CSG | advisors

633 W. 5th Street, Suite 2600
Los Angeles, CA 90071
tel. 213.405.1416

April 01, 2026

Mr. Matt Granum
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, California 92101

RE: Hillcrest Hall

Dear Mr. Granum:

The San Diego Housing Commission (the "Commission") has retained CSG Advisors, Inc. to analyze the feasibility of the proposed tax-exempt financing for Hillcrest Hall (the “Project”). Our findings are organized as follows:

- Current Project Status and the Proposed Project
- The Proposed Financing
- Project’s Projected Financial Status
- Benefits and Risks to the Commission
- Public Purpose
- Negotiation of Additional Public Benefit
- Recommendations

We have based our analysis of the proposed financing on documents provided by CRP Affordable Housing and Community Development (the “Developer”), and on additional conversations and documents provided by representatives of the Developer and Commission staff. The documents examined included the Developer’s proposed financial schedules and financing commitments from the proposed lender and investor. CSG has not visited the site of the proposed Project.

CURRENT PROJECT STATUS AND THE PROPOSED DEVELOPMENT

The Project will consist of the acquisition of the Site located at 1601 University Avenue, San Diego CA 92103, and the construction of a 98-unit development (the “Development”). Project would be financed by, among other sources, equity raised from the sale of 4% low-income housing tax credits, subordinate loan from the San Diego Housing Commission and the City of San Diego, and publicly-sold tax-exempt and taxable debt issued by the Housing Authority of the City of San Diego (the "Housing Authority"). 97 units of the Development (i.e., excluding one manager’s unit) will be subject to affordability restrictions as further described herein.

The Site is owned by the Seller, 1601 University Ave LLC – a party related to the Borrower. The Seller and the Borrower have entered into a purchase and sale agreement providing for the purchase of the property by the Borrower from Seller.

On June 21, 2024, the Commission adopted a resolution (no. HC-2018) evidencing the official intent, on behalf of the Housing Authority of the City of San Diego, to conduct a tax-exempt issuance in the not-to-exceed amount of $40,000,000 for the Project. The resolution also approved submittal of the application to the California Debt Limit Allocation Committee (“CDLAC”) for an allocation of private activity tax-exempt authority for the Project.

The Commission is authorized to hold TEFRA hearings pursuant to Multifamily Mortgage Revenue Bond Program Policy Amendments the Housing Authority approved March 9, 2021 (Report No. HAR20-043;

Resolution No. HA-1906). The public hearing required pursuant to Section 147(f) of the Internal Revenue Code for tax-exempt issuances ("TEFRA") will be held by the Commission at its meeting of April 16, 2026. The resulting TEFRA resolution will be approved by the Housing Authority Board at its meeting of May 12, 2026. The TEFRA hearing remains valid through one year after the hearing date.

On May 20, 2025, the Housing Authority submitted an application to CDLAC for $26,250,000 in private activity tax-exempt issuance authority for the Project. On August 05, 2025, CDLAC awarded $26,250,000 in private activity tax-exempt allocation to the Housing Authority for the Project. At the request of the Borrower, Authority subsequently requested, and received on September 05, 2025, a revised CDLAC Resolution (No. 25-214) for a revised allocation amount of $18,200,000, providing application of the tax credit “25% Test” – rather than the “50% Test” – to Project. The allocation expiration date for the CDLAC allocation is June 02, 2026

THE PROPOSED FINANCING

The Developer proposes that the Housing Authority issue up to $18,200,000 in Tax-Exempt Bonds, and $31,500,000 in Taxable Bonds. The Tax-Exempt Bonds and the Taxable Bonds would be publicly sold and rated. Both series of bonds would be 100% cash-collateralized with the proceeds of a Taxable Construction Loan to the Borrower from Citibank. The Bonds would receive a rating from Moodys (“Aa1” expected) on the basis of the 100% cash collateral. The Tax-Exempt bonds and the Taxable bonds would be purchased from the Housing Authority and sold to the public by the investment banking firm Stifel Public Finance, pursuant to a Bond Purchase Agreement (BPA) between Stifel Public Finance, the Housing Authority, and the Borrower. Marketing of the Bonds to the public will be on the basis of disclosures provided in a Preliminary Official Statement (which shall become a final Official Statement upon sale and delivery of the Bonds).

According to projections provided by the Developer, the total development cost (“TDC”) totals approximately **$67,827,270**[1]**.**

Hillcrest Hall: Construction and Permanent Source Summary[2]

	Construction	Permanent
Tax-Exempt Bond	18,200,000	18,200,000
Taxable Bond	31,500000	0
Taxable Construction Loan	0	942,280
Interest Earnings	3,488,940	0
Tax Credit Equity (Federal)	2,389,380	23,893,840
Tax Credit Equity (State)	0	10,680,000
San Diego Housing Commission	4,750,000	5,000,000
City of San Diego	3,175,000	3,175,000
Deferred Developer Fee	0	5,936,150
Total Sources	**63,503,320**	**67,827,270**

[1] Net of interest earnings and accrued interest
[2] Source: Developer projections. Rounding by CSG.

Hillcrest Hall: Permanent Use Summary[3]

	Permanent
Land and Acquisition Costs	8,706,600
Construction Costs	32,830,000
Construction Contingency	1,651,830
Net Construction Expenses and Interest	7,049,660
Developer Fee	7,872,480
Operating Reserve	704,490
Other Hard and Soft Costs	9,012,210
Total Uses	**67,827,270**

Ownership

The Project will be owned by the Borrower. The Borrower, Hillcrest Hall LP, will consist of:

- Managing General Partner (0.0024%): Bold Hillcrest LLC
- Administrative General Partner 1 (0.0025%): Hillcrest Hall AGP LLC
- Administrative General Partner 2 (0.0051%): E. Smith Hillcrest Hall LLC
- Investor Limited Partner (99.99%) : An entity of Redstone

Bold Communities will be the sole member of the Managing General Partner; CRP Affordable Housing and Community Development LLC will be the sole member of the Administrative General Partner 1; and E. Smith and Company, Inc will be the sole member and manager of Administrative General Partner 2.

Tax-Exempt Bond Structure and Credit Enhancement

Construction Loan
The Developer proposes that the Housing Authority issue up to $18,200,000 in Tax-Exempt Bonds, and 31,500,000 in Taxable Bonds. The Tax-Exempt Bonds and the Taxable Bonds would be publicly sold and rated. Both series of bonds would be 100% cash-collateralized with the proceeds of a Taxable Construction Loan to the Borrower from Citibank. The Bonds would receive a rating from Moodys (expected) on the basis of the basis of the 100% cash collateral.

The construction period would be approximately 24 months.

At issuance, all bond proceeds would be deposited to the respective Project Funds in the respective Indentures. In order to release funds held in the Project Funds to pay a draw for eligible project costs, the Borrower will first deposit to the respective Collateral Account under each Indenture, from a draw on the Taxable Construction Loan, an amount equal to the requested draw. Upon deposit of the required amount to the respective Collateral Account, a like amount will be released from the respective Project Fund to honor the construction draw.

During the construction period, the Bonds shall only be subject to interest-only payments.

At completion of construction, the Bonds shall be subject to a mandatory tender, and bondholders shall tender all bonds to the Trustee. The Trustee shall use the collected funds in the Collateral Accounts (and any remaining funds in the Project Funds) to pay for the bonds tendered by bondholders.

[3] Source: Developer projections. Rounding by CSG.

With respect to the Taxable Bonds so tendered and purchased, the trustee shall redeem 100% of the tendered bonds.

Permanent Loan
In respect of the Tax-Exempt Bonds so tendered and purchased, Citibank will provide a tax-exempt "back-to-back" permanent loan ("Tranche A Loan") on a private placement basis, subject to a Funding Loan Agreement between the Housing Authority and Citibank, and a Borrower Loan Agreement between the Borrower and the Housing Authority. The Tranche A Loan will be neither credit-enhanced nor rated. The tax-exempt Tranche A loan must meet the minimum requirements of the Commission's policies for such issues (e.g., maximum $100,000 minimum denominations, no more than 15 Bondholders, etc).

In addition to the Tranche A Loan, Citibank will provide the Borrower a direct, taxable permanent loan in the approximate amount of $942,280 ("Tranche B Loan"). This loan will "hyper-amortize" i.e., until repaid, all scheduled, amortizing principal from the Tranche A Loan and the Tranche B Loan will be directed to principal payments of the Tranche B Loan[4,5].

Projected Issuance Date

The Developer proposes that the Housing Authority issue the Bonds on or about June 8, 2026. The Authority received an initial allocation tax-exempt authority in the amount of $26,250,00 from CDLAC at its August 05, 2025 allocation meeting date. At the request of the Borrower, Authority subsequently requested, and received on September 05, 2025, a revised CDLAC Resolution (No. 25-214) for a revised allocation amount of $18,200,000, providing for application of the tax credit "25% Test" – rather than the "50% Test" – to the Project. The allocation expiration date for the CDLAC allocation is June 02, 2026. As the expected issuance date lay beyond the allocation expiration date, the Housing Authority expects to request an extension of the allocation expiration date from CDLAC.

Commission Financial Involvement

The Commission has provided a commitment for a $5,000,000 loan for the project. The Commission's loan will be funded by $2,900,000 HOME Funds, $500,000 Inclusionary Funds, and $1,600,000 linkage funds. The Commission Loan was approved by the Commission board on June 21, 2024.

[4] Analysis by CSG estimates that hyper-amortization to require approx. 8 years to fully repay the Tranche B loan
[5] The existing Citibank Term Sheet (11/03/2025) does not reference the Tranche B, but is proposed by the borrower and subject to underwriting.

Affordability Restrictions

Upon implementing the proposed financing, the Project will be subject to the following regulatory restrictions and regulatory terms:

Source of Restriction	Restriction	Expiration Date
California Tax Credit Allocation Committee (CTCAC; and Tax-Exempt Bond (CDLAC)	15 units at 30% AMI 11 units at 50% AMI 40 units at 60% AMI 31 units at 70% AMI (CTCAC, only)	55 years
San Diego Housing Commission	15 units at 30% AMI 11 units at 50% AMI 40 units at 60% AMI 31 units at 70% AMI	55 years
City of San Diego "Complete Communities"	5 units at 50% AMI 7 units at 60% AM 5 units at 120% AMI	55 years

PROJECT'S PROJECTED FINANCIAL STATUS

Under the proposed financing – according to information provided by the Developer and analysis by CSG – annual debt service on the proposed senior permanent loan (Tranche A and Tranche B) of $19,142,280 would total approximately $1,353,048. According to preliminary information provided by the Developer and analysis by CSG, stabilized annual cash flow (before reserves) after construction and lease-up (including Issuer fees) would total approximately $299,646 at a debt coverage ratio (DCR) of 1.22. Cash flow after reserves would total approximately $250,464 at a DCR of 1.20. The Citibank debt coverage minimum is 1.15.

THE BENEFITS AND RISKS TO THE COMMISSION

The proposed financing provides for financing for the acquisition and construction the Project. By approving a recommendation to the Housing Authority to move forward with the approval process for the proposed tax-exempt Bond and Note financing, the Commission will not obligate the Commission or the Housing Authority to issue the Bonds or Notes.

As proposed, the financing will create 97 affordable units in the City of San Diego. These units will remain long-term affordable for approximately 55 years under the CDLAC, CTCAC, Commission, and City of San Diego restrictions.

If the Authority issues the Bonds, the Commission will receive a fee at closing of 0.25% of the issue amount (approximately $124,260) and an annual fee equal to the greater of $10,000 and 0.125% of the outstanding Notes.

PUBLIC PURPOSE

The proposed financing will result in the creation of 97 affordable family housing units in the City of San Diego. The proposed financing will result in new CDLAC, CTCAC, Commission, and City of San Diego regulatory restrictions as follows (most restrictive) for 55 years:

- 15 units at 30% AMI
- 11 units at 50% AMI
- 40 units at 60% AMI
- 31 units at 70% AMI

NEGOTIATION OF ADDITIONAL PUBLIC BENEFIT

As noted above, the financing will result in long-term affordability restrictions on 97 units within the Project.

RECOMMENDATIONS

Based upon analysis of the available information, we recommend that the Commission approve moving forward with the proposed issuance. Our recommendation is based upon the following:

- The financing will create 97 affordable family units in the City of San Diego with long-term affordability covenants.
- The Commission has received tax-exempt authority of $18,200,000 from CDLAC for the Project.
- Citibank, Redstone, and Stifel are currently underwriting the Project.
- The Commission will not be responsible for costs of issuance. The Commission will receive an issuance fee at closing of approximately $124,260, and a long-term annual fee equal to the greater of $10,000 and 0.125% the outstanding Bonds and Notes.
- The net Tax-Exempt Bond and Note financing and tax credit equity will provide approximately $52,773,840 for development costs.

Contingent Items

The Commission may choose to move forward with the financing subject to the following contingencies:

- As of this writing, neither Citibank, Redstone, nor Stifel has provided final credit approval for the financing. The Rating Agency has not yet provided a rating. The Bonds cannot be issued without these final approvals.
- Final Bond and Note documents including the approving resolution, Bond Purchase Agreement, and Preliminary Official Statement must be approved by the Housing Authority.
- Issuance of the Tax-exempt bonds will likely require an extension of the June 02, 2026 CDLAC allocation expiration date.

Should you require any further information or would like to discuss the Project or the proposed financing in additional detail, please do not hesitate to contact me.

Sincerely,
CSG Advisors

John Hamilton

Exhibit A

Hillcrest Hall date of rev: 3/31/26

Long-Term Loan

		Tranche A		Tranche B[3]		Total
Principal Amount [1,2]	$	18,200,000	$	942,280	$	19,142,280
Mortgage Rate[4,5]		6.500%		7.500%		
Amortization Term (yrs)[1]		40		40		
Underwriting Monthly Debt Service6[,7]	$	106,553	$	6,201	$	112,754
Underwriting Annual Debt Service[8]	$	1,278,638	$	74,410	$	1,353,048

[1] Source: Tranche A (Tax-Exempt): Borrower financial projections (3/19/2026)
[2] Citibank Term Sheet (11/03/2025) shows only $13,180,000

[3] Citibank Term Sheet (11/03/2025) does not reflect a "Tranche B (Taxable)." Borrower provided verbal representation of hyper-amortized taxable tranche, with normal amortizing principal payments from Tranche A and Tranche B directed to the principal and interest payments of Tranche B. Borrower and Citi have not yet provided a written termsheet reflecting the Tranche B.
[4]Source Borrower financial projections (3/19/2026).
[5] Tranche A indicative rate at the time of Citi Termsheet is 6.18%, equaling the then 18-yr SOFR Swap Index + 2.20%. The indicative rate as of March 31, 2026 would be 4.12% (Source: Bluegamma.io; CSG 15-20yr interpolation) + 2.2% = 6.32%
[6] Tranche B (Taxable) Tranche B is "hyper-amotizing" i.e., all scheduled principal payments for Tranche A and B are allocated to B until Tranche B is repaid in full
[7] Tranche A is interest only until the repayment in full of Tranche B.
[8] Total amout required for principal interest payments based on calculation of normal amortizing payment for each tranche.

Post-Financing Operations Analysis [1]

					Stabilized Year [2]									
						1		2		3		4		5
Income														
Gross Tax Credit Rental Income [1]		2.00%	Inflation		$	2,419,542	$	2,467,933	$	2,517,291	$	2,567,637	$	2,618,990
Other Income		2.00%	Inflation		$	18,816	$	19,192	$	19,576	$	19,968	$	20,367
Gross Potential Income					$	2,438,358	$	2,487,125	$	2,536,868	$	2,587,605	$	2,639,357
Vacancy Collection Loss [3]				5.00%		(121,918)		(124,356)		(126,843)		(129,380)		(131,968)
Effective Gross Income					$	2,316,440	$	2,362,769	$	2,410,024	$	2,458,225	$	2,507,389
Expenses														
Operating Expenses		3.00%	Inflation		$	(637,000)	$	(656,110)	$	(675,793)	$	(696,067)	$	(716,949)
RE Taxes		2.00%	Inflation		$	-	$	-	$	-	$	-	$	-
Services		0.00%	Inflation		$	-	$	-	$	-	$	-	$	-
Issuer Fee	$	10,000	min	0.125%	$	(23,928)	$	(23,928)	$	(23,928)	$	(23,928)	$	(23,928)
Trustee Fee [4]	$	3,000	min	0.004%	$	(3,000)	$	(3,000)	$	(3,000)	$	(3,000)	$	(3,000)
Total Expenses					$	(663,928)	$	(683,038)	$	(702,721)	$	(722,995)	$	(743,877)
Net Operating Income					$	1,652,512	$	1,679,731	$	1,707,303	$	1,735,230	$	1,763,512
Required Debt Service					$	(639,428)								
Senior														
Real Estate Loan					$	(1,353,048)	$	(1,353,048)	$	(1,353,048)	$	(1,353,048)	$	(1,353,048)
Cash Flow before Reserves					$	299,464	$	326,683	$	354,255	$	382,182	$	410,464
Debt Coverage Ratio Before Reserves						1.22		1.24		1.26		1.28		1.30
Reserves [5]	250	per unit		0% Inflation	$	(24,500)	$	(24,500)	$	(24,500)	$	(24,500)	$	(24,500)
Services	250	per unit		0% Inflation	$	(24,500)	$	(24,500)	$	(24,500)	$	(24,500)	$	(24,500)
Cash Flow After Reserves					$	250,464	$	277,683	$	305,255	$	333,182	$	361,464
Overall Debt Coverage Ratio (DCR)						1.20		1.22		1.24		1.26		1.29
Cash Flow Including Commercial Income						250,464		277,683		305,255		333,182		361,464
Debt Coverage Ratio Including Commercial Income						1.20		1.22		1.24		1.26		1.29

[1]Source: Developer Projections (3/19/2026)
[2] Beginning in 2029, per Developer projections (03/19/2026)
[3] Of Gross Potential Income.
[4] Estimate
[5] Per Developer projections, at Stabilized Year. Minimum reseve deposit per Citibank Loan Application (11/03/2025) $250/unit/year

Exhibit A

Hillcrest Hall Permanent Sources and Uses of Funds	
Sources [1]	
Tax-Exempt Note ("Tranche A")[2]	$ 18,200,000
Taxable Loan ("Tranche B")[3]	$ 942,280
Tax Credit Equity (Federal)	$ 23,893,840
Tax-Credit Equity (State)	$ 10,680,000
San Diego Housing Commission	$ 5,000,000
City of San Diego	$ 3,175,000
Deferred Development Fee	$ 5,936,150
Total Sources	$ 67,827,270
Uses [1]	
Land and Acquisition Costs	$ 8,706,600
Construction Costs	$ 32,830,000
Construction Contingency	$ 1,651,830
Net Construction Expenses and Interest	$ 7,049,660
Developer Fee	$ 7,872,480
Operating Reserve [3]	$ 704,490
Other Hard and Soft Costs	$ 9,012,210
Total Uses	$ 67,827,270
Surplus(Deficit) [4]	$ -

[1] Source: Developer projections (03/219/2026). Net of interest earnings and accrued interest. Rounding by CSG

[2] Max loan from Citibank Termsheet (11/03/2025) is $13,180,000