



CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II) OVERVIEW

LOW FIXED INTEREST RATE

LOANS FOR
CALIFORNIA'S NON-PROFIT
SMALL AND RURAL
HEALTH FACILITIES

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The California Health Facilities Financing Authority (Authority) recognizes the difficulty small and rural health facilities have in obtaining adequate financing for their capital needs. In 1995, the Authority launched the HELP II Loan Program to assist health facilities in expanding and improving services to the people of California by providing direct low cost loans.

Eligibility



General Requirements

- ◆ Must qualify as a health facility under the Authority's enabling legislation (see examples of health facilities, page 5).
- ◆ Must be one of the following:
 - A health facility with no more than \$40 million in annual gross revenues, as shown on most recent audited financials (district hospitals are exempt from this requirement).
 - Located in a rural Medical Service Study Area as defined by the California Healthcare Workforce Policy Commission (no maximum annual gross revenue).
 - A district hospital (no maximum annual gross revenue).
- ◆ Must be a non-profit 501(c)(3) organization or a public health facility (e.g. district hospital).
- ◆ Must have been in existence for at least three years performing the same type(s) of services.
- ◆ Must demonstrate evidence of fiscal soundness and the ability to meet the terms of the loan.

Uses of Funds



Loan proceeds up to \$2,000,000 per borrower may be used for eligible uses as listed below.

Eligible Uses:

- ◆ Purchase, construction, renovation, or remodeling of real property.
- ◆ Purchase equipment and furnishings.
- ◆ Perform feasibility studies, site tests, and surveys associated with real property.
- ◆ Pay permit fees, architectural fees, and other pre-construction costs.



Ineligible Uses:

- ◆ Appraisal fees
- ◆ Title fees
- ◆ Financial advisor fees
- ◆ Authority loan fees

Loan proceeds up to \$1,000,000 may be used to refinance existing debt. The existing debt must qualify as an eligible use under the HELP II Loan Program.

- ◆ Refinance existing debt, but only when a single obligation is paid in full.

Loan Information

Terms

- ◆ 2% fixed interest rate for property acquisition, construction, renovation, and equipment.
- ◆ 3% fixed interest rate for loan refinancing.
- ◆ Loan amounts of \$25,000 to \$2,000,000.
- ◆ Repayment Period:
 - Maximum of 20 years for property acquisition, construction, and renovation.
 - Maximum of 15 years for loan refinancing.
 - Maximum of 5 years for equipment.
- ◆ Maximum loan-to-value ratio of 95%.
 - Borrowers must contribute a minimum of 5% toward project costs, either in the form of cash or project expenditures. For refinancing transactions, the 5% may come from equity in the property.
- ◆ Pre-approval is now available for property acquisition. Resolutions are valid for six months and closing is conditional based on all standard loan terms being met.
- ◆ Required collateral:
 - Real estate and/or equipment
 - Revenue pledge
- ◆ Fully amortized loans.
- ◆ No prepayment penalties.
- ◆ Loans can be funded approximately 60 days from the date of application.

Standard Covenants

Applicants receiving loans must:

- ◆ Submit audited annual financial statements, and if requested by the Authority, quarterly unaudited financial statements and budgets.
- ◆ Maintain adequate property and business insurance.
- ◆ Notify the Authority of any significant changes in corporate existence prior to the occurrence (i.e. merger, consolidation, structure or name change).

Fees & Charges



- ◆ \$50 non-refundable application fee.
- ◆ Once approved, there is a one-time fee payable at closing equal to 1.25% of the loan amount. This one-time fee is used to defray loan administration and closing costs.
- ◆ Title and escrow fees may be required for transactions involving real estate.
- ◆ There are no ongoing program fees.

GENERAL INFORMATION

- ◆ Applications are accepted on a continual basis. Applications are due by the 20th of each month in order to be considered at the next month's Authority Board meeting (meetings are generally held the last Thursday of the month). Visit our website at www.treasurer.ca.gov/chffa for the list of meeting dates.
- ◆ Applicants are required to attend the meeting to present their proposals and answer questions from members of the Authority Board.
- ◆ The Authority staff may require a site visit to evaluate the Project and the Applicant's operations.
- ◆ HELP II Loan borrowers must comply with California's prevailing wage law under Labor Code section 1720, et seq. for public works projects. The Authority recommends consulting legal counsel.

Health Facilities Defined



To be eligible for financing, an Applicant must have non-profit status **and** qualify as a health facility under the Authority's enabling statute – Section 15432(d) of the Government Code. With few exceptions, a facility must be licensed by the State of California. If an Applicant is unsure about eligibility, please contact the Authority.

Examples of qualifying health facilities include, but are not limited to:

- General Acute Care Hospitals
- Adult Day Health Centers
- Alcoholism Recovery Facilities ⁽¹⁾
- Chemical Dependency Facilities
- Child Day Care Facilities ⁽²⁾
- Community Clinics
- Community Mental Health Facilities Center ⁽³⁾
- Community Work-Activity Program (Accredited)⁽⁴⁾
- Residential Facility for Persons with Developmental Disabilities
- Multilevel Care Facilities⁽⁵⁾
- Acute Psychiatric facilities
- Public Health Centers (e.g. District Hospital)
- Rehabilitation Facilities
- Skilled Nursing / Intermediate Care Facilities

(1) Services must include residential care that provides a 24-hour stay.

(2) Must be operated in conjunction with a licensed health facility.

(3) State license is not required; however program must be certified by the State of California, Department of Health Care Services.

(4) Includes sheltered workshops.

(5) Arrangement where a Residential Facility for the Elderly operates in conjunction with a Skilled Nursing Facility, Intermediate Care Facility, or a General Acute Care Hospital.