

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority or CHFFA)

HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II)

**RESOLUTION TO APPROVE ADDITIONAL DEBT AND GRANT A LIEN ON
PARITY WITH THE AUTHORITY'S EXISTING LIEN IN CONNECTION
WITH THE AUTHORITY'S HELP II LOAN TO THE
SOUTHERN HUMBOLDT COMMUNITY HEALTHCARE DISTRICT**

Resolution Number 2026-06

October 29, 2026

PURPOSE OF THE REQUEST:

Southern Humboldt Community Healthcare District (Southern Humboldt) is requesting approval of Resolution Number 2026-06, authorizing the Executive Director and/or Deputy Executive Director to consent to Southern Humboldt's request to incur additional debt and to allow the lien securing the new debt to be on parity with CHFFA's lien on the HELP II loan.

BACKGROUND:

Southern Humboldt was approved for a HELP II loan of up to \$2,000,000 (HELP II Loan) through Resolution No. HII-340 on December 1, 2022, to support seismic-related renovations to its acute care hospital, the Jerold Phelps Community Hospital (Hospital). The HELP II Loan is secured by Southern Humboldt's property tax revenue from Humboldt County.

Typically for HELP II loans, the Authority requires a 1st lien position via a deed of trust on a borrower's real property. However, Southern Humboldt is a district hospital, and district hospitals are considered public property. As such, they cannot be foreclosed upon to liquidate assets for loan repayments. For HELP II loans to district hospitals, the Authority has approved an assignment of county property tax revenue in lieu of a real property lien. This security provision is clearly stated in the HELP II Loan Agreement between the Authority and Southern Humboldt.

Under the HELP II Loan Agreement, Southern Humboldt agreed to, among other things, maintain a minimum 1.0x debt service coverage ratio and that it shall not create, incur, assume or suffer to exist any lien upon any required collateral or incur additional debt without the prior written consent of the Authority as Lender. The current outstanding balance of the HELP II loan is \$1,721,181, and the renovations to the Hospital were completed in 2025.

ISSUE:

Southern Humboldt seeks to incur additional debt through a direct placement bond in the amount of \$10,000,000 (Bank Loan) with its existing lender, Columbia Bank (Bank). Southern Humboldt purchased land in 2019 with the intention to construct a new acute care hospital to replace the Hospital. The Hospital will continue to be utilized as a skilled nursing facility. Proceeds of the Bank Loan will be used to reimburse Southern Humboldt for expenses incurred designing, planning, and constructing a new hospital. As conditions of providing the Bank Loan, the Bank requires, among other things (1) Southern Humboldt maintain a minimum debt service coverage ratio of at 1.25x; (2) the Bank Loan be secured by certain collateral including the same collateral pledged for the HELP II Loan; and (3) the Bank's lien on the Authority's collateral is on parity with the Authority's lien.

Per Southern Humboldt's fiscal year 2025 audited financials, it received \$1,404,861 in property tax revenue, an increase from the previous fiscal year in which they received \$1,084,388. Annual repayments of the current HELP II Loan and the proposed Bank Loan are \$121,412 and \$824,341, respectively. Authority staff have analyzed Southern Humboldt's fiscal year 2025 audited financials and have assessed the current debt service coverage ratio at 13.78x. When calculating the debt service coverage ratio including the proposed Bank Loan, the new debt service coverage ratio is 5.17x.

After reviewing and analyzing Southern Humboldt's audited financial statements, staff determined that granting this consent is not likely to increase the Authority's risk of default on the HELP II loan or non-payment. As part of the Authority's normal post-loan approval procedures, Authority staff will monitor Southern Humboldt's audited financial statements to ensure they maintain a debt service coverage ratio above 1.0x.

RECOMMENDATION:

Staff recommends approval of Resolution Number 2026-06, authorizing Southern Humboldt to incur additional debt and permitting the Bank Loan lien to be on parity with CHFFA's lien on property tax revenue.

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HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II)

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RESOLUTION TO APPROVE ADDITIONAL DEBT AND GRANT A LIEN ON
PARITY WITH THE AUTHORITY'S EXISTING LIEN IN CONNECTION WITH
THE AUTHORITY'S HELP II LOAN TO THE
SOUTHERN HUMBOLDT COMMUNITY HEALTHCARE DISTRICT

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 (Gov. Code, §15430 et seq.) (the "Act") to provide secured or unsecured loans to participating health institutions to refinance existing debt and finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, or equipping of a health facility; and

WHEREAS, the Authority established HELP II (the "Program") to provide loans to participating health institutions as authorized by the Act; and

WHEREAS, **Southern Humboldt Community Healthcare District** (the "Borrower"), a California participating health institution, previously submitted a HELP II loan application and was approved for a Program loan by adopting Resolution No. HII-340 on December 1, 2022, in an amount not to exceed \$2,000,000 (the "HELP II Loan") for the purpose of renovations to its acute care hospital to meet seismic requirements for Non-Structural Performance Category 3. Collateral for the HELP II Loan is the Borrower's entitlement to property tax revenue payable from Humboldt County to the Borrower; and

WHEREAS, the Borrower and the Authority entered into a Loan Agreement, whereby the Borrower agreed to certain covenants including (1) maintaining at least a 1.0x debt service coverage ratio (2) that it shall not create, incur, assume or suffer to exist any lien upon any required collateral without the prior written consent of the Authority as Lender and (3) that it shall not create, incur, assume, or suffer to exist any additional debt without prior written consent of the Authority as Lender; and

WHEREAS, the Borrower desires to incur additional debt with a direct placement bond in the amount of \$10,000,000 (the "Bank Loan") with its existing bank, Columbia Bank (the "Bank"). The Bank requires as a condition of lending the Bank Loan that (1) the Borrower maintain at least at 1.25x debt service coverage, (2) the Bank Loan be secured by certain collateral including the same collateral as the HELP II Loan, and (3) the Bank's lien on the Authority's collateral be on parity with the Authority's lien; and

WHEREAS, the Borrower has requested the Authority consent to the Borrower borrowing the Bank Loan and granting a lien on the Authority's collateral for the HELP II Loan to the Bank on parity with the Authority's lien. Authority staff have analyzed the Borrower's audited financial statements and determined the Authority will not likely bear risk of loan default or non-payment if the Borrower's request is granted.

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

Section 1. Pursuant to the Act, the Authority approves the Borrower's request to incur the Bank Loan and to grant a lien on the Authority's collateral for the HELP II Loan to the Bank on parity with the Authority's lien.

Section 2. The Authority delegates to the Executive Director and/or the Deputy Executive Director the authority to take any actions and execute any instruments or documents necessary, convenient, or desirable to give effect to the resolution.

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

Date of Approval: _____