

CALIFORNIA HEALTH FACILITIES  
FINANCING AUTHORITY

Bill Lockyer, Chairman  
*California State Treasurer*

**HELP II**  
**Healthcare Expansion Loan Program II**  
**Overview**

**3% FIXED INTEREST RATE**

**LOANS FOR  
CALIFORNIA'S NON-PROFIT  
SMALL AND RURAL HEALTH  
FACILITIES**

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## Program OBJECTIVE

The Authority recognizes the difficulty small and rural health facilities have in obtaining adequate financing for their capital needs. In 1995 the Authority launched the HELP II Loan Program to provide direct low cost loans. Since the beginning of the program, the Authority has issued over \$81 million in loans to over 160 small and rural health facilities.

Our objective is to assist health facilities in expanding and improving services to the people of California by providing low cost financing for much needed capital projects.

## Eligibility



### General Requirements:

- ◆ Must qualify as a health facility under the Authority's enabling legislation. (See "Health Facilities Defined", page v.)
- ◆ Must be one of the following:
  - A corporation with no more than \$30 million in annual gross revenues, as shown on most recent audited financials (District Hospitals are exempt from this requirement).
  - Located in a rural Medical Service Study Area as defined by the California Health Manpower Policy Commission.
  - A District Hospital
- ◆ Must be a non-profit 501(c)(3) corporation, or a public health facility (e.g. District Hospital).
- ◆ Must have been in existence for at least three years performing the same type(s) of services.
- ◆ Must provide three years audited financial statements.
- ◆ Must demonstrate evidence of fiscal soundness and the ability to meet the terms of the loan.
- ◆ Must show readiness to begin projects shortly after funding for construction and remodeling projects.
- ◆ Must provide for consumer savings and community benefit.

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Additional Considerations:

- ◆ In addition to the General Requirements, consideration may be given to those projects which leverage funds from other sources, are sole providers of services, demonstrate community support, or fill a pressing community need.
- ◆ Start-up Facilities – up to \$200,000 on a case-by-case basis. (Please contact the Authority for additional information.)

**U**ses of **F**unds



Funds may be used to:

- ◆ Purchase, construct, renovate, or remodel real property.
- ◆ Perform feasibility studies, site tests, and surveys associated with real property.
- ◆ Pay permit fees, architectural fees, and other pre-construction costs.
- ◆ Purchase equipment and furnishings.
- ◆ Refinance existing debt, but only where any single obligation is paid in full.

Funds may **not** be used for:



- ◆ Day-to-day operational expenses (working capital).
- ◆ Reimbursement of prior project expenditures.
- ◆ Refinancing part of a single outstanding obligation.

# HELP II

## Loan Information



### Terms:

- ◆ 3% fixed interest rate.
- ◆ Loan amounts of \$25,000 to \$1,000,000.
- ◆ Maximum loan to value ratio of 95%.
- ◆ Maximum loan term is fifteen years for real estate.  
Equipment loans will be limited to a maximum five years.
- ◆ Borrowers must contribute a minimum of five percent (5%) toward project costs. This five percent must be in the form of cash or documented project expenditures, subject to approval by the Authority.
- ◆ Revenue pledge required. Additional collateral (equipment and/or real estate) may also be required.
- ◆ Fully amortized loans.
- ◆ No prepayment penalties.
- ◆ Loans are funded in approximately 60 days from the application date.

### Standard Covenants

Borrowers receiving loans must:

- ◆ Submit annual audits, and if requested by the Authority, quarterly unaudited financial statements and budgets.
- ◆ Maintain adequate property and business insurance.
- ◆ Notify the Authority of any significant changes in corporate existence prior to the occurrence (i.e., mergers, consolidations, structure or name changes).

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## Fees & Charges



- ◆ \$50 non-refundable application fee.
- ◆ For approved loans, there is a one-time fee payable at closing equal to one and one-quarter percent (1.25%) of the loan amount. This one-time fee is used to defray loan administration and closing costs and can be financed as part of the project.
- ◆ Title and escrow fees may be required for transactions involving real estate.
- ◆ There are no ongoing fees of the program.

# Health Facilities Defined



To be eligible for financing, an applicant must have received non-profit status *and* qualify as a health facility under the Authority's enabling legislation - Section 15432(d) of the Government Code. An applicant, with a few exceptions, must be licensed by the State of California, typically through the Department of Health Services or Department of Social Services. If an applicant is unsure about their eligibility, please contact the Authority.

Examples of qualifying health facilities include:

- Acute care hospitals
- Adult day health centers
- AIDS clinics
- Alcoholism recovery facilities <sup>(1)</sup>
- Blood Banks
- Chemical dependency facilities
- Child day care facilities <sup>(2)</sup>
- Community clinics
- Community mental health facilities <sup>(3)</sup>
- Community work-activity program (Accredited) <sup>(4)</sup>
- Developmental disability facilities
- Diagnostic or treatment centers
- Group homes <sup>(5)</sup>
- Multilevel care facilities<sup>(6)</sup>
- Psychiatric facilities
- Public health centers (e.g. District Hospital)
- Rehabilitation facilities
- Skilled nursing / intermediate care facilities

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(1) Services must include residential care that provides a 24-hour stay.

(2) Must be operated in conjunction with a licensed health facility.

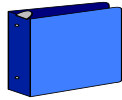
(3) State license is not required, however must be certified by the State of California, Department of Mental Health

(4) Includes sheltered workshops.

(5) Excludes foster family homes and agencies, adoption agencies, and residential care facilities for the elderly.

(6) Skilled Nursing Facility (SNF) or Intermediate Care Facility (ICF) care in conjunction with residential care.

# Applying for a loan



The Authority welcomes your application and wishes you success in your financing endeavors. Staff will be pleased to answer any questions you have or to provide technical assistance in preparing the application. A pre-application discussion with Authority staff is recommended to ensure that the borrower and project qualify for financing. **Please call us at (916) 653-2799.**

## GENERAL INFORMATION

Applications will be accepted on a continual basis. Generally, applications are due by the 20<sup>th</sup> of each month to be included on the agenda for the following month meeting date.

The Authority staff may require a site visit to evaluate the project and the borrower's operations.

All loans must be approved by the Authority's Board at its regularly scheduled meeting in Sacramento (generally the last Thursday of the month). Visit our website at [www.treasurer.ca.gov/chffa](http://www.treasurer.ca.gov/chffa). Applicants must attend the meeting to present their proposals and answer any questions from members of the Authority.

## PREPARING THE APPLICATION

1. Prepare two report covers (Fig. 1) with two-prong metal fasteners (Fig. 2) , with Tabs 1-9 for the application form and Tabs A-F for attachments.

Fig. 1

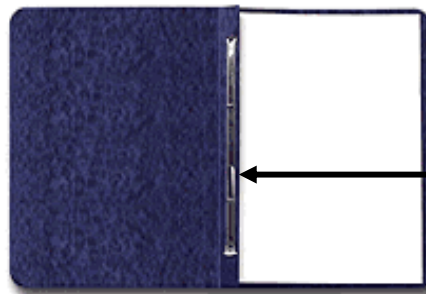


Fig. 2



2. In Tabs 1-9 of the folders, place the completed written application form as requested (see pages A-1 through A-10 and B-1 though B-3). The application must be typed. **Incomplete or illegible applications will not be considered for financing.**
3. In Tabs A through E, insert the attachments as requested on page ATT-1.
4. In Tab F, insert the completed HELP II Application Checklist, page ATT-2.



## **SUBMITTING THE APPLICATION**

Enclose a check for \$50 made payable to the *California Health Facilities Financing Authority* and forward an original and one copy of the application to:

**California Health Facilities Financing Authority**  
915 Capitol Mall, Suite 590  
Sacramento, California 95814  
Attn. Operations Manager

## **THE CLOSING PROCESS**

All approved borrowers will receive a loan closing package approximately one week after loan approval. The package is fairly self contained and includes most of the documents required for closing. However, there are a few documents each borrower must individually provide for closing. Upon the borrower's completion and submission of the closing package to the Authority, a check will be issued in the total amount of the loan. Each loan closing takes approximately four weeks after loan approval, depending upon the complexity of the transaction.