

2015 - 2016 Seattle City Council Green Sheet

Ready for Notebook

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57	1	A	1

Budget Action Title: Add \$250,000 GSF to Finance General, Reserves, for Neighborcare's Meridian Health Center being built in north Seattle.

Has CIP Amendment: No Has Budget Proviso: No

Councilmembers: Bagshaw; Burgess; Godden; Rasmussen

Staff Analyst: Patricia Lee; Alex Pedersen

Council Bill or Resolution:

Date		Total	SB	BH	SC	TR	NL	TB	JG	MO	KS
	Yes										
	No										
	Abstain										
	Absent										

Summary of Dollar Effect

See the following pages for detailed technical information

	2015 Increase (Decrease)	2016 Increase (Decrease)
General Subfund		
General Subfund Revenues	\$0	\$0
General Subfund Expenditures	\$250,000	\$0
Net Balance Effect	(\$250,000)	\$0
Total Budget Balance Effect	(\$250,000)	\$0

Budget Action description:

This Green Sheet would add \$250,000 GSF to Finance General, Reserves BCL, for Neighborcare’s Meridian Health Center to be constructed in north Seattle (“Meridian”). Before spending any funds, the Budget Director shall ensure that the City’s contract with Neighborcare Health for Meridian has sufficient public benefit to cover the City’s entire cumulative investment, which would be \$1,000,000 if this Green Sheet is

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approved. (As part of the budget for 2014, the Council provided \$250,000 and the Mayor is proposing another \$500,000 for 2015.)

Background:

To address growing needs throughout the City and to fill gaps in services originally provided through Seattle-King County Public Health, the local 501(c)(3) nonprofit Neighborcare will construct and operate a medical and dental clinic in north Seattle.

[Note: The proviso imposed for the original \$250,000 from Council in 2014 for Meridian is still in effect (2014 Green Sheet 78-1-A-1) Neighborcare has already met the first requirement of that proviso (by providing its construction and operating financials). The final requirement is for Neighborcare to execute a public benefits contract with the City’s Human Services Department, which is in progress. The 2014 proviso would either be lifted via an ordinance by the end of 2014 or the Executive would propose re-appropriating the original \$250,000 from 2014 as part of the “carry forward” budget process in 2015 in conjunction with the Budget Director ensuring that the City’s contract with Neighborcare for Meridian has sufficient public benefit. Neighborcare intends to spend the entire \$1,000,000 on Meridian in 2015.]

This increase in the one-time investment from Council for Meridian, as proposed by this Green Sheet, is needed in light of Seattle-King County Public Health’s recent announcement that, due to budget constraints, it needs to transfer much of its primary care services to Neighborcare.

Meridian will provide integrated medical, dental, behavioral, and other services to approximately 14,000 people annually, with most being low-income residents of north Seattle and the surrounding area. The site, located on NE 105th Street and Meridian Avenue North, is owned by King County and Neighborcare Health has recently executed a 50-year lease with King County with no rental payments. The Meridian facility would be 44,600 square feet (an increase from previous estimate of 41,500 square feet). Neighborcare estimates Meridian will be constructed and occupied by the end of December 2015). (Neighborcare had originally estimated occupancy by mid-2015, but needed additional time to finalize their financing and ground lease.)

Review of the financial, construction, and related documents demonstrates that Neighborcare needs the funding, the Meridian project is feasible and, subject to the contract with the City, the project will be providing sufficient public benefits to warrant the City’s investment.

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Meridian Project Sources and Uses (estimated):

Sources:	In Millions	
New Markets Tax Credits (net)	\$	2.5
Federal HRSA grant	\$	5.0
City of Seattle total contribution	\$	1.0
State of WA contribution	\$	2.0
Private grants/foundations	\$	1.5
Neighborcare reserves	\$	3.0
Long-term debt (Wells Fargo)	\$	7.5
Total	\$	22.5

4% of total costs

Uses:	In Millions	
Land (free, 50-year ground lease with County)	\$	-
Construction	\$	15.9
Furnishings/fixtures	\$	2.7
Capitalized interest	\$	0.8
All soft costs	\$	3.1
Total	\$	22.5

The total investment of \$1,000,000 from the City would represent approximately 4% of the total project costs for the Meridian project.

The City of Seattle previously provided \$1,000,000 to Neighborcare Health’s Medical and Dental Clinic in *Rainier Beach*. The City’s investment in the Rainier Beach facility was approximately 6% of total project costs.

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Budget Action Transactions

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#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BCL or Revenue Source	Summit Code	Fund	Year	Revenue Amount	Expenditure Amount
1	Increase Reserves in Finance General for Neighborcare's Meridian Health project in north Seattle.				FG	Reserves	2QD00	00100	2015		\$250,000