Memorandum

To: **Town Council**
From: **Thomas Dansie, Town Manager**
Date: **May 26, 2026**
Re: **Status of Springdale Medical Clinic Project, Direction from Council**

Executive Summary

The Town has been taking actions to plan and construct a new medical clinic building. The Town has partnered with Family Healthcare (FHC) in the operation of the current medical clinic building. FHC has participated in the planning for a new medical clinic, which they have conceptually agreed to operate. As the planning for the new medical clinic has progressed, community and Council members have asked questions and expressed concerns about the project. These questions and concerns run the spectrum from opposition to a Town-supported medical clinic to concerns about the clinic's scale, scope, and operation.

While the Town has invested significant time and resources into the planning for the clinic, at this point there is nothing that commits the Town to moving forward with the project. However, we are now at the point where further investment in the project would be unwise and unwarranted if the Town Council is not supportive of the project.

The purpose of the May 29 meeting is to determine whether or not the Town Council supports moving forward with the medical clinic project.

- If the Council is supportive of the clinic project, staff requests direction from the Council regarding the scale of the project. This direction is essential at this point of the project to finalize architectural plans, as well as funding source.
- If the Council is not supportive of the clinic project, staff requests direction from the Council regarding the priorities for use of the Town's newly acquired two-acre property heretofore contemplated to house the clinic building.

Background

For at least the last five years the Town has been planning in various degrees of specificity to provide enhanced medical services for the community. The Town has taken the following actions as part of this planning:

➔ In 2021 the Town became aware that Helen and Mike McMahan, the long-time operators of the Zion Canyon Medical Clinic, would soon be retiring. The Town then began looking for possible healthcare partners to fill the void created by the McMahan's retirement. Through this process the Town developed a relationship with Family Healthcare (FHC), a non-profit healthcare organization which operates a number of community health clinics in southern Utah.

- ➔ The Town adopted the General Plan in July 2022 which contains general direction to develop enhanced medical services in the Town (see: Economic Development Sub-Goal G, Public Health General Goal, and Public Health Sub-Goal A).
- ➔ In January of 2023 the Town Council reviewed the Capital Priorities list which included the design of a new medical clinic building as an immediate priority item, and construction of a medical clinic as a short-term priority. The design and subsequent construction of a medical clinic building have been listed as priorities on the Capital Priorities lists the Council has reviewed in each subsequent year (2024, 2025, and 2026).
- ➔ In October of 2023 the Town purchased the existing medical clinic building from the McMahans and entered into a lease with FHC to operate the clinic space. Since that time FHC has been operating a clinic in the existing building.
- ➔ Based on the direction in the General Plan, as well as feedback from FHC about the limitations of the existing clinic building, in 2023 the Town began looking for a site to construct a new clinic building. The Town considered a number of sites and potential alternatives before deciding to purchase two acres of vacant land adjacent to the Town Hall. In early 2024 The Town acquired a two-acre property on Lion Boulevard under threat of eminent domain and with the specific intention of developing public uses on the property, including a medical clinic.
- ➔ After acquiring the two-acre property the Town applied for and was awarded a grant from the Governor's Office of Economic Opportunity for master site planning of the property and to prepare design and construction drawings for the medical clinic building. The Town engaged VCBO Architects to do the design. This process is currently ongoing.
- ➔ In early 2026 the Town Council made several land use changes that would allow the development of a medical clinic on the newly acquired two-acre property (changed the zoning on the property to Public Use and added medical clinics and pharmacies as permitted uses in that zone).
- ➔ In February of 2026 Lori Wright, CEO of FHC gave the Council an update on their operations at the existing clinic building. In that meeting Ms. Wright reported that in 2025 there were 180 canyon residents (Springdale, Rockville, and ZNP) who received care at the clinic totalling 500 visits. In addition, 304 non-residents received care at the clinic.

The above summarized events have built momentum and inertia for the development of a new medical clinic building. However, the Council has not yet done anything that commits the Town to develop a clinic. At this point the Council can easily change course. The purpose of the discussion at the May 29 Council meeting will be to determine whether or not to proceed with the clinic project.

The next steps in the clinic project process require more significant commitment from the Town. They will be more difficult to unravel. These steps include finalizing the clinic construction plans, arranging funding to construct the clinic, and negotiating a lease arrangement with a healthcare provider to operate the clinic.

Before the Town moves forward with these next steps it is important to clarify and confirm the Council's support or non-support for the clinic.

Factors to Consider

The Council may wish to consider the following factors as part of the discussion whether or not to support the clinic project.

Medical Clinic Scale

The current medical clinic building is about 800 square feet in area. It has a small lobby, an administrative office area, one procedure room, and some storage. The building's size and layout make it impossible to expand the services offered at the clinic (particularly, it would not be possible to operate a pharmacy in the current building).

In partnership with FHC and VCBO (the architecture team doing the clinic design) the Town designed a proposed 4,000 square foot clinic. Based on concerns from the Community and the Council, the Town, FHC, and VCBO reduced the size of the proposed clinic to 2,700 square feet (VCBO has not yet produced an actual design for this size clinic, the 2,700 sf figure comes from a space programming exercise). FHC feels this size building is the smallest size that will meet the current needs of the community, including a pharmacy. This size will not allow future expanded or enhanced services.

The Council should consider the scale of the building in determining whether or not to proceed. If the Council decides to proceed, staff requests direction from the Council regarding the scale of the project.

Construction Funding

VCBO has extensive recent experience designing and managing the construction of medical facilities. Based on their experience, and accounting for local Springdale market conditions, they estimate per square foot construction costs between $725 to $800. The per square foot costs increase as the size of the build decreases.

Based on these estimates, a 4,000 sf clinic would cost nearly $3.0 million. A 2,700 sf clinic would cost $2.16 million. The Town will need to fund the construction through grants, loans, or bonds.

Grant funding could include CIB grants and direct assistance from Washington County. Based on recent CIB decisions it is unlikely the clinic will qualify for a CIB grant. Staff has had discussions with Washington County officials regarding County assistance. While the County is supportive of a medical clinic, especially one that will serve visitors, it is unclear whether they can provide direct financial assistance.

If the Town is unable to secure grant funding, the Town would need to pay for the clinic through a loan or bond. Assuming a 20 year loan at 4.5% interest, the annual debt service for the clinic would be between $166,000 and $230,000 per year. This annual debt service would be reduced if the Town is able to find partial grant funding. The debt service would also be reduced if the Town entered into a longer term loan, but doing so would also increase the total cost of the building.

Paying for public infrastructure and buildings through loans and bonds is a fiscally sound policy. It spreads costs out over time and across beneficiaries. So adding to the Town's debt service is a legitimate

way to fund a clinic building. However, the Council should determine whether or not a bond or loan payment of this size is commensurate with the priority the Council places on the clinic building.

Relationship with FHC
Family Healthcare has been an important partner to fill the medical service void created when the McMahans retired. They have provided continuing medical care and services to the community and visitors to Zion National Park. FHC is excited to continue to provide medical services in the Town.

The Town charges FHC $1,170 per month ($14,040 annually) in rent at the current clinic building. The Town's lease agreement with FHC states that rent will be increased if and when the Town constructs a new replacement clinic. The increased rent will be based on the market rates for Class A office space in Springdale, or as otherwise agreed to by the Town. FHC has recently indicated they are currently losing money operating the Springdale clinic. Thus their ability to pay additional rent is limited. Staff has requested more information of FHC's ability to pay increased rent by the time of the meeting. In any case, it is unlikely that FHC will be able to make a rent payment that will cover a significant portion of the Town's debt service on the new building.

Realizing the rent payment will cover a minor part of the loan payment of the clinic building, the Council needs to determine whether or not to expend Town resources on this project (essentially, is the clinic enough of a priority to warrant a subsidy from the Town).

Requested Direction
The medical clinic project is at an important decision point. There has been a considerable amount of work and planning directed to this project for the last five years. The Town has made planning for the clinic a priority. However, to this point there has been nothing that binds the Town to the project.

The Town is now near a point where continued work on the clinic project will result in binding commitments (especially budgetary commitments). Before proceeding, the Town Council should confirm and clarify their support for this project.

Staff requests the following direction from the Council:

Does the Town Council support moving forward with the medical clinic project?

- If the Council is supportive of the clinic project, staff requests direction from the Council regarding the scale of the project. This direction is essential at this point of the project to finalize architectural plans, as well as funding sources.
- If the Council is not supportive of the clinic project, staff requests direction from the Council regarding the priorities for use of the Town's newly acquired two-acre property heretofore contemplated to house the clinic building.