

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“Authority”)  
STAFF SUMMARY AND RECOMMENDATION**

**Central City Community Health Center, Inc. (“CC”)**

**Resolution Number HII-213A**

**December 2, 2010**

**PURPOSE OF THE REQUEST:**

Central City Community Health Center, Inc. (“CC”) requests the Authority renew a subordination (concerning CC’s gross revenues) previously granted to CC which will place the Authority in second position behind Promerica Bank. CC also requests the Authority subordinate its first lien position on the real property securing CC’s HELP II loan in favor of the County of Los Angeles (“County”) to confer a utility easement on the County.

**BACKGROUND:**

At its January 31, 2008 meeting, the Authority approved Resolution Number HII-213 in favor of CC and authorized a HELP II loan for \$722,000. Loan proceeds were approved (along with other funds) for the purchase and renovation of an existing facility leased by CC and located at 5970 South Central Avenue, Los Angeles, CA (“Project Property”). CC purchased the Project Property in 2008 for \$1 million and CC has since timely made payments to the Authority. CC currently owes the sum of \$617,000.

*Subordination re Proposed Line of Credit*

In June of 2008, CC requested the Authority to subordinate its first position on CC’s gross revenues in favor of Promerica Bank. The Authority’s subsequent approval allowed CC to seek a \$500,000 line of credit for a term of one year to help sustain operations during the State’s budget impasse and consequential delayed Medi-Cal reimbursements. Upon expiration of the one year line of credit (which CC never utilized), the subordination ended and the Authority was restored to first position on CC’s gross revenues.

CC now desires to renew its \$500,000 line of credit with Promerica Bank for an open ended period of time so that it perpetually has access to additional funds whenever CC finds the need to do so. As a condition of the line of credit, Promerica Bank requests a permanent first lien on gross revenues. CC estimates the “as improved value” of the Project Property to be no less than \$1 million. Promerica Bank commissioned an appraisal of the Project Property and will provide the Authority with a copy of the appraisal once the same has been completed.

Staff recommends the Authority agree to the subordination of gross revenues given the projected fair market value of the real property (\$1 million compared to the \$617,000 loan balance outstanding) which translates into a relatively low loan to value ratio of 62% and given CC’s ongoing need for a back-up funding source in the form of a line of credit.

Staff, along with the Authority's financial analyst (Macias, Gini & O'Connell LLP) have reviewed the current audited financial statements for CC (period ending FY 6/30/09) and found that they appear to remain fiscally healthy, with a strong proforma (including the new line of credit debt payments) debt service coverage of 8.82x.

*Subordination re Utility Easement*

CC has also asked the Authority to subordinate its first lien position on the Project Property to allow the County to have a utility easement. CC is currently working to complete their planned renovations of the Project Property and the County has indicated approval will be granted so long as CC will allow a utility easement to be placed on the Project Property. Staff recommends granting the requested subordination to facilitate this occurrence. Staff anticipates no consequence to the fair market value of the property, nor any jeopardy to the remaining security interest in the Project Property.

**RECOMMENDATION:**

Staff recommends the Authority approve Resolution Number HII-213A to permit the two modifications of its security interests in the HELP II loan previously approved at the Authority's January 31, 2008 meeting. Specifically, staff recommends subordinating the Authority's first position on CC's gross revenue pledge in favor of Promerica Bank up to the sum of \$500,000 for the remaining term of the loan. Staff also recommends subordinating the first lien position on the Project Property to permit the County to obtain a utility easement on the Project Property.