

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)

HELP II Loan Program

Amendment to Resolution Number HII-321

February 27, 2020

PURPOSE OF THE REQUEST:

Hart Community Homes, Inc. (Hart Homes) is requesting an extension of the expiration date set forth in Section 5 of Resolution Number HII-321 (the “Resolution”) to June 26, 2020, to provide the necessary time needed to close escrow and disburse funds. The Resolution requires loan proceeds to be disbursed within six months following the initial Board approval date. The six month period is set to expire on March 26, 2020.

BACKGROUND:

On September 26, 2019, the Authority approved the Resolution, which authorized a HELP II loan for Hart Homes in an amount not to exceed \$1,330,000 to purchase an existing apartment complex located at 220 N. Lemon Street in Fullerton, CA. The four-unit apartment complex is expected to add eight bedrooms to be used as shelter for at-risk young adults. Upon purchase, the 4,568 square-foot facility will expand existing programs by adding various support services, such as new mental health counseling and additional employment opportunities, to assist residents of the new property as they transition to independence and self-sufficiency.

Hart Homes plans to purchase the property for \$1,415,000, of which \$1,330,000 will be funded by the HELP II loan proceeds. According to Hart Homes’ management, the remaining balance will be paid out of borrower funds to ensure at least a 95% loan to value ratio.

ISSUE:

While Hart Homes’ management continues to work toward closing its HELP II loan within the Resolution’s expiration date, delays from the property owner may prevent the loan from closing before March 26, 2020. Most significantly, the property owner is selling the property as part of an IRS Section 1031 tax-deferred exchange, whereby the property owner has specific deadlines to purchase a replacement property once the initial sale is completed. The property owner had difficulty identifying property to purchase within the allotted time frame and, therefore, delayed the closing date of the sale of the property. On February 11, 2020 the property owner notified Hart Homes that the sale of the property could proceed as a replacement property had been identified. While all parties anticipate closing the HELP II loan before March 26, 2020, any additional unforeseen delay could cause the deadline to be missed and the Resolution will expire. Granting a three-month extension will ensure that the sale of the property can still be completed in the event of a delay.

RECOMMENDATION:

Staff recommends the Authority approve the Amendment to Resolution Number HII-321 for Hart Community Homes, Inc. to extend the expiration date by three months to June 26, 2020. All other conditions of Resolution Number HII-321 remain unchanged and in full effect.

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**AMENDMENT TO 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, **Hart Community Homes, Inc.** (the “Borrower”), a California participating health institution, applied to the Authority for a loan through the Program, for the purpose of the purchase of real property; and

WHEREAS, the Authority authorized the loan with the adoption of Resolution Number HII-321 on September 26, 2019; and

WHEREAS, pursuant to Section 5 of Resolution Number HII-321, the terms of which are set to expire six months from the date of approval; and

WHEREAS, the Borrower requests the Authority approve of an extension of Resolution Number HII-321 for an additional three months; and

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

Section 1. The Authority approves an extension of an additional three months of the expiration date of Resolution Number HII-321. Section 5 of Resolution Number HII-321 shall henceforth read “This resolution expires on June 26, 2020.”

Section 2. All other conditions of Resolution Number HII-321 remain unchanged and in full effect.

Date of Approval: _____