

**ASSESSMENT OF READINESS FOR A CAPITAL PROJECT**  
Created by Capital Incubator for the Community Clinics Initiative

**Elements of a Strong Capital Project**

The following elements are indicators of a community health center’s readiness to embark on, and successfully complete, a facilities development project. They are derived from the *Building Capacities Self-Assessment Tool* completed by all clinics for the Community Clinics Initiative. Some of the categories have been expanded, some have been cut back, and a few categories have been added in order to be specifically applicable to real estate development.

The questionnaire is designed to help you and the Community Clinics Initiative assess your readiness to successfully complete your facilities development project. An assessment interview with Capital Incubator will further help to determine what technical support you may need to complete the predevelopment phase of your project and to strengthen your proposal for a Major Capital Campaign Gift from Tides.

(Key documents required for successful grant applications are indicated in italics within the appropriate elements.)

## **PROJECT OVERVIEW**

1. Briefly define your project by answering the following questions:
  - a. Is your capital project for a new or a replacement facility?
  - b. Is it a renovation or new construction project?
  - c. Does your organization own or control the project site?
  - d. When is construction slated to begin? To end?
  - e. What is the estimated cost for the design and construction of the project?
  - f. What is the estimated total project cost including contingencies, legal, consultants, capital campaign and financing costs?
  - g. What sources of funding will be used to pay for the project?
  - h. Have you started a capital campaign? How much have you raised?
  - i. Do you plan to secure debt financing for the project?

## **MISSION, VISION AND PLANNING**

*(Key Document: Strategic Plan)*

1. Strategic Plan
  - a. Do you have a strategic plan that states your mission and long-term goals
  - b. Does the strategic plan include the decision to pursue a capital project?
  - c. How did the strategic planning process, and specifically the decision to do a capital project, involve a cross section of staff, management and Board?
  - d. During the planning process, what data-gathering and analysis took place to inform the decision to do a capital project?
    - i. What data sources were used?
    - ii. How is ongoing data collection for government reporting (i.e. OSHPD) accomplished, and does it coincide with data gathering and information disseminated for the capital project?
    - iii. If the idea for capital expansion existed before the planning process, were any changes made in the project based on data gathering and analysis?
2. Internal Education and Participation
  - a. How were staff and Board members educated about the overall decisions made during the planning process, and about the capital project in particular?
  - b. What kind of ongoing education about the project is planned?
  - c. How will Board and staff members participate in the ongoing development of the capital project?

## **COMMUNITY ENGAGEMENT AND COLLABORATION**

1. Local Community Presence and Involvement
  - a. How have the immediate neighbors and the local community participated in your strategic planning process? In your decision to develop a new facility?
  - b. How will the neighbors and the community be educated about the project on an ongoing basis? How will they participate ongoing?
2. External Relationship Building
  - a. What relationships does your organization have with the business community (large corporations, vendors and small businesses)?

- b. Which regional clinic associations does your organization belong to? Are there other collaborations in which the clinic actively participates?
- c. What relationships does the organization have with other health care and human services providers in the area?
- d. Is there any relationship with local hospital(s) and how are they participating in the planning and financing of the project?

## **ORGANIZATIONAL LEADERSHIP**

### **1. Management Team**

- a. Who are the key management staff; do they function as an interdisciplinary team?
  - i. Who are the team members? Which management staff members are not included on team?
  - ii. How often do they meet and what are the usual agendas?
  - iii. Are meetings primarily for reporting or are they decision making?
  - iv. How did they participate in decision to do capital project, and how do they participate ongoing?
- b. What is the stability and longevity of key management?

### **2. Board of Directors**

- a. Who are your Board members and how are they connected to the community at large?
- b. What Board committees do you have?
  - i. Finance? Development? Building? Planning? Personnel? Other?
  - ii. Are all committee members board members, or do any committees have members from the community?
- c. What is the Board's attitude toward fundraising? Toward giving? Toward asking?
- d. How are the Board of Directors and/or individual Board member involved in the facilities development project?
  - i. Are Board committees involved with project planning
  - ii. Are they involved with ongoing oversight?
- e. Does anyone on the Board have direct experience in facilities development?
- f. How will the Board be trained in the skills required for their successful participation in all aspects of the project?

### **3. Planning and Fund Development Staff**

- a. Is there a Development and/or Planning Department or staff position that is responsible for fundraising? (Also see Capital Campaign Plan, below.)
- b. Who writes your government grant and/or contract applications? Who writes the ongoing reports?
- c. Who writes your foundation proposals? Who writes the reports?
- d. Do you do direct mail or appeal letters or fundraising from individuals?
- e. Do you have special events? Who coordinates them?

## **FINANCIAL SYSTEMS AND POSITION**

### **1. Financial Indicators**

- a. (Note: The Capital Link Preliminary Feasibility Analysis (PFA) should be used to assess financial indicators, and clinics are strongly encouraged to utilize Capital Link's free

PFA services. Ratio analysis of audits will be made available to Capital Incubator by Capital Link for assessment purposes.

- b. Are there audited financial statements for the past 3-5 years, and have there been any adverse findings?

## 2. Financial Systems

- a. Who are the fiscal staff, and do any have experience with a capital project?
- b. What kind of financial reporting is regularly produced for operations?
- c. Who has ongoing budget oversight for the project?
- d. How will fiscal staff manage revenues and expenses for the capital project, and what kind of internal reporting is required?
  - i. Are there separate accounts for the capital project?
  - ii. How are pledges and donations for the capital project managed?
    1. If there are gifts of stock, how are they handled?
    2. Are capital donations segregated or invested until they are needed for capital expenditures?
  - iii. How is accounting for the project coordinated between fiscal and development staff?

## **BUSINESS PLAN**

*(Key Document: Business Plan)*

### 1. Market Study and Data Gathering

- a. What is the market demand for your project?
  - i. What populations does your project target? (i.e. children, elderly, prenatal etc.)
  - ii. What payor sources are you targeting (i.e. MediCal, Medicare, third party, managed care etc.)
  - iii. What data sources have you used to define your target population?
- b. How have you addressed the issue of service area competition?
  - i. Geographical proximity? Services?
  - ii. Who are the other free-standing clinics in your area?
    - a. How do you work together?
- c. How many patients will you see at the new project site, and how many visits per year will they generate? Are your projected visits derived from your own service trends or from some other source?
- d. How many providers will you need to cover your projected visits? Have you based this estimate on your own historical trends or on another standard? If the estimate differs from your history, why do you think you can accomplish higher productivity levels?
- e. How many exam rooms will you need at the new project site? What is the ratio of exam rooms to providers?
- f. Given the above data analysis, and including additional support and administrative space, how large a facility (in square feet) do you need?

### 2. Facilities Project Definition

- a. Is there a concise written description of the facilities project?
  - i. i.e. new or replacement facility; medical, dental or other services; square footage; long term lease, purchase, renovation or new construction; strategic partnerships; design and construction timeline; plan of finance; key players

- ii. Does the square footage in the new site accurately reflect the number of exam rooms, or service delivery rooms, identified in your market analysis? How much supporting space has been added and for what purposes?
      - iii. Has a space planning process taken place? Who facilitated? Who participated?
    - b. Strategic Partnership or Collaboration
      - i. Have you considered a collaborative facilities project with another organization?
        - a. To enhance the vision (i.e. add housing or social services); and/or
        - b. To share expenses and risk
      - ii. If a collaborative partnership exists, is there a written understanding (MOU) between the partners that outlines expectations and responsibilities during predevelopment, during construction and ongoing following occupancy?
      - iii. Who is the primary owner, or how is ownership shared?
      - iv. Who is the primary developer for the project?
3. Five Year Pro Forma Projections
- a. Do your projections reflect the patient demand, target populations, and productivity assumptions that were identified in your market analysis?
  - b. Have you taken the increased costs of running the new building into account in your projections? I.e. utilities, maintenance etc.
  - c. What consideration have you given to possible cuts or changes in Medi-Cal or other government grants?
  - d. Does the clinic have budgeted capital replacement reserves contributions, both upon initial funding of the project and in on-going contributions

**REAL ESTATE DEVELOPMENT ACTIVITIES**

- 1. Site Control and Land Use
  - a. Does the organization own and/or control the site?
  - b. Purchase or long term lease?
  - c. Shared control with another organization?
  - d. What are the political and local community issues regarding the project and how have they been addressed?
  - e. Are there zoning or other unusual permitting issues? Will they delay the timetable or be a factor in either time or cost?
  - f. Has a use permit been obtained?
  - g. Have fee waivers and subsidies been obtained from the local municipality?
- 2. Timeline
  - a. Is there a timeline that includes all aspects of the development:
    - i. project management
    - ii. fundraising
    - iii. financing, if applicable
- 3. Sources and Uses of Funds
  - a. Is there a detailed sources and uses of funds?
  - b. Are the sources and uses tied to the timeline and cash flow expectations?
  - c. From where/who were numbers derived?
  - d. Were predevelopment and construction costs obtained from experienced developers and/or contractors?

- e. Do sources include: Organization's commitment; government sources, financing; capital campaign?
  - f. Do uses include costs for: Acquisition, predevelopment, construction and all related expenses, furnishings and equipment, contingencies, financing costs, cost of capital campaign, replacement reserve funds?
4. Real Estate Team and Project Management
- a. Who are the members of the real estate development team, internal and external? Key staff person, financial advisor (if needed), project manager, broker (if needed), attorney(s), other developers?
  - b. Who will manage the design and construction phases of the project?
  - c. How have the architect and contractor been chosen and who reviewed contracts?
  - d. Will you have a guaranteed maximum price (GMP) construction contract?
  - e. Do architectural and construction agreements meet all donor and lender requirements?
  - f. What stages of architectural drawings have been completed?
  - g. What are hard cost estimates based on?
  - h. Will you have a separate construction manager, or will donors or lenders require a construction monitor?
5. Staff Coordination of Project
- a. What staff person or consultant is designated to coordinate the capital project on a day-to-day basis?
  - b. What is their experience? Flexibility? Strength and enthusiasm?
  - c. How do they interact with the Executive Director and other management?
  - d. How much responsibility do they carry to make decisions, and is there a policy for project-related decision-making?
  - e. How much of their time is allocated to the project?
  - f. What degree of priority does the capital project have of the Executive Director's time and attention? Perceived and stated?

## **CAPITAL CAMPAIGN PLAN**

*(Key Document: Capital Campaign Plan)*

1. Past Development Activities and Campaign Strategy
- a. What is the history of the organization in raising money from private (i.e. non-government) sources?
    - i. How much has been raised and from which sources?
    - ii. Is there an annual giving campaign?
  - b. Will the capital campaign build the capacity of the organization to fundraise in the future? How?
  - c. What is the goal of the campaign (Both monetary and organizational)
  - d. Was there a fundraising feasibility study done? If not, why not?
  - e. What is the calendar for the campaign?
    - i. Does it inter-relate with the project timeline?
    - ii. If applicable, does it inter-relate with the financing timeline?
    - iii. Does the campaign have a quiet leadership phase and a public phase?
2. Campaign Budget, Staff, Volunteers and Skills
- a. What is the cost to run the capital campaign; is there a capital campaign budget? (Rule of thumb is 9%-15% of the total goal, although lower is acceptable if there already exists a

fund development department and/or 10% of operating revenues are dedicated to fund development.)

- i. Does it include staff time, consultants, events, collaterals, meetings, fundraising database, donor recognition and hospitality?
- ii. Does it reflect all the years of the campaign, from quiet phase through receipt of the last pledge?
- iii. What percentage of the campaign goal is it? Of the total project cost?
- b. What is the staffing plan for the capital campaign?
- c. What is the staffing plan for fundraising after the campaign?
- d. Is there a capital campaign committee, and who is on it? Who is the leadership?
  - i. How does the Board development committee relate to the campaign committee?
  - ii. Are there training opportunities for the campaign committee?
    - a) Can the full Board participate in fundraising training?
- e. What are the respective roles and responsibilities of staff and volunteers in the campaign?
- f. Is there a fundraising consultant? Are expectations with consultant clearly defined?

### 3. Campaign Structure and Private Revenue Sources

- a. Is there a donor pyramid or a scale of gifts chart?
- b. What is the percentage and dollar breakdown of funds expected to be raised from each donor constituency:
  - i. Board of Directors
  - ii. Staff
  - iii. Corporations and small businesses
  - iv. Individuals
  - v. Foundations
  - vi. Other?
- c. Are there additional funds from government sources?
- d. Is there a clear rationale and plan for raising funds from each constituency?
- e. Assuming there is no history of individual major giving, how will you address fundraising from individual donors?
- f. Do your prospects seem likely? Do you have existing relationships with the prospects? Can you rank or prioritize warmer prospects?
- g. Is there a fundraising database that tracks donations from private sources?
  - i. If there isn't a database, what database will be used for the capital campaign?
  - ii. Is there an ongoing campaign status report that can show amounts raised, pending and targeted from each donor constituency?
- h. Do you plan to apply to the Kresge Foundation, and is the timeline and expected grant amount reasonable within their guidelines?
- i. Is there a donor recognition plan?
- j. What events are being planned for the campaign?
  - i. What are the fundraising expectations for events?
- k. Are there media or public relations activities planned for the campaign?
- l. Are there collateral materials for the campaign, including a case statement?
  - i. Letterhead, pledge form, donor lists, newsletter, one-pager, program information, naming opportunities, floor plans and drawings

## DEBT FINANCING

### 1. Planning, Education and Decision Making for Long-Term Financing

- a. Has the option of debt financing been explored and has there been a comparison of terms and costs for multiple sources of financing?
    - i. Bank loans
    - ii. Government loans or mortgage programs
    - iii. Tax-exempt bonds
    - iv. Program related investments
    - v. Alternative loan sources including Community Development Financing Institutions (CDFI)
    - vi. Tax Credit programs
  - b. Has an assessment of the organization's creditworthiness and ability to carry debt been obtained? From whom?
    - i. Preliminary Capital Link analysis?
    - ii. Business Plan?
    - iii. Market and Financial Feasibility Study?
  - c. If debt financing will be obtained, how did Board and management participate in the decision-making process?
    - i. Does the organization's management and leadership understand:
      - a) The elements that determine creditworthiness?
      - b) The risk involved in taking on debt?
      - c) The benefits involved in taking on debt?
  - d. If financing will be obtained, is there a financing team and calendar?
    - i. Who are the members of the financing team, both internal and external?
      - a) Board, staff, consultants, legal, lenders?
    - ii. Does the financing calendar inter-relate with the project calendar and with the capital campaign?
    - iii. Does the financing require that all capital campaign funds be committed at the time the financing closes? If so, how will you address this issue?
    - iv. What financing approval stage has the project reached?
      - a) Final term sheet approved?
      - b) Credit committee approval?
  - e. CCI clarifications regarding financing:
    - i. Do you understand that CCI will not fund a project whose sources of funds come only from debt financing and organizational funds?
    - ii. Do you understand that CCI funds usually cannot be used for long term debt reduction?
2. Short-term, interim financing
- a. Will the project require a predevelopment loan?
  - b. Will you require a bridge loan against future capital campaign donations? Against pledges only? Against pledges AND future projected capital campaign donations?
  - c. What sources have been identified?
  - d. Do you understand what security or collateral will be required for bridge funding, and how will this impact security required for long term funding?
  - e. How will interim loan(s) be repaid? From permanent financing? From capital campaign? From organization's funds?