



## **CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA) PRIVATE PLACEMENT LENDING PROGRAM**

### **CHFFA PROGRAM**

CHFFA offers borrowers the opportunity to issue municipal bonds either by way of a public offering/sale or through a private placement/direct purchase. In a private placement, CHFFA enters into a purchase agreement with a lender to sell the bonds, and then CHFFA enters into a loan agreement with the borrower to loan the proceeds from the bond sale. Among the benefits of private placements are lower costs of issuance, quicker and easier execution and fewer parties requiring disclosure and due diligence. Some banks also will lend funds without requiring cash funding of a Debt Service Reserve Fund, which can result in additional cost savings. As a result, private placements are beneficial for smaller transactions or issuers with a unique credit story and work well for bonds with a shorter term (i.e., 10 years or less).

### **THE OPPORTUNITY: ISSUE DEBT CHEAPER AND FASTER THROUGH PRIVATE PLACEMENTS**

CHFFA proposes establishing a new Private Placement Lending Program with a small group of pre-selected banks and financing professionals. Borrowers electing to participate in this program would benefit from standardized loan documents and due diligence procedures, ensuring faster, easier and less costly execution. Borrowers need not have their own financing team to participate. There are some socially-responsible investors that may be willing to lend to CHFFA borrowers at below market rates in order to aide in bringing about improved medical care. CHFFA is in the process of contacting these investors to see if they would be willing to set aside funds to invest in bonds for health facilities seeking to make COVID-19-related capital improvements or equipment purchases. Their interest depends in part on the depth of interest among borrowers in utilizing this new program.

Borrowers with established financing teams, that already have identified a lender for a particular private placement transaction, can of course continue to issue through CHFFA, as they have in the past, outside of the new Private Placement Lending Program.

### **WHO CAN BORROW**

In order to meet the requirements for the CHFFA Private Placement Lending Program, a borrower must meet the following eligibility criteria:

- ☐ Be a participating health institution under the CHFFA Act (which includes a public hospital, a non-profit corporation or association authorized by the laws of California to provide or operate a health facility and undertake the financing or refinancing of a project);
- ☐ Have been operating for a minimum of three years and provide three years of audited financial statements; and
- ☐ Have revenue sufficient to cover debt service on the proposed financing.

### **WHAT CAN BE FINANCED**

New construction or renovation projects, land acquisition for future projects, acquisition of facilities, purchase of equipment, refinancing of outstanding debt used for such purposes, working capital for start-up facilities, funding of debt service reserves, costs of bond issuance, etc.

### **AMOUNT AND TERM OF FINANCING**

No upper limit on the amount of refinancing. Terms of up to 40 years, subject to the useful life of what is being financed.

### **FINANCING FEES**

CHFFA will charge an initial fee of 0.05% of the par amount of the bond issuance (\$1,000 for small private and public health facilities), and 0.0175% of the bonds outstanding annually (annual maximum of \$150,000 in total for large private health facilities, and \$500 in total for small private and public health facilities). Other financing costs include legal, financial advisor, and trustee fees. Examples of the fees for the first year of a bond issuance with a par amount of \$100 million are below. Over time, the annual fee would decrease because CHFFA assesses it based on the outstanding bond amount, not the original par amount.

Applicant Type	Issuance Amount	CHFFA Initial Fee	CHFFA Annual Fee
Large Private, Non-profit	\$100 million	\$50,000	\$17,500
Small Private, Non-profit and Public	\$100 million	\$1,000	\$500

### **APPLICATION**

Simple loan application.