

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“Authority”)

HELP II Loan Program

Reinstatement of Resolution Approving Execution and Delivery of a HELP II Loan Program Agreements with Certain Participating Health Institutions

Resolution Number HII-305

March 23, 2017

PURPOSE OF THE REQUEST:

The resolution approving a HELP II loan to Interim, Inc. (“Interim”) expires on March 22, 2017. To provide the necessary time to close the HELP II loan, Interim is requesting a reinstatement and three-month extension of the resolution, and a change to the collateral pledged in the original application.

BACKGROUND:

On September 22, 2016, the Authority approved a HELP II loan for Interim in an amount not to exceed \$1,000,000. Loan proceeds will be used to demolish an existing building and construct two facilities, which will help serve more clients involved in the “Bridge House” program. The program provides residential treatment for clients with mental illness and substance abuse disorders. Interim will expand its residential program from 13 beds for residential clients to 14 beds upon completion of the 6,514-square-foot two-story facility and provide services for up to 25 day program participants at the new location. According to Interim, it expects construction to begin on March 27, 2017.

In addition to the \$1,000,000 HELP II loan, Interim plans to contribute approximately \$12,000, and \$2.5 million Medi-Cal Capacity grant received from the Central California Alliance for Health to complete the project.

The real property offered as collateral for the HELP II loan is subject to a 30-year period right of revision by the federal government, and the federal Department of Health & Human Services (“HHS”) required a Memorandum of Agreement (“MOA”) with Interim and the Authority. The MOA was unacceptable due to various conditions it would impose on the Authority, such as a requirement to potentially pay HHS cash value for the real property, and the federal government would not subordinate its interest in the real property.

Therefore, Interim offered another real property located at 200 Casentini Street in Salinas for collateral instead of the previously approved property located at 601, 603, and 613 Bayonet Circle in Marina. The Authority currently has a first lien position on the Salinas property as collateral for an existing 2012 HELP II loan. If the Authority approves this change in collateral, the Authority will also hold a second lien position. A recent appraisal of \$1,500,000 confirms the remainder of the 2012 HELP II loan (outstanding balance is \$276,884 and payments have been timely) and the proposed 2017 HELP II loan (\$1,000,000) are within the required 95% combined loan-to-value ratio requirement.

In order to perform its due diligence, CHFFA staff requested Interim's FY 2016 audited financial statement and any other updates to its application, which there were none. A review of Interim's most recent FY 2016 audited financial statement shows an improving financial position.

RECOMMENDATION:

Staff recommends the Authority reinstate Resolution Number HII-305, extend the resolution expiration date to June 30, 2017, and amend the collateral to the real property located at 200 Casentini Street in Salinas, California. All other conditions will remain the same and in full effect.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

HELP II Loan Program

Resolution Number HII-305

REINSTATEMENT OF RESOLUTION APPROVING THE EXECUTION AND DELIVERY OF 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, has applied to the Authority for a loan through the Program, and the application has been reviewed by the staff of the Authority; and

WHEREAS, approval of the loan by the Authority 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 a loan to the Borrower in an amount not to exceed **\$1,000,000** for a term not to exceed **20 years** for the purpose described in the application filed with the Authority (the “Project”), but solely to the extent there are available proceeds of the Program, as determined pursuant and subject to Section 2 hereof. This approval is further contingent upon the following conditions:

1. 20-year, two percent (2%) fixed rate loan;
2. Second lien position on real property located at [200 Casentini Street, Salinas, CA 93907](#) ~~601, 603, and 613 Bayonet Circle, Marina, CA 93933~~
3. Corporate gross revenue pledge;
4. A current appraisal that is acceptable to Authority staff;
5. Combined Loan to value ratio not to exceed 95%;
6. Verification of Borrower’s funds to close escrow; and
7. Verification of additional source of funding to complete project.

Section 2. The Executive Director is hereby authorized, for and on behalf of the Authority, 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 loans may not be increased above the amount approved by the Authority and provided further that the loans continue to meet the Authority's guidelines for HELP II loans). 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 3. 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 4. 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 5. This resolution expires ~~6 months from the date of approval~~ [June 30, 2017](#).

Date of Approval: _____