

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
STAFF SUMMARY AND RECOMMENDATION
Central City Community Health Center**

Amended Resolution Number HII-213

June 26, 2008

APPROVED HELP II LOAN AMOUNT: \$722,000

PURPOSE OF AMENDMENT:

This amendment seeks to modify one of the conditions listed in the resolution for Central City Community Health Center (CC) as previously approved by the Authority board at its January 31, 2008 meeting.

BACKGROUND:

At the January 31, 2008 meeting, the Authority approved Resolution No. HII-213, for a HELP II loan for \$722,000. Loan proceeds were approved to purchase and renovate an existing facility leased by CC.

CC's HELP II loan closed on May 19, 2007 and \$422,000 was disbursed to CC for the purchase of its existing leased building. In addition, CHFFA fully disbursed \$250,000 in grant funds (Community Clinic Grant Program) towards the purchase of the property. The remaining \$322,000 in loan funds are being held in escrow until CC forwards to CHFFA a construction contract, building permits, and other documents CHFFA staff deems appropriate in accordance with the resolution approved by the Authority.

On May 30, 2008, CC notified CHFFA of their need to obtain a 12-month credit line for \$500,000 with Promerica Bank to cover operating expenses during the period they anticipate delays in receiving State Medi-Cal payments. According to CC's last audit, Medi-Cal payments make up approximately 52% percent of the payments received for services.

To obtain the credit line, Promerica Bank is requiring a first lien on accounts receivable and a second lien position on the same real property securing the debt owed to CHFFA (though CHFFA will remain in the first lien position.) To accommodate CC and Promerica Bank, CHFFA would need to modify its existing gross revenue pledge to **exclude account receivables**. CHFFA's loan would continue to be secured by the first lien position on the project property (an appraisal dated December 4, 2007 estimates the value of the property at \$975,000). In addition, CHFFA would have a lien on CC's remaining corporate revenue sources.

ISSUE:

Should the Authority agree to remove the gross revenue pledge condition to allow CC the opportunity to pledge its gross revenues in support of a line of credit to cover anticipated delays in receiving state medi-cal payments, if it appears as though CHFFA will still have adequate security with a 1st lien position, a lien on CC's remaining corporate revenue sources, and a sufficient loan to value ratio?

Currently, the resolution states one of the following security provision conditions of the loan:

“2. First lien on corporate gross revenue pledge.”

Once revised, the condition would read:

“2. First lien on corporate gross revenue pledge, **excluding accounts receivable including, but not limited to, any amounts receivable from third party payers such as Medicare and Medicaid, unless otherwise prohibited by law.**”

RECOMMENDATION:

Staff recommends the Authority approve an amendment to Resolution No. HII-213 to remove the condition of a gross revenue pledge as set forth with more particularity herein.