



A LIMITED LIABILITY PARTNERSHIP
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October 15, 2024

Via Email

Cody Campbell
Texas Department of Housing and Community Affairs
221 E. 11th Street
Austin, TX 78711

RE: TDHCA #s: 20114 / 22802; 3300 Caroline, Houston, Texas (“**Project**”)
Force Majeure / PIS Extension
Our File No. 30233.1

Dear Mr. Campbell:

As you know, this law firm represents Magnificat Permanent Affordable, LLC, a Texas limited liability company (“**Development Owner**”). I have been requested by NHPF Caroline MM, LLC, the Managing Member of Development Owner, to request an extension of the placed-in-service date pursuant to Section 11.6(5) of the Qualified Allocation Plan (“**QAP**”).

Development Owner received an allocation of Housing Tax Credits from the Texas Department of Housing and Community Affairs (“**TDHCA**”) for the construction of the Project in 2020 out of the nonprofit set-aside. As is the case for many other developers, due to the COVID-19 Pandemic and significant costs increases, interest rate increases, construction delays, supply chain issues, labor shortages and natural disasters, the Project was previously approved for reallocations of credits under Force Majeure in 2021 and in 2022. The Project has a current placed-in-service date of December 31, 2024 (the “**PIS Deadline**”).

The Project is an extremely important and needed housing development for Texas, providing 149 multifamily supportive housing units, designated to assist previously homeless persons in Houston, Harris County.

Background:

The Project is currently ninety-five percent (95%) complete. While Development Owner is scheduled to complete construction in **December 2024**, there are certain steps out of the control of Development Owner that need to occur to meet the PIS Deadline, specifically, permanent utility (electrical, water/sewer) approvals and meter installations. Unfortunately, even with a December 2024 completion date, the prior force majeure delays combined with the remaining third-party

approvals means that the Project faces the possibility of failing to meet the PIS Deadline as required by §42(h)(1)(E)(i) of the Internal Revenue Code.

This request to further extend the PIS Deadline is directly due to events that fall under the provisions of §11.6(5) of the QAP relating to Force Majeure. If the PIS Deadline extension is not granted, the Project will run the risk of a recapture event rendering the Project infeasible and loss of the PSH apartments for the State of Texas. Please see attached letter from Hudson Housing Capital, the tax credit investor, supporting and requesting that the Board grant the request for an extension of the current PIS Deadline.

Summary of Delays:

1. November 2021: Administrative hold: Financial closing was put on hold for all Houston-based projects while the GLO verified tax credit scoring as a result of questions arising from the City of Houston Administration. The Administrative hold was lifted in March 2022.
2. April 2022: request for new Carryover Allocation: NHPF sought relief for a reallocation of tax credits from 2021 to 2022, a Carryover Allocation was issued by TDHCA on July 8, 2022.
3. July 2022: General Contractor repricing and additional gap funding: Construction subcontractors could not hold their pricing from the original closing (November 2021) until the issuance of the 2022 Carryover (July 2022). Because of the increase in construction costs, Development Owner had to secure additional loans from the City of Houston and Harris County causing further delays.
4. October 7, 2022: LIHTC/Construction Loan Closing occurred (“Closing”)
5. November 14, 2022: Commencement of Construction (Notice to Proceed issued)
6. Winter 2022, Demolition Permit: After Closing and issuing the Notice to Proceed, Development Owner was made aware of a previously unidentified live gas line and active water lateral, which would need to be capped and vacated prior to obtaining the demolition permit. *Delay 2 months.*
7. Winter 2022-23, & 2024, Permanent power: CenterPoint informed Development Owner shortly after Closing that a CenterPoint transformer would take twelve (12) to eighteen (18) months to manufacture and install. Not having that time, Development Owner contracted with a local distributor/manufacture to manufacture (locally) and deliver a transformer in three (3) months. This was an additional and unexpected cost to the Project. Unbeknownst to Development Owner, the local firm outsourced the manufacturing of the transformer to a third-party, who then outsourced it again to a South Korean firm. The transformer was delivered to the site in July 2024, the same week Hurricane Beryl hit

Houston. The transformer was finally energized by CenterPoint on August 30th. Delay 4 months.

8. Spring 2023, Survey Error: Development Owner had to move (relay) the building foundation as a result of a survey error by the Civil/Architect. This necessitated several changes to the drawings--as well as field changes--underground plumbing, building survey/staking layout, trenching and building pad rework/certification. Delay 1 month.
9. Summer 2024, Utility metering: The above delays resulted in the expiration of the original permits for water and gas meters. Securing renewed site plan approvals for new gas and water meter permits has resulted in former delays. Delay 2 months.
10. Correspondence sent to Cody Campbell as of September 6, 2024: Development Owner alerted TDHCA staff of the prior and current issues, necessary actions to complete the Project and the possible need for an extension of the PIS Deadline.
11. Update sent to Cody Campbell as of September 20, 2024: Water Meter Permit application moved to the City for its review/approval. While there are multiple steps to receiving the Meter, including calibration and chlorination, Development Owner continues to be in communication with the City to try to expedite the process. This is the biggest obstacle faced by Development Owner.
12. Update sent to Cody Campbell as of October 1, 2024:
 - a. Development Owner continues to work through the process of obtaining final permits for water and sewer.
 - b. Civil Plan-Public (for the water meter) reviewed and approved by City of Houston.
 - c. Continue to work through the ROW Excavation permit stage.
 - d. Transformers moved up to floors 2, 3 and 4 and connected floor by floor (in addition to HVAC installation).
13. October 2, 2024: Development Owner met onsite with the Inspection Supervisor with the City of Houston to ensure they expedite the inspection process to secure both the Temporary Certificate of Occupancy (TCO) and final Certificate of Occupancy (CO).
14. Update sent to Cody Campbell as of October 10, 2024:
 - a. Right of Way (ROW) permit for water and sewer excavation approved and the trenching was set to begin on October 14th or 15th.
 - b. HVAC connected on the 3rd and 4th floor and units are being conditioned. The HVAC contractor continues to connect the HVAC system for floors 1-2.
 - c. The City Inspector for the TCO indicated that since there is only one building permit, then the review/approval process will include inspections for the following major systems: electrical, plumbing, HVAC, generator, and structural.

As of the date of this letter, the current Construction Schedule projects a construction completion date of December 5, 2024. Based on the Notice to Proceed, construction was scheduled to be complete in March 2024. However, given the ten (10) plus months of delays outlined above, along with the third-party approvals, the Project is at risk of missing the PIS Deadline.

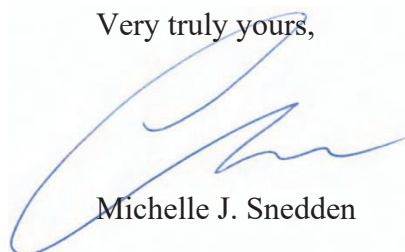
The Development Owner has met the requirements in Section 11.6(5), including:

- The events that caused and continue to cause delay occurred before issuance of 8609s and were unforeseen circumstances outside the control of the Development Owner.
- The delays were not caused by willful negligence or acts of Development Owner or any related party.
- The Project continues to be financially feasible.
- As noted above, Development Owner has discussed and met with Cody Campbell over the past several weeks to discuss the status of construction and approvals. Development Owner has provided evidence and a timeline of the events that caused not only the prior delays, but updates on status of the outstanding items required to meet the PIS Deadline.
- The Force Majeure threatens to prevent the Project from meeting the PIS Deadline.

Conclusion:

We respectfully request that the Development Owner be permitted to return the tax credits and that TDHCA reallocate the credits to the Development Owner in the current year in accordance with §11.6(5) of the QAP relating to Force Majeure. Please let us know if you have questions regarding this matter or if there is any specific information we can provide. As always, we greatly appreciate your assistance.

Very truly yours,



Michelle J. Snedden

cc: John Welsh (*via email*)
Mark Nightingale (*via email*)

HUDSON

HOUSING CAPITAL

October 11, 2024

Texas Department of Housing and Community Affairs
221 E. 11th Street
Austin, TX 78701

RE: 3300 Caroline – Houston, TX

To Whom It May Concern;

The purpose of this letter is to express Hudson Housing Capital's support for the Force Majeure request for 3300 Caroline in Houston, TX. The development will provide 149 fully-subsidized high quality apartment homes for supportive housing residents set aside at 30%, 50% and 60% AMI income levels.

The property has experienced construction delays and is at risk of not meeting the IRS's placed in service deadline of December 31, 2024. Failure to meet this deadline is a cliff event that would jeopardize the availability of tax credits. It would render the deal infeasible and would result in a repurchase of tax credit equity paid to date and a default under the City and County's capital subsidy loans. While the property is expected to place in service in early December 2024, there could be additional unforeseen delays that could push this date out further. The risk is too great to not grant a force majeure extension.

We strongly urge TDHCA to grant a force majeure extension for 3300 Caroline.

Sincerely,



Josh Lappen
Senior Vice President
Hudson Housing Capital, LLC