

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
(Authority or CHFFA)

Healthcare Expansion Loan Program (HELP II) Programmatic Change

Resolution No. 2026-05

September 24, 2026

Executive Summary

At the July 2021 CHFFA Board (Board) meeting, the Authority approved Resolution No. 2021-03, modifying the Board's prior Loan Parameters for the HELP II Program (Program). Among other changes, the Board's action increased the maximum annual gross revenue eligibility requirement to qualify as a small health facility from \$30 million to \$40 million. Staff is now requesting the Board modify the Loan Parameters to increase the gross revenue threshold from \$40 million to \$45 million. A summary of the programmatic changes to the Loan Parameters since inception through 2024 follows.

History

The original HELP loan program was established in 1988 to assist small and rural health facilities and district hospitals in expanding and improving services to the people of California through low-cost loans. However, it soon ran into trouble as CHFFA took no security on the loans and there were no interest or initial fee charges. In 1995, the Program was created to replace the original HELP loan program with the same intent to assist health facilities but with more financial robustness to improve the longevity of the Program. In order to create this self-sustaining program, CHFFA established provisions to protect its loans, which included requiring collateral, establishing a 3% interest rate, and charging a one-time loan origination fee.

The following chart shows the progression of some of the programmatic changes through 2024.

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%

Year	Maximum Loan Amount	Maximum Annual Gross Revenues ¹	Interest Rate	Maximum Term	Year End 15 Year Mortgage Rate
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%

MAXIMUM ANNUAL GROSS REVENUE TO QUALIFY AS A SMALL HEALTH FACILITY

In order to determine if an increase in the maximum annual gross revenue requirement to qualify as a small health facility, as set forth by Resolution No. 2021-03 in July 2021, was appropriate, staff reviewed other comparable lending programs. CHFFA has generally followed the United States Small Business Association's (SBA) as it is the only lender with clearly defined sizing requirements for specific business categories. The table below outlines the SBA's size standards for certain healthcare types and compares the maximum revenue requirements in 2021 to 2026. As the table shows, when the Authority increased the maximum revenue requirement from \$30 million to \$40 million in 2021, the SBA's maximum annual gross revenue requirement for general medical and surgical hospitals was \$41.5 million but has since increased to \$47 million in 2026. Other categories had similar increases; however, these organizations would fall below the \$45 million maximum and therefore would also meet the increased revenue requirement.

Health Care Facility Type	Maximum Annual Gross Revenue (In Millions)	
	<u>2021</u>	<u>2026</u>
General Medical and Surgical Hospitals	\$41.5	\$47.0
Nursing Care Facilities (Skilled Nursing Facilities)	\$30.0	\$34.0
Residential Intellectual and Developmental Disability Facilities	\$16.5	\$19.0
Residential Mental Health and Substance Abuse Facilities	\$16.5	\$19.0
Services for the Elderly and Persons with Disabilities	\$12.0	\$15.0

Many nonprofit healthcare providers have also expanded services to meet growing community needs, resulting in higher annual revenues. However, increased gross revenue does not necessarily indicate improved financial strength, as many providers continue to operate with narrow margins while facing rising operating costs and serving large Medi-Cal and underserved populations. Increasing the eligibility threshold would improve access to affordable financing for nonprofit healthcare organizations that continue to have significant capital needs but may no longer qualify under the current revenue limit due to economic factors beyond their control.

Updating the revenue threshold would increase the pool of potential borrowers and better align the Program with today's healthcare marketplace while preserving the Program's original intent of supporting small and rural nonprofit healthcare providers.

Recommendation: Adopt revised Loan Parameters to increase the maximum annual gross revenue eligibility requirement to qualify as a small health facility from \$40 million to \$45 million. Attached to the Resolution as Exhibit A is a redline of the existing Loan Parameters showing the proposed change.

RESOLUTION NO. 2026-05

**RESOLUTION OF THE
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
APPROVING A PROGRAMMATIC CHANGE FOR
THE HEALTHCARE EXPANSION LOAN PROGRAM II**

WHEREAS, the California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the “Act”) to provide secured or unsecured loans to participating health institutions to finance or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, or equipping of a health facility;

WHEREAS, the Authority established the Healthcare Expansion Loan Program II (the “Program”) to issue loans to participating health institutions that meet the eligibility guidelines of the Program; and

WHEREAS, the Authority has previously approved certain Loan Parameters for the Program; and

WHEREAS, the Authority desires to modify the Loan Parameters to increase the maximum annual gross revenue limitation of the existing Program with the purpose of enhancing access under the Program;

NOW, THEREFORE BE IT RESOLVED by the California Health Facilities Financing Authority as follows:

Section 1. The Authority hereby adopts the revised Loan Parameters attached hereto as Exhibit A, increasing the maximum annual gross revenue limitation from \$40 million to \$45 million to qualify as a small health facility under the Program.

Section 2. The Executive Director and/or the Deputy Executive Director are hereby authorized and directed to take any and all other actions necessary, convenient, or desirable in the effectuation and application of the Loan Parameters.

Section 3. This resolution shall take effect immediately upon its approval.

Date Approved: _____

LOAN PARAMETERS

Eligibility:

- ◆ Must qualify as a health facility under the Authority's enabling legislation, Section 15432(d) of the Government Code.
- ◆ A health facility with no more than ~~\$40~~ \$45 million in annual gross revenues, as shown on most recent audited financials
- ◆ Located in a rural Medical Service Study Area as defined by the California Healthcare Workforce Policy Commission (no maximum annual gross revenue requirement)
- ◆ A district hospital (no maximum annual gross revenue requirement)

In addition to above requirements, an applicant must also:

- ◆ With some exceptions, must be licensed by the State of California, typically the Departments of Health Care Services, Public Health, or Social Services
- ◆ Must have been in existence for at least three years performing the same type(s) of services
- ◆ Must provide audited financial statements for previous three fiscal years. Must demonstrate evidence of fiscal soundness and the ability to meet the terms of the loan
- ◆ Must be able to begin project within six months of loan approval

Terms:

- ◆ 3% fixed interest rate for property acquisition, construction, renovation, and equipment
- ◆ 4% 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 available for real property acquisition. Resolutions are valid for six months and closing is conditional based on all standard loan terms being met
- ◆ Fully amortized loans
- ◆ No prepayment penalties
- ◆ Loans can be funded approximately 60 days from the date of application

Security:

- ◆ All loans:
 - Gross revenue pledge via UCC-1 Financing Statement with the Secretary of State
- ◆ For property acquisition, construction, renovation loans:
 - 1st lien position via deed of trust on the real property used to secure loan
- ◆ For equipment loans:
 - UCC-1 Financing Statement on equipment financed

The Authority may impose other/additional security requirements depending on the facts and circumstances of the transaction.

Below are the terms and requirements of various project types:

Real Property Acquisition, Construction, and Renovation

- ◆ Minimum loan amount \$25,000; Maximum loan amount \$2,000,000
- ◆ 3% interest rate
- ◆ Maximum of 20-year loan repayment period
- ◆ Must be secured by real property and gross revenue pledge
- ◆ The Authority requires 1st lien position
- ◆ At the time of application, applicant must provide project cost estimates
- ◆ Acquisition or construction/renovation project must show readiness to commence within six months
- ◆ All construction, and renovation projects must comply with California's prevailing wage law under Labor Code section 1720, et seq.
- ◆ Documents that will be **required** prior to loan closing:
 - Fully executed purchase or construction contract, as applicable
 - Preliminary title report
 - Pro forma ALTA title insurance policy
 - Current appraisal of real property, exhibiting a loan-to-value ratio not to exceed 95%
 - Verification of applicant's funds to close escrow
 - Execution of the Authority's loan documents

Refinancing

- ◆ Minimum loan amount \$25,000; Maximum loan amount \$1,000,000
- ◆ 4% interest rate
- ◆ Maximum of 15-year loan repayment period
- ◆ Must be secured by real property and gross revenue pledge
- ◆ The Authority requires 1st lien position
- ◆ At the time of application, applicant must provide a copy of the promissory note that is being refinanced and the most recent mortgage statement

- ◆ Documents that will be **required** prior to loan closing:
 - Payoff demand letter
 - Preliminary title report
 - Pro forma ALTA title insurance policy
 - Current appraisal of real property, exhibiting a loan-to-value ratio not to exceed 95%
 - Verification of applicant's funds to close escrow
 - Execution of the Authority's loan documents

Equipment

- ◆ Minimum loan amount \$25,000; Maximum loan amount \$2,000,000
- ◆ 3% interest rate
- ◆ Maximum of 5-year loan repayment period
- ◆ Must be secured by lien on equipment financed and gross revenue pledge
- ◆ At the time of application, applicant must provide description of equipment, cost of equipment, and vendor(s) name
- ◆ Documents that will be **required** prior to loan closing:
 - Verification of applicant's funds to close
 - Execution of the Authority's loan documents

Fees:

- ◆ \$50 non-refundable application fee
- ◆ Once approved, there is a one-time fee payable at closing equal to 1.25% of the loan amount
- ◆ There are no annual loan administrative fees or prepayment penalty fees