



May 31, 2024

Texas Department of Housing and Community Affairs (“TDHCA”)  
ATTN: Cody Campbell, Director of Multifamily Programs  
221 E. 11th Street  
Austin, TX 78701

RE: Request for Return and Reallocation of Tax Credits – Force Majeure under 10 TAC 11.6(5)  
/ Knoll Street Crossing, TDHCA Application #23068

Dear Mr. Campbell,

On August 28th, 2023, CSH Knoll Street Crossing, Ltd. (the “Owner”) received a Commitment Notice from TDHCA for an award of 2023 9% Low Income Housing Tax Credits (the “HTCs”) for Knoll Street Crossing (the “Development”) located in Houston, Texas. Knoll Street Crossing is not currently under construction; however, it was tracking for a timely construction closing on or before June 30<sup>th</sup>, 2024. As detailed below, the Development has suffered a variety of unexpected delays that have been outside the control of the Owner. The Owner believes the circumstances constitute “force majeure” and, consequently, Owner respectfully requests that the TDHCA Board (the “Board”) considers Owner’s return of the 2023 Credits in exchange for an allocation of 2024 housing tax credits under 10 TAC 11.6(5). This request, if approved, would allow Owner to meet both its 10% Test and Placed-In-Service (“PIS”) deadlines.

**FORCE MAJEURE EVENTS / SUDDEN AND UNFORESEEN CIRCUMSTANCES  
OUTSIDE OF OWNER’S CONTROL**

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**1. 2024 Houston Derecho / Direct Hit at Knoll Street Crossing Development Site**

- On May 16<sup>th</sup> and May 17<sup>th</sup> of this year, the 2024 Houston Derecho (as named by the National Weather Service) caused multiple fatalities, widespread storm damage, ongoing delays even as of today’s date, extensive closures, vast power outages affecting millions of people, and moreover an overwhelming direct impact and damage to the Knoll Street Crossing Development Site address (1938 Knoll Street, Houston, Texas 77080) See, **Exhibit A**.

- Knoll Street Crossing has up to twenty-five mobile homes owned by residents who were previously mobilizing to remove their mobile homes on or before June 24<sup>th</sup>, 2024.
- Following the storm, the residents are currently mobilizing to remove their mobile homes from the property which would now allow for closing on or before July 31<sup>st</sup>, 2024. See, **Exhibit B**.
- Notwithstanding flying debris, broken glass, trees falling on mobile homes and 100mph wind damage, three (3) transformers exploded causing outages and a mitigated fire event. See, **Exhibit C**.
- The Houston Derecho moved through Greater Houston – creating a direct impact area over Knoll Street Crossing, See, **Exhibit D** – and is now considered the worst damaging wind event to affect Houston in nearly half a century.

## 2. Delays Due to Supplier, Materials and Labor Shortages

- While the construction industry has been working through upheaval since the commencement of the pandemic, shortages remain a real problem. The time to get certain critical items may be more than triple what it was pre-pandemic.
- Compounded with pandemic delays and now experiencing the subsequent Houston Derecho impact, communication and electricity have been down for multiple days and extending into multiple weeks due to extensive transmission line damage, causing City of Houston municipality closures and/or significant communication problems/delays.
- City of Houston Permitting and other government offices were closed following the storms with staff unavailable to coordinate on matters related to permitting and other approvals. Issuance of site development permits and building permits have been delayed. The site development permits have been issued and the Development has a path to start construction after closing on the financing. However, the building permit is still pending. Although the building permits will not delay the start of construction, the timing for release of the building permits will delay vertical construction and thus achievement of placed-in-service such that the anticipated placed-in-service date would occur on January 26, 2026.
- The General Contractor for the Development is Houston-based and lost power, electricity, and communication for multiple days, leading to delays in pre-closing and construction deliverables which have delayed closing.
- Again, unforeseeable weather events, such as the 2024 Houston Derecho, will continue to create sub-contractor labor shortages throughout the ongoing Knoll Street Crossing construction period because of assessment and repair to damaged infrastructure work now associated with this massive storm.
- It should also be noted that still, after more than four years since the Covid-19 pandemic was declared in Mar-2020, the multifamily housing industry continues to experience logistical difficulties adversely affecting schedules and budgets.

- Ongoing conflicts and proxy wars beginning in Feb-2022 (Ukraine-Russia) and Oct-2023 (Israel-Hamas) continue to escalate fuel, lumber, and housing material costs, along with disrupting job growth and labor markets in the United States.
- And importantly, even now in May and June 2024, national consumer prices currently reflect an inflation rate at an all-time high, with the Federal Reserve still considering hiking interest rates at aggressive increments not experienced in nearly three decades with no signs of slowing down.

### **3. Further Considerations**

- As per the QAP, a Force Majeure event is the sudden and unforeseen circumstances outside the control of the Owner, such as, acts of God which are fires, tornadoes, floods, significant or unusual rainfalls, explosions, or losses of necessary water or utilities as a direct result of a significant weather event. In addition, this also includes supplier failures or material and labor shortages. To the extent that the Force Majeure events make construction activity impossible, or materially impedes progress, a request for relief can be considered.
- The delays experienced to Knoll Street Crossing as a result of the 2024 Houston Derecho; the disrupted progress at city permitting departments, ongoing power outages and temporary delay with utility coordination as well as disruption to the infrastructure and service resulting in shortages of materials and labor are Force Majeure events that have significantly impeded the Owner's ability to mobilize existing mobile home owners, close on financing and engage construction activities on a timeline that complies with the PIS deadline applicable to the Development.
- The Owner attempted to mitigate the impacts to the materials and labor supply chains due to interest rate uncertainty and other market wide economic conditions by beginning to work with financing partners immediately upon receipt of an award, as well as, submitting for permits quickly.
- Each delay caused by the continuing effects of the weather, wars, and economy triggers a cascading effect on pre-development mobilization on 1938 Knoll Street, its construction timing, its worker scheduling, and indeed any material availability. While the Development Owner intends to close for construction this summer so that placed in service can be met as expeditiously as possible, the challenges outlined in this request are still significant.
- All aforementioned bulleted items evidence a direct loss impacting the Development. These Force Majeure events have materially impeded the construction progress of this Development, and continue to result in loss to the Development, and they could not have been reasonably foreseeable and mitigated through appropriate planning and risk management.
- The Development remains financially feasible, despite any ongoing delays. However, the Investor is requesting the Applicant receive an extension to the placed-in-service date as a condition to closing.

## **CONCLUSION**

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Owner is kindly requesting TDHCA approval at the next available board meeting in June. Owner does not anticipate needing a full two-year extension, and Owner is committed to delivering the Development on a timely basis. In addition, Owner is pleased to report that the Development is on its way to closing for construction with permits this summer and all financing partners are prepared to close. Ultimately, there are no other anticipated hurdles to overcome, and the Development is anticipating a construction completion date in the first quarter of 2026.






In conclusion, Owner kindly requests that this matter be considered by the Board with a recommendation for approval. If any additional information is required, please feel free to contact me directly. And as always, I sincerely appreciate your willingness and helpful attention to this matter.

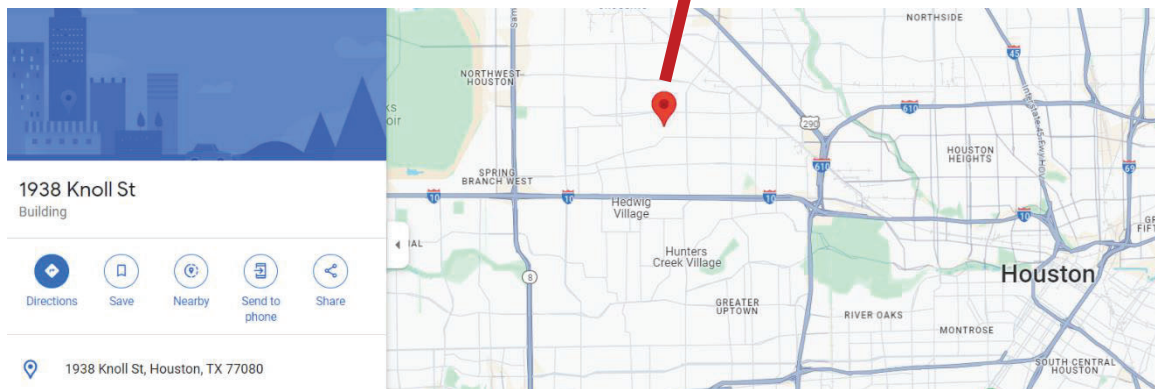
Kind Regards,



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Texas Inter-Faith Housing Corporation  
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212-960-3913 / mobile

EXHIBIT A

 **Meteorologist Noah Bergren**     
11h ·   
6:27PM CDT: Goodness! 121.9 MPH winds being detected on radar about to blast into millions in the heart of Houston, Texas. Could be the worst thunderstorm here in a LONG time.



**EXHIBIT B**

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EXHIBIT C

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EXHIBIT D

