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MONEY MAZE

## Financing Community Health Centers Requires Team Of Experts

\$42M Lowell Facility Funding Combined Private, Government Sources

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SPECIAL TO BANKER & TRADESMAN

This fall, the Lowell Community Health Center (LCHC) will move into a new \$42 million home in a rehabilitated historic mill structure in downtown Lowell's Hamilton Crossing complex.

LCHC will consolidate operations from four existing operations into the new complex, expanding its footprint from 42,000 to 100,000 square feet, and more than doubling the number of exam rooms from 37 to 85.



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To successfully combine these disparate federal and state programs with private financing sources is an extremely timely and complicated process that requires coordination, cooperation, creative thinking, and a gaggle of clients, consultants, and their legal teams.

### LCHC Financing Breakdown

In Lowell, funding for the approxi-



Lowell Community Health Center entry, aerial rendering.

mately \$42 million acquisition and renovation of the historic mill building included:

A \$9.3 million Facility Improvement Program (FIP) grant from the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services. HRSA does not allow FIP grants to be leveraged through NMTC transactions, but based on a new directive from HRSA, Eastern Bank was able to bridge the amount of the FIP grant as a leverage loan to the project, utilizing draws on the FIP grant to repay the bridge loan. This was one of the first

transactions in the country to use this structure.

\$5 million in FHTC purchased by U.S. Bancorp Community Development Corporation (USBCDC). USBCDC also purchased the NMTC. Because FHTC equity comes into a project at completion, Eastern Bank provided bridge financing to be repaid by FHTC equity upon completion.

\$7 million from the sale of NMTC. Two Community Development Entities (CDEs) provided allocations of NMTC and served as lenders for this project; one was

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# Community Health Center Financing Requires Village Of Experts

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controlled by the Massachusetts Housing Investment Corporation (MHIC) and the other by NCB Capital Impact (NCB).

A \$10.2 million leverage loan from Eastern Bank in connection with the NMTC transaction, guaranteed by HRSA.

A \$4 million direct loan from Eastern Bank to the project, which was also guaranteed by HRSA. This was the first project in the country to have two separate HRSA guarantees.

## Lessons Learned In Lowell

Most community health care centers do not have the internal expertise to manage these transactions, so they need appropriate consultants and advisers, but strong leadership from the center to drive the process is essential.

A project of this complexity also requires a knowledgeable team of lenders, investors, CDEs, consultants, accountants and attorneys. This type of transaction is no place for the uninitiated (or the acronym adverse). In addition to Eastern

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Bank, USBCDC, MHIC and NCB, this transaction also had the benefit of Capital Link, as LCHC's financial advisor.

This transaction would not have occurred if the various parties had been inflexible in their approach to structuring and the problems that arose. Several of the features of this transaction were the first time that such a structure has been

used for community health care center financing.

Because of the complexity of this transaction, the closing was delayed by several months. All the parties had to stay committed to closing the transaction.

Under the Affordable Care Act, there will be a new round of Capital Development-Building Capacity Grant Program grants of up to \$5 million per location from HRSA announced in April. This will likely be the last large grant program from the federal government for community healthcare center development for some time. The NMTC program is in its last year of authorization, although many in the community development world are hopeful of an extension. These and other programs will be the tools for the next round of community healthcare center development. ■

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