

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“CHFFA”)
STAFF SUMMARY AND RECOMMENDATION**

Kings Rehabilitation Center, Inc. (“KRC”)

Amended Resolution Number HII-235

February 23, 2012

PURPOSE OF THE REQUEST:

Staff requests an amendment to Resolution Number HII-235 for Kings Rehabilitation Center (“KRC”) to extend the expiration date to April 9, 2012. The existing resolution will expire on February 24, 2012. The extension will allow staff to complete the closing process and fund the HELP loan funds in the amount of \$750,000.

BACKGROUND:

KRC first appeared before the board at the February 26, 2009 meeting and the board approved Resolution No. HII-235 for a HELP II loan in the amount of \$750,000. The original loan proceeds were approved to construct a new Adult Day Care Center on its main property to relieve overcrowding at its current facility. According to KRC management, the project had been put on hold due to the uncertainty of the State Budget.

At the January 28, 2010 meeting, the board approved an extension for an additional year and a change in the project. KRC management changed the project to construct a new Day Training Activity Center on its main property to relieve overcrowding at its current facility, provide additional capacity and reach a broader clientele. KRC is licensed under the Department of Social Services as an adult day care facility, whose clients are developmentally disabled, mentally disabled and physically handicapped¹.

At the February 24, 2011 meeting, the board approved a second extension for an additional year. According to KRC management, the basis for the delay was the City of Hanford required KRC’s architect to submit updated plans with alterations in the engineering portion of the plans concerning fire hydrants in order to obtain the city’s approval. The City determined that KRC had to have a separate dedicated fire line on its own property, which delayed the process and caused KRC to pull their plans and make corrections and then resubmit them again. Staff has been working closely with KRC management and the title company to complete the closing. The loan closing documents were received on February 8 and staff anticipates closing the loan no later than April 9, 2012. KRC plans to begin construction soon after the loan closes.

FINANCIAL ANALYSIS:

KRC’s financial condition has continued to improve as shown in the FY 2011 audit. When this item was presented to the board in February of 2011, staff noted KRC’s income statement exhibited positive operating results over the review period (FY’s 2008-2010) and this trend does appear to continue in FY 2011. KRC’s balance sheet for FY 2011 appears very solid with approximately \$4.7 million in unrestricted net assets, good liquidity and minimal long-term debt. The proforma debt service coverage ratio for FY 2010 was a solid 7.38x and KRC’s proforma debt service coverage for FY 2011 improves to 10.50x, indicating that it appears KRC should be able to service the proposed HELP II payments.

RECOMMENDATION:

Staff recommends the Authority approve amending the Resolution No. HII-235 to extend the expiration date 45 days to allow staff to close the HELP II loan by April 9, 2012. All other provisions of the HELP II loan will remain the same and in full force and effect.

¹ The facility is eligible pursuant to Government Code 15432(d)(7).

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The HELP II Program

Amended Resolution Number HII-235

**RESOLUTION APPROVING EXECUTION AND DELIVERY OF
HELP II LOAN PROGRAM AGREEMENT 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 make secured or unsecured loans to participating health institutions, as defined;

WHEREAS, the Authority has previously established a HELP II Program to make loans to finance or refinance, among other things, all or a portion of the cost of acquiring certain equipment or constructing certain capital improvements (the “Project”) as authorized by the Act;

WHEREAS, **Kings Rehabilitation Center, Inc.** (the “Borrower”), a California nonprofit corporation and participating health institution, has applied to the Authority for a loan for the financing of the Project, and the application has been reviewed by the staff of the Authority and must be approved by the Authority;

WHEREAS, final approval of the loan 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 loan to the Borrower, in the amount of **\$750,000** for a term not to exceed **15 years** to construct a new Day Training Activity Center as described in the application filed with the Authority, but solely to the extent there are available proceeds of the HELP II Program, as determined pursuant and subject to Section 2 hereof. This approval is further contingent upon the following conditions:

1. Gross revenue pledge;
2. First (1st) lien on property located at 490 East Hanford-Armona Road, Hanford, CA 93230
3. Fully executed construction contract for the proposed project located at 490 East Hanford-Armona Road, Hanford, CA 93230
4. Proof of receipt of building permits;
5. Appraisal of the collateralized property acceptable to the Authority; and
6. Verification of adequate borrower’s funds to complete project.

Section 2. The Executive Director is hereby authorized, for and on behalf of the Authority, to determine the final amount, terms and conditions of the loan approved pursuant to Section 1 hereof, 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 the amount approved by the Authority and provided further that the loan continues to meet the Authority's guidelines for HELP II loans). 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, or that the Executive Director determines shall be funded from the HELP II Program. Any notice to an applicant approved hereunder shall indicate that the Authority shall not be liable to the applicant in any manner whatsoever should such funding not be completed for any reason whatsoever.

Section 3. The Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the HELP II Program fund not to exceed those amounts approved by the Authority for the Borrower approved in Section 1. The Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver to the Borrower in Section 1 any and all documents necessary to complete the transfer of funds.

Section 4. The Authority hereby finds that the loan approved in Section 1 is for a Project eligible for financing pursuant to provisions of the Act.

Section 5. The Executive Director of the Authority is hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to effectuate the purposes of this Resolution and the transactions contemplated hereby, and which have heretofore been approved as to form by the Authority.

Section 6. This resolution expires on April 9, 2012.

Date Approved: _____