Orcas Island Hospital District Clinic Expansion

Preliminary Capital Strategy Development

High Point
Healthcare Real Estate

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Executive Summary

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The expansion protects Orcas Island's healthcare lifeline

Local care cannot depend on a ferry crossing.

When weather, transportation delays, mobility limitations or urgent medical needs make mainland travel impractical, the Orcas clinic remains the community's primary healthcare access point.

Serving residents, neighboring islands, visitors and emergency responders

PROJECT SCALE

$7.5M
Estimated capital project

5,605 SF
New clinical expansion

6,274 SF
Existing clinic improved

11,879 SF
Completed clinic area

WHAT THE PROJECT DELIVERS

MORE CAPACITY
Additional exam and care space

BETTER ACCESS
Improved flow and accessibility

STRONGER CARE
Expanded triage and procedure areas

CONTINUITY
Clinic remains operational in phases

Community Need

The Hidden Reality of Orcas Island: Traditional measures of island wealth obscure the pressures facing Orcas Island's year-round community

THE HIDDEN REALITY

Island wealth does not equal reliable access to care.

Permanent residents include seniors, working families and service workers whose needs are often hidden by seasonal tourism and second-home ownership.

Only 30–40% of homes are occupied year-round

FOUR PRESSURES COMPOUND THE NEED

01 **TRANSPORTATION**

Mainland care depends on ferry or air travel—and therefore on schedules, weather and availability.

02 **WORKFORCE**

Housing costs outpace local wages, making physicians, nurses and other essential staff harder to recruit and retain.

03 **AGING**

A growing older population increases demand for chronic disease management, coordinated care and local services.

04 **CAPACITY**

The community relies on the capacity of a single Rural Health Clinic for dependable primary care close to home.

Capital Strategies

Maximizing Non-Debt Funding

Prioritize local commitment and major public awards; use grants selectively and CDFIs only for a defined financing need.

PRIMARY PURSUITS • BUILD THE CORE CAPITAL STACK

BACKSTOP ONLY

1

MOST LIKELY + MOST IMPORTANT

Capital campaign

Local leadership gifts • Resident foundations • OICF network • Donor-advised funds • Challenge gifts

Demonstrates local commitment and creates momentum for every external request.

2

HIGHEST EXTERNAL AWARD POTENTIAL

Government funding

Washington capital budget • Federal requests through Larsen, Cantwell and Murray

Pursue a consistent, construction-ready request tied to essential island infrastructure.

3

TARGETED, NOT BROAD-BASED

Grant Opportunities

Murdock • OICF • Selected rural-health and community-resilience opportunities

Match each funder to a defined component; treat transformation funding as supplemental.

NARROW USE

4

DEFINED GAP FINANCING ONLY

CDFIs

Grant or appropriation bridge • predevelopment costs • subordinate or limited gap financing

Use only when flexibility solves a specific timing, collateral or repayment issue.

Building the Project's Capital Stack

Isolation turns access into infrastructure.

The project protects reliable care for year-round residents, older adults, working families, neighboring islands and emergency responders.

Position every request around access, readiness, resilience and measurable community benefit.

1

State + federal appropriations

$1.5–$3M TARGET

Fund a discrete, construction-ready component tied to rural access, isolation and emergency preparedness.

2

Capital campaign + philanthropy

$2–$3M TARGET

Anchor visible patient-facing improvements with lead gifts from residents and families connected to Orcas.

3

Foundation grants

DEFINED COMPONENTS

Target rural health, aging, access and resilience funders for clearly scoped elements of the project.

4

CDFI financing

TARGETED GAP ONLY

Use flexible mission-driven debt for predevelopment, bridge, subordinate or limited gap financing.

STRATEGIC PRIORITY • Maximize non-repayable public and philanthropic funding first; use flexible debt only where it solves a defined gap.

Capital Campaign

Orcas Island Community Foundation

Opportunity: OICF could serve as a key local philanthropic partner for the clinic expansion, bringing not only potential small-scale funding but deep community relationships, donor networks, and fundraising expertise. Its value extends well beyond a single grant by providing connections to local donors, community leaders, and philanthropic networks that can build broader support, strengthen the campaign, and help unlock additional giving for the OIHCD-owned facility.

Local Campaign Partner: Help structure and support a community capital campaign, including major gifts, donor-advised funds, and broader community giving.

Grant Access: As a 501(c)(3), OICF may provide a pathway to foundations and charitable funders that cannot make grants directly to a public hospital district, subject to funder and legal requirements.

Community Leadership: OICF brings established Orcas donor relationships and experience mobilizing philanthropy around major community needs.

Complementary to Island Health Foundation: OICF focuses on the community-owned facility and local philanthropy; IHF can focus on equipment, technology, and Island Health's delivery of care within the expanded clinic.

Campaign Structure: Could establish a dedicated fund or campaign for the project, with clear agreements governing eligible uses and transfer of charitable funds.

Recommended Approach: Engage OICF early to determine its desired role, assess donor capacity, confirm an appropriate charitable structure, and coordinate responsibilities with Island Health Foundation.

Island Health Foundation Partnership

Opportunity: Because Island Health operates the Orcas clinic, Island Health Foundation (IHF) could provide a complementary philanthropic pathway focused on the healthcare-delivery components of the expansion rather than serving as a pass-through for OIHCD construction.

- **Potential Uses:** Medical equipment, telehealth/clinical technology, furnishings, specialty-care capacity, and other investments needed to operate the expanded clinic.
- **Grant Access:** As a 501(c)(3), IHF could pursue healthcare foundations and corporate philanthropy that may not fund OIHCD directly as a public entity.
- **Different from Orcas Island Community Foundation:** OICF could leverage local donors and community philanthropy toward the Orcas-owned facility, while Island Health Foundation could focus on equipping and supporting Island Health's delivery of care within it.
- **Potential Strategy:** Coordinate the two foundations around complementary "build it" (OICF) and "equip it" (IHF) roles.
- **Recent Precedent:** IHF is currently leading a $1.6M capital campaign to renovate and modernize 25 Island Health inpatient rooms, demonstrating its ability to raise philanthropic funds for facility improvements, technology, and equipment.

Recommended Approach: Engage IHF and Island Health to identify equipment, technology, and care-delivery costs that could be separated from core construction and supported through IHF fundraising or grants.

Legislative Requests

Coordinated Federal Appropriations Strategy

Opportunity: Pursue FY2028 federal appropriations through Rep. Rick Larsen, Sen. Patty Murray, and Sen. Maria Cantwell using one coordinated project request. OIHCD's public ownership, rural healthcare mission, and capital construction needs align with recent Washington healthcare appropriations requests.

- **House – Rep. Larsen:** Community Project Funding (CPF) requests for WA's 2nd Congressional District.
- **Senate – Sens. Murray & Cantwell:** Congressionally Directed Spending (CDS) requests serving communities statewide.
- **Potential Accounts:** Healthcare construction may fit HRSA Health Facilities Construction & Equipment, USDA Rural Development-related accounts, or other eligible federal accounts. HUD Economic Development Initiative (EDI) Community Project Funding may provide another pathway depending on FY2028 account availability and eligibility. Work with legislators' staff; they will help determine appropriate accounts.

One Coordinated Ask: Murray and Cantwell supporting the same project would generally strengthen one Senate request rather than create two separate awards. The House and Senate can advance parallel versions of the project that are ultimately reconciled through appropriations.

Positioning: Essential, publicly owned rural healthcare infrastructure serving a geographically isolated island community.

Recommended Approach: Develop one core federal request and engage all three offices early. Allow congressional staff to advise on the strongest account, request amount, and whether distinct project components should be pursued through different accounts.

Coordinated Federal Appropriations Strategy

Recent Washington requests demonstrate strong alignment with the Orcas project:

Rep. Rick Larsen – FY2027

- Island Health OB Surgical Expansion – $2.715M: Equipment for a new obstetrics operating suite and upgrades to the existing surgical suite at Island Hospital. Note: also operated by Island Health.
- Eastsound Wastewater Upgrade – $4M: Major infrastructure investment serving Orcas Island

Sen. Cantwell – FY2026 & 2027

- Ocean Beach Health Rural MRI Access — $1M: Public Hospital District 3 of Pacific County; retrofit hospital MRI suite.
- Snoqualmie Valley Health Surgical Services & Imaging — $1M: King County Public Hospital District #4; advanced diagnostic and specialty surgical equipment.
- Willapa Medical Clinic — $4M (FY26): Replacement of a designated Rural Health Clinic owned by Pacific County HD #2.

Sen. Murray – FY2027

- Newport Hospital Rural Health Clinic Expansion – $3.441M
- Summit Pacific Hospital Upgrades – $2.8M: Public hospital district facility improvements.
- Harbor Regional Health – $7M: Rural hospital infrastructure modernization.

Key Takeaway: All three offices have recent experience advancing rural healthcare facilities, public hospital districts, clinic expansion/renovation, and healthcare equipment with several requests in the $2M–$4M range directly comparable to Orcas.

Coordinated Federal Appropriations Strategy - Pursuit

Target: Position OIHCD for a coordinated FY2028 federal request through Larsen, Murray, and Cantwell, with final scope and amount determined as project design advances.

- **Fall 2026:** Begin outreach with all three offices to introduce the project and confirm likely funding accounts and eligibility.
- **Core Package:** Develop one project brief covering the $7.5M project, rural/island healthcare need, scope, budget, timeline, local investment, and other funding sources.
- **Request Structure:** Coordinate House and Senate requests around the strongest eligible account(s), with separate scopes if multiple federal funding pathways are pursued.
- **Election Consideration:** Monitor the November 2026 election, particularly Larsen's race, and reconfirm congressional contacts and strategy afterward.

FY2028 Readiness: Have the federal funding package ready by February 2027 for anticipated spring submission windows.
Recommended Approach: Start relationship-building now and use congressional staff to help determine the strongest account, request size, and structure for the FY2028 ask.

Coordinated State Capital Budget Strategy

Opportunity: Pursue a direct 2027–29 Washington State Capital Budget appropriation for the Orcas clinic expansion through the 40th Legislative District delegation.

Sen. Liz Lovelett — 40th Legislative District

Rep. Debra Lekanoff — Position 1 — up for reelection November 2026

Rep. Alex Ramel — Position 2 — up for reelection November 2026

- **Strong Project Fit:** Publicly owned rural healthcare infrastructure addressing geographic isolation, emergency access, aging facilities, and growing community need.
- **Coordinated Ask:** Approach all three legislators around one state funding request, complementary to the federal appropriations strategy and other project funding.
- **Local Leverage:** Demonstrate the District and community have already committed local resources, while the scale of the expansion exceeds what the island tax base can reasonably fund alone.

Key Requirements and Caveats

- Demonstrate site control and readiness to proceed
- Provide a complete sources-and-uses budget and identify secured or anticipated matching funds
- Funding is typically reimbursement-based and administered through the Washington Department of Commerce

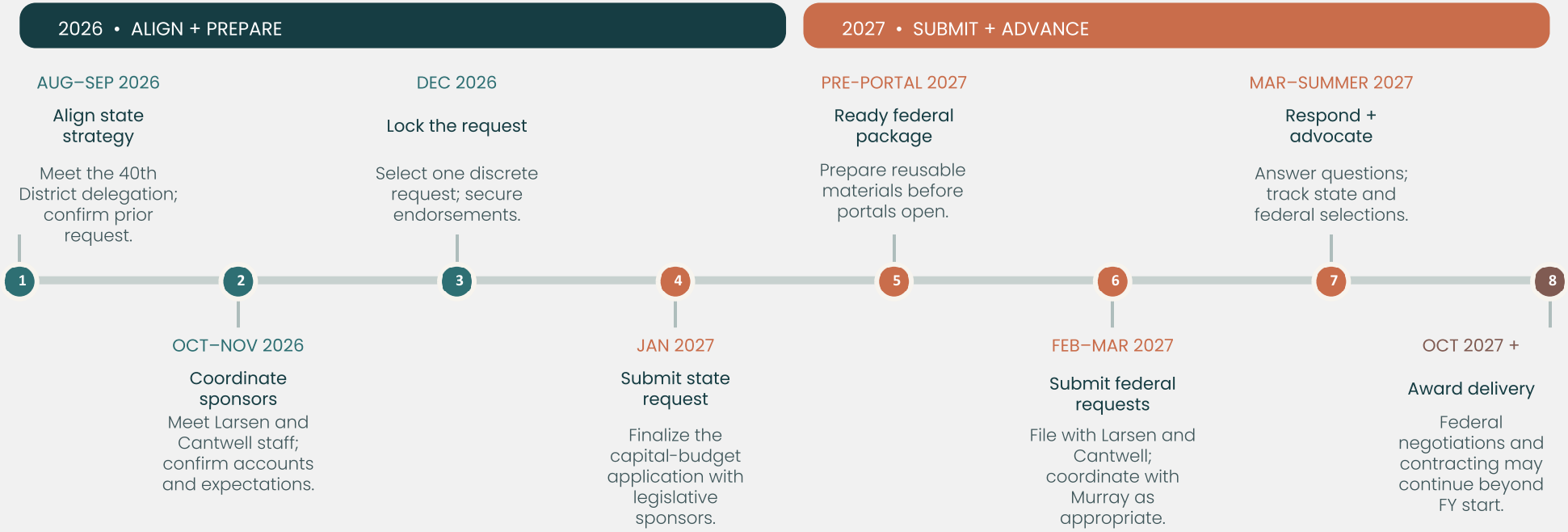
Coordinated State Capital Budget Strategy - Pursuit

Target: Position OIHCD for funding through the 2027–29 Capital Budget, with the final request amount and scope determined as design and cost estimates advance.

- **August/September 2026:** Begin delegation outreach and introduce the project, community need, local investment, and overall capital strategy.
- **Project Package:** Use the same core materials developed for federal appropriations: project need, scope, budget, timeline, local commitment, community support, and funding plan.
- **State/Federal Coordination:** Define state-funded costs that complement federal requests and avoid duplicate reimbursement.
- **Election Consideration:** Monitor the November 2026 elections for Lekanoff and Ramel and reconfirm delegation contacts and strategy afterward.
- **2027 Session:** Be prepared to respond quickly to delegation requests for project details, updated costs, match/leverage, and project readiness.

Recommended Approach and Position: Pursue state and federal appropriations in parallel, positioning them as complementary public investments that leverage local, philanthropic, grant, and financing resources. Present the project as essential, publicly owned island healthcare infrastructure that preserves year-round primary care, supports emergency stabilization and addresses the access risks created by ferry dependence, weather and geographic isolation.

Master Appropriations Pursuit Schedule: FY2028 / 2027–29



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Develop One Defensible Funding Request

Every capital source should receive the same core facts, adapted to its requirements

THE REQUEST PACKAGE • FOUR QUESTIONS TO ANSWER		
WHAT ARE WE FUNDING? 1 **Project + funding**	• Concise project description • Defined request and eligible costs	• Development budget, sources and uses • Committed local funds
CAN IT PROCEED? 2 **Readiness + authority**	• Design and permitting status • Site ownership and District authority	• Construction schedule • Renderings and floor plans
WHY DOES IT MATTER? 3 **Need + impact**	• Patient volume and projected capacity • Rural healthcare-access data	• Service-area demographics • Ferry, weather and transport barriers
WHO STANDS BEHIND IT? 4 **Community support**	• Provider and community-organization letters • San Juan County and elected-official support	• Fire and EMS endorsement • Clear emergency-stabilization role

Recommended approach: Use one project narrative and capital plan but assign distinct costs to each request where appropriate. Fully disclose the parallel applications and avoid requesting reimbursement for the same cost.

Grant Opportunities

M.J. Murdock Charitable Trust Capital Grant

Opportunity: Capital funding for projects that strengthen healthcare access and organizational capacity across the Pacific Northwest.

- Supports construction, renovation, site improvements, utilities, architecture, engineering, permitting, external project management, and FF&E.
- Rural Health Centers are expressly eligible for capital and equipment/technology requests.
- Minimum total project budget: $200,000 with a minimum grant request: $100,000; no published maximum.
- Murdock favors transformational projects that expand services or capacity, not routine maintenance or deficit funding.
- Orcas can present a compelling case as the island's sole Rural Health Clinic, serving a geographically isolated community with limited mainland access.

Potential positioning: Request support for a defined portion of the clinic expansion or for durable clinical equipment and technology associated with the new space.

Anticipated Schedule:

Next LOI window: October 15–November 11, 2026

LOI decision: By January 13, 2027

Invited full application: January 13–March 1, 2027

Grant decision: August 2027

M.J. Murdock Charitable Trust Capital Grant

Key Requirements

- Demonstrate a diversified funding plan and strong community support.
- Murdock prioritizes projects with at least 40% of total capital costs raised before the Trustee decision.
- Government sources generally cannot provide 70% or more of the project funding.
- Project should not be completed before Murdock's site visit; funding is not retroactive for completed work.
- Request must identify the specific project components Murdock funding would support.
- Applicant must demonstrate financial sustainability, board engagement, measurable community impact, and a viable plan to complete fundraising.

Important Caveats

- OIHCD's status as a public hospital district requires confirmation; Murdock recognizes certain government medical centers but primarily prioritizes nonprofit organizations.
- For government-owned facilities, Murdock explicitly favors equipment and technology requests over building-capital requests.
- The Orcas Island Community Foundation cannot serve merely as a fiscal sponsor or pass-through.
- Murdock has a respected regional philanthropic profile but has faced some criticism for grants to conservative and faith-based organizations; any award should be presented as project-specific support for inclusive rural healthcare.

USDA Community Facilities Direct Loan & Grant Program

Opportunity: USDA Rural Development can support essential community facilities, including rural healthcare facilities. Public bodies are eligible applicants, making OIHCD a good organizational fit. Assistance can be structured as a direct loan, grant, or combination of the two.

- **Direct Loan:** Can fund construction, renovation, and equipment with fixed rates and terms up to 40 years. Attractive financing, but USDA underwriting, compliance, and administrative requirements may be burdensome relative to the project's anticipated financing gap.
- **Grant:** Available without taking a USDA loan, but eligibility is more restrictive. Grants can cover 15%–75% of eligible costs, based primarily on service-area population and median household income, and are subject to funding availability.
- **Orcas Challenge:** Population likely qualifies, but median household income may not. Even the 15% grant tier requires service-area income below 90% of the state's nonmetropolitan median.
- **Key Distinction:** OIHCD could qualify for a USDA loan but likely not a grant.

Recommended Approach: Confirm grant eligibility with USDA before including it in the capital stack. If eligible, vet the grant further. Consider the loan as a gap-financing option, weighing favorable terms against USDA's high administrative burden. Note that revenue bonds may already be accomplishing what the USDA would target.

Washington Rural Health Transformation Program (RHT)

Opportunity: New CMS-funded rural healthcare initiative administered by Washington HCA, with approximately $181 million awarded to Washington in Year 1 and funding continuing through 2030.

- **Provider Technology Fund:** Currently the strongest potential fit for Orcas, with awards of $200,000–$500,000 for technology and operational infrastructure that improves rural healthcare access and efficiency.
- **Potential Uses:** Telehealth/remote services, remote patient monitoring, clinical technology, data systems, AI/automation, cybersecurity, and other eligible technology.
- **Capital Limitations:** RHT is not a general construction/renovation grant. The opportunity is to separately scope eligible technology and care-delivery investments within the renovation.

Eligibility: Applicants must provide or employ providers delivering direct rural healthcare. Given OIHCD ownership and Island Health operations, the appropriate applicant should be confirmed with HCA.
Timing: Current Provider Technology Fund deadline is August 27, 2026; likely too soon for current project scoping. Future opportunities should be monitored.

Recommended Approach: Confirm eligibility with HCA, separately identify and price eligible technology within the renovation, and monitor future RHT funding rounds.

Washington Energy Efficiency & Resilience Funding

Opportunity: State and utility programs may fund discrete energy-efficiency and resilience components of the clinic expansion, reducing the amount that must be funded through appropriations, philanthropy, or debt. Most major state programs are not currently open, but project design can position the District for future funding rounds.

- **WA Commerce Energy Efficiency Retrofits** (not open currently): Strong potential fit for the OIHCD as a public entity. Previous rounds supported energy-efficiency improvements to public buildings, including HVAC/heat pumps, controls, lighting, and building-envelope improvements. Previous awards were available up to approximately $1 million with match requirements.
- **WA Commerce Clean Energy Grants** (not open currently): Potential funding for solar, battery storage, geothermal, and energy-resilience improvements. Particularly relevant if the expansion incorporates backup power or other systems that allow the clinic to maintain critical services during outages. Recent rounds included awards up to $2.5 million.
- **Orcas Power and Light Cooperative (OPALCO)** Incentives: Explore available commercial/public-facility incentives for heat pumps, HVAC, water heating, lighting, controls, and other efficiency measures. Utility incentives may potentially be combined with larger state funding sources.
- **Other Incentives**: Continue monitoring state and federal clean-building and energy programs as the project develops.

Strategic Value: Rather than treating energy funding as a source for general construction, identify and separately price eligible energy-efficiency and resilience components so they can be funded outside the core construction capital stack.

Community Lending

Community Development Financial Institutions (CDFIs)

CDFIs are mission-driven lenders that provide capital to projects and communities that may be underserved by conventional financial institutions. They offer loans, not grants, but may provide greater flexibility in underwriting, collateral, repayment structure, and timing.

CDFI's potential Role for Orcas

- Finance predevelopment, construction, equipment, or a limited remaining project gap
- Bridge committed grants, appropriations, or campaign pledges that will be received later
- Participate alongside a bank or other lender to distribute risk
- Consider the clinic's essential community role and public benefit alongside conventional financial metrics
- Potentially offer longer terms, flexible repayment, or subordinate financing

Position in the Capital Stack: Grants, appropriations and philanthropy reduce the amount that must be financed. CDFI capital can then address a specific gap or timing need, while the District's established financing plan supports the remaining balance.

Key Consideration: CDFI financing must be repaid and is not necessarily less expensive than conventional debt. Its primary value is flexibility, not subsidy. The best candidates for Orcas are CDFIs with experience in Washington, rural communities, healthcare facilities, or public-private financing.

Prospective CDFI Lending List

Prioritize regional and rural-health lenders only where flexibility solves a specific timing, collateral or repayment constraint.

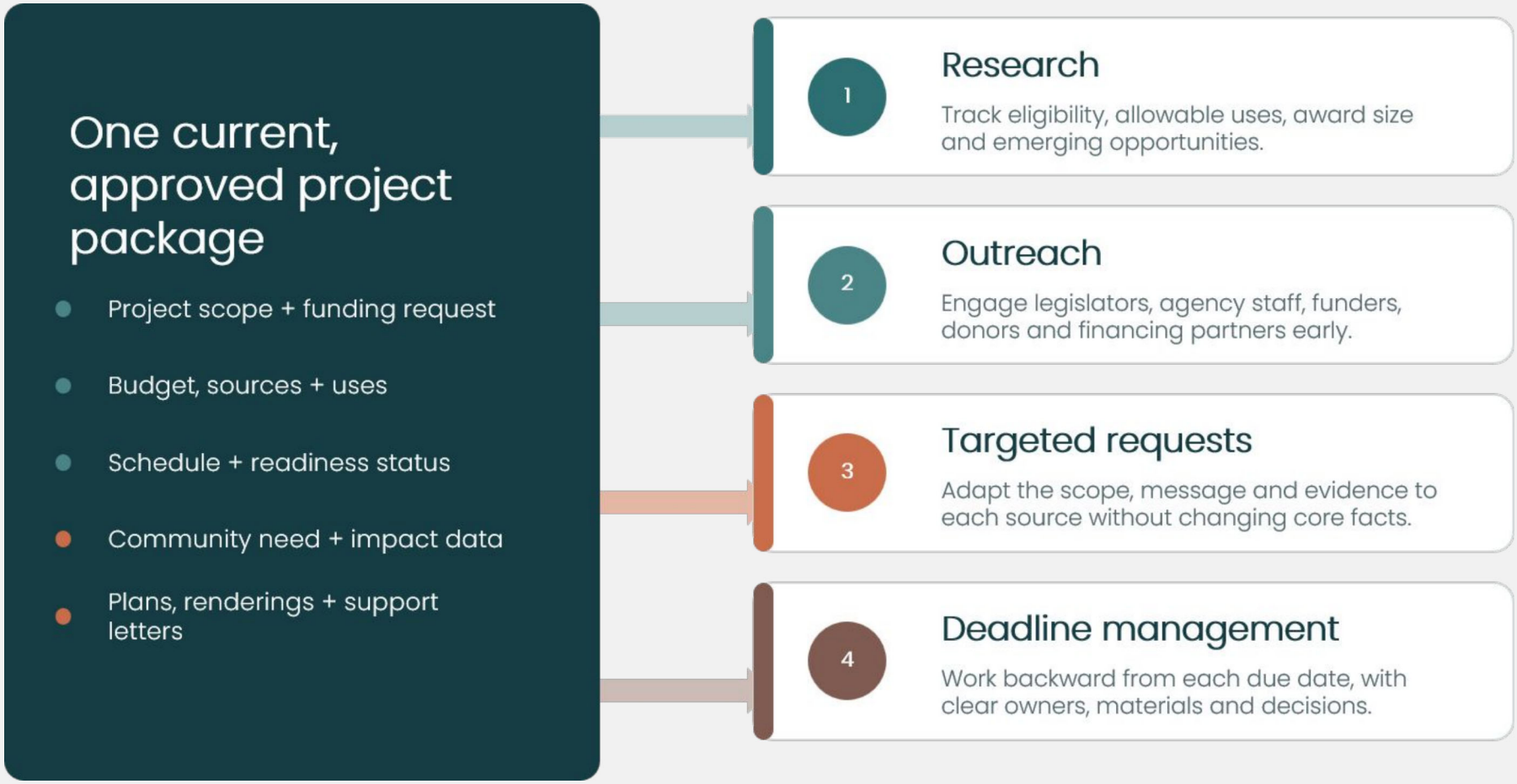
CDFI	GEOGRAPHIC / SECTOR FOCUS	WHY IT MAY FIT ORCAS
Impact Capital LEAD OUTREACH	Washington and the Northwest; community facilities	Strong regional candidate for predevelopment, construction, bridge or energy financing.
Rural Community Assistance Corporation (RCAC) LEAD OUTREACH	Rural communities across 13 Western states, including Washington	One of the strongest direct rural fits; offers acquisition, predevelopment and facility loans.
Primary Care Development Corporation (PCDC) STRONG FIT	National; specializes in primary care and behavioral health	Deepest healthcare specialization and experience financing community-based providers.
Clearinghouse CDFI TARGETED	Western and national community development; rural and Tribal experience	Relevant rural Washington precedent; could support construction or permanent financing.
Nonprofit Finance Fund (NFF) TARGETED	National nonprofit lender with active Washington investments	Useful for a defined facility, bridge or working-capital need tied to project timing.
Capital Impact Partners SECONDARY	National healthcare and community-facility lender	Strong healthcare underwriting; confirm current geographic appetite before pursuing.

CDFIs should remain a backstop—not a substitute for appropriations, philanthropy or targeted grants.

Next Steps

Build One Funding Platform for Every Pursuit

Create a single source of truth that keeps the project consistent, current and ready to move.



Parallel Funding Tracks