



SELECT MEDICAL SPECIALTY HOSPITAL

OMAHA, NE

Customer's Needs:

Select Medical needed a solution to resolve budget overruns, off-balance-sheet financing, and meet an expedited schedule.

Our Solution:

Economics

- Engineering & architectural redesign realizing 35% cost savings
- Off-balance-sheet financing
- External equity participation

Performance

- User-centered design maximizing quality patient care
- Consolidation of services from multiple locations

Speed

- Open for business 3 months ahead of schedule

Project Value

\$13 million



Overview:

Select Medical is a provider of long-term acute care and has a longstanding relationship with Alegent Hospital, leasing acute care beds to Select in two of its existing hospitals. However, Alegent was faced with a dilemma. Beds that it had previously leased to Select for acute care purposes needed to be returned to Alegent for its own growing population, and Alegent did not want to jeopardize its current relationship with Select. Alegent ultimately decided to construct a new freestanding 56-bed LTAC facility, designed for direct connection to Alegent's centrally located hospital on its Bergan Mercy campus.

Alegent soon realized, however, that the cost and capital requirements for the new facility would place a strain on their hospital systems' other project needs. Adding to the financial complexity, Select Medical required that the lease be structured as an operating lease to avoid any negative impact on their borrowing capacity. Alegent also added a challenge, hospital covenants did not allow them to sell their land, thus the project would need to be structured with a ground lease.

Financing Solution:

Alegent identified the Granger Group as a developer with both the developmental experience and financial capability to deliver a superb facility at a cost effective lease rate. The Granger Group redesigned and re-engineered the property to a cost effective solution while maintaining the building scope and key building systems. The Granger Group then secured off-balance-sheet financing within the project's constraints that allowed both Alegent and Select to preserve their capital and begin lease payments only after the facility was open for business.

