CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II)

2025 ANNUAL REPORT

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Overview

The Healthcare Expansion Loan Program (HELP), created in 1988, was designed to provide small and rural health facilities with financing for capital needs through low-cost loans. While the HELP program was successful in fulfilling its mission, issuing 39 loans totaling $5.7 million, the program soon ran into trouble. CHFFA took no security on the loans, and there were no interest or initial fee charges. The HELP program was discontinued in 1994 as CHFFA desired to create a self-sustaining loan program.

CHFFA created the Healthcare Expansion Loan Program II (HELP II) in 1995, and in order to ensure HELP II was a more financially robust and self-sustaining program than the original HELP program, CHFFA established provisions to protect its loans, which included requiring collateral, establishing an interest rate, and charging a one-time loan origination fee. Other eligibility requirements include, but are not limited to, evidence of fiscal soundness and ability to repay the loan.

The original HELP II loan terms were a 3% interest rate, a maximum loan amount of $300,000, and a maximum term of 10 years. The following chart shows the general progression of the HELP II programmatic changes that resulted from a number of factors, such as changes in market interest rates, availability of funds, and general project cost increases.

Year	Maximum Loan Amount	Maximum Annual Gross Revenues[1]	Interest Rate	Maximum Term	Year End 15 Year Mortgage Rate
1995	$300,000	$10 million	3%	10 years	6.73%
1997	$500,000	$10 million	3%	15 years	6.65%
1999	$400,000	$10 million	3%	15 years	7.66%
2001	$400,000	$20 million	3%	15 years	6.65%
2005	$500,000	$20 million	3%	15 years	5.76%
2007	$750,000	$30 million	3%	15 years	5.79%
2012	$1,000,000	$30 million	3%	15 years	2.65%
2015	$1,500,000[2]	$30 million	2%[3]	20 years[4]	3.24%
2021	$2,000,000[2]	$40 million	2%[3]	20 years[4]	2.33%
2024	$2,000,000[2]	$40 million	3%[5]	20 years[4]	5.92%

1 Maximum annual gross revenues eligibility requirement does not apply to rural health facilities and district hospitals.

2 Maximum loan amount for refinancing loans remained at $1,000,000.

3 Interest rate for refinancing loans remained at 3%.

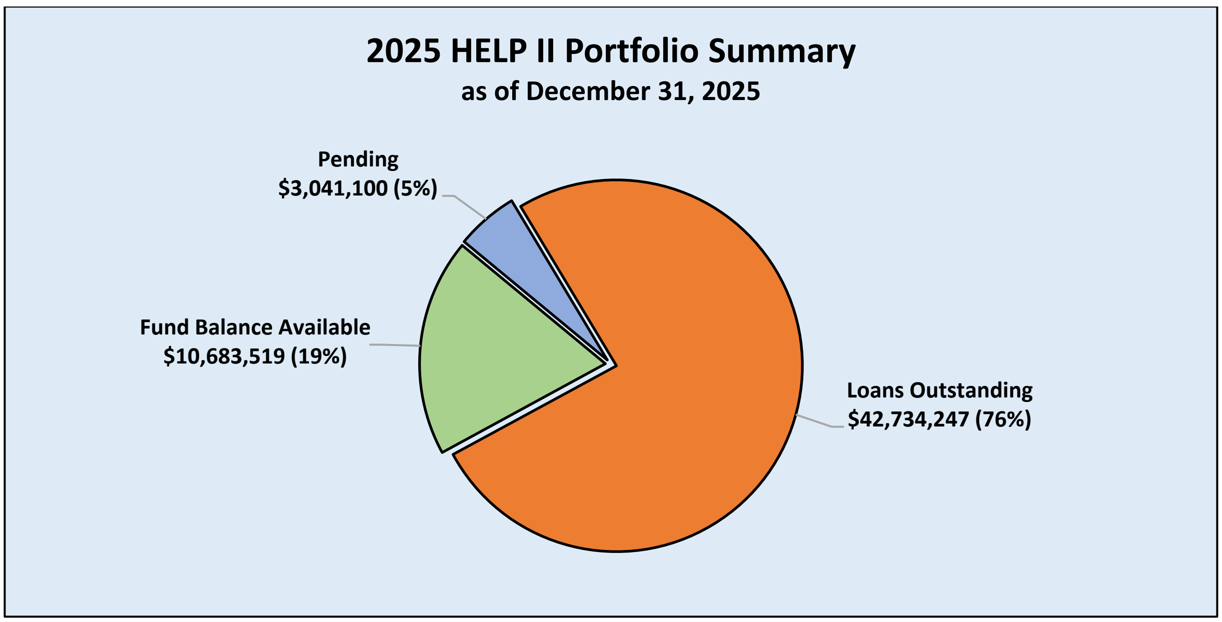
4 Maximum term for refinancing loans remained at 15 years. Maximum term for equipment and furnishings remained at 5 years.

5 Interest rate for refinancing loans increased to 4%

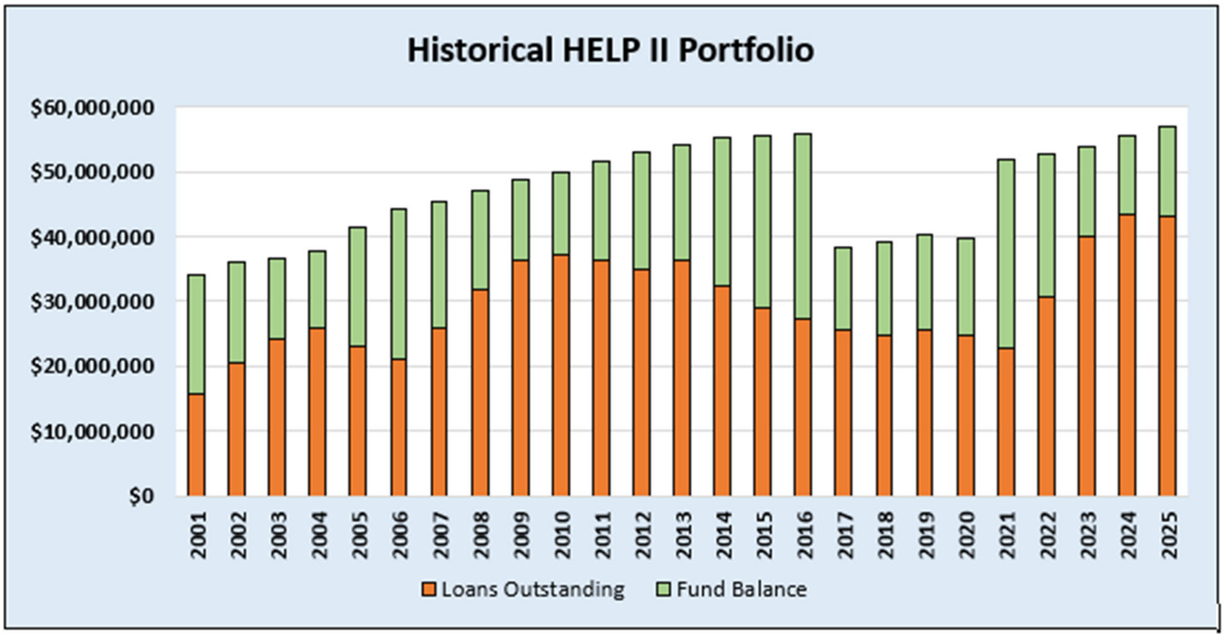
In 2021, the Authority approved increasing the Maximum Annual Gross Revenues requirement from $30 million to $40 million following a review of parameters set by the Small Business Administration (SBA) for certain health care related categories. In 2021, the SBA's maximum annual gross revenue limits for General Medical and Surgical Hospitals was $41.5 million, Skilled Nursing Facilities was $30 million, and Residential Intellectual and Developmental Disability Facilities and Residential Mental Health and Substance Abuse Facilities was $16.5 million. Staff will continue to monitor and bring forth recommendations to the board when needed.

Portfolio

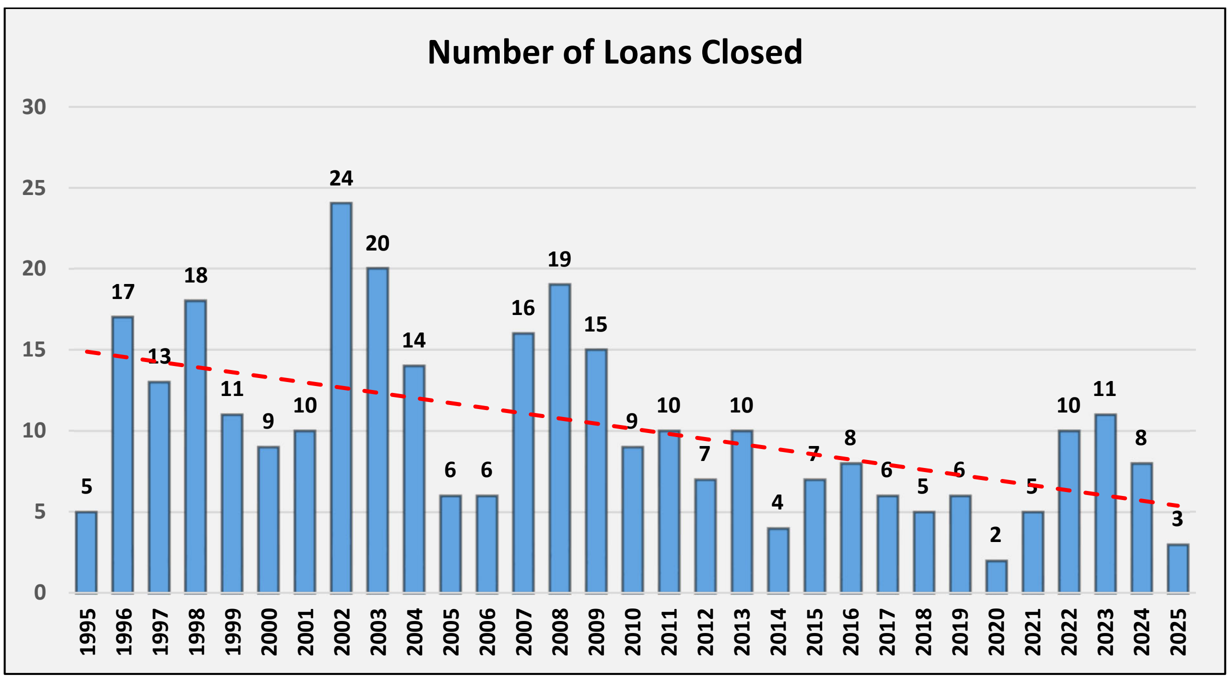
Since 1995, CHFFA has issued 314 loans for an aggregate total of approximately $155.3 million to 198 health facilities with a 0% default rate. As of December 31, 2025, there was a total of approximately $42.7 million in HELP II loans outstanding, with approximately $10.7 million in funds available for loans and approximately $3.0 million in pending loans, resulting in a total Program portfolio amount of approximately $56.5 million.

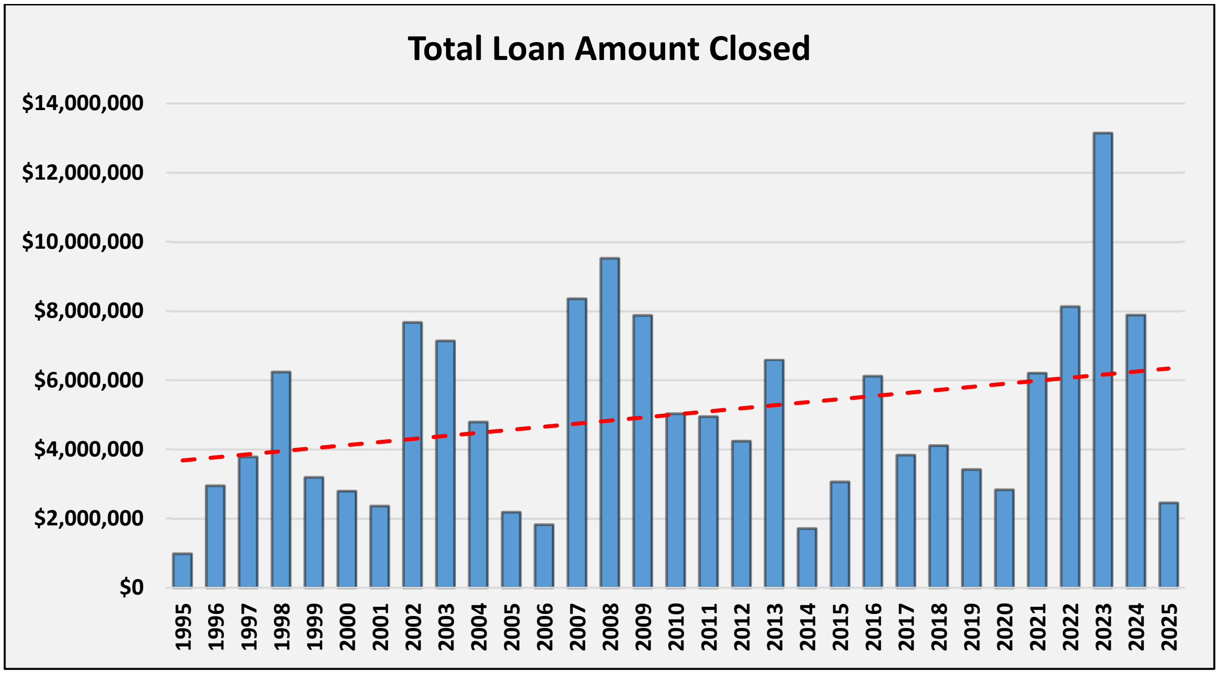


The chart below shows the makeup of the HELP II portfolio from 2001 through 2025. The portfolio demonstrated steady growth through 2016 before dropping in 2017 with the removal of $20 million from the fund balance for the Lifeline Grant Program. A little over $10 million was returned to the fund balance in 2021, and the portfolio reached its historical high of nearly $56.5 million in 2025, surpassing the amount in 2016 of $55.8 million.



The following graphs provide a synopsis of HELP II as a whole, from 1995 through 2025.

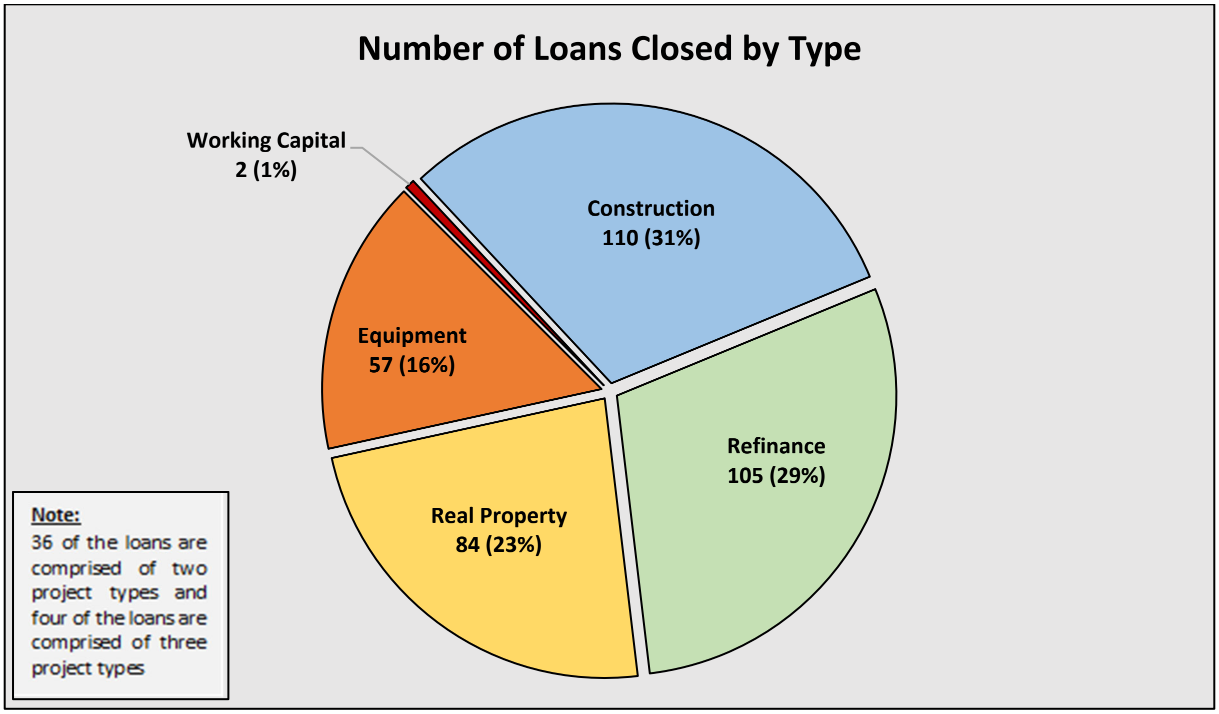


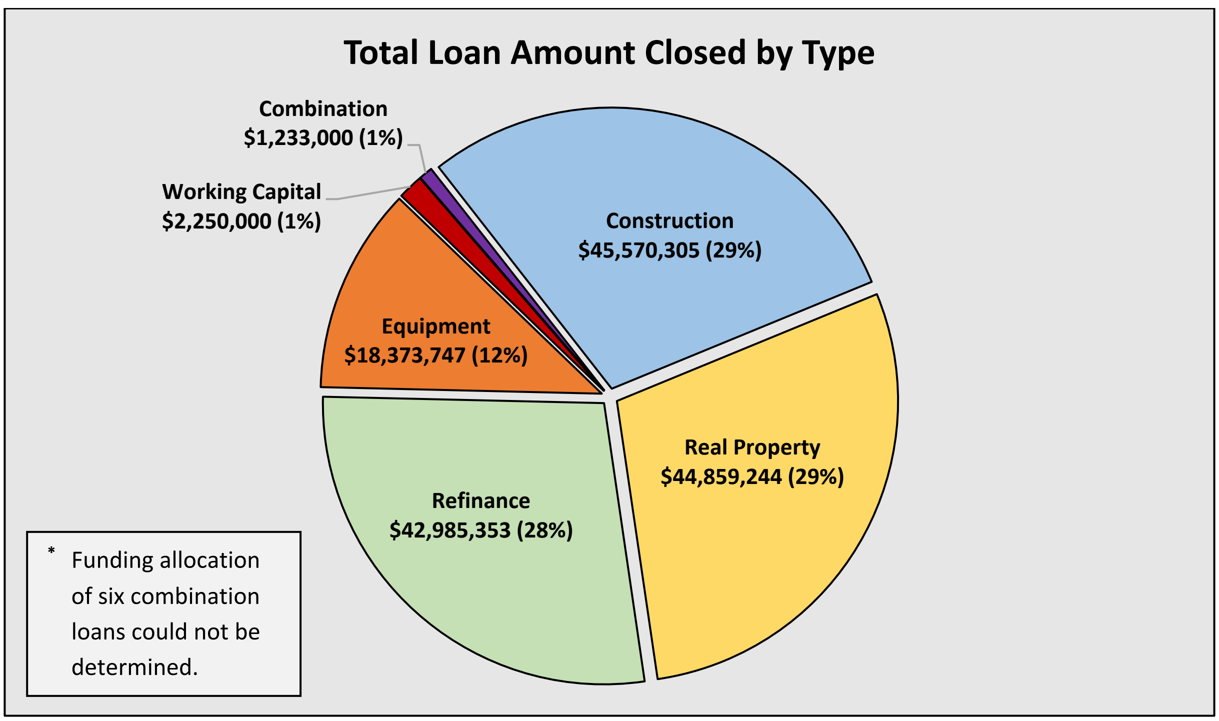


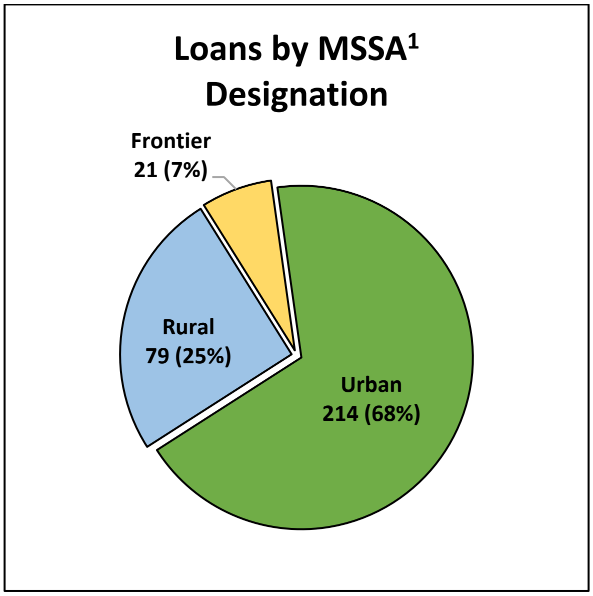
Over the course of HELP II's history, the number of loans closed per year has exhibited a decreasing trend; however, the total loan amount closed each year has experienced an increasing trend. The diverging trends of these two graphs indicate that the total loan amount closed each year has been supported by larger individual loan amounts.

- Average number of loans closed per year: 10
- Average total loan amount closed per year: $5,008,763

The charts below show the overall breakdown of the types of loans HELP II has funded from 1995 to 2025. Throughout the history of HELP II, construction/renovation projects and refinancings have been the most prevalent, but these charts display a healthy mix of all project types.

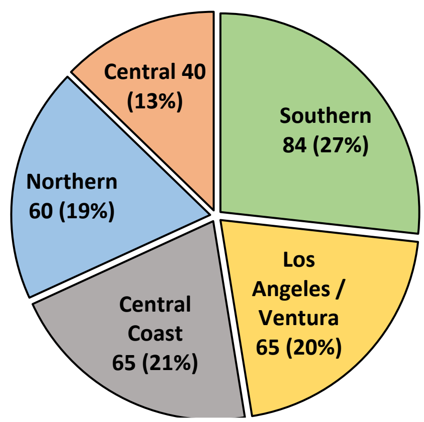

Number of Loans Closed by Type
Working Capital
2 (1%)
Construction
110 (31%)
Equipment
57 (16%)
Refinance
105 (29%)
Real Property
84 (23%)
Note:
36 of the loans are comprised of two project types and four of the loans are comprised of three project types

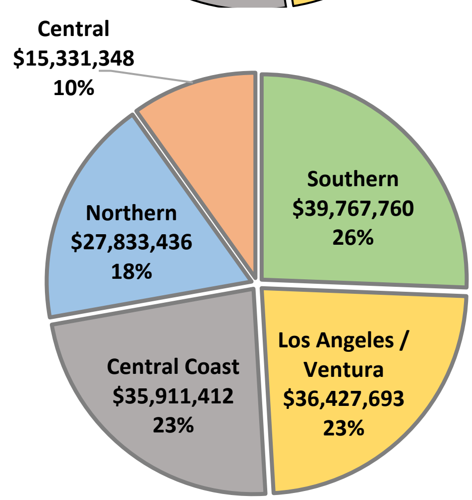

Total Loan Amount Closed by Type
Combination
$1,233,000 (1%)
Working Capital
$2,250,000 (1%)
Construction
$45,570,305 (29%)
Equipment
$18,373,747 (12%)
Real Property
$44,859,244 (29%)
Refinance
$42,985,353 (28%)
* Funding allocation of six combination loans could not be determined.



Looking at the localities from where HELP II borrowers have come, there is a robust array, measured both by MSSA[1] designation and by geographic region. From the chart to the left, about one in three HELP II loans are in a location designated as rural or frontier. The charts below show how loans are spread throughout California, from Modoc County in the north all the way down to San Diego County in the south.

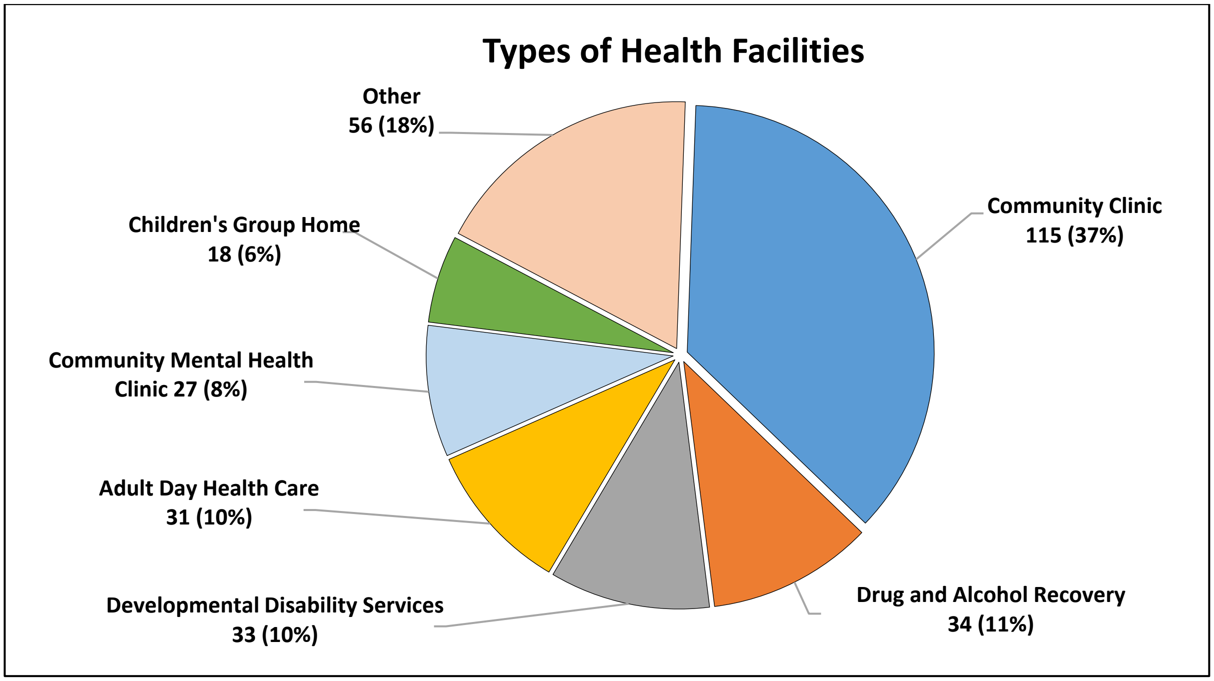
Loans by Geographic Location





[1] Medical Service Study Area (MSSA) designations are defined by the California Healthcare Workforce Policy Commission within the California Department of Health Care Access and Information and determined by population density. A **Rural** designation is a population density of 250 persons or less per square mile and having no incorporated area with a population greater than 50,000 persons. A **Frontier** designation is a population density equal to or less than 11 persons per square mile.

HELP II borrowers represent a diverse group of health facilities, and the following chart displays different types of health facilities that received financing with HELP II loans. Approximately a third of projects are for community clinics, but the chart also shows a variety of other health facility types that HELP II has funded with some regularity. Since 2020, community clinics continue to make up the majority of facility types receiving HELP II loans. Of the 39 loans closed, 19 were for community clinics, which was nearly 50% of all loans. Group homes, acute care hospitals, drug and alcohol recovery centers, and short-term residential therapeutic programs were the next most common as each received four loans, and a few other types each receiving one loan.



The "Other" category includes the following health facilities below.

Acute Care Hospital	Indian Clinic
Acute Psychiatric Hospital	Intermediate Care Facility
Adult Residential Facility	Residential Treatment Program
Adult Transitional Program	Retirement Center
Chronic Dialysis Clinic	Short Term Residential Therapeutic Program
Community Work Activity Program	Skilled Nursing Facility
Group Home	Social Rehabilitation
Health Care District	Special Health Care Facility
Helicopter Medical Evaluation Firm	

Summary of 2025 Loans

In 2025, the Authority approved five HELP II loans totaling $5,341,000 and closed three HELP II loans totaling $2,451,894. The following provides a summary of the three HELP II loans that closed in 2025.

Marin Ventures (Marin County)

Borrower Profile:

Marin Ventures is a 501(c)(3) that was founded in 1990 and is located in Marin County. Marin Ventures is a community engagement day program for adults with developmental disabilities, including those affected by complex conditions, such as down syndrome, autism, and cerebral palsy.

Loan Details:

$1,000,000; 4%; 15 years

Loan proceeds were used to refinance an existing bank loan to eliminate a balloon payment.

The Carolyn E. Wylie Center for Children, Youth & Families (Riverside County)

Borrower Profile:

The Carolyn E. Wylie Center for Children, Youth & Families (The Wylie Center) is a 501(c)(3) non-profit organization established in 2006 through the merger of the Youth Service Center of Riverside and the Children's Center of the Inland Counties. The Wylie Center provides educational programs and therapeutic services and focuses on meeting the needs of individuals with special learning, emotional, and developmental challenges.

Loan Details:

$951,894; 4%; 15 years

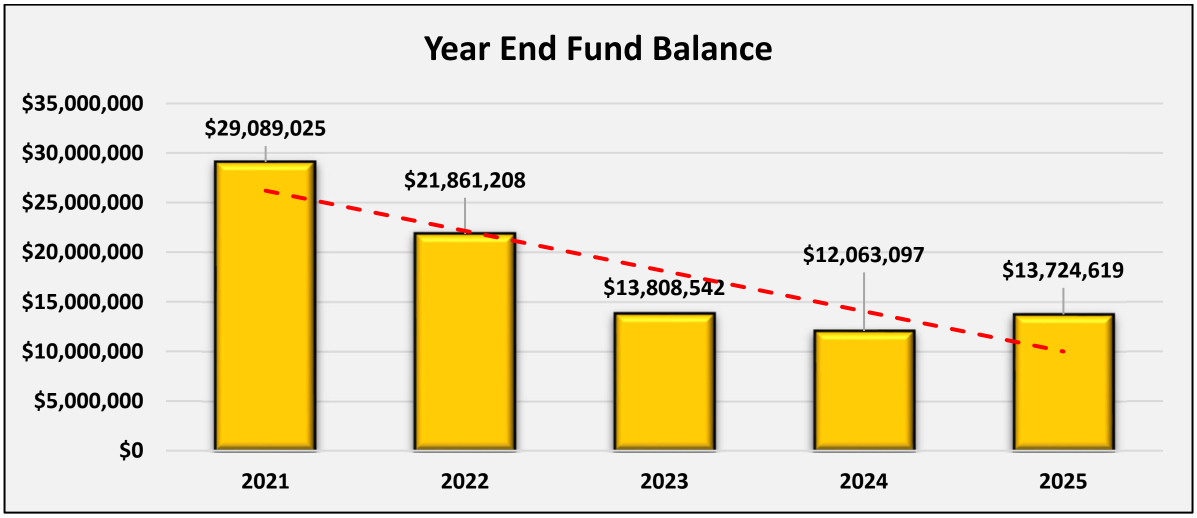
Loan proceeds were used to refinance an existing variable rate bank loan to secure fixed rate financing and eliminate a balloon payment

$500,000; 3%; 20 years

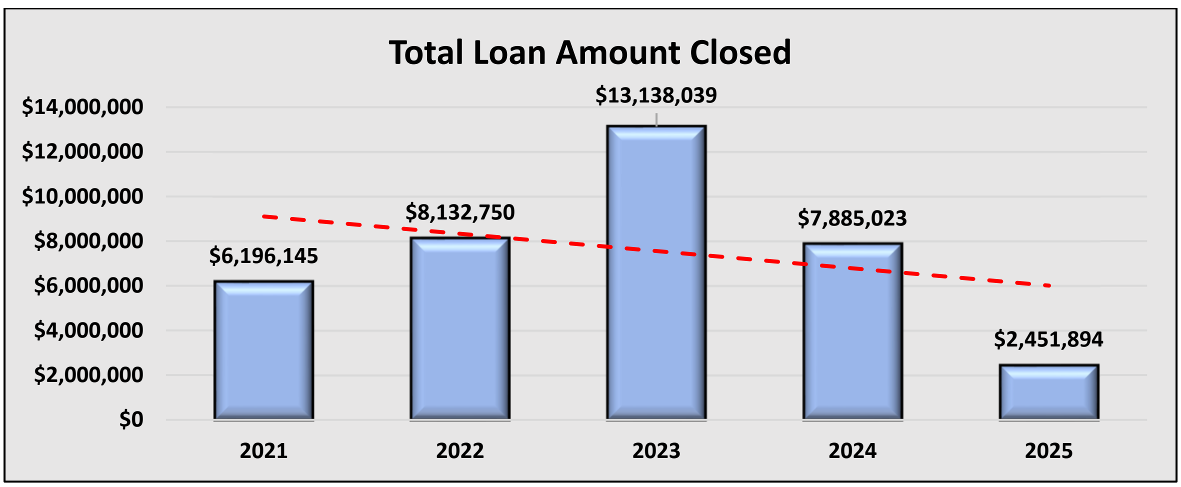
Loan proceeds were used to renovate an existing facility to address infrastructure needs, including resurfacing an aging roof, upgrading the HVAC system, replacing rotting wood frames, and reconfiguring office space.

Trends: 2021-2025

The following charts take a more focused look at the past five years, from 2021 through 2025.



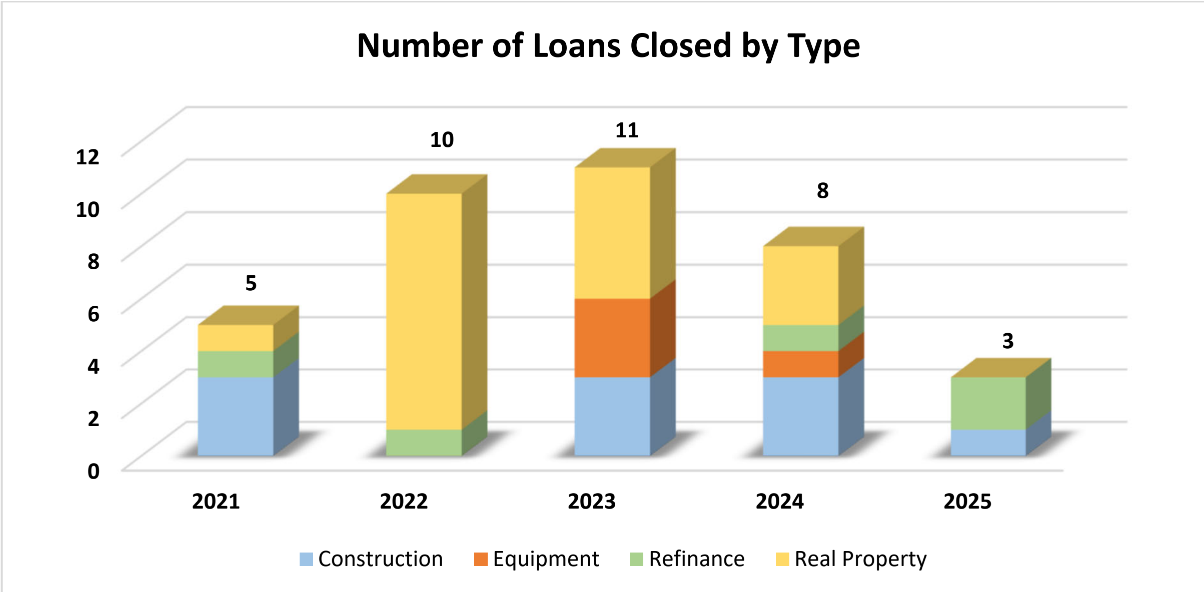
The Year End Fund Balance chart above shows a decline from 2021 through 2024 as loan activity increased, with 10, 11, and 8 loans closed in 2022, 2023, and 2024, respectively. With only three loans closed for $2.5 million in 2025, the fund balance increased to approximately $13.7 million.



The graph above illustrates a fluctuating trend in the loan amount closed over the five-year period. The loan amount closed was approximately $6.2 million in 2021, increasing to approximately $13.1 million in 2023, and then decreasing to approximately $2.5 million in 2025. Loan volume followed the same pattern, with five loans closed in 2021, 11 loans closed in 2023, and three loans closed in 2025.

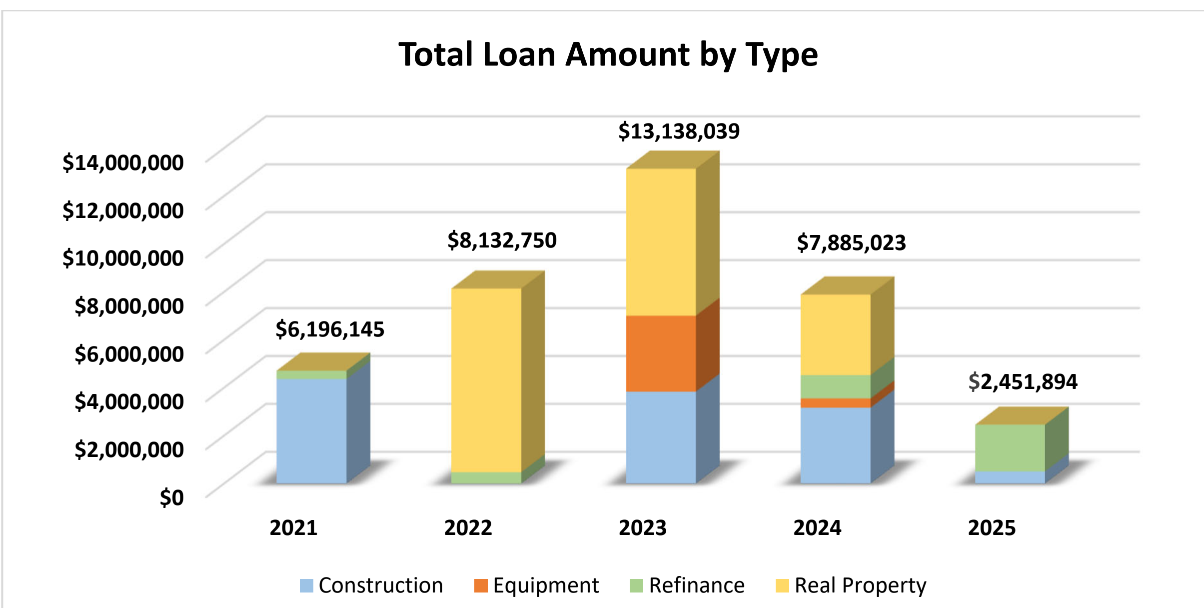
The following information summarizes a typical year for HELP II based on the last five years.

- Average year-end fund balance: $18,109,298
- Average number of loans closed: 7
- Average amount closed per loan: $1,009,959
- Average total amount closed: $7,560,770



In the last five years, HELP II has closed 37 loans totaling approximately $37.8 million. Over time, the make-up of those loans has varied. Real property acquisition was the most utilized loan type over the five-year period, followed by construction loans. Refinance loans were less frequent with single transactions in 2021, 2022, and 2024 but was the most common type of loan in 2025 with two.

The chart below illustrates the usage of loan funds by the various loan types. Consistent with the chart above, real property acquisition represented the largest share of loan funds in 2022, 2023, and 2024 while construction and refinance activity represented larger shares in 2021 and 2025, respectively. Overall, the charts show that HELP II loan activity has varied by year and by project type, reflecting the mix of borrower needs during the five-year period.



Looking Ahead to 2026

The three loans closed for approximately $2.5 million in 2025 show a decrease in both the number and amount of HELP II loans closed compared to 2024, when eight loans closed for nearly $7.9 million. Economic uncertainty may continue into 2026, including potential impacts on construction and renovation costs, interest rates, Medi-Cal reimbursement rates, and borrower financing needs. The effects on CHFFA's HELP II program remain unknown, and staff will continue to monitor program activity closely.