



May 14, 2024

VIA EMAIL: cody.campbell@tdhca.state.tx.us

Mr. Cody Campbell
Direct of Multifamily Finance
Texas Department of Housing and Community Affairs
221 E. 11th Street
Austin, TX 78701

RE: Request for Force Majeure for Boulevard 61 (#21131/#23933/#23504)

Dear Mr. Campbell:

We are the development team for Houston DMA Housing III, LLC, the recipient a 2023 supplemental 9% LIHTC allocation and NHTF loan for Boulevard 61 in Houston. We are submitting this request to return our tax credits and have TDHCA reallocate the tax credits in the current year pursuant to the "Force Majeure" provisions in Section 11.6(5) of the 2024 Qualified Allocation Plan (QAP).

Since receipt of the 2023 supplemental credits, Boulevard 61 has had to continue to manage rising construction costs, supply chain issues, inflation and interest rate increases. The volatility in prices coupled with worker shortages and logistics delays have meant that all projects are still experiencing cost increases and very long construction periods. Whereas before the pandemic, a 100-unit development like Boulevard 61 would have a construction time of 12-15 months, now similarly sized developments take more than 24 months to construct. Contractors will no longer agree to aggressive construction timelines because there are so many things still outside of their control—like availability of certain products and services, and mostly notably equipment necessary for permanent electric at the sites. Further, developments like Boulevard 61, which are located near the Gulf of Mexico, have been hit particularly hard by operating expense increases due to rising property insurance premiums.

Due to these global issues, we have had to “pull out all the stops,” so to speak, to make this deal pencil. Using all the tools in the toolkit requires an inordinate amount of time and energy to get everything teed up and lined up accordingly. We have been working diligently on getting this development to the finish line for the past year, by undertaking the following:

- June 2023. DMA finally receives a commitment of gap funding from TDHCA: \$225,000 in 9% LIHTC supplemental credits and an award of \$5,660,000 in additional NHTF. Only at this time do we have a feasible deal to discuss with lenders, investors, and potential partners.
- July-October 2023. During this time, we were actively negotiating a partnership with the Houston Housing Authority for a partnership to achieve a property tax exemption. The negotiations were very long and protracted, and at the end of the negotiation, HHA advises us that they could not partner with us because doing so would violate their \$3M credit cap, according to TDHCA staff.

- October 2023-December 2023. DMA immediately pivots and begins joint venture negotiations anew with the Texas State Affordable Housing Corporation.
- December 2023. DMA submit an ownership transfer request to TDHCA.
- January 2024. DMA and Capital One hold concept meeting with HUD; HUD invites the team to go directly to firm commitment application stage, which is an expedited review.
- March 2024. TDHCA approves ownership change. DMA receives notice from City that permits are ready to be pulled.
- March 2024-present. DMA is working on packaging the firm commitment application to submit to HUD within the next 45 days.

Due to these exhaustive efforts to tee up the financing, and given the fact that we are permit ready, we finally are in a place to close this transaction this summer, however, our investor, RBC Capital, requires us to receive this force majeure approval prior to closing, because the construction timeline is such that placing in service by December 31, 2025 is not possible at this point in time given our 18 month construction timeline. See attached letter from RBC Capital for further support.

In closing, it is very important to note that DMA is truly committed to closing this transaction and placing this development in service. To date, not only have we purchased the \$7M site, but we have also expended \$1.6M to date in getting this development shovel ready. If the board declines to approve this force majeure request, DMA will take an enormous financial loss. Even though we could sell the land, there is no way in this market to recoup what we purchased it for, not to mention the \$1.6M in sunk costs. Moreover, our capital stack assumes that DMA will loan the deal at least \$1M to close the remaining financing gap. This is all to say that 1) we are extremely pregnant with this deal, and there is really not another option than to sprint toward a closing this summer; and 2) we are simply asking for more time, not more money.

We thank TDHCA for their consideration of our request. The delays imposed by the uncertainty in the construction market are "force majeure" events that have materially impeded our ability to finalize financing and begin construction on a Houston property that DMA owns. Unforeseeable issues with HHA as well as additional time required for new gap financing requests have made the current 2023 awardee timelines unachievable. Our circumstance clearly satisfies TDHCA's requirements for a reallocation of LIHTC under Section 11.6(5) of the QAP and we request that this matter be considered at the next available Board meeting with a recommendation for approval. If additional information is required, please contact me at JanineS@dmacompanies.com or 512-328-3232 extension 4505.

Sincerely,

DMA DEVELOPMENT COMPANY, LLC



Janine Sisak

Senior Vice President/General Counsel