

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

March 30, 2005

Increase the Maximum HELP II Loan Amount and develop a HELP II Marketing Campaign to focus on District Hospitals and various health care associations.

>Increase the Maximum HELP II Loan Amount from \$400,000 to \$500,000

The HELP II Loan Program (HELP II) has assisted small and rural health facilities to obtain financing for their capital needs. Since the HELP II inception in May 1995 through December 31, 2004, the Authority has funded \$42 million to 117 facilities, with **no defaults**.

In March 2004, staff recommended to increase the maximum loan amount to \$500,000 in order to maximize the usage of HELP II loan program. The Board decided to maintain the \$400,000 maximum and requested that staff monitor the HELP II funding activity and report back to the Board.

>Purpose of increasing HELP II maximum:

First and foremost, the HELP II fund balance has actually increased during the past year to \$12 million, from \$10 million. This fund balance is near historical highs due to a slowdown in loan volume during the past 12 months. The fund balance has ranged from \$4 million to \$12 million during the life of the loan program.

Secondly, since the late 1990's, California real estate values have more than doubled in most regions of the state, while the HELP II loan maximum has remained constant at \$400,000. Hence, by increasing the maximum HELP II loan to \$500,000 (25% increase) this will allow more applicants to purchase facilities, thus expanding services to more patients.

>Expand the HELP II Marketing Campaign to focus on District Hospitals and Various Health Care Associations:

The Board has historically been supportive in expanding the HELP II loan program to include more District Hospitals and to increase staff marketing efforts to increase the general HELP II loan program volume.

To help obtain this goal, staff proposes to notify all District Hospitals that they are eligible for low-cost HELP II financing. This marketing program should result in funding to the much needed small, rural and district hospital sector.

In addition, staff will increase the loan program exposure by collaborating with various health associations. This marketing campaign will significantly increase visibility by 1) Linking CHFFA website to the associations websites 2) Attending various health association seminars which will provide staff an opportunity to increase loan program visibility by providing loan program brochures, information booths, and complete loan program seminars to eligible borrowers, if possible.

Staff Recommendation: Staff recommends the Authority increase the maximum loan amount for the HELP II loan program to \$500,000, plus develop a marketing campaign to focus on District Hospitals and various health care associations.