



## NMTC Project Financing Profile

### A CENTER OF HOPE: HILL COUNTRY COMMUNITY CLINIC – REDDING, CA



Hill Country Community Clinic plans to construct a health care campus in Redding California that includes a 35,000 square foot clinic and 5,000 square feet of supported housing for homeless transitional age youth. Hill Country is responding to unmet healthcare needs in Redding by consolidating five small satellite sites into a larger facility which will expand overall capacity by 20,000 square feet. It is estimated that the new facility will serve more than 5,500 additional patients by 2023. The project is scheduled to break ground in June 2019.

#### Sponsor Description

[Hill Country Community Clinic](#) (Hill Country) is a Federally Qualified Health Center providing outpatient medical, dental, mental health, intensive case management and wellness services to residents of Shasta County, California. Hill Country's main site opened in 1985 and is located in Round Mountain, California, an area designated "frontier" by the federal government. In 2015, Hill Country opened its first satellite clinic in Redding, in response to the significant unmet need created by the Affordable Care Act and California's Medicaid expansion. Hill Country has been committed to the integration of primary medical care and mental health treatment since its inception. Recent integration efforts have focused on the development of complex care programs, which treat the whole person and address the social determinants

of health. All of these programs serve patients with complex health and social needs by providing intensive case management integrated with medical care and behavioral health services. Many of these patients are homeless or at risk of homelessness. Hill Country’s mission is to; with kindness, work in partnership with our patients and community to provide the health care services, education and support needed to live whole, health and satisfying lives.

In 2017, Hill Country served 6,200 patients across all of its clinic locations. Sixty-three percent (63%) were Medicaid recipients and ninety-six percent (96%) earned 200% or less of the federal poverty level (FPL).

### Project Description

The Center of Hope will create a campus where medical, dental, mental health, substance abuse treatment and recovery activities will support people with complex health and social needs. The 36,000 square foot clinical facility will consolidate five small sites that currently operate in Redding. The clinic will contain 14 medical exam suites, 12 dental exam suites, and 10 behavioral health suites. The clinical facility will more than double current capacity, and serve over 9,000 patients when fully operational, roughly 2/3 of which will be new patients.

In addition to the clinical facility, the campus will include 5,000 square feet of supported housing for sixteen transitional age youth students who are homelessness. Redding is experiencing a homeless crisis, as are many communities along the West Coast. Shasta County’s rate of homelessness is higher than California’s. Notably, 61% of the homeless in Shasta County have a mental illness compared to 26% in California and 20% in the U.S.

Upon completion in late 2020, the new 35,000 square feet Center of Hope will house over two times the number of employees currently working in Hill Country’s Redding sites. The Center of Hope is designed to support team-based care provided by four physicians; seven midlevel medical providers; four dentists, four registered dental hygienists; fifteen licensed mental health clinicians; and ten complex care managers.

### Clinic Project Highlights

<b>Center of Hope Project: Redding CA</b>		
	<b>2018 (existing Redding sites)</b>	<b>2025 ( Center of Hope projected)</b>
Clinic Capacity (sq. ft.)	15,500	36,000
Supportive Housing Capacity (sq. ft.)	-	5,000
Patients Served	3,300	9,000
Patient Visits	17,600	51,000
Permanent Direct Employment (FTEs)	47.0	100.0

### Transitional Youth Housing Apartments

The plans for Center of Hope campus also include 5,000 sq ft designed for small 4-bedroom apartments for sixteen transitional age youth (aged 18-24). Targeting this age group is a natural fit for and extension of Hill Country’s ongoing commitment to young people. In eastern Shasta County, Hill Country services include teen centers in Round Mountain and Burney, intensive case management for youth with serious mental illness, and part-time employment that accommodates high school and college class schedules. Among Hill

Country partners in the youth program at the Center of Hope will be Shasta College and the California Heritage YouthBuild Academy (CHYBA), a charter high school that helps transitional age youth achieve a high school diploma. The youth residents will be selected from homeless students who have taken the initiative to enroll at Shasta College or CHYBA. These are young people with significant challenges who have a vision for their future, and need some supportive adults to help them get there. As in Round Mountain, part-time jobs will be reserved at the Center of Hope for these young people. A Wellness Center that offers a computer lab, an art/science maker space, other vocational training and rooms for educational and support groups will be available to these residents, and to the surrounding community



## NMTC Program Eligibility

Address: 1201 Industrial St., Redding, CA 96002  
 Census Tract: 06 089 0103 00

Metro/Non-Metro Designation:	<b>Metro</b>
Poverty rate (%) in the census tract:	<b>17.40%</b>
Median Family Income (MFI) in the census tract as % Area MFI:	<b>65.30%</b>
Unemployment Rate (%) in Census Tract:	<b>8.20%</b>
Ratio of Tract Unemployment Rate to National Unemployment:	<b>0.98%</b>

## Secondary Distressed Criteria

Hill Country is pursuing higher distressed eligibility through the recognition of the site as within a qualifying local and/or state economic development target area.

Local Designation as Economically Distressed Area:

When the Redding Redevelopment Agency was dissolved via state legislation, the City of Redding assumed the role of Successor Agency to manage/conclude the activities of its [four project areas](#). One of these project areas is the Canby-Hilltop-Cypress Redevelopment Project, within which the proposed Center of Hope is [located](#). The project sponsor is therefore pursuing formal acknowledgement from the City of Redding that the neighborhood continues as a priority area for local economic development purposes. Hill Country anticipates receiving this formal acknowledgement and letter of support for the project from the City of Redding in January 2019.

State Designated Economically Distressed Area:

The site is located in a former Enterprise Zone (the program was repealed by the California legislature in 2014). At the same time, the [Governor's 2013 Economic Development Initiative](#) added three new tax-incentivized economic development programs, including the [New Employment Credit](#) (NEC). The majority of former enterprise zones were included within qualifying Designated Geographic Areas (DGA) for the NEC program. The site's location within a DGA can be verified via the program [mapping tool](#).

Targeted Populations: Establishing proposed AUP for targeted populations is a contingency plan should the current economic development status of the site be determined to be insufficient for secondary qualification of higher distressed. In this event, CohnResnick would lead a targeted populations sample test in winter 2019 to demonstrate low income beneficiary compliance.

## Site Information:

The proposed site is currently owned by the McConnell Foundation (MF). Hill Country and MF have entered into a Memorandum of Understanding that will transfer ownership of the parcel to the health center upon the following conditions:

The 4.1 acre development site is currently part of a larger 11 acre undeveloped property owned by the McConnell Foundation <https://www.mcconnellfoundation.org/>. Hill Country and MF have entered into a Memorandum of Understanding that will transfer ownership of the parcel to the health center upon the meeting certain conditions, including:

- Approval of line adjustment for the purpose of creating a separate legal parcel for the portion of the property to be developed for the Center of Hope
- The project development costs do not exceed \$24 million, and the long-term debt needed for the project does not exceed \$12 million, and that the projected cash flow from clinic operations will support the proposed debt service.
- Letter of interest from financing institutions to finance the project using New Markets Tax Credits.

A Use Permit application has been submitted to the City of Redding that will allow McConnell Foundation to adjust the property line and transfer ownership of a 4.1 acre carve-out to Hill Country for purposes of the clinic development project. Hill Country anticipates that it will meet the various conditions of the MOU and have full site control of the 4.1 acres in early 2019.

Aerial View of Site



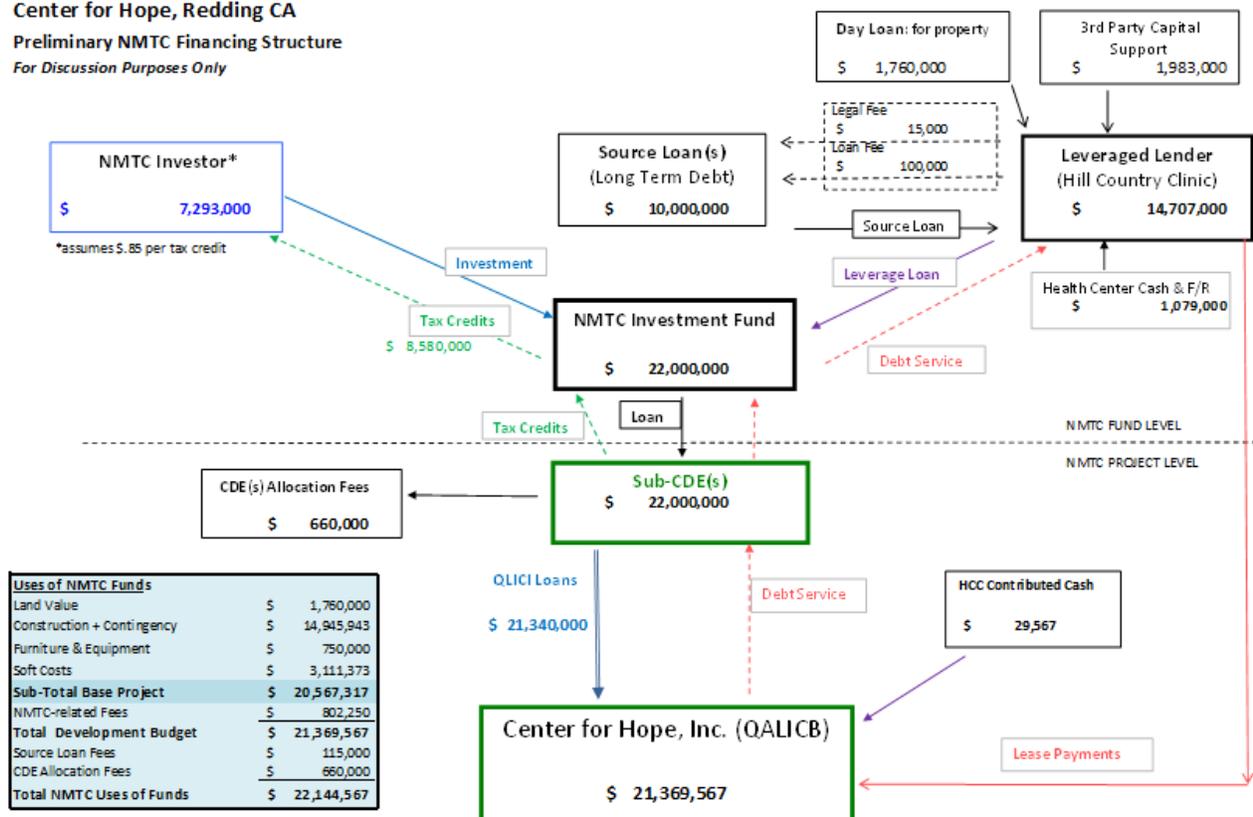
Site Plan



## Preliminary NMTC Financing Structure

<b>Center of Hope</b>		
<b>SOURCES AND USES OF PROJECT FUNDS</b>		
<i>Sources of Funds:</i>		
	Amount	%
Property	1,760,000	8%
Capital Support	1,983,000	9%
Long-Term Debt (Source Loan)	10,000,000	45%
NMTC Equity Investment	7,293,000	33%
Cash from Reserves	1,108,567	5%
<b>Total Sources of Funds</b>	<b>\$22,144,567</b>	<b>100%</b>
<i>Uses of Funds:</i>		
	Amount	%
Real Estate Related Costs	1,760,000	8%
Total Hard Costs	14,945,943	67%
Total Soft Costs	3,111,373	14%
Total Equipment Costs	750,000	3%
<b>Base Development Budget</b>	<b>20,567,317</b>	<b>93%</b>
Source Loan Fees	115,000	1%
NMTC Professional Fees	296,000	1%
NMTC Financing Fees/Reserves	810,000	4%
Capitalized Interest	356,250	2%
<b>Total NMTC &amp; Financing Fees/Reserves</b>	<b>1,577,250</b>	<b>7%</b>
<b>Total Uses of Funds</b>	<b>\$22,144,567</b>	<b>100%</b>

**Center for Hope, Redding CA**  
 Preliminary NMTC Financing Structure  
 For Discussion Purposes Only



- **Construction Costs:** Estimated construction costs are preliminary and are based on 100% completion of schematic design. Hill Country management is working closely with the project architects to limit risk for construction budget increases.
- **Capital Grants:** Hill Country is currently budgeting \$3.7 million in capital support for the project. This includes \$1.7 million that has already been approved by Partnership Health Plan. Hill Country anticipates raising up to \$2 million more from other targeted private institutional sources.
- **NMTC Equity Investment:** The preliminary NMTC project budget anticipates a QEI of \$22 million, generating \$7.3 million in investment equity (@\$.85 per credit estimate).
- **Term Loan Financing:** The health center will need to borrow a total of \$10 million in term debt in order meet project funding requirements. Term loan proceeds will be used to fund the NMTC leverage loan.
- **Bridge Loan:** There will be a need for bridge financing in order to re-fund predevelopment costs, in addition to the \$1.7 million value of the property and any capital grant proceeds not yet released by funders. The current estimate for bridge loan financing is in excess of \$2 million, and continues to increase as Hill Country incurs further predevelopment costs.
- **Cash Reserves:** Hill Country is budgeting to contribute up to \$1million to the project.

## Project Timeline

Capital Project Task	Estimated Start	Est. Completion
Schematic Design		Mar 2018
Revised Schematics		Jun 2018
Site Plan		Jun 2018
Site Use Permit	Jun 2018	Jan 2019
Lot Line Adjustment/Property Transfer to Hill Country	Jul 2018	Jan 2019
Environmental Report	Jun 2018	Apr 2019
Construction/Bid Set Documents	Jun 2018	Jan 2019
Grading/Building Permits	Feb 2019	Apr 2019
Contractor Selection	Feb 2019	May 2019
Secure Project Financing	Jan 2019	June 2019
Construction	July 2019	Nov 2020
Occupancy		Jan 2021

## Project Development Team

- **Health Center Contact:** Nick Cutler, Chief Financial Officer, Hill Country Community Clinic  
[ncutler@hillcountryclinic.org](mailto:ncutler@hillcountryclinic.org)
- **Project Architect:** Trilogy Architects  
<https://trilogyarch.com/>
- **Financing Advisor:** Tony Skapinsky, Capital Link  
[tskapinsky@caplink.org](mailto:tskapinsky@caplink.org); (805) 544-2355