

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)

COVID-19 Emergency HELP Loan Program (Program)

Amendment to Resolution No. 2020-02

December 3, 2020

PURPOSE OF THE REQUEST:

Staff is requesting an amendment to Resolution Number 2020-02 (the Resolution) to extend the expiration of the Program and the availability of monies for the Program as long as Governor Newsom's March 4, 2020 Proclamation of a State Emergency is in effect.

BACKGROUND:

On April 30, 2020, the Authority approved the Resolution to authorize the establishment of the Program, which included the following:

- Allocated \$5 million of the HELP II Loan Program fund for the Program
- Delegated authority to the Executive Director and the Deputy Executive Director to issue loans up to \$250,000 per borrower (if certain conditions are met)
- Adopted the Program parameters in Exhibit A

The Program provides low cost loans with more flexible terms for health facilities in the state of California that have been impacted by the COVID-19 pandemic, and the Resolution is set to expire on December 31, 2020.

As of November 2020, two applications (totaling \$500,000) have been approved for construction projects.

ISSUE:

The Program was approved for the purpose of providing immediate relief to health facilities impacted by the COVID-19 pandemic. At the time of approval, staff recommended an expiration date December 31, 2020. However, COVID-19 continues to be prevalent, and there is uncertainty about the duration of the pandemic and the potential effects to California's healthcare facilities, particularly through the winter months and flu season. By extending the expiration of the Resolution, it ensures that health facilities will have access to the Program's available funding for the full duration of the COVID-19 pandemic.

RECOMMENDATION:

Staff recommends the Authority approve the Amendment to Resolution Number 2020-02 to extend the Program expiration date and the availability of monies for the Program as long as Governor Newsom's March 4, 2020 Proclamation of a State Emergency is in effect. All other conditions of Resolution Number 2020-02 remain unchanged and in full effect.

AMENDMENT TO RESOLUTION NUMBER 2020-02

AMENDMENT TO RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE IMPLEMENTATION OF THE COVID-19 EMERGENCY HELP LOAN PROGRAM AND DELEGATING CERTAIN POWERS TO THE EXECUTIVE DIRECTOR AND DEPUTY EXECUTIVE DIRECTOR

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 or working capital of a health facility;

WHEREAS, due to the recent infectious disease known as COVID-19, affected health facilities may be impacted and need an expedited loan approval process with more flexible terms to meet their financial needs in order to continue providing health care services to their communities;

WHEREAS, the Authority ~~desires to~~ established a new loan program, the COVID-19 Emergency HELP Loan Program, to make loans, as authorized by the Act, to finance the construction, expansion, remodeling, renovation, improvement, furnishing, equipping and working capital of health facilities located in California where Governor Newsom declared a State of Emergency due to the global COVID-19 pandemic;

WHEREAS, ~~approval of the Authority approved~~ the parameters for implementation of the ~~new~~ COVID-19 Emergency HELP Loan Program ~~is now sought~~ with the adoption of Resolution Number 2020-02 on April 30, 2020; and

WHEREAS, pursuant to the Act, the Authority may delegate to the Executive Director or the Deputy Executive Director, any powers and duties the Authority may deem proper;

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

Section 1. The COVID-19 Emergency HELP Loan Program (the “Program”) is hereby established under and by the Authority to provide loans, which shall be implemented with the parameters set forth in Exhibit A, to participating health institutions affected by the recent COVID-19 pandemic in the state of California.

Section 2. The Program shall be established with funds of up to \$5,000,000 from the Authority’s HELP II Loan Program.

Section 3. The Authority hereby delegates to the Executive Director or the Deputy Executive Director, the power to approve COVID-19 Emergency HELP loans for affected health facilities in an amount not to exceed \$250,000 (per health facility) to finance capital project costs or working capital as defined under the Act, but solely to the extent there are available proceeds for the Program, as determined pursuant and subject to Section 4 hereof.

Section 4. The Authority hereby delegates to the Executive Director or the Deputy Executive Director, the power 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 loan may not be increased above \$250,000 or cause the total amount of approved loans under the Program to exceed \$5,000,000, and provided further that the loan continues to meet the Authority's parameters for the Program, as set forth in Exhibit A). 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 should such funding not be completed for any reason.

Section 5. The Authority hereby delegates to the Executive Director or the Deputy Executive Director, the power to draw funds for the Program from the HELP II Loan Program fund not to exceed those amounts approved by the Executive Director or the Deputy Executive Director, for a borrower. The Authority hereby delegates to the Executive Director or the Deputy Executive Director, the power to execute and deliver any and all documents necessary to complete the transfer of funds.

Section 6. The Authority hereby delegates to the Executive Director or the Deputy Executive Director, the power to develop, in consultation with legal counsel, loan and security agreements and promissory notes for loans approved under the Program. The Authority hereby delegates to the Executive Director or the Deputy Executive Director, the power to do any and all things and to execute and deliver any documents in connection with the issuance, disbursement and prepayment of loans, including loan and security agreements, disbursement memorandums, and loan closing documents. The Authority hereby delegates to Executive Director or Deputy Executive Director the power to carry out any ministerial actions.

Section 7. The Executive Director or the Deputy Executive Director, shall report to the Authority at the next scheduled meeting, all actions taken pursuant to this Resolution. The Executive Director or Deputy Executive Director shall provide to the Authority a final report at the next scheduled meeting after this Resolution expires.

Section 8. All monies for the Program shall be available for loan approval ~~until December 31, 2020~~ as long as Governor Newsom's March 4, 2020 Proclamation of a State Emergency is in effect, unless extended by action of the Authority.

Section 9. This Resolution shall take effect from and after its adoption, and shall ~~expire on December 31, 2020,~~ be effective as long as Governor Newsom's March 4, 2020 Proclamation of a State Emergency is in effect, unless extended by action of the Authority.

Date Approved: _____

EXHIBIT A

COVID-19 EMERGENCY HELP LOAN PROGRAM PROPOSED PARAMETERS

Eligibility

General Requirements:

- Annual gross revenues cannot exceed \$30 million as shown on the most recent audited financial statement (No revenue limit for qualifying rural health facilities and district hospitals)
- Must be a health facility as defined in the Authority's Act (Section 15432(d) of the California Government Code)
- Must be a non-profit 501 (c)(3) corporation or a public health facility (e.g., District hospital) as defined in the Authority's Act (Section 15432(e) of the California Government Code)
- Must have been in existence for at least three years, providing the same types of services
- Must provide evidence acceptable to the Authority that the health facility has been impacted by the COVID-19 pandemic
- Must demonstrate evidence of fiscal soundness and the ability to meet the terms of the proposed loan
- For construction, remodeling, renovation and improvement projects, must show readiness to begin projects within 30 days after approval

Uses of Funds

Funds may be used for:

- Construction, remodeling, renovation and/or improvements
- Equipment and/or furnishings
- Day-to-day operational expenses (working capital)
- Reimbursement of prior expenditures related to the COVID-19 pandemic

Funds may NOT be used for:

- Funding start-up projects
- Refinancing outstanding loans

Loan Terms

- 0% fixed interest rate
- Loan maximum is \$250,000
- Maximum loan maturities vary:
 - Construction/remodeling/renovation/improvements – Up to 20 years
 - Equipment/furnishings – The lesser of either: 1) the useful life of the equipment/furnishings; 2) up to 5 years
- Working capital – Up to 15 months
- Gross revenue pledge and lien on real property and/or equipment/furnishings, whichever is applicable
- Pro forma debt service coverage ratio of at least 1.0x
- No prepayment penalties

Fees

- No application fee
- Closing fee 1% of the loan amount, which could be deducted from the loan proceeds

Required Documentation

- Evidence of real property value, equipment/furnishings value, and/or estimates of operating expenses
- Three most recent fiscal years of audited financial statements
- Evidence that the borrower has been impacted by the COVID-19 pandemic and that loan proceeds will be used for the purpose of addressing the impact