

# One heck of a capital return

Local investment specialist helps nonprofit stretch its fundraising dollars.

**David Czurak**  
 Grand Rapids Business Journal

George Larimore has put together a lot of successful financing deals tied to the capital campaigns of nonprofit organizations for construction projects. But he said none of those efforts compares to the one he is working on now.

As a CPA and brokerage investment specialist at commercial real estate firm Colliers International — formerly Grubb & Ellis/Paramount Commerce — Larimore has assisted Dwelling Place of Grand Rapids, Grand Rapids Community Foundation and others for many years with finding the funds to help complete a construction budget.

He has accomplished that by enhancing fundraising efforts through his deep-rooted knowledge of the federal and state tax systems and the credits made available for developments that qualify.

Often his expertise has resulted in a capital campaign earning \$1.40 for every \$1 that has been raised.

“But I’ve never been able



**AN ARCHITECTURAL rendering of the Heart of the City Health Center. Courtesy Design Plus**

to structure a deal the way the leverage is working in this thing,” he said.

That deal is for the Heart of the City Health Center project that Cherry Street Health Services, Touchstone innovare and the Proaction Behavioral Health Alliance are building on Cherry Street between Sheldon and LaGrave avenues on the city’s near southeast side. The center will be a multi-story, 82,000-square-foot, LEED-certified, medical office building with a 400-space underground parking structure. When it’s completed, the nonprofit center will assist low-income residents with their physical and mental health needs.

The cost of the project is about \$20 million. The partners have secured a loan from Chase Bank for a portion of their financing and have started a \$4.1 million capital campaign that Larimore is helping manage. He usually does that by capturing tax credits for a project. But this endeavor has an-

other funding source, one that is a first for him.

“Typically what I do with a tax-credit deal is I use part of the capital campaign as part of the financing for the project and am able to take tax credits on that financing,” said Larimore. “In this particular case, we have this

out of the \$3.70 and send it through the federal New Markets program,” he added.

That means that every dollar donated to the project’s capital campaign and run through those three sources is turned into \$5.25.

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Medicaid match program where, basically, for every local dollar raised, we get \$2.70 in federal dollars. So now I’m up to \$3.70.

“I can take that \$3.70 and run it through the Brownfield (Redevelopment Authorities) program. Then I can take the \$3.70 plus the brownfield credits that I get

works alongside Larimore at Colliers International, broke down the matches.

The example he offered showed that a qualified \$1,500 donation will get \$590 in state brownfield tax credits, \$1,726 in federal New Markets tax credits and \$4,056 in Medicaid matching funds. The tax credits

and match money add up to \$6,372. That amount pumps up a \$1,500 contribution into \$7,872 for the project's construction budget.

"I'm normally able to add, maybe, somewhere between 20 and 40 percent to the value of a charitable contribution. I can take a dollar and turn it into \$1.40. But I have never seen a place where I can take a dollar and turn it into that much, and at no more local cost than what it is," said Larimore.

Larimore said the Heart of the City capital campaign is going pretty well. It got rolling about 6 months ago and was at \$2 million.

Donations to the project can be made to the Grand Rapids Community Foundation, with "Cherry Street Matching Fund" noted in the memo space on the check.

Not all the contributions will qualify for the Medicaid match. "Cherry Street Health Services has always been supported by Spectrum Foundation and Saint Mary's in grant funding and things like that. They both have given to the campaign, but their gifts aren't matchable because they're a potential Medicaid source. Both those hospitals get Medicaid funding and they could turn

around and give the Medicaid funding to Cherry Street. Then they could use it to leverage more Medicaid funding, which would kind of be like a triple, quadruple dip here, I guess," he said.

"Those grants have to go in a separate drawer. They're part of the capital campaign. The overall capital campaign on this project is \$4.1 million, and \$3 million of it is Medicaid-matchable."

The financing deal comes at an opportune time for the new clinic as the standard method of lending for new building projects has pretty much dried up for the time

being, a situation that has generally changed how developers look for financing.

For instance, Larimore said the federal New Markets tax credit program wasn't used all that much here through 2006 because builders were able to borrow up to 85 percent of construction costs from lenders. Applying for the New Markets credits was somewhat complicated, and with loans easy to get, few went after the credits. Larimore said the only local developers who pursued those credits were those with difficult projects, such as Ed De Vries Properties' Clear Water Place project and Dwelling Place's Avenue of the Arts. But that scenario has flipped now that real-estate loans require more equity from developers.

"What I generally saw were really tough deals that didn't make a lot of sense in a conventional financing market because the cost of redevelopment was so high. They would reach for these incentives to lower their redevelopment costs and make them more on par with conventionally financed projects," said Larimore of those who went after the New Markets credits.

"What I've found over the last six months, with conventional financing for a lot of real estate projects just nonexistent, I've seen a lot of developers that two years ago would not even look at using New Markets tax credits and historic tax credits and etc. to do their projects. Now they're calling me and looking at them saying, 'Does this stuff work for my project?'"

## Clinic is first project to receive Medicaid match

**David Czurak**

Grand Rapids Business Journal

The Medicaid match program that has become an integral part of the capital campaign for the Heart of the City Health Center project has been around for three or four years, but the project marks the first time those federal dollars are being captured here.

"It's only federally qualified health clinics that are eligible for it, and, I believe, local health departments. It allows the federal portion of Medicaid to be drawn down when we're able to raise the state portion of those dollars," said Chris Shea, executive director of Cherry Street Health Services, one of three nonprofit health organizations building the clinic.

"Right now, the match is about a 3-to-1 match, though that changes from time to time according to federal regulations," he added.

The goal of the capital campaign is \$4.1 million, and \$3 million of that is eligible for the Medicaid matching funds. The new clinic is qualified to receive the funds partly because it will serve the physical and mental health needs of low-income residents.

"We are community governed and we adhere to a strict set of financial conditions that shows that we produce care efficiently and effectively," said Shea, who added that the capital campaign has passed the halfway mark. "We're actually a little over \$2 million."

Shea said construction of the center was going well. It is being built on Cherry Street between Sheldon and LaGrave avenues. The hole for the underground parking ramp has been dug and the building's exterior walls are going up. The clinic is expected to open next June.

Many see it as a welcome asset for the city.

"Especially in that neighborhood, where so much has been done recently. The Saint Mary's development, some of the city street infrastructure, the development by the (Catholic) Diocese of Grand Rapids, and developments by ICCF and Dwelling Place, as well, have come together to make it a very livable part of the city," said Shea.