

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“Authority”)

Emergency HELP Loan Program

Resolution No. 2018-03

January 25, 2018

PURPOSE OF THE REQUEST:

Staff seeks Authority approval of the Emergency HELP loan program, which would include the following:

- transfer \$2 million from the HELP II fund balance to the Emergency HELP loan program;
- delegate authority to the Executive Director to issue loans up to \$250,000 per borrower (if certain conditions are met, including a debt service coverage ratio of at least 1.0x and gross revenue pledge or lien on real property or equipment); and
- adopt the program guidelines below.

This program will provide low cost loans with flexible terms for health facilities in counties that Governor Brown declared an emergency due to the Northern and Southern California fires—the counties of Butte, Lake, Los Angeles, Mendocino, Napa, Nevada, Orange, San Diego, Santa Barbara, Solano, Sonoma, Ventura, and Yuba.

All monies for this program shall be available for encumbrance or expenditure until December 31, 2018. Monies remaining in the Emergency HELP fund as of January 2, 2019, shall revert to the HELP II fund.

EMERGENCY HELP LOAN PROGRAM PROPOSED GUIDELINES

Eligibility

General Requirements:

- Annual gross revenues cannot exceed \$30 million as shown on the most recent audited financial statement. (Current HELP II borrowers would be exempt from this requirement.)
- Must be a health facility as defined in the Authority's Act (Section 15432(d) of the Government Code).
- Must be a non-profit IRC 501(c) (3) corporation, or a public health facility (e.g., District hospital).
- Must have been in existence for at least three years providing the same types of services.
- Must provide evidence acceptable to the Authority that the health facility has been impacted from the fires (i.e., Insurance claim form, fire assessment report, or local funding assistance).

- Must demonstrate evidence of fiscal soundness and the ability to meet the terms of the proposed loan.
- For construction and remodeling projects, must show readiness to begin projects within 90 days after funding.
- Must provide for consumer savings and community benefit as required of all Authority financings.

Additional Considerations:

In addition to the General Requirements, consideration may be given to those projects which:

- Leverage funds from other sources;
- Supply services as a sole provider;
- Demonstrate strong community support; or
- Fill a pressing community need.

Uses of Funds

Funds may be used for:

- Day-to-day operational expenses (working capital);
- Feasibility studies, site tests, and surveys;
- Permit, architectural, and other pre-construction costs;
- Construction or renovation;
- Facility acquisition;
- Equipment; or
- Refinance non-HELP II existing debt, but only where there will be interest savings (generally for existing loans with interest rates above 10%) or a balloon payment due within twelve months.

Funds may **not** be used for:

- Reimbursement of prior project expenditures; or
- Funding start-up projects.
- Refinancing outstanding HELP II loans

Loan Terms

- 1 % Fixed interest rate
- Loan maximum is \$250,000

- Maximum loan terms vary:
 - ◆ Real property purchases and construction/renovations: Up to 10 years
 - ◆ Equipment Purchases - The lesser of either: 1) up to 5 years; 2) The useful life of the equipment
 - ◆ Working capital: Up to 15 months
- Gross revenue pledge or lien on real property or equipment
- Monthly payments
- No prepayment penalties

Fees

- No application fee
- Closing fee: 1% of the loan amount (capped at \$1,000), which could be deducted from the loan proceeds)

Required Documentation

- Evidence of real property value and equipment value
- Three Fiscal Years of Audited Financial Statements
- Deed of Trust

STAFF RECOMMENDATION:

Staff recommends approval of Resolution No. 2018-03 to establish the Emergency HELP loan program, including all terms and requirements of the proposed program.

Attachment:

Application

RESOLUTION NUMBER 2018-03

**RESOLUTION OF THE CALIFORNIA HEALTH
FACILITIES FINANCING AUTHORITY AUTHORIZING THE IMPLEMENTATION
OF THE EMERGENCY HELP LOAN PROGRAM AND DELEGATING CERTAIN
POWERS TO THE EXECUTIVE DIRECTOR**

WHEREAS, the California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized by the provisions of the California Health Facilities Financing Authority Act (the “Act”) to provide secured or unsecured loans to participating health institutions to refinance existing debt and finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, or equipping of a health facility;

WHEREAS, due to the recent widespread fires in the state, affected health facilities may need an expedited loan approval process to meet their financial needs in order to continue providing health care services to their communities;

WHEREAS, the Authority desires to establish a new loan program, the Emergency HELP loan program, to make loans to refinance or finance the acquisition, construction, remodeling, renovation, furnishing, equipping, working capital of a health facility in counties that Governor Brown declared an emergency due to the Northern and Southern California fires-- Butte, Lake, Los Angeles, Mendocino, Napa, Nevada, Orange, San Diego, Santa Barbara, Solano, Sonoma, Ventura, and Yuba as authorized by the Act;

WHEREAS, approval of the guidelines for implementation of the new Emergency HELP loan program is now sought; and

WHEREAS, pursuant to the Act, the Authority may delegate to the Executive Director or in his absence, the Deputy Executive Director any powers and duties the Authority may deem proper;

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority as follows:

Section 1. The Emergency HELP loan program (the “Program”) is hereby established under and by the Authority to provide loans, which shall be implemented with the guidelines set forth in Exhibit A, to participating health institutions affected by the recent widespread fires in the state.

Section 2. The Program shall be established with funds of up to \$2,000,000 from the Authority’s HELP II loan program.

Section 3. The Authority hereby delegates to the Executive Director or in his absence, the Deputy Executive Director, the power to approve Emergency HELP loans for affected health facilities (per loan and health facility) in an amount not to exceed \$250,000 to finance or refinance capital or working capital costs as defined under the Act, but solely to the extent there are available proceeds of the Program, as determined pursuant and subject to Section 4 hereof. This approval is further contingent upon the following conditions:

- 1) Debt service coverage ratio of at least 1.0x; and
- 2) Gross revenue pledge or lien on real property or equipment.

Section 4. The Authority hereby delegates to the Executive Director or in his absence, the Deputy Executive Director, the power to determine the final amount, terms and conditions of the loan, and to approve any changes in the project described in the application submitted to the Authority, as said officer shall deem appropriate and authorized under the Act (provided that the amount of the loan may not be increased above \$250,000 or cause the total amount of approved loans under the Emergency HELP loan program to exceed \$2,000,000, and provided further that the loan continues to meet the Authority's guidelines for the Emergency HELP loan program). Nothing in this Resolution shall be construed to require the Authority to obtain any additional funding, even if more loans are approved than there is available funding. Any notice to the borrower shall indicate that the Authority shall not be liable to the borrower in any manner whatsoever should such funding not be completed for any reason whatsoever.

Section 5. The Authority hereby delegates to the Executive Director or in his absence, the Deputy Executive Director, the power to draw funds from the Emergency HELP loan program fund not to exceed those amounts approved by the Executive Director or in his absence, the Deputy Executive Director, for the borrower. The Authority hereby delegates to the Executive Director or in his absence, the Deputy Executive Director, the power to execute and deliver any and all documents necessary to complete the transfer of funds.

Section 6. The Authority hereby delegates to the Executive Director or in his absence, the Deputy Executive Director, the power to develop, in consultation with legal counsel, loan and security agreements and promissory notes for loans approved under the Emergency HELP loan program. The Authority hereby delegates to the Executive Director or in his absence, the Deputy Executive Director, the power to do any and all things and to execute and deliver any documents in connection with the issuance, disbursements and prepayment of loans, including loan and security agreements, disbursement memorandums, and loan closing documents.

Section 7. All monies for the Emergency HELP loan program shall be available for encumbrance or expenditure until December 31, 2018. Monies remaining in the Emergency HELP loan program as of January 2, 2019 shall revert back to the HELP II Loan Funds.

Section 8. This Resolution shall take effect from and after its adoption, and shall expire on January 31, 2019, unless extended by action of the Authority.

Date Approved: _____

EXHIBIT A

EMERGENCY HELP LOAN PROGRAM PROPOSED GUIDELINES

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