

Financing our Healthcare Facility Replacement

Willapa Harbor Hospital has proposed a \$96.4 million replacement healthcare facility. The board and administration have evaluated alternatives including renovating in place, considered the age of the current facility, and the ongoing healthcare needs of the community. After deliberating for four years and consulting experts in project management, geotechnical, architecture, and finance, replacing the current healthcare facility at the Delaware Avenue site is the most financially responsible alternative.

FUNDS FOR THIS PROJECT

- A \$42 million publicly funded bond (referendum/vote expected in April 2025)
- Bonds supported by hospital operations (potentially via the USDA)
- State Capital Facilities appropriation
- Congressionally Directed (Senate) /Community Project (House) appropriation
- Fundraising
- Grants

FACTORS AFFECTING THE AMOUNT OF DEBT NEEDED

Depending on market conditions at the time of funding and the ultimate results of the USDA application process, there are certain factors affecting the total cost (including financing cost) of the bonds that include:

Equity required by the USDA, which includes hospital cash, grants, and fundraising. A pre-application was submitted to the USDA requesting approval for a 5% equity contribution given its financial position. However, this can be as much as 15%.

Market rates –

- The USDA rate (if the application is ultimately approved) is locked in upon receipt of a Letter of Conditions from the USDA (i.e. after the full application is approved) and fluctuates quarterly until that time
 - The current rate for the 2nd quarter of the FFY is 4.125%. The numbers to the right assume 5%.
- The interim construction rates will be locked in immediately preceding construction commencement. The numbers to the right assume an above market rate to be conservative.

Financing requirements – depending whether the interim construction financing is done through the public market or a bank will influence whether a debt service reserve fund (a rainy day fund) or capitalized interest fund (a fund that pays principal and interest during construction) will be required. *These funds add to the cost of the project.*

Costs of issuance – amount paid to advisors, lawyers, accountants, underwriters. Assumed to be 1% in numbers to the right.



EXPECTED COST

\$96.4 MILLION

- \$57.5 million of construction
- \$4.2 million of road improvements
- \$9.0 million of medical equipment
- \$1.8 million of IT/low voltage
- \$12.9 million of soft costs (design fees, project management, permitting, furniture/equipment, non-construction contingency/escalation)
- \$6.0 million of sales tax
- \$5.0 million of financing cost/capitalized interest