



DALY CITY HOUSING DEVELOPMENT FINANCE AGENCY

AGENDA

REGULAR MEETING

COUNCIL CHAMBERS – 333 90TH STREET

MONDAY, OCTOBER 24, 2016 – 7:00 P.M.

For those wishing to address the Agency Board on any Item on the Agenda or under Public Appearances/Oral Communications, please complete a Speaker Card located at the entrance to the Council Chambers and submit to a Staff Member as early in the meeting as possible.

Persons with disabilities who require auxiliary aids or services in attending or participating in this meeting should call the office of the City Clerk at 991-8078 as soon as possible.

CALL TO ORDER:

ROLL CALL:

APPROVAL OF MINUTES:

1. Meeting of September 12, 2016

RESOLUTIONS:

1. Approval of Oversight Agent and Program Administration Agreement for the Franciscan Mobile Home Park

PUBLIC APPEARANCE – ORAL COMMUNICATIONS:

NOTE: Speakers are limited to two minutes, unless modified by the Chair.
The Board cannot take action on any matter raised under this item.

ADJOURNMENT:



Meeting Date: October 24, 2016

Subject: Oversight Agent and Program Administration Contract for Franciscan Mobile Home Park

Recommended Action

1. Authorize termination of an agreement with Rosenow Spevacek Group Inc as Oversight Agent and Program Administrator under Loan and Regulatory Agreements pertaining to Franciscan Mobile Home Park
2. Approve an Agreement with Wolf Company Inc. to serve as Oversight Agent and Program Administrator pursuant to the Loan and Regulatory Agreements pertaining to Franciscan Mobile Home Park

Background

In 2002 The Daly City Housing Development Finance Agency (“Agency”) served as issuer of \$53.4 million in revenue bonds in order to assist Linc Franciscan Limited Partnership (“Borrower”) with the acquisition of Franciscan Mobile Home Park (“the Project”). The Agency made a loan of the proceeds of the Bonds to the Borrower pursuant to a Loan Agreement and Regulatory Agreement and Declaration of Restrictive Covenants. The Loan and Regulatory agreements set forth certain restrictions applicable to the property pertaining to housing affordability. These documents also provide for certain oversight provisions relating to financial and physical management of the Project and compliance with housing affordability provisions.

In 2002, the Agency appointed Rosenow, Spevacek Group, Inc, (RSG) as Program Administrator to monitor compliance with income and rent restrictions described in the loan agreement. Since 2002, RSG has provided quarterly compliance reports to the Agency, Borrower and Bond Trustee.

In July of 2016, the Agency was notified by RSG of their intention to resign from its position as Program Administrator/Oversight Agency. RSG requested that the Agency provide written documentation relaeasing RSG of its duties pursuant to the terms of the Agreement.

Discussion

The Regulatory Agreement envisions appointment of a Program Administrator/Oversight Agent whose responsibility is to confirm income limits applicable to the affordable units at Franciscan and published by the U.S. Department of Housing and Urban Development and to verify compliance with the affordability restrictions described in the Regulatory Agreement. Oversight Agent duties include completion of an annual review of the Borrower’s financial statement; review of release of surplus cash flow (if any); review of the final budget, physical inspection of the Project and review of requests by the Borrower to withdraw funds from the Rental Assistance Fund.

Daly City Housing Development Finance Agency Agenda Report
Subject: Franciscan Mobile Home Park

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Pursuant to the Regulatory Agreement, the Program Administrator /Oversight Agent is paid by the Borrower.

Wolf Company Inc. is a housing, financial and insurance advisory firm that provides services to state and local governments, insurance companies, mortgage bankers, investment bankers and institutional investors in the areas of program administration, compliance and oversight agent services.

Wolf Company Inc. currently serves as the Oversight Agent for forty four (44) mobile home parks backed by revenue bonds in California.

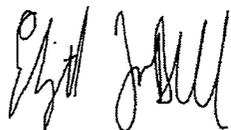
With the resignation of RSG, a new Program Administrator is needed. Staff reviewed the qualifications of and interviewed three firms and finds Wolf Company Inc. to be well qualified to carry out the Program Administration and Oversight work associated with the Franciscan Loan Agreement and Regulatory Agreement

Fiscal Impact

Under the Regulatory Agreement, Payment of fees associated with the Administration and Oversight Agreement is the responsibility of the Borrower, in this case Franciscan, LLC, an affiliate of Linc Housing. Therefore, execution of the Administration and Oversight Agreement with Wolf Company Inc. will have no fiscal impact to the Daly City Housing Development Finance Agency or the City of Daly City.

Staff is available to provide any additional information desired by Board.

Respectfully submitted,



Betsy ZoBell
Housing and Community
Development Supervisor



Tatum Mothershead
Director of Economic and Community
Development Department

Attachment

ADMINISTRATION AND OVERSIGHT AGREEMENT

by and among

DALY CITY HOUSING DEVELOPMENT FINANCE AGENCY,
an issuer

and

WOLF COMPANY, Inc.

as Oversight Agent and Program Administrator

and

LINC FRANCISCAN LIMITED PARTNERSHIP,
as Borrower

Relating to

\$45,725,000

Daly City Housing Development Finance Agency
Mobile Home Park Subordinate Revenue Bonds
(Franciscan Mobile Home Park Acquisition Project)
Series 2007A

\$5,175,000

Daly City Housing Development Finance Agency
Mobile Home Park Subordinate Revenue Bonds
(Franciscan Mobile Home Park Acquisition Project)
Series 2007B

\$8,110,000

Daly City Housing Development Finance Agency
Mobile Home Park Third Tier Revenue Bonds
(Franciscan Mobile Home Park Acquisition Project)
Series 2007C

And

\$1,923,000

Daly City Housing Development Finance Agency
Mobile Home Park Fourth Tier Revenue Bonds
(Franciscan Mobile Home Park Acquisition Project)
Series 2002D

Dated as of October 25, 2016

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ADMINISTRATION AND OVERSIGHT AGREEMENT

THIS ADMINISTRATION AND OVERSIGHT AGREEMENT (the "Administration Agreement") is made and entered into as of October 25, 2015, by and among the **DALY CITY HOUSING DEVELOPMENT FINANCE AGENCY**, A California housing authority duly organized and validly existing under the laws of the State of California (the "Issuer"), **LINC FRANCISCAN LIMITED PARTNERSHIP**, a California limited partnership (the "Borrower"), and **WOLF COMPANY, INC.** (the "Oversight Agent") and the "Program Administrator").

RECITALS:

WHEREAS, to assist the Borrower in its acquisition of an interest in the Franciscan Mobile Home Park (the "Project"), the Issuer has issued its \$45,725,000 aggregate initial principal amount of its revenue bonds designated "Daly City Housing Development Finance Agency Mobile Home Park Senior Revenue Bonds (Franciscan Mobile Home Park Acquisition Project), Series 2007A (the "Series A Bonds"), \$5,175,000 aggregate initial principal amount of its revenue bonds designated "Daly City Housing Development Finance Agency Mobile Home Park Subordinate Revenue Bonds (Franciscan Mobile Home Park Acquisition Project), Series 2007B," (the "Series B Bonds"), \$8,110,000 aggregate initial principal amount of its revenue bonds designated "Daly City Housing Development Finance Agency Mobile Home Park Third Tier Revenue Bonds (Franciscan Mobile Home Park Acquisition Project), Series 2007C," (the "Series C Bonds") and \$1,923,000 aggregate initial principal amount of its revenue bonds designed "Daly City Housing Development Finance Agency Mobile Home Park Fourth Tier Revenue Bonds (Franciscan Mobile Home Park Acquisition Project, Series 2002D," (the "Series D Bonds", together with the Series A Bonds, the Series B Bonds and the Series C Bonds, "the "Bonds") pursuant to an indenture of Trust, dated as of April 1, 2007 (the "Indenture"), by and between the Issuer and Union Bank of California, N.A., as Trustee thereunder (the "Trustee"); and

WHEREAS, the Issuer has made a loan (the "Loan") of the proceeds of the Bonds to the Borrower, as provided in the Loan Agreement, dated as of December 1, 2007 (the "Loan Agreement"), by and among the Issuer, the Borrower and the Trustee, which agreement provides for certain oversight provisions relating to the management of the Project; and

WHEREAS, the Issuer has entered into a Regulatory Agreement and Declaration of Restrictive Covenants, dated as of December 1, 2007 (the "Regulatory Agreement") with the Trustee and the Borrower, which agreement, among other things, sets forth certain restrictions applicable to the property being financed with the proceeds of the Loan, which restrictions

intended to assure continued compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Issuer desires to appoint Wolf Company, Inc., as Program Administrator under the Loan Agreement to monitor the income levels of the residents of the Qualifies Spaces (as defined in the Regulatory Agreement) and as Oversight Agent under the Loan Agreement to carry out the duties of the Oversight Agent set forth in the Loan Agreement; and

WHEREAS, Wolf Company, Inc. also will act as the initial Program Administrator under the Regulatory Agreement to monitor the compliance thereunder; and

WHEREAS, Wolf Company, Inc. represents that it has the necessary experience and expertise required to evaluate whether the Project complies with the requirements set forth in the Loan Agreement and the Regulatory Agreement;

NOW, THEREFORE, in consideration of the premises and respective representations and covenants herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.01. Definitions of Terms. All capitalized terms used in this Administration Agreement and not otherwise defined herein shall have the respective meanings given to them in the Indenture and/or the Regulatory Agreement.

Section 1.02. Article and Section Headings. The heading or titles of the several articles and sections hereof shall be solely for the convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

Section 1.03. Interpretation. The singular form of any word used herein, including terms defined in the Indenture and/or the Regulatory Agreement, shall include the plural and vice versa, if applicable. The use of a word of any gender shall include all genders, if applicable.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations of the Issuer. The Issuer makes the following representations:

(a) It is a California housing authority duly organized and validly existing under the Constitution and laws of the State of California.

(b) It has the power to enter into the transactions contemplated by this Administration Agreement and to carry out its obligations hereunder and to consummate

all other transactions on its part contemplated herein; and it has duly authorized the execution and delivery of this Administration Agreement.

Section 2.02. Representations and Warranties of the Borrower. The Borrower makes the following representations and warranties:

(a) It has the power and authority to own its properties and carry on its business as now being conducted, and is duly qualified to do such business wherever such qualification is required, including the State of California.

(b) It has the power to execute and deliver this Administration Agreement and to carry out the transactions on its part contemplated hereby; and it has duly authorized the execution, delivery and performance of this Administration Agreement.

(c) The Program Administrator and the Oversight Agent are independent from and not under the control of the Borrower, do not have any substantial interest, direct or indirect, in the Borrower, and are not an officer or employee of the Borrower.

Section 2.03. Representations and Warranties of the Oversight Agent. The Oversight Agent makes the following representations and warranties:

(a) It is a corporation duly organized, validly existing and in good standing under the laws of the State of California and has the power and authority to carry on its business as now being conducted.

(b) It has the power to execute and deliver this Administration Agreement and to carry out the transactions on its part contemplated hereby; and it has duly authorized the execution, delivery and performance of this Administration Agreement.

(c) It is independent from and not under the control of the Borrower, does not have any substantial interest, direct or indirect, in the Borrower, and is not an officer or employee of the Borrower.

(d) It has received copies of the Indenture, the Loan Agreement and the Regulatory Agreement, and it is familiar with the terms and conditions thereof as the same related to the Code and the Act.

ARTICLE III

DUTIES AND COMPENSATION OF THE PROGRAM ADMINISTRATOR

Section 3.01. Duties of Program Administrator. Wolf Company, Inc., is the initial Program Administrator hereunder. This Section 3.01 applies to Wolf Company, Inc., as Program

Administrator and to any successor Program Administrator. In its capacity as Program Administrator hereunder, for and on behalf of the Issuer, the Program Administrator will perform the following duties in a careful and timely manner, to the highest standards of its profession:

(a) It will be familiar with and will give written notice to the Issuer, the Trustee and the Borrower within ten days of the publication by the Department of Housing and Urban Development of any change in:

(i) the Median Income for the Area; and

(ii) the maximum income at which households consisting of various numbers of persons may be determined to be Qualified Residents under the terms of the Regulatory Agreement; and

(iii) the maximum allowable rents under each applicable provision of Section 4.01 of the Regulatory Agreement; and

(iv) the maximum income at which households consisting of various numbers of persons may be determined to be Very Low Income Households under the terms of the Regulatory Agreement.

(b) Promptly following its receipt thereof, it will review the Income Certifications, Certificates of Continuing Program Compliance, and all other reports and certificates furnished to it pursuant to the Regulatory Agreement in order to determine that each such document is complete and to verify the internal accuracy of the calculations, and conclusions with respect to such calculations, set forth therein, including the conclusion that the Qualified Spaces have been rented as specified by the terms of the Regulatory Agreement, and it will maintain such documents on file and open to the inspection by the Issuer, the Trustee and the Borrower during the term of the Regulatory Agreement.

(c) Promptly upon receipt, it will review the form of application and lease with respect to the Qualified Spaces to verify compliance with the provisions of the Regulatory Agreement.

(d) Promptly upon determining that any report or certificate submitted to it pursuant to the Regulatory Agreement is inaccurate or incomplete the Program Administrator shall:

(i) if the inaccuracy or lack of completeness does not cause the Project to cease to meet the qualifications set forth in Section 3.01 or 4.01 of the Regulatory Agreement, give notice of such inaccuracy or lack of completeness to the Borrower and direct the Borrower to correct or complete the same, as the case

may be, within a 30-day period, subject to extension in the sole discretion of the Program Administrator, and

(ii) if the inaccuracy or lack of completeness is not corrected within 30 days or if the inaccuracy or lack of completeness causes the Project to cease to meet the qualification set forth in Section 3.01 or 4.01 of the Regulatory Agreement immediately give written notice of said face to the Issuer, the Trustee and the Borrower.

(e) In the event that the Borrower fails to file with the Program Administrator any report, certification (including, in particular, the certification to the Secretary of the Treasury required by Section 4.01(e) of the Regulatory Agreement) or other document required pursuant to the Regulatory Agreement within the time set forth in the Regulatory Agreement, the Program Administrator shall immediately give written notice of that face to the Issuer, the Trustee and the Borrower.

(f) The Program Administrator shall prepare and file all initial and annual reports, if any, required by Section 8855.5 of the Government Code of the State of California with respect to the Project.

(g) On behalf of the Issuer, the Program Administrator shall, at least annually and whenever requested by the Issuer, audit the survey of the tenants of the Qualified Spaces with respect to income levels, household sizes and such other information as the Issuer may specify, and all as further required under Section 4.01 of the Regulatory Agreement. Based on such information, the Issuer shall determine compliance with the affordability requirements under the Act and the Code. In the event of any noncompliance the Program Administrator shall notify the Issuer as to the nature and extent of the noncompliance and the Program Administrator shall suggest alternatives for bringing the Qualified Spaces into compliance.

Section 3.02. Duties of Oversight Agent. The Oversight Agent will perform on a timely basis all duties ascribed to the Oversight Agent in the Indenture, the Loan Agreement, and the Regulatory Agreement, including without limitation the following: (a) annual review of the Borrower's financial statements; (b) review the coverage calculation for release of surplus cashflow and report comments to the Borrower and the City; (c) review the final budget and forward comments to the Borrower, the Issuer and the City; (d) physical inspection of the Project on a quarterly basis, including examination of the infrastructure, the clubhouse, and any other common areas; (e) monthly confirmation report to the Issuer and any Bondholder requesting such information that the Trustee has received the monthly deposit in accordance with the approved budget and, in the event that the Trustee has not, to take such further steps as required by the Loan Agreement; (f) review requests by the Borrower to withdraw funds from the Rental Assistance Fund, determine if such requests in writing and forward them to the Trustee for

release of funds; and (g) submit annual reports (and more frequent reports if requested by the Issuer) to the Issuer summarizing all withdrawals from the Rental Assistance Fund and the outstanding balance of such fund.

Section 3.03. Compensation. For its services as Program Administrator and as the Oversight Agent, Wolf Company, Inc. shall be paid an annual fee of \$6,000, paid quarterly in advance. The fee of the Program Administrator and Oversight Agent shall be paid to the Program Administrator and Oversight Agent by the Trustee upon receipt by the Trustee of an invoice from the Program Administrator and Oversight Agent. If the Program Administrator and Oversight Agent.

ARTICLE IV

TERM

Section 4.01. Term of Agreement. Unless sooner terminated pursuant to the provisions of Sections 4.02 and 4.03 hereof, this Administration Agreement shall remain in full force and effect for the term of the Regulatory Agreement.

Section 4.02. Termination. At its sole discretion, the Issuer, with a copy of any such notice to the City, may terminate this Administration Agreement upon giving the Program Administrator, Oversight Agent and the Borrower 30 days written notice of its intention to do so. This Administration Agreement may be terminated in whole or in part only as to the services described in Section 3.01 or 3.02, whereupon a partial fee for the services not terminated will be agreed upon by the parties and memorialized in an amendment hereto.

Section 4.03. Resignation of Program Administrator or Oversight Agent. With the written consent of the Issuer, the Program Administrator or the Oversight Agent may resign from its position and terminate this Administration Agreement by giving the other parties hereto 30 days written notice of its intention to do so.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.01. Execution in Counterparts. This Administration Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

Section 5.02. Business Days. If any action is required to be taken hereunder on a date which falls on other than a Business Day, such action shall be taken on the next succeeding Business Day.

Section 5.03. Governing Law. This Administration Agreement shall be construed in accordance with the laws of the State of California and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 5.04. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered mail, postage prepaid, addressed to the appropriate Notice Address set forth in the Regulatory Agreement. The Notice Address of the Program Administrator and Oversight Agent is: 241 South Figueroa Street, Suite 100, Los Angeles, California 90012.

IN WITNESS WHEREOF, the parties hereto have caused this Administration Agreement to be executed on their behalf by their duly authorized representatives, all as of the date hereinabove written.

DALY CITY HOUSING DEVELOPMENT
FINANCE AGENCY

By _____

Name _____

Title _____

LINC FRANCISCAN LIMITED PARTNERSHIP,
a California limited partnership

By its general partner:
LINC HOUSING CORPORATION

By _____

Name _____

Title _____

WOLF COMPANY, INC., as Program
Administrator and Oversight Agent

By _____

Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused this Administration Agreement to be executed on their behalf by their duly authorized representatives, all as of the date hereinabove written.

DALY CITY HOUSING DEVELOPMENT
FINANCE AGENCY

By _____

Name _____

Title _____

LINC FRANCISCAN LIMITED PARTNERSHIP,
a California limited partnership

By its general partner:
LINC HOUSING CORPORATION

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Name _____

Title _____

WOLF COMPANY, INC., as Program
Administrator and Oversight Agent

By _____
Authorized Signatory