

Story from the Field: NMTC Investment Brings World-Class Hospital to Rural Oklahoma

Allocatee:	REI New Markets Investment, LLC
Headquarters:	Durant, OK
Service Area:	Statewide: Oklahoma
Allocation:	\$136 million (Rounds 2003 and 2005)

In 2007, a group of 24 physicians had an idea to open a new, state-of-the-art hospital in Muskogee, Oklahoma where there was a lack of satisfactory healthcare facilities. An older community hospital existed, but due to lack of equipment and limited services it was losing patients to Tulsa, Oklahoma, 50 miles away. Therefore, many of the doctors employed at the old hospital were contemplating relocating their practice. The lack of an adequate medical facility was a deterrent to many businesses and households that might otherwise locate in Muskogee. As a result, the community at-large was suffering from a weak economic base and was starved for capital.

The cost to build a new hospital and hire skilled physicians was substantial; the price tag for land and the building were \$49 million and equipment alone cost \$15 million. The physicians contacted Rural Enterprises of Oklahoma, Inc. (REI) in search of financial



assistance. REI has been working to strengthen the state's economy since 1982 with a mission to create and retain jobs in Oklahoma through effective economic development services.

REI began as a small business lender and has grown to meet various, larger economic development needs of communities through targeted services and flexible

financing for both families and businesses, with a statewide network of partners to help deliver its programs. For example, REI offers an equipment lease and purchase program to assist small rural manufacturing companies, and through NMTC the organization brings new investments to low-income underserved areas in the state. For every \$1 million invested by REI New Markets Investment, LLC \$980,000 in additional economic activity is generated in the local economy, so REI has effectively doubled its impact in Oklahoma's weak markets most in need of additional capital. To date, REI has helped finance more than twenty-five NMTC transactions in fourteen communities which has allowed local businesses to retain or hire hundreds of workers.

REI used \$15 million of its New Markets Tax Credit (NMTC) allocation in conjunction with an Oklahoma state tax credit program to provide debt and equity in order to acquire land, cover construction costs, pay for equipment and then extend short term working capital to the new Muskogee Community Hospital (MCH). This was a significant portion of the overall project cost, and Mark Roberts, MCH President noted that “All of this potential growth has been made possible by the initial tax credit investments. That initial investment was instrumental in creating a planned first year payroll of over \$6 million and during construction provided payroll totaling over \$18 million. The capital investment was over \$50 million at time of official opening in 2009.”

This acute-care hospital is located on 22 acres and features 45 private rooms, geothermal heating & cooling, eco-friendly paint, and furniture & flooring made from recycled materials. The physicians investing in MCH were committed to build an environmentally friendly and healthy building and REI’s assistance with Oklahoma community-based Spirit Bank as the investor provided the capital necessary to build to the more expensive Leadership in Energy and Environmental Design (LEED)



standard. Spirit Bank provided the senior debt of \$38 million, REI provided \$15 million in subordinated debt, interest-only for 7 years, another Oklahoma CDE MetaMarkets OK, and LLC provided another \$5 million in debt on the same terms. MCH is completely digital and is proud to be the first for-profit LEED Gold Certified hospital in the world.

In addition to its environmentally friendly atmosphere, patients now receive services through state-of-the-art technology which also allows nurses and other medical staff to stay in constant touch with the patient. The project created 300 temporary jobs during construction and now the hospital employs 190 skilled physicians and healthcare professionals earning above-average wages for this economically depressed region. The majority of employees live within 10 minutes of MCH, and the positive local community impact has been substantial.

The presence of the hospital has generated \$600,000 for the local school system through property taxes, and MCH is partnering with 5 institutes of higher education in Oklahoma to provide clinical rotations, mentoring and classroom space. MCH has experienced a greater demand for additional space, and has already completed expansion for a radiology center, sleep center, pulmonary rehab, so the hospital is considering expanding its medical facilities and training center. The hospital has served as a catalyst for community development; discussions are underway to build a retirement village with assisted living and nursing homes that will be served by MCH’s physicians. A Women’s Center and Heart Center are also being considered in the expansion plans.