THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: July 30, 2012 **IBA Report Number:** 12-33

City Council Docket Date: July 31, 2012

Item Number: S-508 and S-509

ROPS 3, AB 1484 Provision to Remit Unobligated Fund Balances, and New Market Tax Credits

OVERVIEW

As part of Governor Brown's plan for dissolving redevelopment agencies and distributing their funds to other local agencies, Assembly Bills (AB) 26 and AB 27 were passed by the California State Legislature and signed by Governor Brown in June 2011.[1] Despite a lawsuit challenging the constitutionality of each of these measures and a partial stay while the case was heard, the California Supreme Court issued its final opinion upholding AB 26 as constitutional and striking down AB 27 as unconstitutional. In January 2012, the City Council designated the City of San Diego to serve as the Redevelopment Agency's (RDA) Successor Agency for purposes of winding down its operations; making payments on enforceable obligations; and liquidating the agency's unencumbered assets for distribution to the county, school districts, and other local public agencies. The City also chose to serve as the Housing Successor Agency and retain the former RDA's affordable housing assets and assume related responsibilities.

California Redevelopment Agencies were dissolved on February 1, 2012, and their rights, powers, duties, and obligations were vested in the successor agencies. Since that time, successor agencies across the State have faced challenges and uncertainty, particularly since AB 26 did not provide specific direction for the administration of the dissolution and wind up activities. AB 1484 was passed as a trailer bill to the FY 2013 state budget on June 27, 2012. It was intended to make technical and substantive amendments to AB 26 based on experience at the state and local levels in implementing the legislation. AB 1484 took immediate effect and requires successor agencies and others involved in dissolution activities to learn and implement significant new rules of conduct and includes severe late penalties.

[1] AB 26 barred redevelopment agencies from engaging in new business and provided for their windup and dissolution by October 1, 2011. AB 27 provided an alternative allowing redevelopment agencies to continue operations if payments were made to other taxing entities, such as schools and special districts.

Fiscal/Policy Discussion

As shown in the table below, several important issues will be brought to Council on July 31, 2012 relating to redevelopment dissolution. This report primarily provides information on Item S-508 on the Successor Agency's Recognized Obligation Payment Schedule (ROPS) and new requirements or changes per AB 1484. We are also providing a look forward to the audit required by this legislation to identify unobligated fund balances of the Successor Agency so that these can be remitted to the County Auditor and Controller (CAC) for distribution to taxing entities. Attachment 1 provides some additional information for Item S-509 related to Civic San Diego's pursuit of New Market Tax Credits (NMTC) for investment in low-income neighborhoods.

Item Number	Actions, Provisions, or Requirements	Related Deadline(s) and Potential Penalties
Item S-507	***City Council*** Approve the appointment of Vernon Evans to serve as a member of the Civic San Diego Board of Directors, for a term ending on May 1, 2015.	N/A
Item S-508	***Successor Agency*** 1. Approve the Recognized Obligation Payment Schedule (ROPS) 3 for January 1, 2013 - June 30, 2013 and authorizes Mayor or designee to take all actions necessary and appropriate to fulfill all of the statutory obligations with respect to ROPS. 2. Approve the Administrative Budget for ROPS 3 and authorizes Mayor or designee to fulfill all related statutory obligations. 3. Authorize the Mayor or his designee to: a. submit ROPS 3 and Administrative Budget to the Oversight Board and DOF for approval a. request an additional review after receipt of DOF's determine and engage in meet and confer with DOF on ROPS 3 as deemed by the Mayor to be in the best interest of the Successor Agency. 4. Authorize the Mayor or his designee to make any necessary adjustments to ROPS 3 based on changes made by DOF to the mandatory ROPS format, provided that substantive content remains substantially the same.	Subject to approval of Oversight Board *(planned for August 7, 2012).* Must be submitted to DOF by September 1, 2012. Failure to approve and submit a timely ROPS may result in the assessment of the following: • City may be subject to a $10,000 per day penalty for each day the ROPS is delinquent. • Failure to submit a ROPS within 10 days of the deadline may result in a 25% reduction of the maximum administrative cost allowance for that period. • If a Successor Agency fails to submit an approved ROPS within five business days after the April 1 and October 1 dates when the CAC releases estimated property tax allocations for RPTTF, DOF may determine if any amount should be withheld to pay enforceable obligations.
Item S-509	***City Council*** 1. Approve an amendment to the Civic San Diego (Corporation) Bylaws to reflect the pursuit of New Market Tax Credits (NMTC). 2. Amend the Civic San Diego's FY 2013 Budget to add $170,000 funding for economic development purposes. 3. Authorize the Mayor to sign the NMTC program application as the Controlling Entity of the Community Development Entity (CDE).	Deadline for submitting application for CDE certification is August 3, 2012. Deadline for submitting application for 2012 round of NMTCs is September 12, 2012.
Item S-510	***City Council*** Appoint Council President Anthony Young and Council Member Todd Gloria as Council Liaisons to the Civic San Diego Board of Directors.	N/A

Item S-508 – ROPS 3 and Successor Agency Administrative Budget

A large part of winding down activities includes making payments on enforceable obligations of the former RDA. An enforceable obligation is generally defined as written contracts for specific parties that are not the sponsoring agency. Per AB 26, successor agencies are required to prepare a schedule of enforceable obligation payments—called the Recognized Obligation Payment Schedule (ROPS)—allowed to be made during each applicable six-month period (January 1 to June 30 and July 1 to December 30) until all obligations are fulfilled.[2]

Approvals

AB 26 includes restrictions on what constitutes an enforceable obligation and each ROPS must be approved by three governing entities, including the City Council as the approval body for the City as Successor Agency, Successor Agency Oversight Board,[3] and the State Department of Finance (DOF). AB 1484 moved up the deadline for the Successor Agency to submit ROPS 3 to the DOF for approval from October 1, 2012 to September 1, 2012 and establishes severe late penalties. As shown in the table below, ROPS 3 and the Successor Agency Administrative Budget for the period January-June 2013 will be brought to Council for approval on July 30, 2012. Staff anticipate bringing these items to the Successor Agency Oversight Board on August 7th.

AB 1484 establishes a schedule for the fourth and future ROPS which must be submitted to DOF no fewer than 90 days prior to the CAC's distribution of Redevelopment Property Tax Trust Fund (RPTTF)[4] monies on June 1st and December 16th of each year. It also makes changes to the required agreed-upon procedures audit to be performed by the CAC by extending the deadline for completion from July 1 to October 1, 2012. Further, rather than certifying the initial ROPS, CAC is authorized to review a ROPS and object to any items that are not demonstrated to be enforceable obligations. According to staff, CAC is likely to complete the agreed-upon procedures audit by the end of July. The status of ROPS approvals are shown in the table below.

Governing Entity	**ROPS 1** *(January 1- June 30, 2012)*	**ROPS 2** *(July 1 - December 30, 2012)*	**ROPS 3** *(January 1- June 30, 2013)*
City Council	April 10, 2012	April 10, 2012	*Council Docket on July 31, 2012*
Oversight Board	April 25, 2012	April 25, 2012	*TBD*
DOF	May 25, 2012	May 25, 2012	*TBD*
CAC	*TBD*	*N/A*[a]	*N/A*[a]

[a]CAC is only required to approved EOPS and the initial ROPS as part of the agreed-upon procedures audit, but AB 1484 allows CAC to challenge any items on Future ROPS.

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[2] Note that the Enforceable Obligation Payment Schedule (EOPS) served as the initial authority of disbursements until the first ROPS was approved.

[3] The Successor Agency Oversight Board includes seven members appointed by the affected taxing entities, including the City of San Diego (Chairman Mark Nelson and James Davies), County of San Diego (Supervisor Ron Roberts and Peter Q. Davis), Special Districts (Maureen Stapleton), California Community Colleges (Dr. Bonnie Ann Dowd), and County Board of Education (Andra Donovon, Esq.). The Board held its first meeting on April 25, 2012, and currently meets on the first and third Tuesday of each month at 2:00 pm, unless a special meeting is required in order to comply with a state-imposed or other deadline. Information on upcoming meetings or minutes of previous meetings is posted at http://www.sandiego.gov/redevelopment-agency/.

[4] RPTTF includes the Successor Agency's share of tax increment that is distributed by the CAC.

Although the DOF approved ROPS 2 on May 25, 2012, its approval letter reserved the right to question and remove items included in future ROPS that are not enforceable obligations even if they were not removed from a previous ROPS. For example, several enforceable obligations included in ROPS 2 were based on agreements between the City and former RDA which could be disputed per AB 26, including $13.8 million in debt service for improvements to Petco Park ($11.3 million) and the expansion of the Convention Center Phase II ($2.5 million in FY 2013).[5] DOF may dispute such payments if included in future ROPS.

AB 1484 also extends the amount of time that the DOF has to provide notice that it intends to review a ROPS from three to five business days from the date of submittal. And, the time period in which DOF must make a final determination of ROPS that have been noticed for review is extended from 10 to 45 days from the date of submission to the DOF. Successor Agency staff are anticipating that enforceable obligations in ROPS 3 will undergo close scrutiny.

Sources of Funding

The DOF has indicated that successor agencies should utilize all available cash from other revenue sources first to pay enforceable obligations, and then request funds from the RPTTF. As shown in the table and chart below, the City as Successor Agency has relied upon reserves, bond proceeds, and other revenues to pay the majority of enforceable obligations in the ROPS 1 and 2. Reserves accounted for 62% and 39% of revenues, compared with 2% and 11% of RPTTF for ROPS 1 and 2, respectively. The Successor Agency's $89 million true-up payment to the CAC on July 12th significantly decreased reserve balances available for use for ROPS 3. As a result, reserves account for only 7% of revenues for ROPS 3, while RPTTF is projected to be $77.1 million or about 41% of the total.

Millions of Dollars

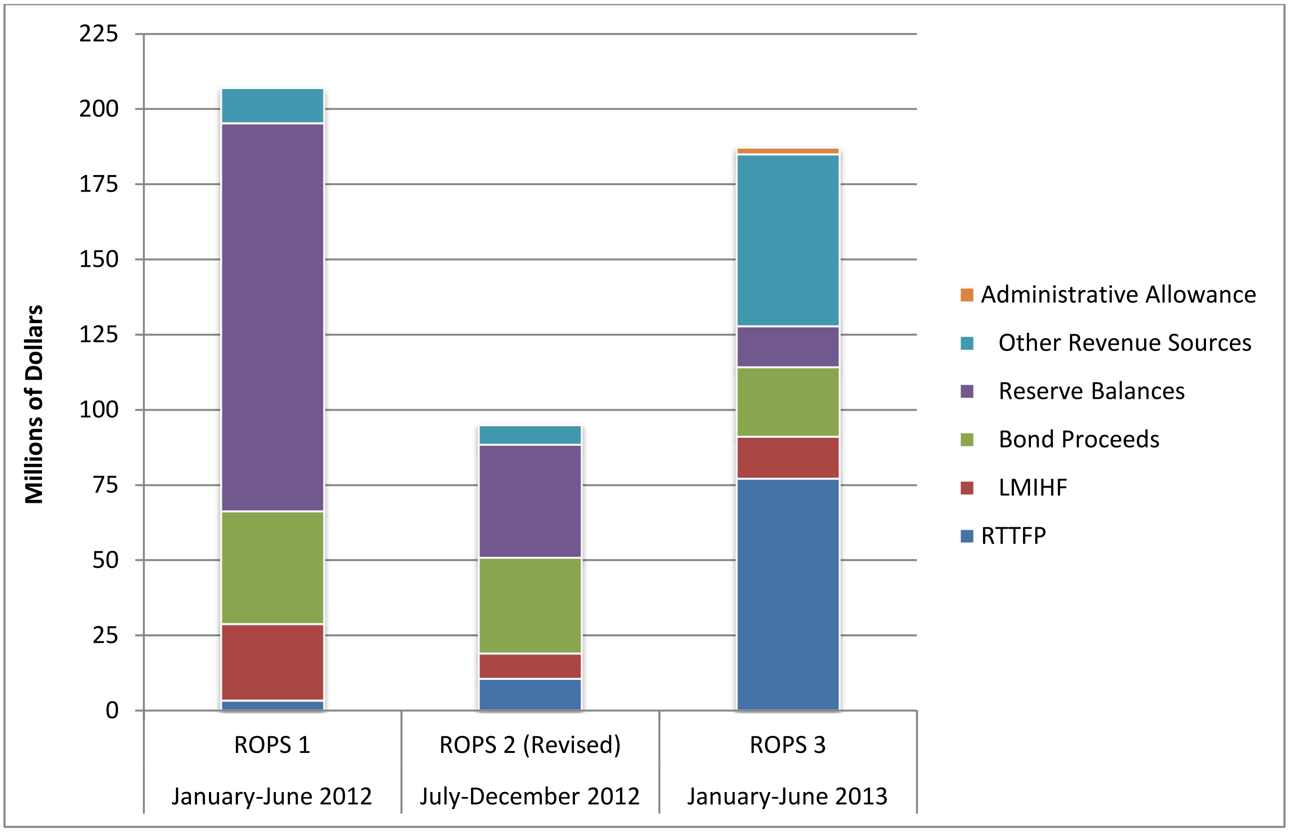
	ROPS 1 January-June 2012	ROPS 2 (revised) July-December 2012	ROPS 3 January-June 2013
Total Outstanding Debt or Obligation	6,471.8	6,265.7	6,287.0
Total Obligations for Six-Month Period	207.0	95.0	187.1
RTTFP	3.3	10.6	77.1
Available Revenues Other than Property Tax			
LMIHF	25.4	8.4	13.9
Bond Proceeds	37.5	31.8	23.1
Reserve Balances	129.0	37.6	13.7
Other Revenue Sources[a]	11.8	6.5	57.1
Subtotal	203.7	84.3	107.8
Administrative Allowance	-	0.3	2.3

Note: Totals may not add due to rounding.

[a]Other revenues sources are any other funds not identified specifically on form C of the ROPS. There are many other sources and these could vary by project area, including items like rents, developer proceeds, grants or any other general revenues.

[5] The Convention Center debt service payment will increase by $500,000 each year until it reaches $9.0 million in FY 2025-26. The $9.0 million annual payments will continue through FY 2041 with a final payment of $2.0 million in FY 2042.

Changes in Sources of Revenue for ROPS 1-3



The CAC's method for allocating RPTTF revenue has also impacted the amount available for the Successor Agency to pay enforceable obligations as well as the City's residual share. AB 26 has contradictory language with regard to RPTTF distribution and has been interpreted differently by various entities. The League of California Cities and the City, among others, advocate the "universal" method which allocates property taxes based on the pro-rata share of taxing entities. DOF and the CAC advocate the allocation of monies based on the "waterfall" method. In a May 23, 2012 letter, the County reiterated its legal position that the "waterfall" method trumps the "universal" method.

Per the "waterfall" method, the CAC distributes the first tier of funds based on pass-through payments that would have been received under Community Redevelopment Law as shown in the table below.[6] Given that cities generally receive relatively smaller pass-through payments, this approach results in a smaller allocation for the City. For example, for the June 1, 2012 distribution, the County of San Diego received $18.90 million and the City of San Diego received $2.43 million in pass-through payments.

[6] California RDAs make either negotiated or statutory pass-through payments to other taxing entities.

Millions of Dollars

Property Tax Trust Fund Allocations and Distributions Successor Agency for City of San Diego	June 1, 2012[a]
RRTTF Beginning Balance	**$ 68.91**
Less :	
Administrative Fees to CAC	0.14
SB2557 Property Tax Administration Fee	2.03
RPTTF Available Balance	**$ 66.74**
AB 26 (H&S Code 34183) Distributions	
City Pass-through Payments (City of San Diego)	$ 2.43
County Pass-through Payments	18.90
Special District Pass-through Payments	0.05
County Superintendent of Schools - Tax Portion (19%)	0.02
County Superintendent of Schools - Facilities Portion (81%)	0.09
County Superintendent of Schools – H&S Code 33401	0.61
K-12 School Pass-through Payments - Tax Portion (43.3%)	1.27
K-12 School Pass-through Payments - Facilities Portion (52.5%)	1.67
K-12 School Pass-through Payments - H&S Code 33401	16.28
Community College Pass-through Payments - Tax Portion (47.5%)	0.19
Community College Pass-through Payments – Facilities Portion (52.5%)	0.21
Community College Pass-through Payments - H&S Code 33401	2.47
ROPS 2 Enforceable Obligations Payable from Property Taxes	$ 10.62
Successor Agency Administrative Cost Allowance	0.32
State Controllers Invoices for Audit and Oversight	-
Total AB 26 (H&S Code 34183) Distributions	**$ 55.11**
Residual Balance	**$ 11.63**
Residual Distributions (Pro Rata)	
Cities (City of San Diego)	$ 2.43
Counties	3.03
Special Districts	0.02
County Superintendent of Schools	0.19
K-12 Schools	5.22
Community Colleges	0.75

[a] The June 1, 2012 distribution included property taxes received February-May 2012.

The City as Successor Agency received about $10.94 million from the County's June 1 distribution of property tax revenue—$10.62 million was for enforceable obligations on ROPS 2 and $0.32 million was the 3% administrative cost allowance. The City itself received $4.86 million. This includes $2.43 million in pass-through payments which was budgeted as property tax revenue in the FY 2013 Budget and another $2.43 million from the residual distribution. On June 25, 2012, as part of its approval of Civic San Diego's budget, Council approved that the residual property tax revenue may be used for about $1.22 million in budgetary advances to ensure sufficient cash flow. This includes advances to Civic San Diego for operating expenses for up to:

- 50% of all permit-related services in the FY 2013 Budget which equates to about $481,000; and
- 15% of all non-permit services (Successor Agency, Parking District, and Economic Development) in the FY 2013 Budget which equates to about $740,000.

Looking Forward – AB 1484 Required Review of Unobligated Reserve Balances of Housing Successor Agency and Successor Agency

AB 1484 requires successor agencies to retain the services of a licensed accountant with experience in local government accounting to review unobligated balances available for transfer to taxing entities. The accountant selection is subject to CAC's approval. Alternatively, an audit conducted by CAC that provides the required information can be used if the Oversight Board approves. The agreed-upon procedures audit that is currently being conducted by Macias, Gini, & O'Connell, LLP for CAC is unlikely to provide the information required by this provision.[7] However, staff noted that Macias, Gini, & O'Connell, LLP may be a good candidate for conducting the review given its familiarity with the issues.

It is important that Successor Agency staff work closely with the accountant to ensure that the review is conducted correctly, because the provision has very specific requirements. The audit includes (1) the balance in the Low and Moderate Income Housing Fund (LMIHF); (2) the balance in other cash funds; (3) cash payments that were made in compliance with an enforceable obligation; and (4) cash transfers that were made without an enforceable obligation. Note that a good summary of the specific requirements of the review is included in *Summary of AB 1484: Redevelopment Dissolution/Unwind Trailer Bill*.[8]

AB 1484 does not indicate what the funding source is for this review. However, as shown in the table below, specific dates are imposed for completion with significant late penalties. Upon completion of the review, it is to be submitted to the Oversight Board and then to the DOF for approval. The Successor Agency has five business days after the DOF's determination to remit its payment to the CAC for distribution to the taxing entities. Note that, as one of the taxing entities, the City will receive about 17% of this amount. If the Successor Agency disputes the DOF's decision, the Successor Agency can request a meet and confer within five business days of the decision with an explanation and documentation of the reason for the dispute. Given that the DOF has 30 days from the date of such a request to make a final determination and there may be severe late penalties, it is likely that these payments will have to be made.

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[7] The agreed-upon procedures audit is expected to establish the former RDAs assets and liabilities, document and determine pass-through payment obligations to other taxing entities, and document and determine both the amount and terms of indebtedness or other enforceable obligations incurred by the former RDA. Although AB 26 also included that CAC certify the initial ROPS based on this audit, this is no longer required per AB 1484.

[8] Goldfarb & Lipman, LLP, June 29, 2012, pp. 18-20.

Review of Unobligated Reserve Balances of the Successor Agency and the Housing Successor Agency

	Low-Mod Income Housing Funds	All Other Funds
Deadline for Completion of Review	Oct. 1, 2012	Dec. 15, 2012
Oversight Board Approval	• Must schedule public comment session to occur at least business five days prior to its vote to approve the review. • Can adjust amounts provided in the review to reflect additional information and analysis. • Can authorize the Successor Agency to retain the restricted funds, the non-cash assets, and the cash balances that are contractually committed or needed for items to be placed on the ROPS during the fiscal year. • Must review, approve, and transit the review to DOF by the specified deadline.	
Deadline for Submission to DOF	Oct. 15, 2012	Jan. 15, 2013
DOF Approval	• May adjust the amounts determined to be available for allocation to the taxing entities in the review based on its analysis and information provided by the Successor Agency and others. • Required to provide an explanation for any modification to the Successor Agency and Oversight Board.	
DOF Deadline for Response	November 9, 2012	April 1, 2013
Payments to Taxing Entities	Within five business days of the Successor Agency's receipts of the DOF's determination.	
Penalties for Noncompliance	• The DOF can order the Board of Equalization to offset the City's sales and use tax. • If the DOF does not make such an order, the CAC can offset property tax owed to the City. • As an alternative to the above penalties, the DOF can order the CAC to offset the amounts owed against future RPTTF distributions.	
Finding of Completion	• If the Successor Agency has made its true-up payment and remits the cash assets to the CAC, the DOF will issue a Finding of Completion. • The Finding of Completion makes the Successor Agency eligible to retain former RDA properties, reinstate loans between the former RDA and the City, and spend unspent bond proceeds from bonds issued prior to January 1, 2011 for the purpose for which the bonds were issued.	

CONCLUSION/RECOMMENDATION

The City as Successor Agency has made notable progress moving forward with redevelopment dissolution and wind up activities despite significant and ongoing challenges. However, the fiscal impact to the City's General Fund is based on many variables and is still unclear. Despite receiving less than anticipated RPTTF, the Successor Agency has been able to rely on the reserves of the former RDA to pay enforceable obligations thus far. However, the required true up payment of $89.6 million in July 2012 and future required remittance of unobligated reserve balances for distribution to taxing entities may provide future challenges for paying enforceable obligations.

In addition, enforceable obligations on ROPS 3 and going forward are likely to face increased scrutiny and some obligations approved in previous ROPS may be rejected by the Oversight

Board, the DOF or the CAC. Also, the State Controller could seek to "claw back" payments made by the former RDA or the Successor Agency to the City in 2011 or later under any interagency agreements that are ultimately deemed invalid. Any costs to the Successor Agency beyond those allowed by law could impact the City's General Fund. As shown in the table below, the City has about $40.4 million available to mitigate these and other unforeseen risks to the General Fund, with about $14.4 million specifically set aside to mitigate the impact of the dissolution and unwinding of the RDA, including the $10.7 million in Transient Occupancy Tax (TOT) fund balance from FY 2012 and $3.7 million appropriated reserve.

Millions of Dollars

Amount	Source
$ 5.0	Portion of FY 2012 revenue surplus retained in reserves (FY 2012 Year-End Budget Monitoring Report) for unforeseen circumstances or to mitigate impacts of dissolution
10.7	Transient Occupancy Tax (TOT) fund balance from FY 2012 (FY 29013 May Revise)
3.7	Appropriated reserve (FY 2013 May Revise)
2.4	City's allocation of residual funds from CAC's June 1, 2012 RPTTF distribution[a]
18.6	City's allocation of July True-Up Payment
$ 40.4	**Total**

[a]About $1.2 million of this amount is being used to advance the FY 2013 Budget of Civic San Diego to ensure adequate cash flow.

We concur with the Mayor's Office and the City Attorney's Office that it is important to preserve these funds given the ongoing high level of risk. Further, we believe that it is important to consider setting aside additional property taxes that the City receives from future distributions for this purpose.

Erin Noel
Fiscal & Policy Analyst

APPROVED: Andrea Tevlin
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Attachment: 1. Q&A Relating to Item S-509 – Civic San Diego's Pursuit of New Market Tax Credits

Attachment 1

Q&A Relating to Item S-509 – Civic San Diego's Pursuit of New Market Tax Credits

Civic San Diego has identified New Market Tax Credits (NMTC) as a potential new source of funds for investment in low-income neighborhoods. The federal NMTC program provides funding for qualified entities through an annual competitive process. To take advantage of this opportunity, Civic San Diego will need to form a new nonprofit subsidiary corporation to qualify and serve as a Community Development Entity (CDE), per rules of the program. Civic San Diego is facing upcoming deadlines to apply for CDE certification (August 3, 2012) and to apply for the 2012 round of NMTCs (September 12, 2012). The Q&A below provides additional information and clarification given the tight timeframes for approval.

1. **IBA: Were the amended Bylaws, Articles of Incorporation and other documents reviewed by the City Attorney's Office as well as Civic San Diego legal counsel?**

Civic San Diego Response: *Yes, the proposed amended language to the Civic San Diego Bylaws, Staff Report and Resolution were reviewed by the City Attorney's Office. The corporate formation documents for the new subsidiary corporation (that will become the qualifying controlling entity of the CDE) were only reviewed by Civic San Diego corporate counsel. These documents relate to the Corporation and are approved by the Civic San Diego Board of Directors pursuant to our Corporation Articles and Bylaws.*

2. **IBA: Civic San Diego is requesting the remaining $170,000 of the original $250,000 allocated by City Council in the FY 2013 Budget for economic development activities. Which areas will these funds be used for, and have previous labor issues been resolved?**

Civic San Diego Response: *We have been told by our consultant that it is going to take considerable staff time to prepare an excellent application by the September 12, 2012 deadline, especially since this will be our first. And we, of course, want to give it our best effort. We have already consumed some staff time thus far this fiscal year in researching NMTC as a potential new funding source for continuing economic development efforts in the City's disadvantaged neighborhoods.*

Because the initial $80,000 (of the $250,000) that has been allocated to Civic San Diego was to be used only on funding sources within the Downtown and former Southeastern Economic Development Corporation (SEDC) geographic areas, we wish to preserve those funds for continuing to pursue grants and other financing for those projects. The NMTC funds are proposed to be deployed Citywide for highly qualified projects in any qualified low-income census tract in communities such as Barrio Logan, City Heights, College Community, College Grove, Crossroads, Grantville, Linda Vista, Naval Training Center, North Bay, North Park, San Ysidro, Horton Plaza, Centre City, Central Imperial, Gateway Center, Mount Hope, and Southcrest. The areas are shown in yellow, orange, and red on the maps in Attachment 2 to the Staff report, CSD-12-08. Note that the maps show how many of the former redevelopment project areas qualified as low-income communities, but these will not necessarily be the only communities that would be the service area.

Because a CDE must be a partnership, LLC, or corporation, and because the city has never had staff pursuing NMTC in the past, it is not a labor issue for Civic San Diego to perform these functions.

3. **IBA: What is the specific anticipated use of the $170,000?**

Civic San Diego Response: *The $170,000 will be used to pay for staff time to prepare the CDE and NMTC applications, form the advisory board, vet potential projects for funding, ancillary legal costs for creating the subsidiary corporation, and for reviewing documents. If we are successful in winning an allocation, we will need a funding source to which staff time can be billed for negotiating and structuring the individual transactions until they close and we are paid our fee from the NMTC program.*

4. **IBA: How much is Civic San Diego planning to apply for in NTMC? Do you have specific projects or examples of specific projects?**

Civic San Diego Response: *The amount of NMTC allocation applied for is based on the amount required for qualifying projects. We will be working on identifying and vetting potential projects for funding during the next seven weeks as we prepare the application. The Advisory Board will also participate in helping to identify projects or funding programs. A couple of projects that we know we will be reviewing with our consultant and developers are the Valencia Business Park and the Idea District. Therefore, we won't know the amount we are applying for until we have completed the application process.*

5. **IBA: How much are the up-front costs that United Fund Advisors, LLC (UFA) is providing and what does this include?**

Civic San Diego Response: *UFA is not charging any up front costs. Their compensation is completely success-based. UFA is paid 3% only if we are successful in winning a NMTC allocation and they are paid upon the closing of each transaction with the borrower directly from the NMTC fund. This is very common with NMTC—a specialized consultant is involved with structuring the individual transactions and is paid directly from the funding of each transaction.*

6. **IBA: Is 3% the standard amount for such deferred services agreements?**

Civic San Diego Response: *The City and County of San Francisco issued a Request for Proposal for NMTC consulting services to assist their newly formed, City-owned, nonprofit public-benefit corporation to apply for NMTC. UFA was competitively selected and earned a 3% fee.*

7. **IBA: What has been UFA's record in the successful award of the NMTC allocation?**

Civic San Diego Response: *UFA has been highly successful. They have written 22 successful NMTC applications for $1.2 billion in allocations and closed more than 100 NMTC investment transactions. UFA has applied and won in all nine rounds since the NMTC program began in 2000.*

8. **IBA: Is 6-11% a standard fee for CDEs? How much do you anticipate this will be?**

Civic San Diego Response: *Yes, the 6%-11% fee is standard for organizations such as Civic San Diego and will be paid directly to Civic San Diego upon the closing of each transaction if we are successful in receiving an NMTC allocation. Some of the large banks, such as Bank of America,* *US Bank, and Chase, provide NMTC funding for less, but they receive credits for community investment and have many other profit centers with which to offset their application and transaction costs.*

The fee charged by Civic San Diego will offset staff time and other administrative expenses. The fee is a percent of the total award allocated. We anticipate existing Civic San Diego staff will perform all the functions required through the application process. If successful, depending on the amount of award, we will evaluate whether we can perform all of our duties with existing staff but that would not occur until FY 2014, since we likely will not receive notification of an allocation until April 2013.

9. **IBA: What types of services will UFA provide after successful award and how much is this anticipated to cost?**

Civic San Diego Response: *As described in the Scope of Services(Engagement Letter with UFA, LLC), UFA will be providing post-closing advisory services after receiving an allocation, including deal negotiation and structuring, and advising Civic San Diego staff about ongoing compliance monitoring and audits. These services are covered by the 3% fee paid at each transaction closing, and UFA will not charge any additional fees for those services. There will be other specialist consultants and attorneys that will be paid at each deal closing; however, and their fees will be paid directly from the NMTC allocation.*