

# ATTACHMENT 6 – FEASIBILITY ANALYSIS

## ROSS FINANCIAL

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March 31, 2026

Mr. Joseph Correia  
Sr. Real Estate Project Manager  
Real Estate Division  
San Diego Housing Commission  
1122 Broadway, Suite 300  
San Diego, CA 92101

**Re: Mercado Apartments**

Dear Mr. Correia:

The San Diego Housing Commission (the “Commission”) has retained Ross Financial as its independent municipal advisor, in part, to analyze the feasibility of issuing tax-exempt obligations (the “Note”) for the Mercado Apartments development (the “Development”).

This feasibility analysis reviews the following items:

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

Ross Financial has based its analysis of the Development’s financial feasibility on materials provided by the developer, Metropolitan Area Advisory Committee of San Diego County Inc., a 501(c)(3) nonprofit public benefit corporation (“MAAC”), which formed the borrower entity, MAAC Mercado LP (the “Borrower”) for the Development. The materials include: (1) the joint application to the California Debt Limit Allocation Committee (“CDLAC”) and California Tax Credit Allocation Committee (“CTCAC”), (2) the financing commitments from Citibank, N.A. as tax-exempt construction and permanent lender (the “Lender”) and U.S. Bancorp Impact Finance as conventional lender and equity provider, (3) the market study performed by Laurin Associates in support of the application to CDLAC and CTCAC, and (4) the Borrower’s pro forma financial schedules for the Development. Ross Financial has not visited the site of the proposed Development and had no role in the selection of the Lender or in developing the overall financing structure.

## OVERVIEW OF THE DEVELOPMENT

**Development Summary.** The Development is a part acquisition/-rehabilitation multifamily rental and part new construction multifamily housing development.

- **Proposed Acquisition-Rehabilitation.** The acquisition-rehabilitation component is the acquisition of an existing 144-unit apartment project located at 2001 Newton Avenue in Barrio Logan and owned by MAAC. The Borrower will rehabilitate 132 of those units and demolish 12 units located in two buildings. The acquired property has not been significantly renovated since 1994. The rehabilitation work entails: (a) unit interiors – replacing the window, installing humidstat-controlled bathroom fans, and replacing flooring; (b) site improvements – sealing and striping drive aisles/parking and repairing replacing landscaping and hardscaping; (c) building exterior – repair roofing, gutters, lighting, walkways and stairwells; (d) M/E/P – service water heaters and furnaces, repair/replace sinks, faucets and supply lines; and (e) landscaping – install water-efficient planting and irrigation.
- **Proposed New Construction.** The new construction component will occur on the site of the 12 units to be demolished. In their place, the Borrower will develop a four-story 92-unit building. The new building will be Type V construction, slab - on-grade foundation and stucco exterior. The building will be serviced by one elevator and will include a community room, leasing office, laundry, playground and gated access. The new construction will involve the elimination of 118 of the 212 existing parking spaces on the site.

**Unit and Affordability Mix.** The aggregate unit mix and affordability restrictions for Development is expected to be as follows:

	Total Units	Rehab Units			New Construction/Rebuilt		
		30% AMI	50% AMI	60% AMI	30% AMI	50% AMI	60% AMI
1 Bedroom/1 Bath	46	7	0	9	8	14	8
2 Bedroom/1 Bath	94	21	2	33	8	15	15
3 Bedroom/2 Bath	82	27	2	31*	6	11	7*
<b>Total Units</b>	<b>222</b>	<b>55</b>	<b>4</b>	<b>73</b>	<b>22</b>	<b>40</b>	<b>30</b>

\*Includes 1 unrestricted manager's unit

\*\* AMI = Area median income; Manager's units are not subject to affordability restrictions

**Description of Project Site.** The Development is located on a 4.34-acre site at 2001 Newton Avenue in San Diego. The Project Site currently is owned by MAAC and is improved with 23 two-story, garden-style residential buildings. As noted, two of those buildings will be demolished prior to start of the rehabilitation and new construction work. Land uses surrounding the Development include a combination of mixed-use, office, commercial, recreational, civic and institutional uses. The Project Site is proximate to multiple services and facilities: (a) San Diego MTS Route 929 has a stop at

S. Evans and Main, less than 0.25 miles away; (b) Perkins Elementary School is located 0.34 miles away; (c) Chicano Park is less than 0.25 miles away; (d) Northgate Market is located less than 0.25 miles away; (e) the Logan Heights library branch is located 0.62 miles away; (f) the Logan Heights Family Health Center is located 0.31 miles away; (g) San Diego Fire-Rescue Department Station #7 is 0.25 miles away; and (h) San Diego Police Department's Central Division Headquarters is 0.62 miles away.

***Ownership of the Development/Borrower.*** The ownership entity for the Development will be MAAC Mercado LP, a single asset California limited partnership consisting of: (a) MAAC Mercado LLC as General Partner/Sponsor and (b) a tax credit limited partner formed by U.S. Bancorp Impact Finance.

***MAAC Experience.*** According to its website, since its founding in 1965, MAAC has developed, owns and serves as general partner for eight affordable housing communities aggregating 1,142 units in San Diego County. These include:

- Hillside Views Apartments – 300 units at 6421 Bayview Heights Place in Oak Park with affordability at 50% and 60% AMI and Section 8
- Laurel Tree – 138 units in Carlsbad with affordability at 40% and 50% AMI
- San Martin de Porres – 116 units in Spring Valley with affordability at 35%, 40%, 45% AMI and Section 8
- Seniors on Broadway – 42 units in Chula Vista, with affordability at 30%, 45% and 50% AMI

***CDLAC/CTCAC.*** On September 9, 2025, the Housing Authority filed a joint application to CDLAC and CTCAC requesting a private activity bond allocation of \$30,073,052 for the Development, along with a reservation of 4% Federal tax credits. On December 10, 2025, CDLAC awarded a private activity bond allocation in the requested amount and CTCAC reserved the requested 4% Federal tax credits. The CDLAC allocation will expire on June 29, 2026.

In connection with the CDLAC/CTCAC application process, on July 18, 2025, the Housing Commission adopted a resolution of intent to issue tax-exempt obligations for the Development and authorized the submission of an application to CDLAC. On the same date, a TEFRA hearing, duly noticed, was held before the Housing Commission. with approval by the City scheduled for May 12, 2026.

## **PROPOSED FINANCING**

***Project Costs and Funding.*** According to most recent projections provided by MAAC, the total costs of the Development, including construction and all soft costs, are estimated at \$113,107,074. The estimated sources of funds will differ during the construction period and following construction and lease-up (“at permanent”), as shown in the following table based on the most recent projections:

Sources of Funds	Construction	Permanent
Tax-Exempt Note Proceeds	\$30,073,052	\$18,990,000
Conventional Taxable Loan	17,526,786	0
Federal Low Income Housing Tax Credits	3,731,150	37,311,500
MAAC Seller Note	6,145,193	6,145,193
Accrued Deferred Interest on MAAC Note	932,814	932,814
SDHC Recast RDA Loan	2,822,956	2,822,956
Accrued Deferred Interest on SDHC Note	428,513	428,513
City of San Diego Recast RDA Loan	5,856,851	5,856,851
Accrued Deferred Interest on SD Loan	889,045	889,045
City of San Diego CDBG Loan	15,275,000	15,275,000
Accrued Deferred Interest on CDBG Note	3,084,728	3,084,728
Deferred Costs	4,970,512	0
Deferred Developer Fee	5,413,684	5,413,684
GP Contributions – Reserves, Prior Sale Proceeds	15,957,587	15,957,587
<b>Total</b>	<b>\$113,107,871</b>	<b>\$113,107,871</b>
Uses of Funds		
Acquisition Cost	\$30,100,000	\$30,100,000
Construction Costs + 5% Contingency	35,148,660	35,148,660
Rehabilitation Costs + 5% Contingency	14,925,327	14,925,327
Construction Period Interest	4,835,323	4,835,323
Accrued Interest on Soft/Recast Loans	5,355,100	5,355,100
Architectural & Engineering	1,668,300	1,668,300
Contingency Costs (Soft)	411,887	411,887
Impact Fees and Permits	1,642,000	1,642,000
Reserves	1,833,206	1,833,206
Misc. Soft Costs, Financing and Legal	6,843,310	6,843,310
Developer Fee*	10,344,758	10,344,758
<b>Total</b>	<b>\$113,107,871</b>	<b>\$113,107,871</b>

\*Cash developer fee is \$4,931,074 with \$5,413,684 deferred

**Description of Financing.** The current expectation (based on the Borrower’s most recent pro forma) is that the Housing Authority will issue the Note as a single tax-exempt series.

The Note will have the following features:

- The Note will be funded by Citibank, N.A. (the “Lender”);
- The Note will be issued on a draw down basis, with interest payable only on the amounts drawn;
- At issuance, the Note will be drawn down in the minimum amount required by Federal Tax Law (\$55,000); an amount equal to this initial draw, funded by the conventional taxable loan (described in the next bullet), will be held by Citibank in a controlled account.
- During the construction of the Development, costs will be funded by a conventional loan made by U.S. Bank Impact Finance (“U.S. Bank”).

- At completion, Citibank will draw down on the remainder of its Note to repay U.S. Bank
- Following lease-up (expected in 6 months after construction completion) (at “permanent”), the Note is projected to be paid to \$18,990,000. The source of repayment will be Federal low income housing tax credits.
- Prior to Conversion, the Note will bear a variable interest rate equal to 30 Day SOFR<sup>1</sup> + 2.00%. The indicative SOFR rate as of March 17 is 3.67%, resulting in an indicative construction loan of approximately 5.67%. The Borrower’s pro forma adds a cushion of 0.50%
- At Conversion, the tax-exempt Note will convert to a fixed rate that will be set at Closing. The rate will be established by reference to a formula (18-year SOFR +2.25%) and is underwritten at 6.58% in the current market (0.29% cushion to rates as of March 17, 2026).
- The Note will have a stated maturity of 34 years from Closing (i.e., in 2059) but will be subject to mandatory prepayment in 18 years after Closing (i.e., in 2044). Following Conversion, the Note will amortize on a 35-year basis. The Note is expected to close in mid-May 2026.

The Lender will execute a document representing that it has sufficient knowledge and experience to evaluate the risks and merits associated with making the loans evidenced by the Note and its intention to hold the Note for its account. The Lender may transfer all or a portion of the Note only to transferees that execute a document with similar representations.

***Housing Commission Financial Involvement.*** The Housing Commission has no new financial involvement with the Development. The Housing Commission, however, will recast its existing loan into a new loan reflecting the current outstanding balance of \$2,822,956 plus accrued interest of \$428,513.

***Affordability Restrictions.*** The Development will be subject to the following regulatory restrictions and terms:

- Tax-Exempt Note Regulatory Agreement requirements (including voluntary elections made to CDLAC) for a 55-year term after 50% occupancy;
- Tax Credit Regulatory Agreement requirements under which all units must be affordable at 60% AMI for a 55-year term to remain eligible for tax credits; and
- Amended and Restated Declaration of Covenants and Restrictions – the Housing Commission’s existing restrictions will continue in force and be extended for 55 years.

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<sup>1</sup> SOFR stands for Secured Overnight Funding Rate.

**Cash Flow for the Development.** The Borrower provided a pro forma cash flow for the Development. The following table summarizes key elements of the most recent proforma based on the first year of stabilization:

	<b>Mercado</b>
<b>Assumptions</b>	
Vacancy	5%
Revenue Escalation	2%
Operating Expense Escalation	3%
<b>Cash Flow and Coverage</b>	
Stabilized Net Income – First Full Year	\$3,699,311
Expenses	(1,944,351)
Replacement Reserves	(67,200)
SDHC/City Loan Monitoring Fee	(34,995)
Net Operating Income	\$1,677,457
Note Debt Service <sup>1</sup>	(1,324,410)
SDHC Bond Monitoring Fee + Fiscal Agent Fee	(26,738)
Debt Service Coverage <sup>2</sup>	1.24x
Asset Management and Partnership Fees <sup>3</sup>	(14,584)
<b>Net Project Cash Flow<sup>4</sup></b>	<b>\$310,539</b>
Deferred Developer Fee	(310,539)
Available Cash Flow after Deferred Developer Fee	0

<sup>1</sup>Annual debt service is based on an initial permanent loan par of \$18,900,000 amortized on a 40 year basis at 6.44%. This amount is higher than the first year debt service in the pro forma which reflects partial year debt service of \$662,205.

<sup>2</sup> Net operating income divided by sum of Note Debt Service and SDHC Bond Monitoring + Fiscal Agent fees.

<sup>3</sup> First year asset management and partnership fees are prorated. Such fees total \$27,810 in the following year, and escalate by 3% thereafter.

<sup>5</sup> Reflects Net Operating Income less Note Debt Service, SDHC Bond Monitoring and Fiscal Agent fees and asset and general partnership fees.

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
2.00%	Gross Scheduled Rent	3,876,677	3,954,211	4,033,295	4,113,961	4,196,240
2.00%	Other Income	43,295	44,161	45,044	45,945	46,864
	<b>less 5% vacancy</b>	(195,999)	(199,919)	(203,917)	(207,995)	(212,155)
	<b>Total Net Income</b>	3,723,973	3,798,453	3,874,422	3,951,910	4,030,949
	<b>Expenses and Other Above the Line Items</b>					
3.00%	Operating Expenses*	(1,944,351)	(2,002,682)	(2,062,762)	(2,124,645)	(2,188,384)
	<b>Total Expenses</b>	(1,944,351)	(2,002,682)	(2,062,762)	(2,124,645)	(2,188,384)
	<b>SDHC and City Loan Monitoring Fee</b>	(34,965)	(34,965)	(34,965)	(34,965)	(34,965)
	<b>Replacement Reserves</b>	(67,200)	(67,200)	(67,200)	(67,200)	(67,200)
	<b>Net Operating Income</b>	1,677,457	1,693,606	1,709,495	1,725,101	1,740,399
	Permanent Note Debt Service*	(1,427,171)	(1,427,171)	(1,427,171)	(1,427,171)	(1,427,171)
	SDHC Bond Monitoring Fee + Trustee Fee	(26,738)	(26,738)	(26,738)	(26,738)	(26,738)
	<b>Debt Service Coverage</b>	<b>1.15x</b>	<b>1.16x</b>	<b>1.18x</b>	<b>1.19x</b>	<b>1.20x</b>
	<b>Available Cash Flow after Permanent Loan Debt Service</b>	250,286	266,435	282,324	297,930	313,228
3.00%	Asset Management Fee	(2,917)	(5,150)	(5,305)	(5,464)	(5,628)
3.00%	Partnership Management Fee	(11,687)	(20,600)	(21,218)	(21,855)	(22,510)
	<b>Project Cash Flow after Management Fees</b>	235,682	240,685	255,801	270,611	285,091
	Deferred Developer Fee	(235,682)	(240,685)	(255,801)	(270,611)	(285,091)
	<b>Project Cash Flow after Deferred Developer Fee</b>	0	0	0	0	0
<b>*Full debt service assumed for calculating debt service coverage; proforma shows half year of debt service</b>						

## PUBLIC PURPOSE

The Note is expected to ensure the long-term affordability of 222 one-, two- and three-bedroom units in the City of San Diego. Of the 222 income-restricted units, 77 units will be restricted and affordable to households earning 30% AMI; 44 units will be restricted and affordable to households earning 50% AMI; and 101 units will be restricted to households earning 60% AMI. Two three-bedroom units will be occupied by resident managers and will be unrestricted.

The Note Regulatory Agreement, the Tax Credit Regulatory Agreement and the Amended and Restated Declaration of Covenants and Restrictions will require that these affordability levels be maintained for a period of 55 years after occupancy.

## BENEFITS AND RISKS TO THE COMMISSION

The Note provides a vehicle for financing a portion of the acquisition, rehabilitation and construction costs of the Development. As proposed, the Note will ensure in the long-term affordability of 222 one-, two-, and three-bedroom units in the City of San Diego 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 San Diego. The Note will evidence a loan to be funded by the Lender, which has indicated its intention to hold the Note for its own account. The Note is expected to be paid down to \$18,990,000 following conversion.

The primary risk is rehabilitation, construction and lease-up risk – that the Development is not completed and/or leased up in a timely fashion. Given the development, its location and project management experience of MAAC, the target tenant population, the existing

occupancy and the demand for affordable units, this risk seems remote. This risk is borne entirely by the Lender.

If the Housing Authority issues the Note, the Commission would receive an issuer fee at Note closing of \$75,183, equal to 0.25% times the initial aggregate par amount of the Note. The Commission also would receive estimated annual fees of:

- \$37,591 to monitor the Note during the construction period (based on a Note par of \$30,073,052), and
- \$23,738 to monitor the Note after conversion (assuming an estimated permanent Note of \$18,990,000).
- A minimum of \$10,000 following repayment of the Note through the end of the 55 year CDLAC compliance period.

Costs of issuance will be funded by the Borrower from low income housing tax credit contributions and/or other funds. The Borrower has agreed to indemnify the Housing Authority and Commission as to matters relating to the Note. However, the Borrower is a single purpose entity with no significant assets or source of income other than the Development and is generally not required to make up any cash flow shortfalls. Accordingly, MAAC will be providing its indemnification.

## **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 an aggregate of 222 affordable units, with all units restricted to income levels at 30%, 50% and 60% 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 at all times.
- The Borrower has agreed to indemnify the Housing Authority and the Commission regarding matters relating to the financing. The Borrower will pay issuance costs from sources other than Note proceeds.

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- Based on estimates provided by MAAC on behalf of the Borrower, there should be sufficient funds to complete the Development and the Development provides adequate cash flow to cover permanent loan debt service on the Note.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Peter J. Ross". The signature is fluid and cursive, with the first name "Peter" being the most prominent.

Peter J. Ross  
Principal