



REPORT

DATE ISSUED: November 12, 2015

REPORT NO: HCR15-087

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of November 20, 2015

SUBJECT: Approval of Transit-Oriented Development Fund Consultant Contract

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Authorize the execution of an agreement with Forsyth Street Advisors for the creation, implementation, and management of the Affordable Housing Transit-Oriented Development Fund.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) take the following actions:

- 1) Authorize the execution of an agreement with Forsyth Street Advisors for the creation, implementation, and management of the Affordable Housing Transit-Oriented Development Fund (TOD Fund) for a total compensation of \$200,000, with half to be paid by the Housing Commission and half by Civic San Diego (CivicSD) and to be administered by them jointly, for a term of five years, with 2 five-year extensions. The form and format of the agreement shall be subject to the approval of General Counsel of the Housing Commission;
- 2) Authorize the President & Chief Executive Officer (President & CEO), or designee, to execute all necessary documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and to take such actions necessary and/or appropriate to implement these approvals; and
- 3) Authorize the President & CEO to substitute funding sources and/or increase compensation by not more than 20 percent of the total agreement amount for the proposed agreement, if necessary, without further action by the Board of Commissioners (Board) of the Housing Commission, but only if and to the extent that funds are determined to be available for such purposes.

SUMMARY

With the dissolution of redevelopment agencies in California on February 1, 2012, and diminishing Federal and State affordable housing resources, the Housing Commission has been seeking alternative sources of funding to help finance affordable housing production. The TOD Fund is a way to attract new sources of investment in affordable housing, as well as to leverage existing sources by combining them into a separate fund.

There are several models of funds that have been created for affordable housing and community development purposes: the Transit Oriented Affordable Housing Fund in the San Francisco Bay Area, the New York City Acquisition Fund, the Denver Transit-Oriented Development Fund, the New

Generation Fund in Los Angeles, and the Golden State Acquisition Fund covering the entire State of California. These funds have been able to blend private and philanthropic foundation funds, bond funds, low-income housing tax credits, new markets tax credits, and additional public and private sources. The funds are typically structured with the public agency resources in the top loss position, while banks and additional private commercial investors are in the last loss position.

The TOD Fund is a collaborative effort between the Housing Commission and CivicSD. Additional public and private entities, such as nonprofits, foundations, Community Development Financial Institutions, commercial banks, and public agencies will be invited to join as partners, collaborators, and investors. The objective of the TOD Fund is to spur mixed-use and mixed-income real estate developments that provide affordable housing as well as much-needed businesses and services within targeted sites along transit corridors that address transportation needs between housing and jobs. The goal is to raise between \$50 million and \$100 million of investment in the TOD Fund by leveraging a minimum of \$3 of private capital for every \$1 of public funds committed (i.e., \$20 million in local funds should attract at least \$60 million in outside capital).

Solicitation Process

On May 29, 2015, the Housing Commission and CivicSD jointly released a Request for Proposal (RFP) to hire a consultant to create, implement and manage the TOD Fund. The following two firms submitted responses:

- LeSar Development Consultants
- Forsyth Street Advisors LLC

A Selection Committee composed of staff from CivicSD, the Housing Commission, and the San Diego Association of Governments (SANDAG) evaluated the submittals and conducted interviews. Based on the RFP submittals, the interviews, and reference checks, the Selection Committee unanimously ranked Forsyth Street Advisors as the top choice for Fund Manager and recommended that the Housing Commission and CivicSD enter into contract negotiations with Forsyth Street Advisors for this task.

Forsyth Street Advisors is a specialty finance and municipal advisory firm based in New York that has more than nine years of experience in the deployment and management of public-private investment funds. The firm designed, implemented, and serves as Fund Manager for both the New York City Acquisition Fund and the New Generation Fund in Los Angeles.

Forsyth Street Advisors has also engaged Seifel Consulting to assist with the Market Assessment to show potential demand for the TOD Fund. Seifel Consulting is an urban economics advisory firm based in San Francisco that advises its clients on the development, rehabilitation, financing and preservation of market rate and affordable housing. It has guided the creation of transit-oriented developments and more than 100 successful redevelopment projects, including experience in the San Diego region.

Professional Services Agreement

The Professional Services Agreement with Forsyth Street Advisors is to be jointly administered by the Housing Commission and CivicSD. The term of the contract is five years with two five-year extensions. Total compensation to Forsyth Street Advisors from the Housing Commission and CivicSD is not to exceed \$200,000. Invoices shall be submitted to both the Housing Commission and CivicSD, and each agency shall be responsible for one-half of the invoice amount. The Proposed Scope of Services is

shown in Attachment 1, and the Proposed Fixed Price Agreement Amount Payment Schedule is shown in Attachment 2. The work plan includes three phases as summarized below:

FIRST PHASE: FUND DESIGN (Not to Exceed \$150,000)

Forsyth Street Advisors will produce a Market Assessment to show potential demand for the TOD Fund. As part of the assessment, they will engage in a series of tasks intended to:

- Refine TOD Fund vision;
- Identify specific financing opportunities that could be facilitated by the TOD Fund;
- Identify specific financing products, such as alternative types of loans, that could be provided by the TOD Fund;
- Identify a preferred TOD Fund structure; and
- Preliminarily gauge investor interest in the TOD Fund.

The Market Assessment will be presented to the Housing Commission Board, as well as CivicSD's Board, for review and approval. Forsyth Street Advisors shall also present the findings to the San Diego City Council and stakeholder groups, as needed or reasonably requested by the Housing Commission and CivicSD.

SECOND PHASE: FUND IMPLEMENTATION (Not to Exceed \$60,000 plus outside consultant costs)

The second phase is to begin after approval by the Housing Commission and CivicSD of the Market Assessment and delivery to Forsyth Street Advisors of a Notice to Proceed, and it shall conclude with the closing of the TOD Fund.

Based on the findings of the Market Assessment, Forsyth Street Advisors and stakeholders shall determine the most appropriate financing products and TOD Fund structure to be implemented, and Forsyth Street Advisors shall then produce financing overviews, term sheets, credit enhancement descriptions, and additional materials as needed to facilitate discussion with potential investors about the TOD Fund. These will be continually refined during the second phase of the work plan based on comments from the stakeholders and investors.

To facilitate the actual TOD Fund closing process, legal counsel and specialized experts will be engaged as needed. The contract shall include a provision that the third parties may be compensated as a pass through of Sponsor funds (or other identified funds) from Forsyth Street Advisors rather than separately contracting with each party and shall be subject to Housing Commission contracting and budget procedures. This structure is subject to subsequent legal review to ensure that no conflicts of interests are produced by this structure.

If less than \$150,000 is needed to complete the first phase, the second phase may exceed \$50,000. However, the cost to complete both the first and second phases will not exceed a total of \$200,000.

THIRD PHASE: FUND MANAGEMENT (Compensation via fees earned on investor funds)

After closing of the TOD Fund, Forsyth Street Advisors shall provide comprehensive Fund Management services as approved by the Housing Commission and CivicSD. In general, the services are anticipated

to include the following services, subject to subsequent legal review to ensure that there are no conflicts of interest presented:

- Comprehensive day-to-day administration of TOD Fund operations, including management of reserves, monitoring of the loan portfolio, coordination with a fiscal agent and legal team, and communication with stakeholders;
- Loan underwriting, servicing, marketing, and asset management;
- Coordination with a credit committee or similar entity that has final approval over credit matters;
- Periodic reporting to TOD Fund stakeholders;
- Development of financial projections and annual budgets;
- Coordination with the TOD Fund's audit team; and
- Additional services as appropriate to the TOD Fund.

The anticipated timeline for development and implementation of the TOD Fund:

- November 2015 – Execute contract with Forsyth Street Advisors
- June 2016 – Complete Market Assessment
- July 2016 – Presentation of Market Assessment to Housing Commission and CivicSD Boards for approval
- March 2017 – TOD Fund closes
- March 2017 - March 2027 – TOD Fund implementation and potential recapitalization

This action will assist the Housing Commission to complete one of the Objectives of the Housing Commission's two-year Strategic Plan, "Pursue new funding opportunities to decrease reliance on traditional funding sources for the creation and preservation of affordable housing at the lowest possible cost," under Goal A, "Create and Preserve Quality Affordable Housing." The Housing Commission Board approved the agency-wide Strategic Plan on January 17, 2014.

AFFORDABLE HOUSING IMPACT

Approval of this action will help provide additional financial resources to fund the production of affordable housing that is located near transit and in mixed-income, mixed-use communities in the City of San Diego.

FISCAL CONSIDERATIONS

The Housing Commission's Fiscal Year (FY) 2016 Housing Authority-approved budget includes \$200,000 for Professional Consultant Services related to the formation of the TOD Fund. CivicSD's FY 2015-2016 budget includes \$175,000 to support formation of the TOD Fund. The contract would commit up to \$100,000 of Housing Commission funds as well as \$100,000 of CivicSD funds for this purpose. Engagement of outside counsel or other experts as needed shall be subject to Housing Commission contracting and budget procedures.

EQUAL OPPORTUNITY/CONTRACTING

Forsyth Street Advisors has submitted the required CivicSD Equal Opportunity Agreement and City of San Diego Work Force Report. The company has also agreed to comply with the City of San Diego's Equal Opportunity Contracting Program Consultant Requirements, set forth in San Diego Municipal Code sections 22.2701 through 22.2707.

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KEY STAKEHOLDERS and PROJECTED IMPACTS

Performance of the Phase I Market Analysis will involve discussions with affordable housing developers as well as potential fund investors to identify market gaps and local financing needs for the development of affordable housing.

ENVIRONMENTAL REVIEW

This activity is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and State CEQA Guidelines Section 15378(b)(5), as it is an administrative activity of government that will not result in direct or indirect physical changes in the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. Processing under the National Environmental Policy Act is not required as no federal funds are involved in this action.

Respectfully submitted,

Wendy G. DeWitt

Wendy G. DeWitt
Director
Business & Program Development

Approved by,

Deborah N. Ruane

Deborah N. Ruane
Senior Vice President
Real Estate Division

Attachments: 1) Proposed Scope of Services
2) Proposed Fixed Price Agreement Amount Payment Schedule

Hard copies are available for review during business hours in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

ATTACHMENT 1

PROPOSED SCOPE OF SERVICES

FIRST PHASE: FUND DESIGN

Consultant will produce a market assessment document for a fund or other vehicle, referred to herein as the “Fund”, that shall increase the production of affordable housing transit-oriented development (TOD), leverage the local affordable housing development resources and capital of Sponsors, and provide below market interest rate loans and/or other beneficial financial products to non-profit and for-profit affordable housing TOD developers for activities such as, but not limited to, land acquisition, rehabilitation, new construction, and/or other housing, community facility or infrastructure development activities to facilitate affordable housing TOD at existing and planned transit sites within the City (the “Market Assessment”).

The Market Assessment will be presented to the Sponsors for review and approval. Such review and approval shall include formal presentations to each Sponsor’s governing board, a City Council committee and the San Diego City Council, and other stakeholder groups as needed or reasonably requested by Sponsors.

To create the Market Assessment document, Consultant will engage in a series of tasks intended to:

- Refine Fund vision
- Identify specific financing interventions that could be facilitated by the Fund
- Identify specific financing products that could be provided by the Fund and would achieve the target interventions
- Identify a preferred Fund structure
- Preliminarily gauge investor interest in the Fund

Specific tasks to be accomplished in the first phase of the Scope of Services include:

- **Task 1: Launch of the Working Group and Weekly Meetings.** Consultant will form and convene a working group that includes Sponsor staff, Consultant and Subconsultant staff, and others, as appropriate (the “Working Group”). Initially, Consultant will discuss the current approach to product and Fund development, designate primary contacts, and clarify expectations for the work plan with Sponsors’ staff.

Consultant will also establish recurring weekly conference calls with the Working Group. These calls will be opportunities for the Working Group to discuss recent developments with the Fund, review work items, and coordinate on upcoming tasks and deadlines.

- **Task 2: Information Exchange.** Consultant will review findings from outreach, research, and analysis already conducted by the Sponsors, including observations of financing obstacles to affordable housing TOD; availability of existing State, local, and other financing tools for affordable housing TOD; target interventions already identified; philanthropic

priorities; and other matters affecting the development of the Fund. Consultant will coordinate with the Working Group to identify any remaining gaps in available information that should be addressed with additional outreach or research.

- **Task 3: Supplemental Outreach and Research.** As needed, and to supplement available information and work already done by the Sponsors, Consultant will, with support from other members of the Working Group, collect additional information, conduct additional market research, organize focus groups, and engage in select additional outreach to external stakeholders, including developers, philanthropies, area employers, lenders, and others with potential interest in the Fund.
- **Task 4: Preliminary Sponsor and City Discussions.** Consultant will engage in discussions with the Sponsors and the City regarding structure of the Fund, required approvals and other procedural aspects of Fund implementation, commitment of City resources to the Fund, and other matters, as appropriate. Early on in the work plan, Consultant will have a discussion about the Fund with the Sponsor's corporate counsels to establish structural parameters for the Fund and flag early issues for monitoring and further evaluation.
- **Task 5: Precedent Analysis.** Consultant will review and prepare summary descriptions of selected entities from across the country that could serve as relevant models for the Fund. These entities may include structured limited liability companies (LLCs), 501(c)3 nonprofit organizations, public benefit corporations, and others. The review will include funds specifically targeted to affordable housing TOD, potentially including the Bay Area, Twin Cities, Denver, and Los Angeles TOD funds referenced in the RFP, as well as other funds oriented to addressing other matters of public concern, such as non-TOD affordable housing, healthcare, and energy efficiency. The purpose of the review will be to illustrate various ways in which an entity can be structured to balance public influence with independence; in-house capabilities with third-party expertise; and capital from various sources. “

INTERIM DELIVERABLE: Precedent Analysis. The Precedent Analysis will include an overview of structural options for funds and their implications for fund governance, management/staffing, and capitalization. The document will also include summary descriptions of selected funds from around the country that could be relevant or illustrative precedents for the San Diego TOD Fund.

- **Task 6: Identification of Target Interventions.** Consultant will assist the Working Group in identifying financing interventions that could be facilitated by the Fund. Consultant will support this process by performing market analytics as needed. Sample interventions that could be considered include financing for site acquisition, property rehabilitation, new construction, and other housing, community facility, or infrastructure development activities that facilitate affordable housing TOD. Outreach and research activities, as well as input from the Working Group, may suggest additional target interventions that Consultant shall explore.

INTERIM DELIVERABLE: Target Interventions List. The Target Interventions List will build on Task 3: Supplemental Outreach and Research, as well as input from the Working Group, by summarizing key findings for discussion.

- **Task 7: Development of Financing Products.** Working from target interventions identified in Task 6, Consultant will build out preliminary, illustrative terms and/or models, as appropriate, for potential financing products corresponding to the interventions deemed most promising by the Working Group.

INTERIM DELIVERABLE: Illustrative Product Term Sheets and Models. To facilitate discussion about the most promising financial products for addressing the Target Interventions, Consultant will prepare discussion and analysis items as needed.

- **Task 8: Selection of Fund Structure.** With respect to the structure of the Fund, Consultant anticipates evaluating the suitability of various approaches, including:
 - (1) An “in-house” fund that is part of an existing City, quasi-City, or Sponsor entity;
 - (2) An independent standalone structured fund LLC; and
 - (3) An independent standalone 501(c)3 or other new entity.

Considerations that will be evaluated will likely include, among others:

- Whether the Fund is “on- or off-balance sheet”;
- Fund governance and the degree of coordination with or independence from other instruments of City housing policy;
- Initial capitalization profiles with different mixes of public, private lender, philanthropic, and employer funds;
- Ongoing management and product underwriting, origination, and servicing alternatives, including “in-house” options and the possibility of hiring an independent third-party asset manager to perform these functions or utilizing existing San Diego lender capacity;
- Legal and accounting implications;
- Timeline for implementation, including consideration of how the Fund could be scaled/expanded over time to provide additional financial products in addition to its initial offerings; and
- Local constituency interests and market and political considerations.

To aid in evaluation of certain technical implementation matters, Consultant may maintain contact with the Sponsors’ corporate counsel while assessing possible Fund structures. Additional specialized technical legal or accounting expertise may also be required.

To facilitate refinement of the Fund structure, Consultant will produce presentations, comparisons, financial projections, budgets, and other models and discussion materials as needed to illustrate the effects of various credit enhancement structures, capital sources, interest rates, and other variables affecting the financial and credit characteristics of the Fund and the financial products it offers.

INTERIM DELIVERABLE: Fund Structure Illustrative Descriptions and Models. To facilitate discussion about preferred Fund structures, Consultant will prepare discussion and analysis items as needed.

- **Task 9: Pipeline Development.** Consultant will coordinate with the Working Group on identifying initial transactions for cultivation alongside design and implementation of the Fund. As an alternative or complementary addition to pipeline projects, illustrative projects that could have benefitted from certain financial products that could have been provided by the Fund may also be identified.

INTERIM DELIVERABLE: Pipeline Tracking List. Consultant will maintain a tracking list for monitoring potential pipeline transactions.

- **Task 10: Preliminary Outreach to Target Investors and Grantors.** Once the Fund's structure and the financing products to be offered become sufficiently defined, Consultant will conduct preliminary outreach to potential investors and grantors to gauge initial interest, refine the role of public funds committed to the Fund, and estimate probable leverage of public to private capital that could be achieved. Potential investors may include regional and national philanthropies, regional and national commercial banks, investment banks, insurance companies, area employers, pension funds, high net worth individuals, and others.

INTERIM DELIVERABLE: Target Investor Tracking List. Consultant will maintain a tracking list for coordinating outreach to target investors across various investor groups for both capital investment and grants and operating support and will assist Sponsors with pursuing grants and other funds to help offset the cost to Sponsors of the second phase of the work plan.

- **Task 11: Market Assessment.** The Market Assessment will combine work done in previous stages of the work plan oriented around identifying a target intervention, a target set of financing products that facilitate the desired intervention, a structure for the Fund, a proposed use of public funds, and a target leverage ratio for the Fund. It will essentially be a "business plan" outlining next steps for Fund implementation, startup, and ongoing operations.

FIRST PHASE FINAL DELIVERABLE: Market Assessment. To conclude the first phase of the work plan, Consultant will present the completed Market Assessment to the Sponsors for their review and approval. The second phase of the work plan will begin once Sponsors approval to proceed is obtained.

SECOND PHASE: FUND IMPLEMENTATION

The second phase of the work plan is estimated to begin in approximately the sixth month from the start of the Scope of Work and conclude with the closing of the Fund. The second phase is to begin after approval by sponsors of the Market Assessment and delivery to Consultant of a Notice to Proceed.

- **Ongoing Tasks: Weekly Working Group Meetings; Coordination with Sponsors and City; Pipeline Development.** Throughout the second phase of the work plan, several key tasks begun in the first phase will continue. These will include the weekly Working Group meetings, coordination with the Sponsors and the City, and Pipeline Development.

As the work plan shifts to the second phase, members of the Working Group may change, as individuals involved in Fund design are replaced or supplemented with individuals focused on Fund implementation. In particular, as the second phase of the work plan progresses and the Fund nears closing, the Working Group may expand to include legal counsel, lead investor representatives, and other parties, as appropriate.

Ongoing coordination with the Sponsors and the City will be maintained through meetings and updates to ensure that support for the Fund continues to be strong and that any public messaging about the Fund is coordinated and to monitor progress on the Sponsors' potential commitment of public funds and to resolve any structural, legal, and other issues expeditiously as they arise.

Consultant will further develop a list of potential initial transactions for which Fund capital can potentially be deployed subsequent to closing of the Fund.

INTERIM DELIVERABLE: Pipeline Tracking List. Consultant will continue to maintain a tracking list for monitoring potential pipeline transactions.

- **Task 12: Formulation of Investor Outreach Strategy.** Once the Working Group has achieved consensus around the financing products and Fund structure to be implemented, and the Sponsors have formally provided their approval to proceed, Consultant will work with the Working Team to formulate an investor outreach strategy. In general, the investor outreach strategy is anticipated to include the second phase tasks outlined below, tailored to the specific requirements and timelines of each investor

INTERIM DELIVERABLE: Closing Timeline. Consultant will create and maintain a closing timeline for tracking short-term and mid-term tasks to be accomplished. The timeline will be updated and refined continually throughout the second phase of the work plan as prospective investors clarify their expectations and requirements for working towards a closing.

- **Task 13: Development of Outreach Materials.** Consultant will produce financing overviews, term sheets, credit enhancement descriptions, and other materials as needed to facilitate discussion with potential investors about the Fund. These will be continually refined during the second phase of the work plan based on feedback from the Working Group, Sponsors, City, prospective investors, legal team, and other parties.

INTERIM DELIVERABLE: Outreach Materials. As outreach materials are developed and updated for distribution, they will be shared with the Working Group.

- **Task 14: Maintenance of Financial Models.** Consultant will develop and maintain financial models for the Fund. The financial models will incorporate budgets, assumptions about capital availability from various sources, assumptions about loan activity, and other inputs, for the Fund’s start-up and stabilized periods of operation.

INTERIM DELIVERABLE: Financial Models. The financial models will be continually maintained throughout the second phase of the work plan, with revisions made as necessary to reflect changes in capital assumptions, financial product terms, and other factors.

- **Task 15: Investor Outreach.** Once the Working Team has agreed on an investor outreach strategy (see Task 12 above), Consultant will begin outreach, with members of the Working Group, to prospectively interested investors. As needed, Consultant will revise the pipeline tracking list, closing timeline, outreach materials, and financial models to reflect and address investor requirements, concerns, preferences, and other considerations. Consultant will be available to organize, attend, and lead, as appropriate, conference calls, in-person meetings, and presentations with prospective investors.

INTERIM DELIVERABLE: Target Investor Tracking List. Consultant will continue to maintain a tracking list for coordinating outreach to target investors across various investor groups.

- **Task 16: Fund Service Providers.** To facilitate the Fund closing process, legal counsel and input from other specialized experts, such as accountants, will be needed. To the extent it is necessary to engage specialized service providers, Consultant will be available to assist the Sponsors with any Request for Proposals (RFPs) or other required procurement or service provider selection process.

INTERIM DELIVERABLE: RFPs and Other Procurement Materials. To the extent it is necessary to engage specialized service providers, Consultant can assist with the procurement and hiring process with drafting and distributing required materials and conducting interviews.

- **Task 17: Transaction Document Drafting.** To assist in the expeditious drafting of documentation, financing overviews, term sheets, and other outreach materials developed and maintained by Consultant will outline business terms for incorporation in the legal documents. To minimize legal costs, Consultant will endeavor to have as many business terms as possible resolved prior to beginning legal documentation.

INTERIM DELIVERABLE: Transaction Documents. With the Fund nearing closing, Consultant will work with the legal team to draft, circulate, and revise transaction documents.

- **Task 18: Closing.** Consultant will coordinate with all parties, including the Sponsors, the City, Fund investors, the legal team, and others, as necessary, to close the Fund. Consultant will assist in arranging closing conference calls and meetings, distributing materials, collecting signatures, and, once the Fund is closed, distributing final versions of all transaction documents to all Fund stakeholders.

SECOND PHASE FINAL DELIVERABLE: Closed Fund. The second phase of the work plan will conclude with a closed Fund as such term is defined in the Market Assessment.

THIRD PHASE: FUND MANAGEMENT

Subsequent to the conclusion of the second phase of the work plan, Consultant will provide comprehensive Fund Management services. Such services shall be approved by Sponsors, with such approval not unreasonable withheld or delayed. In general, the services are anticipated to include:

- Comprehensive day-to-day administration of Fund operations, including management of reserves, monitoring of the loan portfolio, coordination with a fiscal agent and legal team, communication with stakeholders, and other functions
- Loan underwriting, servicing, marketing, and asset management
- Coordination with a credit committee or similar entity that has final approval over credit matters
- Periodic reporting to Fund stakeholders
- Development of financial projections and annual budgets
- Coordination with the Fund's audit team
- Other services as appropriate to the Fund

To the extent the Fund has the flexibility to develop and offer additional financing products after its initial closing, Consultant may assist with expanding the slate of financial products offered by the Fund and raising additional capital as needed.

ATTACHMENT 2

PROPOSED FIXED PRICE AGREEMENT AMOUNT PAYMENT SCHEDULE

FIRST PHASE: FUND DESIGN

Consultant shall be compensated for performance of the first phase of the Professional Services based on the following schedule.

Milestone	Amount
Within 10 business days after Effective Date	\$32,500
Later of 60 days after contract Effective Date or delivery of the Precedent Analysis	\$32,500 plus reimbursement for reasonable travel expenses subject to \$20,000 limit
Later of 60 days after prior payment or delivery of the Fund Structure Illustrative Descriptions and Models	\$32,500 plus reimbursement for reasonable travel expenses subject to \$20,000 limit
Delivery of completed Market Assessment	\$32,500 plus reimbursement for reasonable travel expenses subject to \$20,000 limit
Not to Exceed first phase budget amount	\$150,000

SECOND PHASE: FUND IMPLEMENTATION

Consultant shall be compensated for performance of the second phase of the Professional Services based on the following schedule (subject to delivery to Consultant of a Notice to Proceed).

Milestone	Amount
Later of one month from Notice to Proceed for second phase or delivery of Pipeline Tracking List	\$10,000
Later of one month from prior payment or delivery of Closing Timeline	\$10,000
Later of one month from prior payment or delivery of RFPs and Financial Models	\$10,000
Later of one month from prior payment or delivery of Target Investor Tracking List.	\$10,000
Later of one month from prior payment or delivery of RFPs and Other Procurement Materials	\$10,000

Later of one month from prior payment or delivery of Transaction Documents \$10,000*

Not to Exceed second phase budget amount \$60,000*

* Subject to Fixed Price Agreement Amount not to exceed amount of \$200,000 unless increased at Sponsors sole discretion upon the receipt of grants or other funds to help offset the cost of the second Phase.

THIRD PHASE: FUND MANAGEMENT

Consultant shall be compensated for performance of the third phase of the Professional Services based on the following schedule.

Benchmark	Amount
Closing of the Fund Fee	\$140,000*
Fixed Management Fee, Variable Volume-Based Fee, and Variable Performance Fee	To be determined**

* Fee only payable upon a minimum capital raise of Forty Million Dollars (\$40,000,000) not including Sponsor funds and solely to be paid from proceeds of the closing and not from Sponsor funds.

** Such compensation structure to be detailed in the Market Assessment approved by the Sponsors and shall not exceed 1.50% of total assets under management for the Fixed Management Fee and 1.00% for the combined Volume and Performance Fee.