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NMTC-Financed Health Center Makes Big Difference in Big Easy

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CrescentCare, a health care organization that began providing services to individuals living with AIDS in New Orleans decades ago, is building a 65,000-square-foot medical campus thanks to successful partnerships, a dynamic vision and equity from new markets tax credits (NMTCs).

“I believe in CrescentCare’s mission and its impact on the neighborhood will be enormous,” said Anna Labadie, project manager for Gulf Coast Housing Partnership (GCHP), the developer for the project. “CrescentCare won’t be just a health care center, but a community center.”

CrescentCare and GCHP broke ground in August 2017 on the comprehensive health care center that will offer primary medical care, dentistry, pediatrics, HIV counseling and testing, case management and behavioral health services. The location will combine four of CrescentCare’s services sites into one comprehensive campus and is expected to triple the agency’s capacity.

“NMTCs are designed to provide financing for developments that make a significant impact in struggling neighborhoods,” said John Sciarretti, a

partner in the Novogradac & Company LLP’s Dover, Ohio, office, who provided transaction advisory services and compiled the financial forecast for the development. “CrescentCare could be the poster child for that kind of impact, both in terms of jobs and affecting the health of the community members.”

Construction will take approximately 18 months.

From Answering Machine to FQHC

CrescentCare began as an AIDS service organization—beginning, as Alice Riener, chief legal and policy officer for CrescentCare, said, “as an answering machine in someone’s living room in 1983. It grew organically.”

As years passed, it became obvious that there was a need for case management and other services. After

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Hurricane Katrina in 2005, everything changed for CrescentCare—and everything else in New Orleans.

“[Post-Katrina,] we made it [financially] through the generosity of drag shows across the country and donations from pharmaceutical companies,” Riener said. “That was a reckoning for us. We didn’t want that again. Hurricane Katrina devastated the health care infrastructure in New Orleans.”

CrescentCare applied in 2013 to become a federally qualified health center (FQHC), which allows organizations to receive enhanced reimbursement for federal health insurance programs such as Medicaid and Medicare and grant support to provide services on a sliding scale for low-income individuals, in exchange for more oversight and a requirement that patients are served, regardless of their ability to pay.

CrescentCare gained the FQHC status sooner than expected and Riener said the organization began looking at its

infrastructure. It built out some small clinics, but faced obstacles—

Image: Courtesy of Gould Evans; CrescentCare, a federally qualified health center in New Orleans, is building a 65,000-square-foot medical campus, with significant funding from new markets tax credit equity.

particularly due to the fact that office buildings require extensive retrofitting to become medical locations and are inefficient for such services.

“Our vision was to provide as full service as possible,” Riener said.

That required a large primary site and trusted developer capable of making CrescentCare’s vision a reality. GCHP was an obvious choice—CrescentCare recently partnered with GCHP to deliver 26 apartments of deeply affordable housing one block from the new site.

“They realized as they continued to grow, their space needs and services changed,” Labadie said.

Riener saw the need. “We don’t want an old office building with long hallways,” Riener said. “We need nutritionists, nurses, behavioral care and everyone else working together. So in 2013, we evaluated our space and realized the buildings we had weren’t suited for what we do.”

Services Needed in Neighborhood

Health care is a desperate need in the neighborhood in which the new facility is being built. “We asked

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people where they got medical care and they said the emergency room,” Riener said. “[Providing care in that setting is] expensive, they’re not getting regular screening and it clogs up the emergency room. You want people to get preventive primary medical care.”

The combination of services was also important. “The unique aspect is [CrescentCare] serves a very high-need patient population, people with HIV/AIDS with comprehensive services and will now be able to bring that complete health home to the broader community,” said Reema Fakhri, NMTC director at Primary Care Development Corp. (PCDC), one of three community development entities (CDEs) that allocated NMTCs in the transaction. “CrescentCare is trying to get services under one facility instead of scattered locations.”

Being an alternative to hospital care resonated with the development partners. “This project is located at the center of CrescentCare’s client population area, in a city-identified target area with no immediate access to affordable primary care services and no comparable FQHCs providing comprehensive health care services,” said En Jung Kim, executive director of equity investor Chase Community Development Banking’s new markets tax credit group. “Being able to address these community needs in an important consideration in our investment strategy.”

Benefits of New, Comprehensive Facility

Finalizing the location wasn’t easy. “One of the big hurdles was that we needed to get the lot rezoned for commercial use,” Labadie said. “Zoning issues always involve uncertainty and risk. So it was pretty encouraging to see the City Council vote unanimously at every step in support of the project.”

Once completed, the new CrescentCare facility will have a pharmacy, conference rooms, a testing center, community conference room, wellness rooms, a

laboratory, a dental lab, counseling facilities, supportive housing workspace and more.

Riener said the combination of four sites is a benefit, since other services will be provided in the same building. “This isn’t just a consolidation, this is an expansion,” Riener said. “We’re building out our dental lab space, we’ll have more examination spaces and we’ll be able to hire more providers.”

In addition, Hope Enterprise Corporation (HOPE), another participating CDE, has a partner credit union, Hope Credit Union, which will operate a branch in the building. Hope Credit Union has 32 branches across Alabama, Arkansas, Louisiana, Mississippi and Tennessee.

“One of the things that struck us was that it’s an amazing location,” said Richard Campbell, CFO of HOPE. “There is a gas station, a CVS pharmacy and more, but there is no financial institution. It is a pairing of our clientele and the demographics. This is an opportunity to serve those most in need.”

The location is prime. “The space is highly visible,” said Kevin Krejci, chief information officer of GCHP. “There are very few people in New Orleans who won’t see it going up.”

“It’s going to be beautiful,” Riener said. “We have been adamant that this isn’t a clinic of last resort. People will choose to come to it. That’s really important. We have a lot of LGBT and transgender services. We want people to feel a high level of dignity and respect.”

Relationships Pay Off

CrescentCare, GCHP, PCDC, HOPE and Chase benefited from the strong partnership. “PCDC has a history with CrescentCare,” said Anne Dyjak, managing director of capital investment of PCDC. “We have worked with

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them since 2013 in order to build health care delivery. We helped them obtain FQHC status.”

Krejci alluded to the partnership and Chase’s Kim agreed. “The project gave us an opportunity to work with a strong health care provider with a critical primary care services to an underserved community in New Orleans,” said Kim. “We also had other strong partners in the project—PCDC and GCHP—and working together to support a high impact project like this one in New Orleans is an important consideration in our investment.”

Hope Enterprise Corporation and GCHP have been partners for more than 10 years and the two enterprises have offices just blocks apart.

“We view this as the beginning of a partnership with lots of opportunity to work together to achieve our collective mission,” said Mary Elizabeth Evans, senior vice president, community and economic development at Hope Enterprise Corporation. “We had an established relationship with [GCHP]. So this project is not only an opportunity to expand our relationship with the developer, but a chance to put together favorable financing with other partners.”

Tax Credits ‘Essential’

Funding included a \$21 million NMTC allocation: \$10 million from PCDC, \$8 million NMTC allocation from Hope Enterprise and \$3 million from Chase Community Development Banking. There was \$10 million in senior debt from PCDC and Chase is the sole equity investor.

“We know [CrescentCare] well as the provider,” Fakh said. “We went through a 1½-year process to work with the management team to see what expansion would look like, as they thoughtfully approached its impact, operationally financially and for better serving CrescentCare’s patients and clients.”

CrescentCare Jobs

Economic impact of CrescentCare development in New Orleans:

- + Retains 195 permanent jobs: 185 full-time and 10 part-time.
- + Creates approximately 18 permanent jobs and 2 part-time jobs.
- + Creates 250 temporary jobs.
- + Approximately 25 percent of jobs created directed toward low-income people or residents.

Source: Primary Care Development Corporation, Novogradac & Company LLP

Tax credits were important. “They were essential,” Labadie said. “We knew the capital stack would start with maximizing permanent debt and CrescentCare had saved for the planned capital contribution, but the [NMTC] allocation was the final piece needed for the project to become a reality.”

Riener agreed. “Our attorney said tax credits make a good deal better and we wouldn’t have been able to do this without the new markets tax credit allocations and the loan from PCDC,” Riener said.

Excitement Building

As construction continues, excitement is ramping up.

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“This project is particularly exciting to us, not only because it’s a federally qualified health center, but we’re also impressed with CrescentCare’s approach to serving communities with comprehensive services,” Dyjak said. “They are committed to serving a depth and breadth of the population. They will continue to serve HIV/AIDS patients, but are also expanding to serve the general population with dental, medical and behavioral services. In addition, they have a food pantry, deliver meals to homes, provide peer services, medication at a lower estimated cost, housing assistance and financial coaching. There’s a broad spectrum of services.”

Campbell put it succinctly. “I could not imagine a more worthy project,” he said. ❖

CrescentCare

FINANCING

- ◆ \$21 million new markets tax credit (NMTC) allocation
 - \$10 million NMTC allocation from Primary Care Development Corp. (PCDC)
 - \$8 million NMTC allocation from Hope Enterprise Corporation
 - \$3 million NMTC allocation from Chase Community Development Banking
- ◆ \$10 million senior loan from PCDC
- ◆ \$7 million NMTC equity from Chase Community Development Banking
- ◆ \$6.5 million capital contribution from CrescentCare

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