

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)
HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II)**

First Amendment to Resolution Number HII-338

January 26, 2023

PURPOSE OF THE REQUEST:

Fred Brown's Recovery Services, Inc. (Fred Brown) is requesting to amend the project description to include the renovations of a recently purchased property and extend the resolution repeal date for its HELP II loan as set forth and adopted in Resolution Number HII-338.

BACKGROUND:

On September 29, 2022, the Authority approved a HELP II loan for Fred Brown in an amount not to exceed \$1,532,000 to purchase one or more residential buildings in Los Angeles County that would be used to increase the quality and quantity of residential treatment services in the San Pedro area. Fred Brown successfully purchased two properties in San Pedro, 852 W. 19th Street, which closed in October 2022, and 1278 W. 25th Street, which closed in December 2022. The homes purchased with the original HELP II loan left a balance of \$47,150 from the approved amount.

Fred Brown is requesting to amend the project description to include renovation of the recently purchased property at 852 W. 19th Street. There are a number of required repairs and upgrades to bring the home up to licensing and certification standards as well as to provide functionality, safety, and comfort to residents and staff. These renovations include a new heating, ventilation, and air conditioning system; upgrading and relocating electrical panels; floor refinishing; replacing the back porch stairs; interior and exterior painting; attic insulation; landscaping; installing a concrete parking pad; window replacements; along with other minor repairs. The total home improvement project costs are expected to be \$70,500. The balance of the approved HELP II loan amount will be allocated to the project, and Fred Brown will pay the difference from its existing cash reserves. The cumulative amount of the loan, including the renovation project, will not exceed the previously approved \$1,532,000 amount.

Fred Brown is also requesting to extend the original repeal date of the resolution to September 30, 2023, to allow for time to start the renovation.

RECOMMENDATION:

Staff recommends the Authority approve the First Amendment to Resolution Number HII-338 for Fred Brown's Recovery Services, Inc., to include renovation in the project description and to extend the repeal date of the original resolution to September 30, 2023. All other conditions of Resolution Number HII-338 remain unchanged and in full effect.

The amended resolution is attached with revisions shown.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II)
First Amendment to Resolution Number HII-338

RESOLUTION APPROVING EXECUTION AND DELIVERY OF
HELP II 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 (Gov. Code, §15430 et seq.) (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; and

WHEREAS, the Authority established HELP II (the “Program”) to provide loans to participating health institutions as authorized by the Act; and

WHEREAS, **Fred Brown’s Recovery Services, 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, the Borrower received Authority approval for a HELP II loan, consisting of two loans for the purchase of two properties, as memorialized in Resolution Number HII-338 adopted at the September 29, 2022, Authority Board meeting and will be repealed on March 31, 2023; and

WHEREAS, the Borrower purchased two properties with the HELP II loan located at (1) 852 W. 19th Street, San Pedro, CA 90731 and (2) 1278 W. 25th Street, San Pedro, CA 90731; and

WHEREAS, the Borrower is requesting a first amendment to Resolution Number HII-338 to (1) add a third loan for the renovation of property located at 852 W. 19th Street, San Pedro, CA 90731 and (2) extend the repeal date by six months to September 30, 2023; and

WHEREAS, approval of the ~~loan~~ First Amendment to Resolution Number HII-338 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 HELP II loan to the Borrower in a collective amount not to exceed **\$1,532,000** for individual terms not to exceed **20 years** for each property purchased and the renovation project with the overall HELP II loan for the purposes described in ~~the application filed with the Authority~~ Exhibit A of the First Amendment to this resolution (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. First lien on each real property purchased with HELP II funds
2. [Second lien on real property located at 1278 W. 25th Street, San Pedro, CA 90731 for the renovation project](#)
3. 20-year, two percent (2%) fixed-rate for each loan
4. A current appraisal for each property that exhibits a loan-to-value ratio not to exceed 95%
5. Corporate gross revenue pledge
6. Executed purchase contract for each property
7. [Executed construction contract](#)
8. Verification of Borrower's funds to close escrow

Section 2. The Executive Director and the Deputy Executive Director are hereby authorized, for and on behalf of the Authority, to determine the final amount, terms and conditions of the loans, 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. This resolution shall not 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 and the Deputy Executive Director are 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 and Deputy Executive Director are 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 those amounts.

Section 4. The Executive Director and the Deputy Executive Director of the Authority are hereby authorized and directed to do any and all things and to execute and deliver any and all documents that the Executive Director or the Deputy Executive Director deem necessary or advisable to effectuate the purposes of this resolution and the transactions contemplated hereby, and that have heretofore been approved as to form by the Authority.

Section 5. This resolution is repealed ~~six months from the date of approval on~~ [September 30, 2023](#).

Date of Approval: _____

EXHIBIT A

**USE OF HELP II LOAN PROCEEDS UNDER
FIRST AMENDMENT TO RESOLUTION NUMBER HII-338**

- Purchase real property located at 852 W. 19th Street, San Pedro, CA 90731 and 1278 W. 25th Street, San Pedro, CA 90731
- Renovation of 852 W. 19th Street, San Pedro, CA 90731