

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“Authority”)

Resolution No. 2019-02

HELP II Loan Program (“HELP II”)

May 30, 2019

PURPOSE OF THE REQUEST:

Authority staff recommends approving the HELP II terms below for an additional two years, through May 31, 2021. Highlights of current terms include:

1. Maximum loan term of 20 years for financing real property acquisition, construction and renovation (for refinancing loans, the maximum term is 15 years and for equipment loans, the maximum term is five years);
2. Maximum loan amount of \$1,500,000 for all loans except for refinancing loans, which is \$1,000,000; and
3. 2% interest rate for all loans except for refinancing loans, which are at 3%.

BACKGROUND:

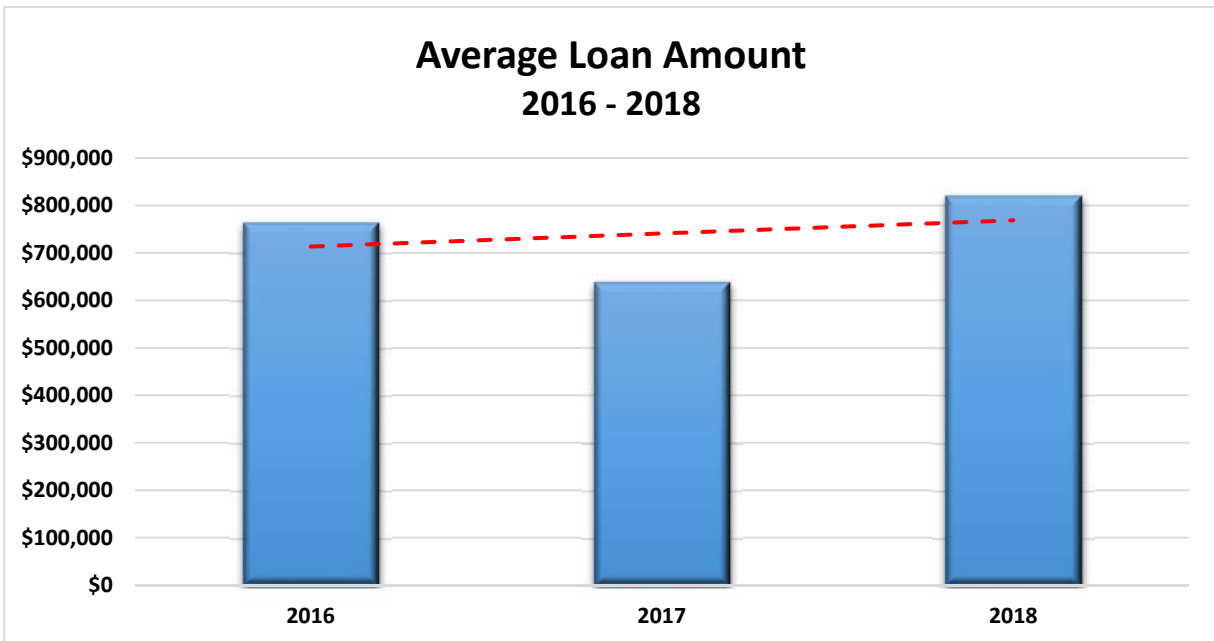
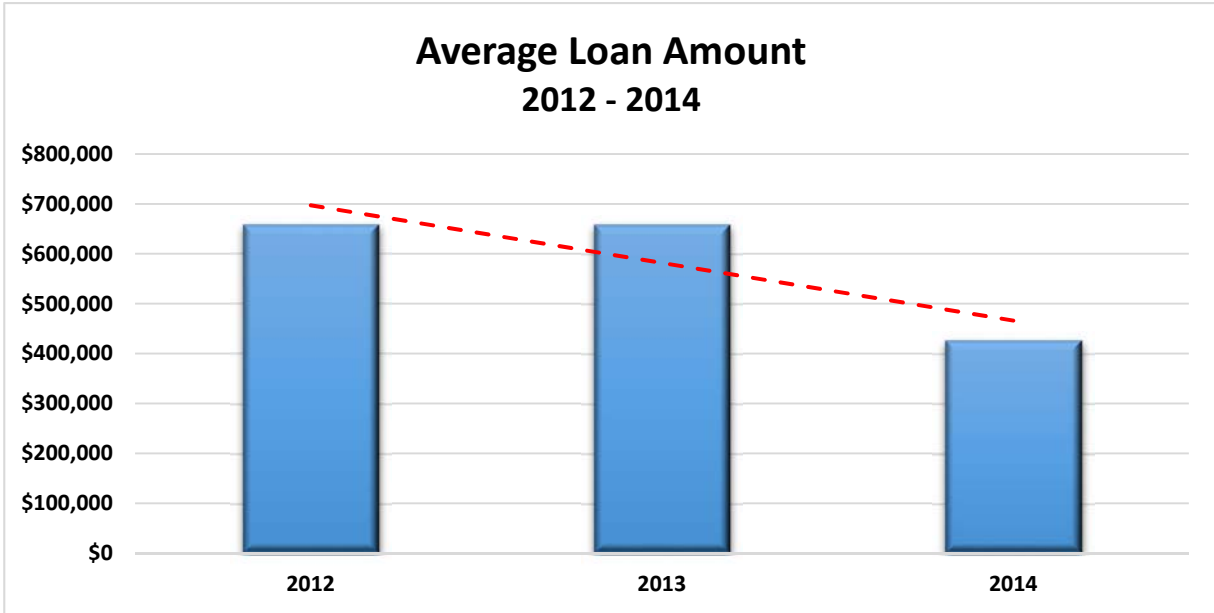
HELP II was created in 1995 to assist small and rural health facilities and district hospitals in expanding and improving services to the people of California. In order to create a self-sustaining program, the Authority established program terms to protect its loans. Since 1997 the Authority has approved various programmatic changes to HELP II in response to the ever-changing environments of interest rates, the housing market, and market demand. On April 30, 2015, the Authority approved the above HELP II programmatic changes, primarily in an effort to increase loan activity and utilize the HELP II’s robust fund balance.

Increasing the loan term to 20 years lowered the borrower’s required monthly payments, increasing the maximum loan amount allowed the Authority to finance more expensive projects, and decreasing the interest rate lowered the cost of borrowing. Additionally, the Authority approved the establishment of a minimum floor of \$6 million for the HELP II fund balance, as a mechanism to safeguard the fund balance.

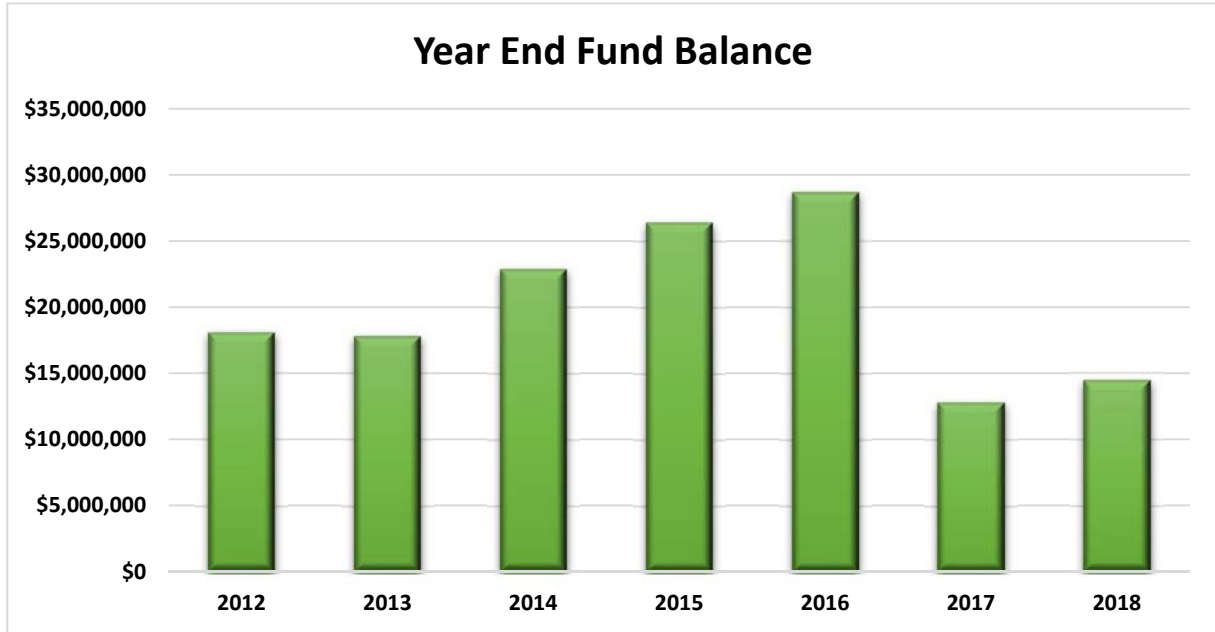
With the exception of the minimum floor establishment, the program changes were approved by the Authority for a two-year period. On April 27, 2017, the Authority approved the extension of the programmatic changes for another two-year period through April 30, 2019.

Staff evaluated the impact of the program changes to HELP II in an effort to determine the value and viability of maintaining the program changes.

In the three years since the program changes, the number of loans has slightly decreased, however total loan volume has increased. This data suggests there is a growing need for larger loan amounts since, in the three calendar years following 2015, 19 loans have closed for a loan volume of approximately \$14 million as compared to the three years prior to 2015 where 21 loans closed for a loan volume of roughly \$13 million. Moreover, the average individual loan amount has increased over 40% with an average loan amount of about \$751,000 in calendar years 2016 – 2018 as compared to about \$530,000 in calendar years 2012 – 2014. Since 2015, the average yearly loan amount closed has been about \$4.7 million in comparison with the approximate \$3.9 million closed in the three years prior to 2015, which is a 17% increase. Please refer to Exhibit 1 for an itemization of the 19 closed loans since 2015.



In addition to funding 19 HELP II loans, in 2017 the HELP II fund balance funded \$20 million in cash for the Lifeline Grant Program. Despite the loss of a substantial percentage of its cash, the HELP II fund balance was able to replenish itself relatively quickly to current levels (as outlined below), demonstrating the fund’s self-sustainability and, hence, staff’s comfort level with keeping current terms in place.



As of December 31, 2018, HELP II had total assets of \$39 million¹, divided between cash and outstanding loans as follows:

Cash:	\$14.4 million
Outstanding Loans:	<u>\$24.6 million</u>
Total:	\$39.0 million

In 2018, HELP II assets generated approximately \$5.7 million in income, consisting of principal payments, interest payments, and earned interest on the cash balance.

The HELP II fund currently has no expenses, is self-sustaining, and maintains a 0% default rate. Based upon current data, it appears that the program changes effectuate the HELP II program goals and appear to drive loan volume. Staff concludes that the program changes are sensible and sustainable and the HELP II fund balance is capable of maintaining the program terms for an additional two years.

STAFF RECOMMENDATION:

Staff recommends approval of the Resolution No. 2019-02 approving the HELP II terms for a period of two years, through May 31, 2021.

¹ This is a draft figure due to Accounting’s delay in providing audited financial data.

Exhibit 1

Borrower	Year Closed	Loan Amount	Purpose of Loan	Interest Rate	Term (years)
Advent Group Ministries, Inc.	2016	\$430,000	Refinance	3%	15
Family Care Network, Inc.	2016	\$1,300,000	Construction	2%	20
Home Ownership for Personal Empowerment, Inc.	2016	\$1,500,000	Real Property	2%	20
Lomi School Foundation	2016	\$100,000	Renovation	2%	20
Plumas Hospital District	2016	\$1,500,000	Working Cap	2%	15 months
Safe Refuge	2016	\$1,000,000	Refinance	3%	15
Yolo Family Service Agency	2016	\$190,000	Refinance	3%	15
Yolo Family Service Agency	2016	\$100,000	Construction	2%	20
Friends of South Central Los Angeles Regional Center for Developmentally Disabled Persons	2017	\$464,444	Real Property	2%	20
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Interim, Inc.	2017	\$1,000,000	Construction	2%	20
Petaluma Health Center, Inc.	2017	\$1,300,000	Construction	2%	20
Petaluma Health Center, Inc.	2017	\$10,000	Equipment	2%	5
TLC Child & Family Services	2017	\$675,000	Real Property	2%	20
CommuniCare Health Centers, Inc.	2018	\$456,000	Real Property	2%	20
Contra Costa ARC	2018	\$1,200,000	Real Property	2%	20
Creative Alternative for Learning/Living	2018	\$385,000	Refinance	3%	15
Eggleston Youth Centers, Inc.	2018	\$560,500	Real Property	2%	20
Mendocino Coast Health Care District	2018	\$1,500,000	Renovation	2%	10

RESOLUTION NO. 2019-02

**RESOLUTION OF THE
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
APPROVING PROGRAMMATIC CHANGES FOR
THE HELP II LOAN PROGRAM**

WHEREAS, the California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the “Act”) to provide secured or unsecured loans to participating health institutions to finance or refinance 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 issue loans to participating health institutions that meet the eligibility guidelines of the Program; and

WHEREAS, the Authority desires to adjust aspects of the existing Program with the purpose of enhancing access under the Program;

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

Section 1. The Authority hereby approves the Program’s maximum loan term of 20 years to finance property acquisition, construction, or renovation until May 31, 2021.

Section 2. The Authority hereby approves the Program’s loan maximum of \$1,500,000 to finance real property acquisition, construction or renovation, and equipment acquisition until May 31, 2021.

Section 3. The Authority approves the Program’s interest rate of 2% to finance real property acquisition, construction or renovation, and equipment acquisition until May 31, 2021.

Section 4. All other aspects of the Program remain unchanged.

Date Approved: _____