

ROSS FINANCIAL

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March 17, 2026

Mr. Brian Warwick
Housing Manager
City of Chula Vista Housing Division
276 Fourth Street, Building A
Chula Vista, CA 91910

Re: Sol Vista Apartments (fka Enclave Montecito)

Dear Mr. Warwick:

The Chula Vista Housing Authority (the “Housing Authority”) has retained Ross Financial as its municipal advisor to analyze the feasibility of issuing tax-exempt obligations (the “Obligations” or the “Note”) for the Sol Vista Apartments (fka Enclave Montecito)(the “Development”).

This feasibility analysis reviews the following items:

- Overview of the Development
- Proposed financing approach
- Benefits and risks to Housing Authority
- Public purpose
- Recommendations

Ross Financial has based its analysis of the Development’s financial feasibility on materials provided by the Housing Authority and Rise Urban Partners LLC (“Rise”), which is advising the borrower entity for the Development. The materials include: (1) the joint application to the California Debt Limit Allocation Committee (“CDLAC”) and the California Tax Credit Allocation Committee (“CTCAC”), (2) the financing commitment from Citibank, N.A., as construction and permanent lender (the “Lender”), (3) the market study performed by Kidder Mathews in support of the joint application to CDLAC and CTCAC, and (4) Rise’s pro forma financial schedules for the Development. Ross Financial has not visited the site of the proposed Development, has had no role in the selection of the Lender and has had no role in the creating the overall financing structure.

OVERVIEW OF DEVELOPMENT

Development Summary. The Development is the proposed new construction of a multifamily housing rental development located at 1485 Santa Victoria Avenue in Chula Vista. The Development consists of 96 affordable apartments (the one manager’s units is also restricted), all located in a single four-story, elevator-served building. The Development will contain 125 parking spaces. The construction type is Type V with an exterior of stucco, metal and concrete. The Development will be all electric and will have solar panels serving the common spaces.

The unit mix and affordability restrictions for the Development will be as follows:

Table 1

Sol Vista Apartments	30% AMI	50% AMI	60% AMI	70% AMI	Total
1 Bedroom/1 Bath	4	4	16	13	37
2 Bedroom/1 Bath	3	3	12	13*	31
3 Bedroom/2 Bath	3	3	9	13	28
Total Units	10	10	37	39	96

*Includes one restricted manager’s unit

According the CDLAC application, all units will be adaptable, and each will be equipped with a refrigerator, oven, microwave, dishwasher and sink with garbage disposal. Project amenities include secured entry, a club room, common areas and a playground. The Development also will share amenities with a neighboring project, including a pool, business center, fitness center, barbecue area and pet play area.

Description of Project Site. The Development will be constructed on a 2.4 acre site (the “Site”) that currently is vacant, undeveloped land. The Site is rectangular in shape and occupies a prominent corner at Santa Victoria and Santa Diana Roads, west of the major collector corridors of Birch Road and La Media Road and approximately 1 mile from SR 125. The immediate vicinity is characterized by a blend of multifamily residential, single family residential, educational, public, industrial and commercial land uses,

The Site is located within a Section Planning Area identified as Otay Ranch Village Two. The Site and other properties within Otay Ranch Village Two are subject to an Affordable Housing Agreement dated September 14, 2010 (the “Village 2 AHA”). The Village 2 AHA authorizes the construction of 2,786 total dwelling units with a requirement that at least 10% of units be designated as affordable, including 5% affordable to moderate income households and 5% as affordable to low income households. The 96 low-income units in the Development count towards the obligations under Village 2 AHA.

Project Ownership/Borrower. The ownership entity for the Development will be MU2 Affordable LP (the “Borrower”), a single asset California limited partnership consisting

of: (1) MU Affordable LLC, an entity created by The Baldwin Company (“Baldwin”), which will act as the administrative general partner (“AGP”), (2) SBSC (formerly, South Bay Community Services,) a 501(c)(3) nonprofit public benefit corporation, which will act as the managing general partner (“MGP”); and (3) an investor limited partner that will be an entity formed by WNC Inc. According to its website, Baldwin has more than 70 years of experience in financing, developing and/or rehabilitating multifamily rental housing. This experience encompasses 20,000 residential units that span from Los Angeles to San Diego. Baldwin’s most recent development activity in Chula Vista includes:

- Enclave Montecito Apartments – a 253-unit new construction multifamily project located at the Southeast corner of Santa Victoria Road & Birch Road, Chula Vista, which began construction in the 3rd quarter of 2025
- Element Hotel – a 148 key new construction hotel project at 2045 Centerpark Road, Chula Vista, which will open in the 2nd quarter of 2026
- Enclave Town Center Apartments and retail – a 239-unit new construction multifamily project with 12,772 square feet of retail located at 1445 Town Center Drive, Chula Vista, which was stabilized in 2025
- Enclave Heritage Apartments – a 312-unit new construction multifamily and 93-unit for rent townhome project located at 1800 Santa Carolina Road, Chula Vista, which was stabilized in 2025

CDLAC/CTCAC. On September 9, 2025, the Housing Authority filed a joint application to CDLAC and CTCAC requesting a private activity bond allocation of \$14,000,000 for the Development and new 4% Federal tax credits. CDLAC awarded the allocation in the requested amount at its meeting of December 10, 2025.

In connection with the CDLAC application process, on August 5, 2025, the Housing Authority adopted a resolution of intent to issue tax-exempt obligations for the Development and authorized the submission of an application to CDLAC. A TEFRA hearing is scheduled for April 14, 2026 for purposes of Section 147 of the Internal Revenue Code.

PROPOSED FINANCING

Project Costs and Funding. According to most recent projections provided by Rise on behalf of the Borrower, the total cost of the Development, including construction and all soft costs, is estimated at \$44,010,246. The estimated sources of funds will differ during the construction period and following construction and lease-up (“at permanent”). The following table allocates these sources and uses during construction and at permanent

based on the most recent projections, which remain subject to change based on final costs and loan underwriting:

Table 2

Sources of Funds	Construction	Permanent
Tax-Exempt Senior Note Proceeds	\$12,750,000	\$12,750,000
Conventional Taxable Loan	14,166,924	6,960,263
Gap Loan from Baldwin	2,154,975	2,154,975
Accrued Interest on Gap Loan	200,000	200,000
Low Income Housing Tax Credit Equity (Federal)	7,052,063	17,630,157
Deferred Cost	3,371,433	0
Deferred Developer Fee	4,314,851	4,314,851
Total	\$44,010,246	\$44,010,246
Uses of Funds		
Construction Costs	\$28,724,453	\$28,724,453
Construction Loan Interest	2,150,000	2,150,000
Accrued Interest on Gap Loan	200,000	200,000
Impact and Permit Fees	4,498,715	4,498,715
Architectural & Engineering	770,864	770,864
Financing, Legal and Other Soft Costs	1,254,210	1,254,210
Soft Cost Contingency	461,735	461,735
Reserves	556,705	556,705
Developer Fee*	5,393,564	5,393,564
Total**	\$44,010,246	\$44,010,246

*Cash developer fee is \$1,078,839

The Financing Approach. The Obligations requested by the Borrower to be issued by the Housing Authority will consist of senior Obligations in the form of a tax-exempt note (the “Note”) evidencing a loan to be made by Citibank, N.A. (“Lender”). In addition, the Lender will be making a taxable loan (the “Taxable Loan”) directly to the Borrower that will be on parity with the Note.

The Note

Housing Authority will issue the Note in the anticipated amount of \$12,750,000 to finance a portion of the costs of constructing the Development. The Note will have the following features:

- The Note will be purchased and funded by the Lender on a draw down basis;
- The Note will be issued in a single series;
- The Note will be on parity to the conventional Taxable Loan
 - The conventional Taxable Loan will be in the estimated amount of \$14,166,924 during construction and will be paid down at Conversion from tax credit proceeds to \$6,960,263;

- The Taxable Loan will bear a variable rate during construction (currently estimated at 6.17%) and a fixed rate at permanent (currently estimated at 6.88%)(rates as of March 17, 2026)
- The Note will bear a variable rate during construction (currently estimated at 5.42%) and a fixed rate at permanent (estimated at 6.13%)(rates as of March 17, 2026)
- The Note is anticipated to mature in 33 years and will amortize on a 40-year basis.
- The Note is subject to mandatory prepayment at the end of 18 years.
- The Note is expected to close on or before April 30, 2026.

The Lender will execute an investor letter in which it will represent that it has sufficient knowledge and experience to evaluate the risks and merits associated with making the loans evidenced by the Note. The Lender may transfer all or a portion of the Note to “qualified institutional buyers” or an affiliate of the Lender, provided such transferee executes a letter similar to the one executed by the Lender at Note closing. Such transfer letter is not required for transfers to a trust or custodial arrangement established by the Lender or a governmental entity the beneficial interests in which are sold to a qualified institutional investor or receive an investment grade rating.

Housing Authority Financial Involvement. The Housing Authority does not have any financial involvement with the Development. However, it will execute an Amended and Restated Regulatory Agreement – Affordability Housing Density Bonus with the Borrower that will contain affordability restrictions that will mirror those contained in the tax-exempt Note Regulatory Agreement.

Affordability Restrictions. The Development will be subject to the following regulatory restrictions (collectively, the “Regulatory Agreements”) and terms:

- Tax-Exempt Note Regulatory Agreement requirements (including voluntary elections made to CDLAC) for a 55-year term after completion;
- Tax Credit Regulatory Agreement requirements under which all units must be affordable at the levels shown in Table xx above for a 55-year term to remain eligible for tax credits; and
- Amended and Restated Regulatory Agreement – Affordability Housing Density Bonus requirements which contain similar restrictions as contained in the Tax Credit Regulatory Agreement.

Development Cash Flow. The Borrower provided pro forma cash flows for the Development. The following table summarizes key elements of the most recent pro forma:

Table 3

Assumptions	
Vacancy	5%
Revenue Escalation	3%
Expense Escalation	3%
Cash Flow and Coverage	
Stabilized Net Income – First Full Year ¹	\$2,431,948
Expenses	(813,514)
Replacement Reserve	(28,800)
Housing Authority Bond Monitoring Fee	(17,000)
Net Operating Income Available for Debt Service	\$1,572,634
Tax-Exempt Note Debt Service ²	(855,733)
Taxable Loan Debt Service ³	(511,775)
<i>Debt Service Coverage⁴</i>	<i>1.15x</i>
Cash Flow after Debt Service	205,126
LP Fee	(10,927)
MGP Fee	(10,927)
AGM Fee	(16,391)
Estimated Net Project Cash Flow	\$166,881
Deferred Developer Fee (Priority Payment)	(166,881)
Available Cash Flow after Deferred Developer Fee	\$0
Repayment of Deferred Developer Fee (Remaining Portion)	\$0

¹ Conversion is projected to occur in November 2028

² Assumes an initial permanent tax-exempt note par of \$12,750,000 @ 6.13% all-in interest rate and 40 year amortization

³ Assumes initial permanent taxable loan par of \$6,960,263 @ 6.88% all-in interest rate and 40 year amortization

⁴ Net operating income divided by total tax-exempt and taxable debt service

The following table shows the Borrower's most recent projected cash flow for the Development during first full five years following stabilized occupancy:

Escalation	Revenues	Year				
		1	2	3	4	5
3.00%	Gross Scheduled Rent	2,539,937	2,590,736	2,642,550	2,695,401	2,749,309
3.00%	Other Income	19,008	102,262	104,307	106,393	108,521
	less 5% vacancy	(126,997)	(129,537)	(132,128)	(134,770)	(137,465)
	Total Net Income	2,431,948	2,563,461	2,614,730	2,667,025	2,720,365
	Expenses					
3.00%	Operating Expenses*	(813,514)	(783,616)	(805,446)	(827,906)	(851,014)
	Replacement Reserve	(28,800)	(28,800)	(28,800)	(28,800)	(28,800)
	Issuer Bond Monitoring Fee	(17,000)	(17,000)	(17,000)	(17,000)	(17,000)
	Total Expenses + Reserves	(859,314)	(829,416)	(851,246)	(873,706)	(896,814)
	Net Operating Income	1,572,634	1,734,045	1,763,484	1,793,319	1,823,551
	Tax-exempt Note	(855,733)	(855,733)	(855,733)	(855,733)	(855,733)
	Taxable Loan	(511,775)	(511,775)	(511,775)	(511,775)	(511,775)
	Total Debt Service	(1,367,508)	(1,367,508)	(1,367,508)	(1,367,508)	(1,367,508)
	Debt Service Coverage	1.15x	1.27x	1.29x	1.31x	1.33x
	Available Cash Flow after Bond Debt Service	205,126	366,537	395,976	425,811	456,043
3.00%	LP Fee	(10,927)	(11,255)	(11,592)	(11,940)	(12,298)
3.00%	MGP Fee	(10,927)	(11,255)	(11,592)	(11,940)	(12,298)
3.00%	AGP Fee	(16,391)	(16,883)	(17,389)	(17,911)	(18,448)
	Project Cash Flow after GP and LP Fees	166,881	327,145	355,402	384,019	412,998
	Deferred Developer Fee (Priority Payment)	(166,881)	(327,145)	(355,402)	(384,019)	(412,998)
	Project Cash Flow after Priority Deferred Developer Fee	0	0	0	0	0

PUBLIC PURPOSE

The Note is expected to result in the long-term affordability of 96 one, two and three-bedroom units in the City of Chula Vista: 10 units will be restricted and affordable to households earning 30% AMI; 10 units will be restricted and affordable to households earning 50% AMI; 37 units will be restricted and affordable to households earning 60% AMI and 39 units (including the manager's unit) will be restricted and affordable to households earning 70% AMI.

The Regulatory Agreements will require that these affordability levels be maintained for a period of 55 years.

BENEFITS AND RISKS TO THE HOUSING AUTHORITY

The Note provides a vehicle for financing a portion of the construction costs of the Development. As proposed, the Note will result in the long-term affordability of 96 one, one, two and three-bedroom units in the City of Chula Vista with units restricted to income levels described in "Public Purpose" above.

The Note does not pose undue financial risk to the Housing Authority. The Note is not a direct obligation of the Housing Authority or the City of Chula Vista. The Note will evidence a loan to be funded by the Lender, which is an experienced and well-capitalized financial institution.

If the Housing Authority issues the Note, it will receive an issuer fee at closing equal to 0.20% times the initial aggregate par amount of the Note (\$12,750,000 based on current projections). This amounts to \$25,500. The Housing Authority also would receive an annual Obligation monitoring fee of \$17,000.

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Costs of issuance will be funded by the Borrower from low income housing tax credit contributions and/or other funds of the Borrower.

RECOMMENDATIONS

Ross Financial recommends that the Housing Authority proceed with the issuance of the Note based on the following findings:

- The Note will achieve a public purpose by providing 96 affordable units, with all units restricted to income levels at 30%, 50%, 60% and 70% of AMI.
- The Note will evidence a tax-exempt loan funded by a well-established, highly capitalized bank that is active in affordable housing lending. The Note will be subject to restrictive transfer limitations.
- The Borrower will pay issuance costs from sources other than Note proceeds.
- Based on estimates provided by the Borrower, there should be sufficient funds to complete the Development and the Development provides adequate cash flow to cover debt service on the Note and the Taxable Loan made by the Lender.

If there is any additional information you require concerning the Development, Ross Financial will be pleased to provide a supplemental analysis.

Very truly yours,



Peter J. Ross
Principal