

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY  
STAFF SUMMARY AND RECOMMENDATION  
Acacia Adult Day Services**

**Resolution Number 2010-15**

**September 23, 2010**

**PURPOSE:**

Acacia Adult Day Services (“Acacia”) has defaulted on its existing HELP II loan (Resolution No. HII-132), as more particularly described below, and herein seeks to address the default as a condition for the release of additional funds recently authorized by the Authority pursuant to Resolution No. 2010-08 under the Medi-Cal Bridge Loan Program.

**BACKGROUND:**

The Authority approved a \$400,000 HELP II loan for Acacia in December 2002 for the purpose of making various tenant improvements to one of its adult day health care facilities Acacia then operated. Though Acacia subsequently appears to have utilized the HELP II funds appropriately and has since timely made all principal and interest payments, Acacia encountered financial challenges in 2007 which ultimately led Acacia to assign its leasehold interest in the improved facility to another non-profit (but HELP II ineligible) adult day health care provider (Alta-Med). Though the Authority’s Loan and Security Agreement requires Acacia to provide written notice to and to seek written consent from the Authority prior to any such assignment, Acacia failed to do so. Authority staff discovered the assignment in August 2010 during the course of its review of Acacia’s application for a \$151,000 Medi-Cal bridge loan.

In anticipation of the September 2, 2010 board meeting, staff analyzed Acacia’s Medi-Cal Bridge Loan application like all other applicants, and included a brief summary regarding the default in the staff summary. After publicly discussing Acacia’s default during the September 2, 2010 meeting, the board approved the proposed Medi-Cal Bridge loan of \$151,000 expressly subject to satisfactory resolution of the existing HELP II loan default.

Staff subsequently conferred with counsel and Acacia and is now in the position to recommend the following approach to resolve the existing default:

1. Acacia will be asked to liquidate and forfeit the existing Certificate of Deposit (CD) currently securing the HELP II loan (value of \$45,000) for immediate application to the outstanding principle balance due (\$111,500.10) under Acacia’s existing HELP II loan.
2. Acacia will be asked to continue making monthly payments in the amount of \$3,682. Though the Authority will re-amortize the loan (which will effectively reduce the number of monthly principal and interest payments) following receipt of the aforementioned principal reduction, staff will require Acacia to continue making the same monthly payments it has been accustomed to making since the loan’s inception.

All sums paid over and above the re-amortized amount will be applied as principal reductions, effectively accelerating the maturity date from March 1, 2013 to March 1, 2012.

3. Staff will withhold disbursement of the approved Medi-Cal bridge loan until such time as all funds currently on deposit with the CD are received and applied to Acacia's outstanding principal balance.
4. Acacia's gross revenue pledge to the Authority will remain intact.

**RECOMMENDATION**

Staff recommends the Authority approve the foregoing approach to resolve Acacia's default of its existing HELP II loan, subject to all the terms and conditions set forth in Resolution Number 2010-15.