

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“Authority”)

HELP II Loan Program

**Resolution of the California Health Facilities Financing Authority Approving
An Extension of the One Year Construction Period Covenant Provided in
Section 6(b) of the HELP II Loan and Security Agreement**

Resolution Number HII-305A

March 13, 2018

PURPOSE OF THE REQUEST:

Interim, Inc. (“Interim”) is requesting an extension of the one year construction period covenant in Section 6(b) of the HELP II Loan and Security Agreement expiration date to May 31, 2018 to provide the necessary time to finish construction and disburse all remaining funds. This covenant requires all loan proceeds shall be dedicated to the project within one year following the initial disbursement of loan funds. The one year period is set to expire on March 20, 2018.

BACKGROUND:

On September 22, 2016, the Authority approved a HELP II loan for Interim in an amount not to exceed \$1 million to demolish and construct two facilities to serve clients for its Bridge House program. The Bridge House program provides residential treatment for clients with mental illness and substance abuse disorders. Upon completion, the new 6,514 square-foot two-story facility will provide services for up to 25 days for program participants.

The total project costs approximately \$4.5 million, with \$2.5 million funded by a combination of a Medi-Cal Capacity Grant, other grants, and the HELP II loan. According to Interim’s management, all available grant funding was used towards the project prior to disbursing the HELP II loan funds.

For the HELP II loan, the initial disbursement was funded on March 20, 2017 in order to record the HELP II loan lien on the property. Construction on the project began on April 4, 2017. Interim has utilized most of the HELP II loan proceeds and to date, CHFFA has disbursed \$929,849, with a remaining balance of \$70,151.

ISSUE:

Interim’s initial estimates included a project completion date of December 31, 2017. However, the project has been delayed by various factors. According to Interim’s management, the most significant issue has been with the utility company, wherein, the utility company did not have the capacity to complete the engineering necessary to determine installation requirements, design, and points of connection for service. Interim also indicated that the utility company identified a possible gas line on the property that was not previously recorded on the site and it took almost six months to test and eventually determine that the gas line was not on Interim’s property. Because of these delays, Interim was not able to move forward with construction until the utility company resolved the issue.

In addition to the construction delay, Interim utilized the grant funds as the first source of funding for the project such that the disbursement of remaining HELP II loan funds did not resume until January 2018. Subsequently, Interim may not be able to dedicate all of the loan proceeds to the project at the current date of the covenant expiration, March 20, 2018.

In Section 6(b) of the Loan and Security Agreement, the covenant states, “Borrower shall apply all proceeds of this loan dedicated to the project and within one (1) year of the initial disbursement of the loan for construction projects, or as otherwise agreed to in writing by the lender”.

According to Interim’s management, the project is 98% complete and they are confident that the delays will not affect the completion of the project and the opening ceremony is scheduled for May 11, 2018.

RECOMMENDATION:

Staff recommends the Authority approval of Resolution Number HII-305A for Interim, Inc. to extend the one year construction period covenant by 79 days to May 31, 2018. All other conditions remain the same and in full effect.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

HELP II Loan Program

Resolution Number HII-305A

**RESOLUTION APPROVING THE EXECUTION AND DELIVERY OF A
HELP II LOAN PROGRAM AGREEMENTS WITH CERTAIN
PARTICIPATING HEALTH INSTITUTIONS**

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, the Authority established the HELP II Loan Program (the “Program”) to provide loans to participating health institutions as authorized by the Act;

WHEREAS, **Interim, Inc.** (the “Borrower”), a California participating health institution, was approved by the Authority for a loan through the Program, and the Loan and Security Agreement was executed by the Authority and Borrower; and

WHEREAS, approval of an extension of the one year construction period covenant provided in Section 6(b) of the HELP II Loan and Security Agreement is now sought;

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

Section 1. Pursuant to the Act, the Authority approves an extension of the one year construction period to May 31, 2018.

Section 2. The Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the Program fund not to exceed those amounts approved by the Authority for the Borrower. The Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver to the Borrower any and all documents necessary to complete the transfer of funds.

Section 3. The Executive Director of the Authority is hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the Executive Director deems necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby, and which have heretofore been approved as to form by the Authority.

Section 4. This resolution expires May 31, 2018.

Date of Approval: _____