

**STAFF SUMMARY AND RECOMMENDATION
NORTHERN CALIFORNIA INALLIANCE**

Amendment to Resolution Number HII-106

January 31, 2002

APPROVED HELP II LOAN AMOUNT: \$400,000

PURPOSE OF AMENDMENT: To change the position of the Authority's lien on the Deed of Trust from a first to a second position, and authorize the Authority to subordinate its HELP II loan to the HealthCap loan. Also to clarify the Authority's position on the lien on corporate gross revenues which will be in second position.

BACKGROUND: On December 6, 2001, the Authority approved Northern California INALLIANCE's (NCI) request for a HELP II loan in the amount of \$400,000 contingent upon the following conditions:

1. First lien Deed of Trust on the property located at 6950 21st Avenue, Sacramento, California;
2. A lien on corporate gross revenues; and
3. Concurrent closing with the Authority's proposed HealthCap loan in the amount of \$360,000.

Loan proceeds will be used to construct a 3,600 square foot building and provide renovations of buildings on NCI's existing site. The expected escrow closing date for both loans will be in February 2002.

ISSUE: In January 2002, the Authority and NCB Development Corporation agreed to the provisions necessary to administer the HealthCAP Loan Program. One of these provisions is that NCB Development Corporation will be in the first lien position on both the Deed of Trust and corporate gross revenues for all loans and that the Authority would be in the second lien position on both.

Since the resolution for Northern California INALLIANCE from the December 2001 meeting provided for a first lien Deed of Trust to the Authority, the resolution must now be amended to conform to the agreement between CHFFA and NCB Development Corporation.

As stated in the December 6, 2001 Staff Summary, the property was appraised at \$1,420,000 in May 2001, which included the proposed addition, resulting in a combined loan to value ratio of only 54% which includes the HELP II loan and the proposed HealthCap loan of \$360,000. Thus, the Authority's loan is still adequately secured by the property.

RECOMMENDATION: Staff recommends the Authority approve the Amendment to Resolution HII-106 for Northern California INALLIANCE allowing NCB Development Corporation to be in the first lien position on the Deed of Trust and corporate gross revenues and the Authority in second lien position on the Deed of Trust and corporate gross revenues.