td>
<td><strong>$1,362,217</strong></td>
<td><strong>38.92%</strong></td>
</tr>
<tr>
<td><strong>Total Project Costs</strong></td>
<td><strong>$10,918,842</strong></td>
<td><strong>311.97%</strong></td>
</tr>
</tbody>
</table>
Smile because we’re done here.....

Well, not quite...unless you’ve got all the money you need
Short Term Goals...one piece at a time

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Reality Strikes

More than likely, you will need to borrow or fund-raise a substantial amount...

What Can Make Financing a Capital Project Difficult?

Lack of Equity:
• Limited experience and/or success with fundraising
• Lack of cash reserves
• No endowments
• Banks like min. 20% equity

Limited Debt Capacity:
• Low cash reserves
• Little experience with debt financing
• Hard for lenders to understand & assess risks
• Slim profit margins or losses
• Payor Mix
No – Brainer...

If your historical financials look like this, you look great to a lender

(maybe less so to a grantor as they may not see the “financial need” – but they might still be sold on your story and success).
Brain Required...

But if your historical financials look more like this....

you’ll need to make a case for how the new capacity will help finance itself
Finding the Money - Overview

1. Elements of the Project Planning Process
2. The key variables for a valid dental clinic financial projection (what lenders want to see)
3. How to project cash flow available for debt service
4. How a typical Statement of Sources and Uses of cash might appear for such a project
5. Key determinants for deciding which capital funding sources to pursue
Methodology for the Financial Forecast

1. FTE providers x daily productivity x working days = total potential visits
2. Allocate the total visits by the Projected Payor Mix
3. Assign reimbursement rate assumptions to those Payors
4. Multiply visits x reimbursement rate for each payor
5. Calculate the **Net Patient Services Revenue** thus generated
Methodology for the Financial Forecast

• List **Grant Revenue** – but make clear what is in-hand, what is likely and what is basically a long shot (minimize this part, obviously, but if you have a history of securing $100K per year in one-off grants – project it)

• **Other Revenue** (fund-raising, etc.) – don’t project big charitable contributions (“Capital Campaign”) in the future unless you’ve had them in the past and if you have the necessary development assets/strategy in place
Methodology for the Financial Forecast

• Project **Expenses** based on historical levels or some defensible formula
  - for Admin. Overhead - % of total revenues;
  - for Supplies - $ per visit;
  - for Rent - previous year plus escalator;

• Don’t forget **Depreciation** (Even if you believe that accounting for depreciation expense for non-profits is silly and despite the fact that we’ll add it back for calculating Cash Flow Available for Debt Service)
You end up with **Net Operating Income**, but what a lender focuses on is

**Cash Flow Available for Debt Service**

\[=\]

Net Operating Income  
Depreciation  
Amortization  
Interest expense  
+ Rent rebate (if any)
### Debt Service Capacity

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds Available for Debt Service (including 1.25x DSC Requirement)</td>
<td>$392,362</td>
<td>$787,260</td>
<td>$446,479</td>
<td>$499,054</td>
</tr>
<tr>
<td>Debt Supported by Adjusted Cash Flow</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rate: 7.00%</td>
<td>$4,156,693</td>
<td>$8,340,244</td>
<td>$4,730,007</td>
<td>$5,286,981</td>
</tr>
<tr>
<td>Term: 20 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Supported by Adjusted Cash Flow</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rate: 6.00%</td>
<td>$4,500,366</td>
<td>$9,029,810</td>
<td>$5,121,081</td>
<td>$5,724,105</td>
</tr>
<tr>
<td>Term: 20 Years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Supported by Adjusted Cash Flow</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rate: 5.00%</td>
<td>$4,889,703</td>
<td>$9,811,000</td>
<td>$5,564,118</td>
<td>$6,219,311</td>
</tr>
<tr>
<td>Term: 20 Years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Do not forget to subtract the principal amount of any outstanding long term debt currently on your books.
# Sources and Uses of Project Funds

## ABC Community Health Center

### Sources and Uses of Project Funds

#### Sources of Funds:

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants/Contributions for Capital</td>
<td>1,750,000</td>
<td>50.0%</td>
</tr>
<tr>
<td>Cash from Reserves</td>
<td>500,000</td>
<td>14.3%</td>
</tr>
<tr>
<td>Debt Financing</td>
<td>1,250,000</td>
<td>35.7%</td>
</tr>
</tbody>
</table>

**Total Sources of Funds**: $3,500,000 (100.0%)

#### Uses of Funds:

<table>
<thead>
<tr>
<th>Use of Funds</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Related Costs</td>
<td>640,000</td>
<td>18.3%</td>
</tr>
<tr>
<td>Total Hard Costs</td>
<td>2,200,000</td>
<td>62.9%</td>
</tr>
<tr>
<td>Total Soft Costs</td>
<td>330,000</td>
<td>9.4%</td>
</tr>
<tr>
<td>Total Equipment Costs</td>
<td>330,000</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

**Total Uses of Funds**: $3,500,000 (100.0%)
Sources of Project Funds

- USDA
- HRSA LGP
- Bank Loan
- Foundation
- TE Bonds
- State Funds
- NMTC
- Grants/Gifts
Choosing the Right Pieces Can Make A Huge Difference
Sources of Project Funds

- Health Center Cash Reserves
- Federal Government: USDA, HRSA, NMTC
- State/Local Government Grants/Appropriations
- Foundation Grants—Private or Corporate
- Hospital or Other Partners
- Community Capital Campaigns
- In-Kind Gifts, e.g. Donated Land/Equipment, $1.00/Year Lease for 99 years
Federal/Government Programs

- New Markets Tax Credits
- Tax Exempt Bonds
- Commercial Rehab/Historical Tax Credits
- Elevated USDA funding
- HRSA Oral Health Service Expansion Grants
HRSA Oral Health Service Expansion

- Applicants must be existing Health Center Program award recipients funded under section 330(e), (g), (h), and/or (i) of the Public Health Service Act and have at least one (1) service site verified as operational at the time that the Oral Health Service Expansion (OHSE) application is submitted in HRSA EHBs.
- Applications are due in Grants.gov by January 19, 2016 at 11:59 p.m. ET, and EHBs by February 2, 2016 at 5:00 p.m. ET. Competitive criteria focused on Need.
- Additional dental staff, services, and any new sites operational within 120 days
- Additional dental patients and visits
Conventional Bank Loan

- Local, down the street
- Community Reinvestment Act
- Open to tax exempt financing
- Also look for Community Development Investment Banks (CDFI)
Conventional Bank Loan

- Loan 80% of project value - $4,000,000
- Interest rate 6.0% with 25 year amortization
- Community Reinvestment Act
- Where will the remaining $1,000,000 come from?
  - Sale of existing building
  - Hospital contribution
  - State Partner(s)
  - Capital Campaign
  - HRSA
Conventional Bank Loan

Sources of Funds:

Bank Loan.......$4,000,000
Other.............$1,000,000
Total..............$5,000,000

Annual Debt Service (P&I)....$ 309,246
New Markets Tax Credits

- “Investment” that isn’t repaid
- 20% of total project cost
- Application and awards
- NMTC Readiness Program
- Finding a Community Development Entity (CDE)
NMTC Basic Structure:

*$5 million project example*

Equity Investor

Receives tax credits = 39% over 7 years, plus economic return

$2.15 million

Debt Investor

Makes "leverage loan" to Fund

$3.85 million

Community Development Entity (CDE), LLC

Makes "Qualified Equity Investment" in CDE

Loan A: $3.85 million
Loan B: $1.15 million

Community Health Centers

Makes one or more loans to "Qualified Low Income Community Business," such as a CHC

Fees and Reserves

$500 thousand
Bank Loan and NMTC

- NMTC investment approximately 20% of project cost
- Bank loan for the balance - $4,000,000 interest only for 7 years – same rate
- $1,000,000 in “free” money!
Bank Loan: NMTC – Interest Only

Sources of Funds:

Bank Loan .......... $4,000,000
NMTC ................ $1,000,000
Total ................. $5,000,000

Annual Debt Service .......... $ 240,000
(Interest only)
USDA – Community Facility Program

- Usable with other options
- Population 20,000 or under
Three rural definitions based on Census Places

Rural locations are those outside Census Places with a population...

- greater than or equal to 2,500
  - Outside Census Places >= 2,500 people
  - Census Places: 2,500 - 9,999

- greater than or equal to 10,000
  - Outside Census Places >= 2,500 people
  - Census Places: 10,000 - 49,999

Urban locations under all three definitions:

- Census Places: >= 50,000 people

For more information on definitions, see documentation.
USDA – Community Facilities Program

- Usable with other options
- Population 20,000 or under
- Local or state office
- Loan Guarantee available for non-federal financing (90% guarantee)
- Small grant dollars may be available
- Direct Loan 3.5% for 40 years
USDA Direct Loan

Sources of Funds:

- USDA Loan: $4,000,000
- Other: $1,000,000
- Total: $5,000,000

Annual Debt Service: $185,991
Tax Exempt Bonds

- Usable with other options including NMTC
- State issuing authority
- Private purchase by bank
Tax Exempt Bonds and NMTC

• NMTC investment approximately 20% of project cost - $1,000,000

• TE Bonds for the balance - $4,000,000 interest only for 7 years

• Interest rate – 3.9% (fixed 10 years)

• No need for additional financing
Tax Exempt Bonds and NMTC

Sources of Funds:

- TE Bonds .......... $ 4,000,000
- NMTC ............. $ 1,000,000
- Total ............... $ 5,000,000

Annual Debt Service ............ $ 156,000
(Interest Only)
Foundation

- Program Related Investment (PRI)
- With NMTC
- HRSA Loan Guarantee Program
- Private Purchase (Non-profit Foundations)
Foundation PRI and NMTC

• NMTC investment approximately 20% of project cost - $1,000,000

• No need for additional financing

• Loan for the balance - $4,000,000 interest only for 7 years

• Interest rate – 3.0%
Foundation PRI and NMTC

Sources of Funds:

PRI ......................... $ 4,000,000
NMTC ................. $ 1,000,000
Total .................. $ 5,000,000

Annual Debt Service ............ $ 120,000
Grants

- HRSA
- Regional/State Dental Association Foundation
- Dental Foundation (by state)
- Local Community Foundations (donor directed funds)
- Conversion Foundations
- Kresge Foundation
- Local Private Foundations

- **Suggested Reading:** “Integrating Primary Care and Public Health: Opportunities for Oral Health”
  

Ralph Fuccillo, President, DentaQuest Foundation
Mix-N-Match

- Bank loan & NMTC: Yes
- Tax Exempt Bonds & NMTC: Yes
- Loan Guarantee & NMTC: Yes
- Loan Guarantee & TE Bonds: No
- Private grants & all the above: Yes
Figure 5

Boston Health Care for the Homeless, NMTC, HTC, and HRSA Loan Guarantee

- Commercial Bank Loan: 34%
- Deferred Fees: 8%
- Federal Earmark: 0.9%
- New Market Tax Credits: 12%
- Federal Historic Tax Credits: 9%
- State Historic Tax Credit: 10%
- Capital Campaign: 27%

Total: $36,414,000
Basic Rules for Loan/Grant Application

Do’s:
• Know your audience
• Explain your methodology
• Be thorough – but concise

Don’ts:
• Don’t use excessive jargon and unexplained acronyms
• Don’t assume that because the basic business model of your clinic is obvious to you that it is obvious to reviewer
• Don’t make un-supported financial or demand assumptions
• Don’t fail to proof-read or have someone check the logic/consistency of your application
Work to Find the Right Pieces and Fit Them Together
FQHC Dental Services

Cliff Davis, DDS
Dental Director, CrescentCare in New Orleans
Experience in dental expansion and facility development
Contact Us

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Director, Community Health Center Advisory Services
jchapman@caplink.org

Mark Lurtz
Senior Director, Partnership Development
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Cliff Davis, D.D.S.
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