

From: NACHC's Regulatory Affairs Team
To: PCAs & HCCNs
Date: May 27, 2021
Re: HRSA Capital Funding Opportunity Summary Fact Sheet

Background

On April 27, 2021, the Health Resources and Services Administration (HRSA) issued a Notice of Funding Opportunity is accepting applications for the fiscal year [\(FY\) 2021 American Rescue Plan – Health Center Construction and Capital Improvements \(ARP-Capital\) funding opportunity](#). The purpose of this one-time, non-competitive funding opportunity is to support construction, expansion, alteration, renovation, and other capital improvements to modify, enhance, and expand health care infrastructure. Many health centers have been adversely effected by the COVID-19 pandemic and the ARP-Capital opportunity presents a chance for health centers to strengthen the foundations of their program and ultimately the foundations of their respective program missions. This funding opportunity is important because HRSA does not frequently provide funding for capital resources – this is a rare opportunity! Health centers should actively pursue applying for and using this funding because it can allow health centers to complete projects that may have been planned, but not executed yet by the health center. Think creatively about the ARP-Capital opportunity and how it can best enhance and expand your health center's infrastructure.

Funding Amounts

The ARP-Capital funding opportunity is set to provide approximately \$1 Billion through an estimated 1,376 new awards.

How are these funds determined?

The ARP-Capital funding opportunity will award funds to health centers based on the following formula:

\$500,000 base plus \$11 per patient reported in the health center's 2019 UDS Report.

Uses of Funds

Health centers will be able to utilize ARP-Capital funding awards for the purposes described below:

- To plan, prepare for, promote, distribute, administer, and track COVID–19 vaccines, and carry out other vaccine-related activities.
- To detect, diagnose, trace, and monitor COVID–19 infections and related activities necessary to mitigate the spread of COVID–19, including activities related to, and equipment or supplies purchased for, testing, contact tracing, surveillance, mitigation, and treatment of COVID-19.

- To purchase equipment and supplies to conduct mobile testing or vaccinations for COVID-19, purchase and maintain mobile vehicles and equipment to conduct such testing or vaccinations and hire and train laboratory personnel and other staff to conduct such mobile testing or vaccinations, particularly in medically underserved areas.
- To establish, expand, and sustain the health care workforce to prevent, prepare for, and respond to COVID–19, and to carry out other health work force-related activities.
- To modify, enhance, and expand health care services and infrastructure.
- To conduct community outreach and education activities related to COVID–19.

Application Details

You may submit **ONE** application to request funding to support one or more of the following project types, **for up to five (5) total projects**:

1. Construction of a New Facility

- a. This project creates a new building structure.
 - An example would be construction of a new stand-alone structure.
- b. This project is site-specific and can only include the one physical site address where the construction activities are to occur.

2. Construction/Expansion of an Existing Facility

- a. This project adds square footage to an existing facility and/or includes significant site work.
 - An example would be adding a new pharmacy wing or installing a permanently affixed prefabricated building.
- b. This project is also site-specific and can only include one physical site address where construction activities are to occur.

3. Alteration or Renovation of an Existing Facility

- a. This project involves renovations to existing facilities that do not increase square footage of the facility.
 - An example would be modernizing or reconfiguring interior arrangements at an existing physical facility.
- b. This project is also site-specific and can only include one physical site address where the renovation activities are to occur.

4. Equipment Only

- a. This project involves the acquisition of loose, moveable equipment not affixed to the physical building structure.

- Moveable equipment are non-expendable equipment items, with a useful life of more than one year, that can readily be shifted from place to place without requiring a change in the utilities or structural characteristics of the facility. (Please refer to Appendix A of the Notice of Funding Opportunity for a complete list of allowable activity costs)
- b. This project cannot include alteration, renovation, construction, or expansion activities.
- c. This project may include one or more physical site addresses receiving only equipment items.

Ineligible Uses

Health centers will not be able to use ARP-Capital Funding for any of the following purposes stated below:

- EHR initiation/operations/maintenance.
- Health center operating costs, rent, mortgage, refinanced credit facilities.
- Construction-related activities associated with projects that start *before* the award date.
- Creation of shell space for future use.
- Facility, land, or passenger vehicle purchases other than mobile medical vans.
- Costs for staff not directly related to implementation of the proposed project(s).
- Creating or improving space for uses that are inconsistent with the Health Center Program.

How does the ARP-Capital Opportunity Differ From the ARP H8F Funding Opportunity?

Health centers may notice that the ARP-Capital (C8E) funding opportunity and the ARP H8F funding opportunity both allow health centers to make minor alterations or renovations to health centers. The H8F funding, which was announced on April 1, 2021 and must be applied for no later than May 31, 2021, can be used for a variety of health center needs, including but not limited to the following: a) COVID-19 vaccinations and related activities; b) testing, treatment, and related activities to mitigate COVID-19; c) equipment, supplies, and staffing for mobile COVID-19 testing and vaccinations; d) building and sustaining the health care work force; e) enhancing health care services and infrastructure; and f) outreach and education related to COVID-19. H8F funding can also be used for COVID-19 contact tracing and antibody testing activities, renting space at an approved site for conducting in-scope activities, or purchasing supplies for staff to perform in-scope telehealth services. **However, it is critical for health centers to understand the differences between these two sources of funding with respect to alterations and renovations of health centers.** These differences are detailed below:

- **ARP-Capital (C8E) Funding**
 - There are no limits to project costs under this source.
 - Exterior expansion work is permitted under this source.

- Health centers can use the formula described above for minor alterations/renovations activities under C8E.
- The performance period for C8E funding alterations and renovations projection is 3 years.
- Health centers cannot use H8F funding for C8E projects.
- **ARP H8F Funding**
 - There is a limit – cost cannot be \$500,000 or greater per project per site.
 - New construction activities, additions, and expansions are not permitted under this source.
 - The performance period for H8F funding alterations and renovations projects is 2 years. Health centers should note that if they choose to use H8F funding for their alteration, they will be faced with a tighter time limitation on completion of the project than if they utilize C8E funding for alterations and renovations.
 - Health centers cannot use C8E funding for H8F projects. This means that the funding sources cannot be combined.

Timeline and Strategy

The three-year funding project period is September 1, 2021 through August 31, 2024, and construction projects cannot begin prior to the start date of September 1, 2021 and the satisfaction of any award conditions.

The application portal opened on May 7, 2021, and all eligible health centers must submit an application through HRSA’s Electronic Handbook (EHB) by 5pm on June 24, 2021. To be eligible to apply, your organization must be an existing health center receiving Health Center Program operational support (under Sections 330(e), (g), (h), and/or (i) at the time of your application *and* your time of award.

Given that many health centers have extensive lists of projects to complete, **health centers should consider prioritizing projects that can realistically be completed within the three-year project period.** Health centers also need to remember to be mindful to maintain [compliance with environmental and historical preservation requirements](#) prior to beginning capital improvement work.

What are your eligible service needs? Thinking of capital projects that can support your health center’s various service needs (mental health, telehealth, or dental, for example) can help assist in determining the type of project(s) to prioritize and apply for.

Health centers should also take time to consider the HRSA timeline, strategic importance, planning milestones, financial feasibility, and minimization of hurdles.

- **HRSA Timeline:** The three-year funding project period begins September 1, 2021 and ends on August 31, 2024. Additionally, construction projects cannot begin prior to the September 1 start date, and the satisfaction of any award conditions. This means that health centers need to consider whether or not a proposed project can finish within the HRSA-provided period of activity.

- **Strategic Importance:** How will the proposed project serve to enhance your health center and its capabilities? Ideally, health centers may want to consider projects that help integrate new program and collaborations, accommodate patients, or recruit/retain staff.
- **Planning Milestones:** Health centers should consider proposing projects that are farthest along, from a planning perspective. Factors to consider are: a) whether the health center has secured site control (having it will make it easier to provide other information); b) whether a plan has been created and initially approved within the health center; c) whether schematics exist; d) budget estimates for construction and equipment; and e) EID checklist.
- **Financial Feasibility:** Does your health center have the balance of funds needed for the project available currently? Do you have other grant opportunities or the ability to take on debt? What about financing alternatives that augment the potential C8E funding, such as Community Development Financial Institutions (CDFIs), or banks? And how can the HRSA funding be leveraged to secure additional outside funding? Health centers are encouraged to consider projects that will cost more than the award amount – the key is to contemplate a plan about how to find the remainder of necessary funds.
- **Fewest Hurdles:** Health centers should consider projects that are likely to present the fewest barriers to completion. Think about whether or not certain hurdles, such as grant conditions or special requirements for leased facilities (*see* Additional Important Strategic Considerations, below), can be overcome, when considering the feasibility of the project.

Keep in mind that even if each of these points are not fully answered, HRSA is encouraging health centers to still submit applications. **Carefully weigh the pros and cons of proposed projects and their timelines, seeking to identify projects that can be completed within the timeline that HRSA is giving.** Work to submit as much detail as possible to allow the best chances of receiving an award.

Additional Important Strategic Considerations

Additionally, health centers are strongly encouraged to consider the following strategic points:

- Any scope of project changes to your health center must be made in a separate change in scope request.
- Construction-related activities which are related to your project are not permitted prior to your health center's award date.
- However, pre-construction costs (such as architect's fees, consultant fees, and planning or design fees) will be allowed, dating as far back as January 31, 2020.
- Make your applications as detailed as possible. The more information that your health center can provide to HRSA, the lower likelihood of having conditions attached to your funding award.
- **Leased Facilities:** You may use ARP-Capital funding at a leased site. However, you may not use ARP-Capital funds to address facility needs that are part of the terms of the lease (i.e., the obligation of the lessor). If you propose a project for a leased facility, you must attach a signed Landlord Letter of Consent (LLOC) from the facility owner in the Other Requirements for Sites form. Health centers should also recognize that it

may be prohibitively difficult to obtain the cooperation of their respective landlords with capital improvement projects. If your organization leases a facility where a proposed project is being contemplated, please make sure to consider this challenge in assessing your overall project plan.

- **Notice of Federal Interest:** Depending on the scope of work, **the owner of the property may be required to consent and file an NFI.** Your Notice of Award will indicate if an NFI is applicable. The NFI issue may be related to leased facilities and will also present an additional challenge to proposed projects. Health centers that may face this issue need to carefully account for any anticipated consent or time challenges to their overall proposed project plan.
 - Note: If an NFI is required, the award recipient must submit the NFI *after* the award of the grant, but *prior* to initiating physical work on the project.
- **Be sure to completely review and understand your health center's Notice of Award** so that decisionmakers understand what is required and whether or not conditions are attached to the award.

Links and Resources

The following links and resources will serve to help health centers navigating the planning and application processes for ARP-Capital funding:

[HRSA C8E Funding Opportunity Main Page](#) – this resource provides access to the original Notice of Funding Opportunity document. Additionally, the resource provides links to HRSA's recorded training and assistance webinars, FAQs, and more.

[PCDC.org Resources on ARP-Capital Funding](#) – Free webinar hosted by Primary Care Development Corporation and Advocates for Human Potential, Inc.

Capital Link Webinar Resources

Capital Link Webinar Recordings

- Includes C8E Grant Overview and Picking Your Priority Projects – May 14, 2021

[Working with Your Architect \(in a hurry\): Site Design, Schematics, EID](#) – Released May 21, 2021

[Capital Link Upcoming Webinars \(Registration links on website\)](#)

[Project Budget, Timeline, NOFI, Oh My!](#) - May 27, 2021 3:30-4:30pm ET

[Where Will the Balance of Your Project Funding Come From? Developing Your Sources and Uses of Funds](#) - June 3, 2021 3:30-4:30pm ET

[Capital Project Financing Sources for Rural Health Centers](#) – June 24, 2021 2pm ET

NACHC Webinar Resources

[NACHC Financial Operations Management Webpage](#)

- Note: NACHC will hold its next Financial Management Office Hour on June 11, 2021 3:00-4:00pm ET

Feldsman Tucker Leifer Fidell Resources

[Before You Dig: What Health Centers Need to Know About C8E Construction and Capital Improvement Grants](#) – Released May 25, 2021