## Story from the Field: Healthy California

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| **Allocatee** | Impact Community Capital CDE, LLC, a subsidiary of Impact Community Capital, LLC |
| **Headquarters:** | San Francisco, CA |
| **Service Area:** | Statewide |
| **Allocation:** | $40 million (Round I) |

The flexibility of the New Markets Tax Credit has enabled Impact Community Capital LLC ("Impact"), a San Francisco-based consortium of major insurance companies, to forge an alliance with organizations having expertise in financing health centers to create Healthy California. This initiative has established a fund dedicated to financing community health centers (CHCs) in low income communities throughout the state. This unique model is providing flexible debt products to a sector that has difficulty accessing conventional financing. Healthy California also is bringing a new class of institutional investors to the community development arena.

Impact Community Capital LLC, Impact's CDE subsidiary, has dedicated $16.3 million of its $40 million Round I allocation to capitalize the Healthy California initiative. The remainder of the allocation is being used to finance a wide range of other community development initiatives, including child care facilities in California.

The Round I Credit award allowed Impact to offer debt products to CHCs under terms and conditions normally reserved for large corporate borrowers. Qualifying CHCs will be able to borrow funds at a 6% fixed interest rate (7% for construction) amortized over twenty-five years. The loans average $1.5 million and vary in size depending on the needs of the project.

Over the next two years, Impact and its partners in the Healthy California initiative plan to finance between ten to twelve CHCs using its Round I allocation. These funds will be used for both building new facilities as well as expanding existing clinics in poor communities. Ultimately, Healthy California is expected to bring health care to 150,000 low income Californians who otherwise lack access to basic care.

Impact's insurance company partners include Allstate, Farmers, Metropolitan Life, Nationwide, Pacific Life, Safeco, State Farm, and 21st Century. The New Markets Tax Credit has brought them in as investors in CHCs throughout California, which are considered a difficult asset class to finance. Unlike banks, insurance companies do not have the added incentive of the Community Reinvestment Act compliance to draw them into "new markets." As institutional investors, these insurance companies are also driven by the economics of the deal, which means Impact must also look to reduce the risk associated with financing CHCs in low income areas.

One of the ways Impact sought to manage the risk to its insurance company investors is to partner with the NCB Development Corporation (NCBDC), which has a track record of financing health care facilities. NCBDC has loaned over $200 million to 200 non-profit health care providers over the past two decades, which has created more than two million square feet of clinic space and has served more than 750,000 low income people a year. In addition to contributing their expertise, it also administers the Healthy California loan portfolio.

Impact's work with NCBDC provides a good illustration of how the New Markets Tax Credit can be a catalyst in building partnerships and leveraging capital. While the largest piece of the initial $20.3 million investment in Healthy California comes from the $16.3 million from Impact, NCBDC has contributed an additional $1.5 million as well. Other funds have come from the California Primary Care Association ($1.5 million), a trade association representing more than 600 community clinics and health centers, and the Community Clinics Initiative ($1 million), a statewide grant program.

To date, Impact has closed two loans to CHCs under Healthy California. The first loan in October 2005 went to the San Ysidro Health Center in San Diego, which received a $4 million loan to finance the purchase of a building it had previously been leasing and allow the flexibility for future expansion at its other five clinics. The planned expansion will create a new maternal and child health center, which will focus on emotional, physical, and behavioral development, and will serve more than 5,000 low income patients annually. The San Ysidro Health Center currently experiences over 200,000 visits each year, and provides a full range of medical services to its mostly Latino clients.

The second loan through the Healthy California program was $2 million to LifeLong Medical Care in Berkeley. These funds will support the purchase and rehabilitation of a new facility that will enable it to consolidate its member services, administrative and special community project staff into one building. LifeLong is the primary "safety net" provider of medical services to the uninsured and those with complex health needs in the Bay Area communities of Berkeley, North Oakland, Albany and Emeryville. It currently has five medical clinics, a dental clinic, an adult day health center for the elderly with complex care needs, and a supportive housing program for formerly homeless adults. LifeLong provides approximately 93,000 primary care visits each year, nearly half of which are from uninsured patients, 72% are minorities, and 35% non-English speakers. The new building frees cramped quarters in two of LifeLong's primary care sites, allowing the health center to enhance its counseling services and add more examination rooms to shorten patient wait times.

Dan Sheehy, President and CEO of Impact Community Capital, said Healthy California is "further evidence that insurers who invest in communities through Impact are committed to developing new and innovative ways to put their dollars to work benefiting communities." Sheehy noted the program is "structured to meet insurer investor financial obligations by making use of tax credit initiatives, including the New Markets Tax Credit program." Healthy California therefore demonstrates the exciting ways in which the Credit is being utilized to transform the lives of low income individuals, especially the uninsured.