

1/27/2025

Rosalio Banuelos, Director of Multifamily Asset Management  
Texas Department of Housing and Community Affairs  
221 E. 11<sup>th</sup> Street  
Austin, TX 78701

Re: Twelve 620 (Northwood) #20471 – Request for Additional Tax Credits

Mr. Banuelos,

The Determination Notice issued on 7/29/2020 for the above referenced application reflected an Annual Tax Credit Amount of \$2,378,498. The final Eligible Basis now calculates an Annual Tax Credit amount of \$2,863,348 which is approximately 20.38% higher. These figures are supported by an Independent Auditor's Report which has been included in the Cost Certification Package. Per TDHCA rules any increase over 20% from the initial Tax Credit amount must be approved by the board. Therefore, LDG is formally requesting the additional credits due to unavoidable obstacles and increased costs during the construction of this development.

Below are some of the main reasons for the cost increases since the time of the initial application:

**Construction Costs:**

- Direct construction costs were underestimated at the time of application as we did not have actual construction bids at that time. Therefore, Building Costs and Site Work Costs had significant variances from the time of initial application. Additionally, there were several change orders and material price escalations which also increased the direct construction costs. These change orders are included within the Cost Cert package.
- Lumber/Trim had a significant price escalation during this timeframe.
- During the course of construction, several redesigns/modifications were implemented to improve the overall quality and efficiency of the project which significantly increased materials and labor costs. These items included:
  - Harris County Flood Control District required a 25-foot additional Right of Way (ROW) towards the south portion of our site. In order to accommodate the ROW, one of the buildings on the original Site Plan was eliminated and those 24 units were disbursed throughout 3 of the remaining buildings by increasing their levels from 3 stories to 4 stories. Additionally, to maintain the required number of parking spaces that were eliminated as a result of the ROW, one of buildings was converted to podium design with parking underneath it. One of the buildings (#5) was redesigned to a podium style

with parking underneath due to the increase in the size of the storm. Note: A non-material amendment in relation to this item was approved by TDHCA on 7/25/23.

- HVAC Units were upgraded to higher efficiency units to improve the overall energy efficiency of the project.
  - Plumbing booster pumps were installed to help with low water pressure in several buildings.
  - Countertops in all units were upgraded from laminate to granite.
  - The detention was modified to an underground stormwater detention system which caused modification to the sanitary sewer system and domestic water distribution system.
- General Conditions and Overhead costs increased due to lengthened schedule/construction delays from issues described in the following paragraph:

**Construction Delays:**

- The county delayed the start of the project beyond the Notice to Proceed due to issues with the procurement bids and the subcontractor selection process. (+3 months delay)
- The offsite utility extension install was delayed and stalled water being provided to the site. (+5 months delay)
- The change in countertops to granite caused delays as some of the units already had laminate installed which required removal. (+2 months delay)

**Financing Costs:**

- Construction delays caused an increase to financing costs such as construction interest and financing fees.

**Developer Fees:**

- Developer fees are calculated at 15% of the project's eligible costs and this increase is a direct result of the increases detailed above.

Please let us know if you need any further information to process this request.

Sincerely,

*Jason Trevino*

Jason Trevino  
 Owner Representative  
 LDG Development, LLC  
 512-578-8488