



STROUDWATER
CAPITAL PARTNERS

Getting Past Stop: Readiness Assessment for USDA Community Facilities Loans

BEGINNING YOUR JOURNEY TO SECURE USDA COMMUNITY FACILITIES LOANS

A row of white chess pawns is positioned horizontally across the bottom half of the image. The pawns are slightly out of focus, creating a sense of depth. The background is a solid, dark green color.

“Attention is the
currency of leadership.”

- Ronald Heifetz

At Stroudwater Capital Partners, we guide capital development

The journey ahead may look daunting, but we're here to help. **Our main objective?** To offer best practices and a reliable process to secure needed capital.



Where do we **begin**?

FIRST

We help our clients connect the project's goals to the community's needs and where the industry is heading.

NEXT

We identify the resources and project plan needed to reach the goal. This helps illuminate the road ahead to support our clients for success.

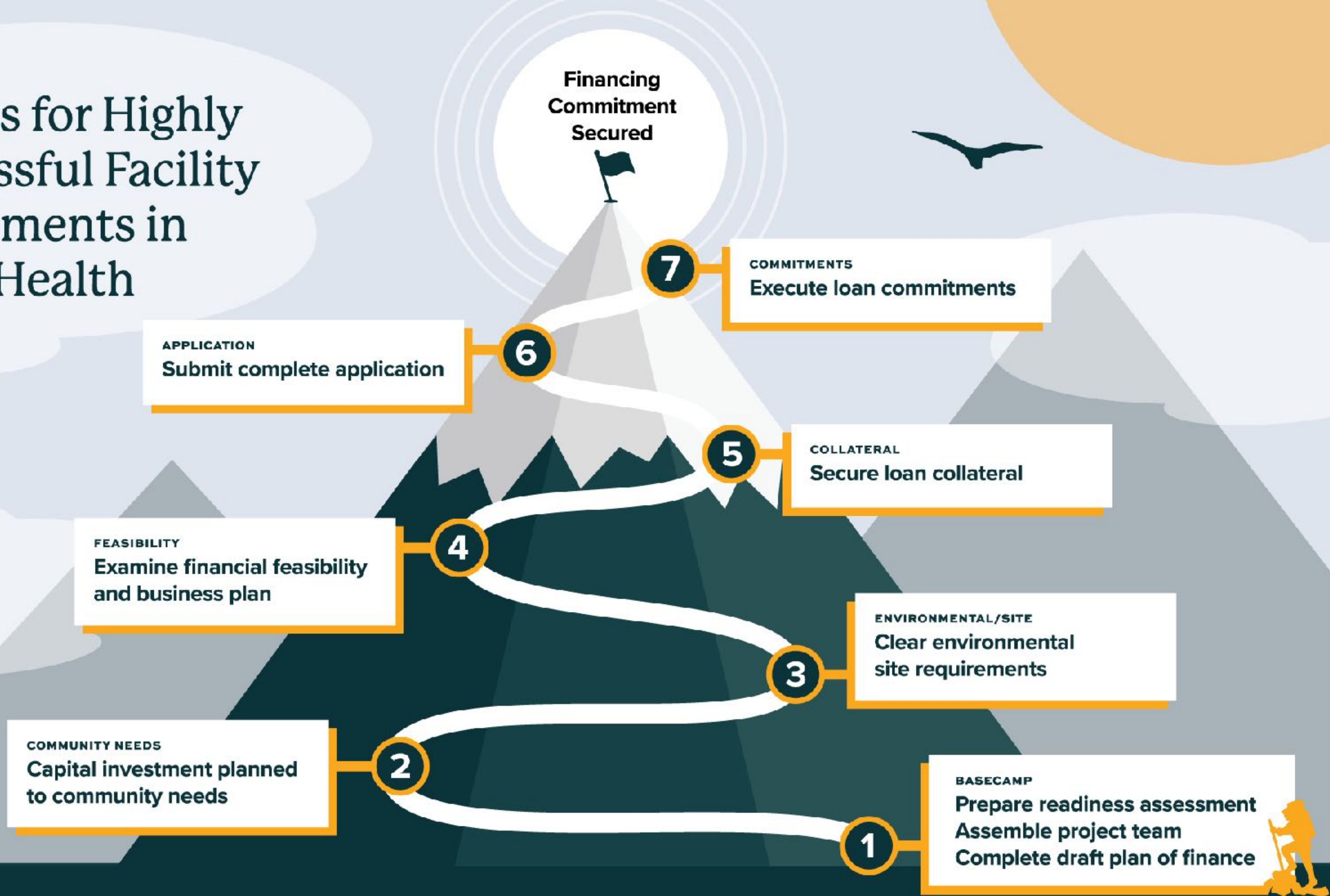
FINALLY

We work with clients every step of the way, ensuring all members of their critical support team are working together on the journey...

...Climbing the "Financing Mountain," if you will.



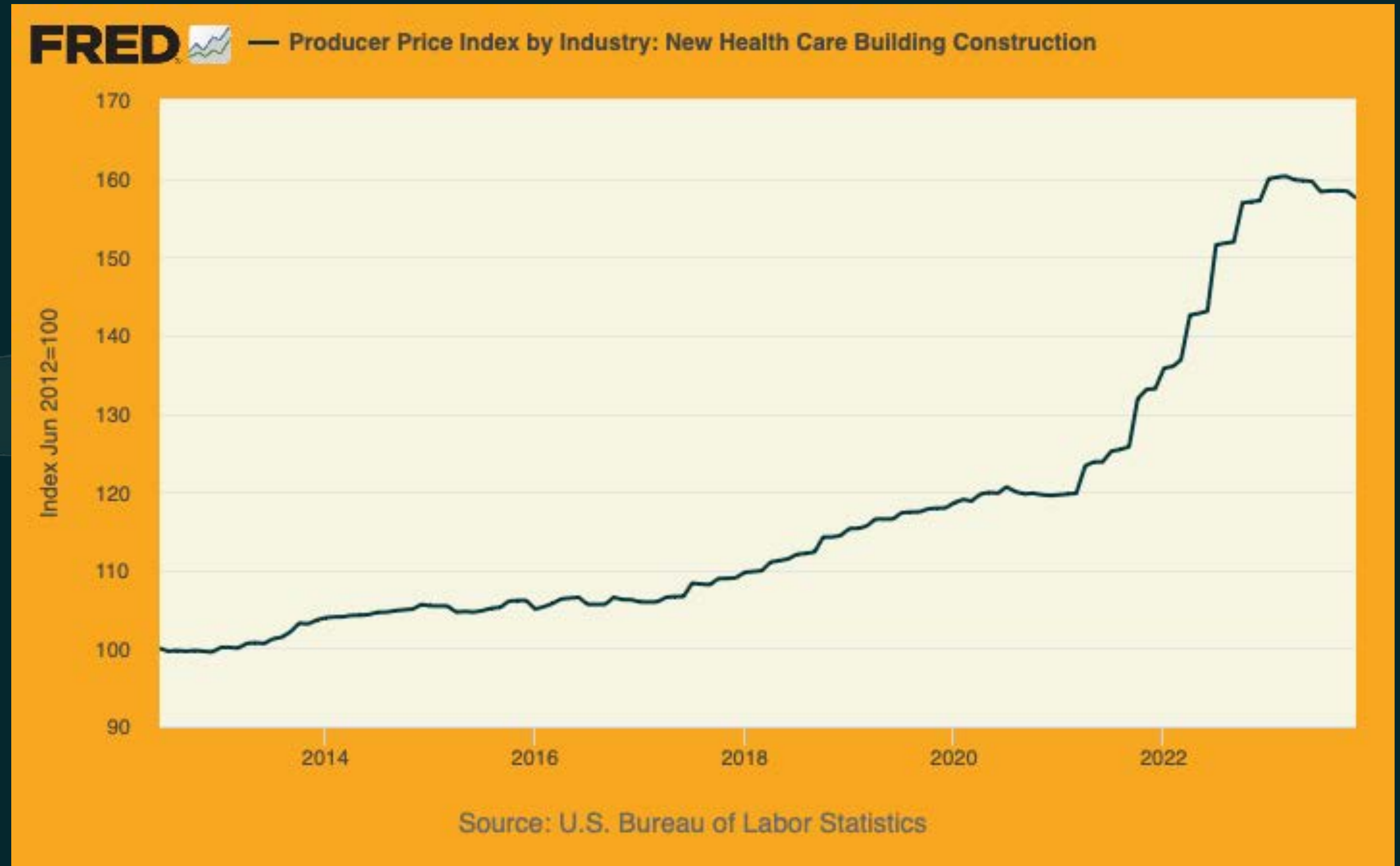
7 Steps for Highly Successful Facility Investments in Rural Health



MARKET UPDATE

Construction Cost Trends in Healthcare

SOURCE:
Bureau of Labor Statistics
Producer Price Index
June 2012-January 2024

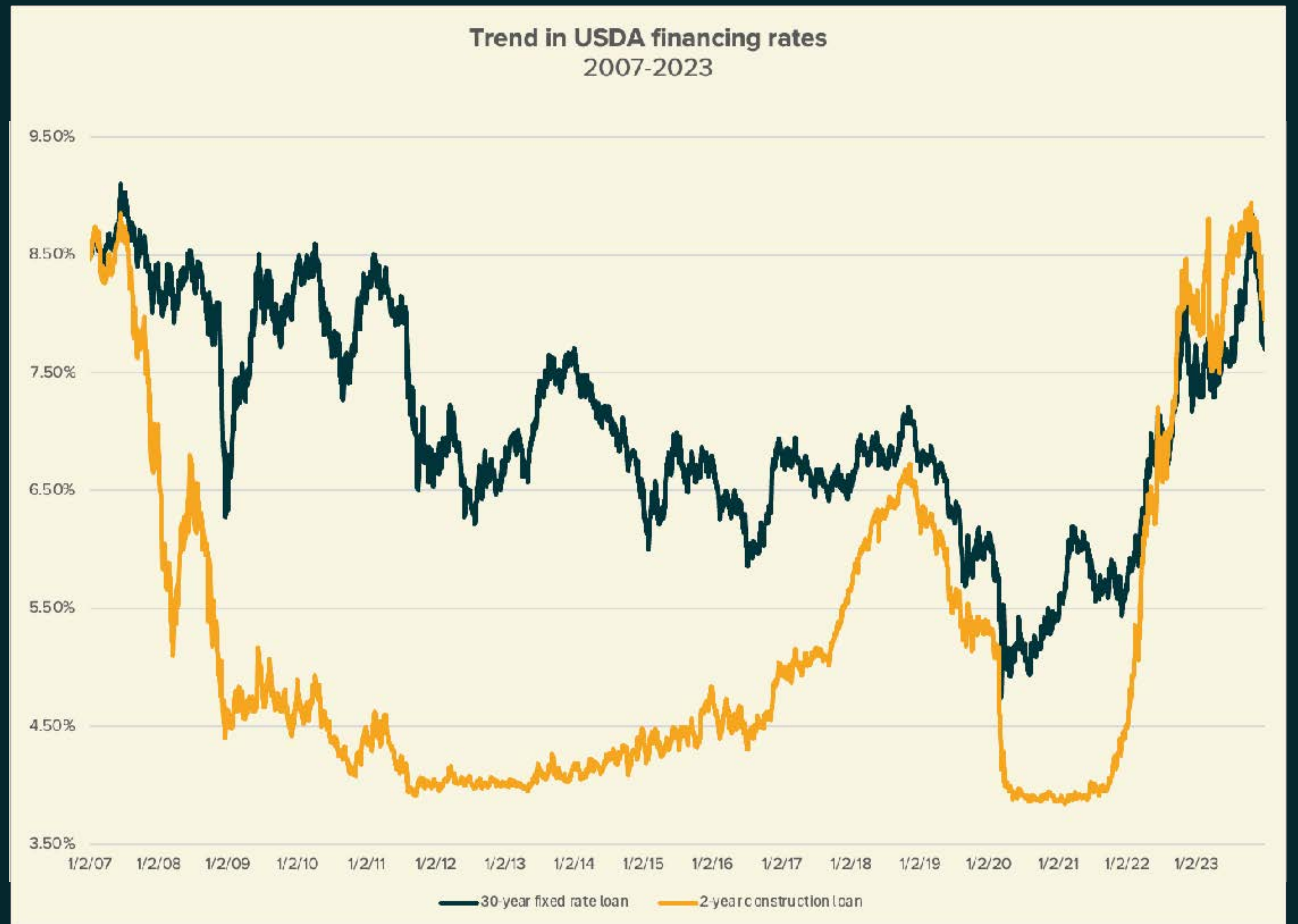


INTEREST RATE TRENDS Market Update

Interest rate trends from
2007-2023 based on US
Treasury

* 2-year construction loan
(yellow)

* 30-year permanent loan
(dark teal)



Source: Daily treasury rate plus 375 basis point spread



Basecamp: Preparing for the journey ahead and getting started

- A) Assess eligibility for USDA grants and loans
- B) Create plan of finance and project budget
- C) Build the project team

REMEMBER:

Hope is not a strategy.

USDA COMMUNITY FACILITIES

Program Highlights

- * **Over \$3 billion in annual funding**
 - **Current rate is 3.5%**
 - **Up to 40 year repayment; fixed rate at time of commitment or permanent financing, whichever is lower**
- * **Borrower must be not-for-profit or public entity**
- * **Located in rural area, serving rural population**
- * **Accepted '5 for 5 waiver' for any financial losses within past 5 years**
- * **Unable to secure credit elsewhere**
- * **New technical assistance program in partnership with NRHA**
- * **Resources used for purchasing real estate, construction, and/or equipment**
 - **Funds may not be used for operational or working capital needs**
 - **New construction and equipment subject to Build America, Buy America program**
 - **Not subject to Davis Bacon prevailing wage requirements**

SOURCES AND USES

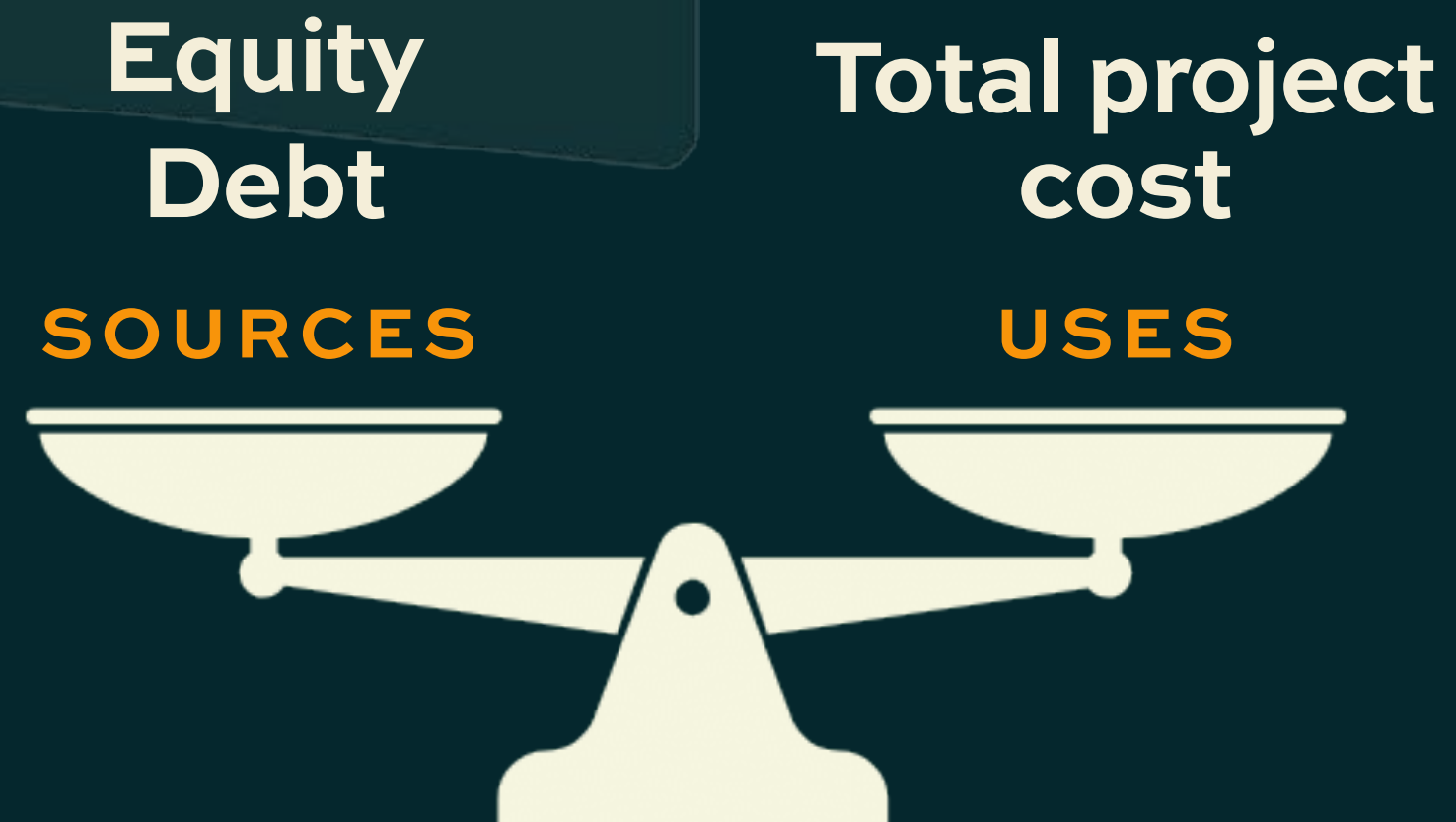
Project Plan of Finance

Equity sources

- * Operating reserves
- * Funded depreciation
- * Fundraising
- * Grants

Debt sources

- * USDA Direct loan
- * USDA Guaranteed loan
- * Revenue or General Obligation bonds



Direct costs

- * Land
- * Construction
- * Equipment

Other costs

- * Third-party reports
- * Bank fees
- * Capitalized interest

BEGIN WITH THE END IN MIND

Conceptual Debt Capacity

The organization's financial history provides the best starting point for determining a sustainable debt total. This is based on:

- * Projected annual debt payments based on current market rates

SUPPORTED BY THE FINANCIAL

- * Trends in cash flow

- EBITDA: Earnings Before Interest Taxes Depreciation Amortization

+

- * Impact of cost-based reimbursement from the proposed project

- % of annual depreciation and interest expenses

SHOWING AN ABILITY TO MAINTAIN

- * Debt service coverage ratio of at least 1.1 - 1.25

- Calculated as (cash flow+cost-based payments) / annual debt service payments

The debt capacity serves as guardrails for the planning process

FIRST STEPS

Construction budgeting

* Establishing an initial “allowance” for construction costs is an important first step to ensure the project is developed within available resources

* Construction costs typically represent 75% of the total project budget.

$$\left(\begin{array}{l} \text{Debt} \\ \text{capacity} \end{array} + \text{Equity} \right) \times 75\% = \text{Construction budget}$$

* Architects and planners are tasked with creating a facility master plan that meets community needs within available funding

$$\text{Construction budget} = \text{Cost per square foot} \times \text{Project size square feet}$$

ALIGNMENT & COORDINATION

Project team

Board of Directors / building committee

Executive management team

Design/engineering

Owners Representative

Consultants

* Environmental

* Cost estimating

Consultants

* Financing

* Feasibility

Lender(s)

USDA

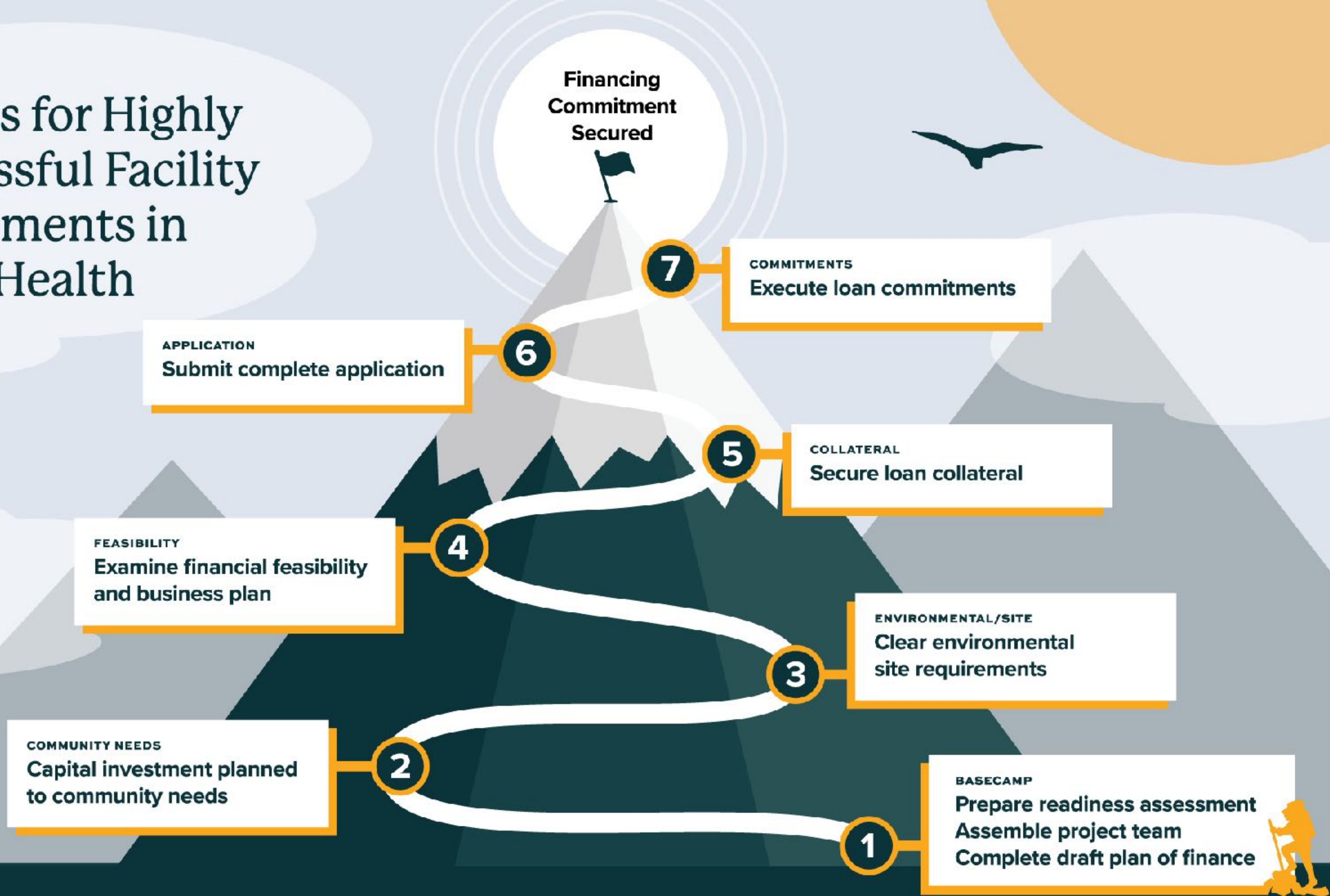
Seek partners with rural health expertise

Align team with clear project plan

Actively manage the process



7 Steps for Highly Successful Facility Investments in Rural Health





Any questions?

Brian Haapala has served as a trusted advisor to health executives for over two decades, with a focus on developing transformative and sustainable healthcare systems in rural communities. As the CEO of Stroudwater Capital Partners, he works to develop and finance rural health investments nationally.

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