

New Information about the Hospital Replacement Project



The Mark Reed Health Care District recently submitted an application to the USDA to request funds of approximately \$19 million to build a replacement facility. The initial application that was submitted proposed a \$17 million loan over 40 years secured with revenue bonds (which means the loan would be paid back through income from hospital operations) and \$2 million borrowed from a local lending institution. Following the financial review process at the USDA, **the hospital was required to restructure the loan proposal to provide additional security to the USDA.**

As a result, the District revised their loan application with assistance from the USDA Olympia officials and the District's bond attorney, Brad Berg from Foster Pepper and Associates. The new application structures the loan for the total amount of \$19,011,000 with \$9.5 million of the bonds in the form of revenue bonds and the remaining funds being guaranteed with **Limited Tax General Obligation (LTGO) bonds**. This allows the USDA some security in the loan.

While the new loan structure does provide some tax security for the loan, **the regular property tax levy for the taxpayers of the District will not increase or change specifically to support this project.** The District's executive team has been working with attorney Brad Berg and Red Capital Group to put forth the best and most competitive application for this project. The application is now competing with other national projects and is in the pooling process for federal USDA dollars. At this point, the entire application and proposal for the project is still under consideration and is in "request" status. No decisions have been made at the federal level and no commitments have been made by the Hospital Board of commissioners.

If the loan is approved, the following changes to the original plan for the application will take place: the only increase in taxes for taxpayers will be the District's normal 1% increase a year, which what is collected now and has occurred every year. **In other words, just because this tax revenue guarantees the loan, no new taxes will be raised to support the project.** If in the unrealistic case that the hospital does close, the District will continue to collect taxes until the remainder of the LTGO bonds are paid off.

The new structure of the loan allows the district to have a **30 year loan instead of the original 40 year loan** as originally presented. Due to the entire \$19 million being borrowed from the USDA, **the interest rate will only be 4.0%** instead of a portion of the loan being borrowed at a higher interest rate. This will allow the district to pay off the loan more quickly and pay less interest.

Information regarding the facility replacement project and the new format for the USDA loan application can be obtained from the District's website at www.markreed.org. Renée Jensen, District CEO stated at the August Board of Commissioners meeting that she **encourages community members to contact her at the hospital if they have any questions.**