



June 25, 2025

Mr. Cody Campbell  
Director of Multifamily Finance  
Texas Department of Housing and Community Affairs  
221 East 11<sup>th</sup> Street  
Austin, TX 78701

Re: WALIPP Senior Residence Expansion (TDHCA #24172), Houston, Harris County

Dear Mr. Campbell,

WALIPP Senior Residence Expansion (#24172) is a 2024 award of 9% Housing Tax Credits in Region 6 Urban for the new construction of 102 units of rental housing for Seniors in the Historic Third Ward neighborhood of Houston. The project met the Readiness to Proceed threshold by acquiring the land and filing for building permits prior to March 31, 2025. Due to the convergence of multiple factors beyond our control, we are requesting a 6-month extension of the Placement in Service deadline under 10 TAC §11.6(5), Credit Returns from Force Majeure Events to move the deadline from the current December 31, 2026 to June 30, 2027. By approving this extension request, the Development can swiftly move to financial closing and start of construction.

Background Information:

WALIPP was originally projected to close in April 2025 and completing prior to the current Placed in Service deadline of December 31, 2026, but several factors outside of the Development Owners control have converged to delay the financial closing and start of construction pushing the placed in-service date just past the deadline and necessitating this request for a 6-month extension. Since the current construction timeline now has the project completing in February 2027, the investor and lender must see a Placed in Service extension in order to close the financing and start construction. The financial closing and construction start date is set for July 16, 2025 and the current construction schedule has the property completing on February 4, 2027. The approval of the Placement in Service extension by the board on July 10, 2025 will ensure the project is able to close and begin construction.

The following factors beyond our control have converged to delay the closing and start of construction for this Development, necessitating this Placement in Service extension request:

- The architectural firm hired for the Development has extensive experience with low-income housing tax credit financed developments and tight infill urban design, so they were an appropriate selection for WALIPP Senior Residence Expansion. In late December 2024/early January 2025, the senior architect working on this project took personal leave. After a few weeks, the architect returned and completed submission of plans to



the City for permitting on February 14, 2025. In early April 2025, we were notified the architect had stepped away indefinitely. While the firm has added capacity to fill the gap of institutional knowledge lost, this unforeseen and unfortunate circumstance has caused a delay in getting 100% CD plans finalized as well as responding to comments from the City of Houston on the building permits and requests for information from the General Contractor for contract pricing. This delay caused a ripple effect of not being able to finalize the lender and investor due diligence and construction cost numbers for a construction contract. This issue alone has caused a two-month delay to the closing deadline.

- The Development is the assemblage of three separate lots separated by a public right of way. The three buildings to be built on these three lots surround the existing WALIPP Senior Residence and are in close proximity of each other. However, the three separate buildings on tight infill sites has resulted in a complex platting exercise with the City of Houston that has taken 8 months from submission to final plat. In addition, the staging and construction of the three separate buildings has resulted in a longer than anticipated construction timeline from an originally anticipated 16 months to 18 months.
- In mid-October 2024, the project found out that it did not receive the \$2,000,000 grant that it had applied for from the FHLB Dallas. This gap in sources coupled with rising interest rates and a \$1.9M increase in total development costs from time of submission of the TDHCA application, created a need for additional soft funds. The team submitted multiple funding applications to fill the anticipated gap. By March 2025, all soft sources had been committed and the funding gap was closed; however, the multiple funding sources for the project have all had separate due diligence requirements and required approvals that have taken time to work through. In total, there are 14 interested parties who are either funders or developers/owners on this transaction.

Maintaining consistent communication and adherence to all funder requirements has caused a delay to the anticipated closing and start of construction timeline; however, the parties' participation has resulted in a financially sound development that is ready to break ground.

These multiple parties include:

- Wells Fargo Investment
- HUD Community Project Funding
- Wells Fargo Debt (and Freddie Mac)
- FHLB Dallas
- FHLB Atlanta
- Bank of America
- Capital Impact Partners
- Local Initiatives Support Corporation (LISC)
- Cullen Foundation
- Rice University
- Midtown Redevelopment Authority



- William A. Lawson Institute for Peace and Prosperity (owner/developer)
- Volunteers of America National Services (owner/developer)
- Volunteers of America Texas (owner/developer)
- The Development received a FHLB Atlanta funding award for \$1,000,000. Unexpectedly on May 16, 2025, the Member Bank Sponsor of that AHP application (Bank of America) informed us that they could no longer sponsor the award because the debt and equity for the project was awarded to Wells Fargo. This notification came 5 months after the project was awarded and a grant agreement was signed. We had to scramble to find a replacement structure that met FHLB Atlanta requirements. On June 20, 2025, the project received final approval of a new structure with a replacement Member Bank. The lender has understandably held release of their draft loan documents until the structure for this funding was finalized which has also caused a delay to the closing date.

It is important to note factors that should give the Staff and Board assurance that this Development is viable and moving forward in earnest:

- Wells Fargo Bank (as lender and investor) and NEI General Contractors (as Prime contractor) have set a closing date and start of construction for July 16, 2025.
- The project has secured \$5,150,000 in soft funding from 9 different sources including FHLB Dallas and FHLB Atlanta grants, Community Project Funding from HUD, Capital Magnet Funds from US Department of Treasury, and private foundational funding. Each funding source has a firm commitment to the project and is ready to close.
- The limited partnership for the Development Owner – WALIPP Senior Residence Expansion, LP – has been formed and the land has been acquired.
- The Environmental Review required for the HUD Community Project Funding has been completed.
- The plats for the three parcels have been approved and recorded.
- Permits are pending release of comment resolution with final corrected plans being submitted by June 30th and permits are expected to be issued on July 11, 2025 when all comments are addressed. All permit and impact fees have been paid.
- The construction contract will be signed on July 2, 2025.

Request:

While it was every intention for the Development to meet the Placement in Service deadline of December 31, 2026, we now can foresee that this is not possible due to the additional delays noted above. We request that the Owner be permitted to return the Tax Credits and that TDHCA reallocate the Tax Credits to the Owner in the current year in accordance with §11.6(5) of the QAP. The Owner and Development meet all of the requirements in Section 11.6(5) in that:



- 1) The events that caused the delays occurred before issuance of 8609s and were sudden, unforeseen circumstances outside the control of the Development Owner.

**Explanation:** At the time of submission of the tax credit application in 2024, total development costs were estimated at \$27.65 million. Since then, total development costs for this project have increased to \$29.56 million due to construction pricing increases which were unforeseen at the time of application. The combination of cost increases, high interest rates and a lost gap source caused a financing gap of \$4.15 million, resulting in the need for soft funding from multiple sources. Coordinating funding requirements and closing thresholds has taken time, but all parties are now poised and ready to close. The loss of gap funding combined with rising interest rates and construction pricing, the architect's departure from the firm and the restructuring of the FHLB Atlanta funding were all sudden and unforeseen circumstances outside the control of the Development Owner.

- 2) The delays were not caused by willful negligence or acts of Owner, any Affiliate, or any other Related Party.

**Explanation:** The Development Team is experienced with a long history in the LIHTC program. The events causing the delay were unprecedented and all parties did their absolute maximum to problem solve and expedite the multiple unexpected hurdles with enormous successes made along the way. Continued high interest rates and construction pricing increases, an architect's departure and the restructuring of a committed source of funds could not have been reasonably foreseen by the Development Owner and could not have been reasonably mitigated by the Development Owner.

- 3) The Owner has provided evidence of the Force Majeure Events

**Explanation:** Please see attached **EXHIBIT A: Timelines** that evidence the delays caused by the Force Majeure events and how the combined effect prevents the Development from meeting its Placed-in-Service date from the original allocation.

- 4) The Owner took all reasonable steps to minimize or mitigate any delays.

**Explanation:** The Owner did not take a Force Majeure lightly and tried diligently to get to a place where all parties were ready to close and start construction. Now that the construction completion date is scheduled past the original PIS date, the investor and lender will require an extension before closing. This request was submitted within days of learning that it was no longer achievable to complete construction by the original PIS date. This request is being submitted now so that it can be considered in a timely manner, and the Development can close and start construction as scheduled on July 16, 2025.



- 5) The Force Majeure threatens to prevent the Owner from meeting the Place in Service requirements of the original allocation to December 31, 2026.

**Explanation:** As detailed in EXHIBIT A: Timelines, the Force Majeure events have pushed construction completion to February 2027 past the original PIS date of December 31, 2026.

- 6) The requested current year Carryover Agreement would allocate the same amount of Tax Credits as those that would be returned.
- 7) The Development continues to be financially feasible. There have not been any insurance proceeds received related to the Force Majeure event.

The approval of this PIS extension will allow the Development to lock in the construction contract and swiftly move forward with the financial closing for the project. Although the project has been faced with a seemingly insurmountable amount of uncontrollable delays and impacts; the project has overcome them all and is ready to close and start construction. Therefore, we respectfully request approval of this Force Majeure request. If you have any questions or would like to discuss these items further, please do not hesitate to contact me directly at 713-562-0091.

Sincerely,

Cheryl Lawson

Authorized Representative

Cc: Rene Ruiz (via email)  
Deborah Welchel (via email)  
Jennifer Hicks (via email)

# EXHIBIT A\_TIMELINES

## WALIPP SENIOR RESIDENCE EXPANSION (TDHCA #24172) DEVELOPMENT TIMELINE

<b>March</b>	<b>2024</b>	
	3/1/2024	TDHCA Full Application Submission
<b>April</b>	<b>2024</b>	
	4/28/2024	FHLB Dallas Full Application Submission
<b>July</b>	<b>2024</b>	
	7/29/2024	FHLB Atlanta Full Application Submission
<b>August</b>	<b>2024</b>	
	8/27/2024	TDHCA 9% HTC Commitment Notice Signed
	8/28/2024	Notification of \$800,000 in HUD Community Project Funding (CPF)
<b>October</b>	<b>2024</b>	
	10/14/2024	Architectural Design Kick-Off
	10/18/2024	City of Houston NOFA Application Submission
	10/28/2024	Plat and Site Plan Submission to City of Houston
	10/29/2024	Notice from FHLB Dallas that 2024 Application was not awarded for \$2,000,000
	10/31/2024	RFP For Lenders and Investors Issued
<b>November</b>	<b>2024</b>	
	11/13/2024	Approval from FHLB Dallas to apply a previous award to Development - \$750,000
<b>December</b>	<b>2024</b>	
	12/2/2024	Notice from City of Houston that \$4,000,000 was not awarded
	12/13/2024	Wells Fargo Selected as Debt and Equity Provider
	12/14/2024	FHLB Atlanta Grant Awarded - \$1,000,000
	12/19/2024	Began conversations with Rice University for \$1,000,000 Grant
<b>January</b>	<b>2025</b>	
	1/14/2025	Due Dilligence Kicked off with Lender and Investor
	1/28/2025	Began conversations with Cullen Foundation for \$500,000 Grant
<b>February</b>	<b>2025</b>	
	2/14/2025	Submission to the City of Houston for Building Permits (originally planned for 1/17/2025)
<b>March</b>	<b>2025</b>	
	3/4/2025	Signed Grant Agreement for \$800,000 in HUD Community Project Funding
	3/20/2025	Approval from Cullen Foundation of \$500,000 grant
	3/27/2025	Acquired land in the name of the Development Owner
	3/28/2025	Approval from Rice University for \$1,000,000 Grant
	3/31/2025	TDHCA Readiness to Proceed deadline is met
<b>May</b>	<b>2025</b>	
	5/16/2025	Notified by Bank of America that they could not be Member Bank Sponsor of FHLB Atlanta award
<b>June</b>	<b>2025</b>	
	6/20/2025	Capital Impact Partners approved by FHLB Atlanta as new Member Bank Sponsor
	6/24/2025	Final plats approved by City of Houston and Recorded
<b>July</b>	<b>2025</b>	
	7/2/2025	Final construction contract signed
	7/10/2025	Approval of Placed in Service Extension at TDHCA Board Meeting
	7/11/2025	Final comments resolved by City of Houston and Permits Issued
	7/16/2025	Financial Closing and Start of Construction (originally planned for 4/21/2025)
<b>February</b>	<b>2027</b>	
	2/5/2027	Project Completion and Placement in Service (originally planned for 11/16/2026)

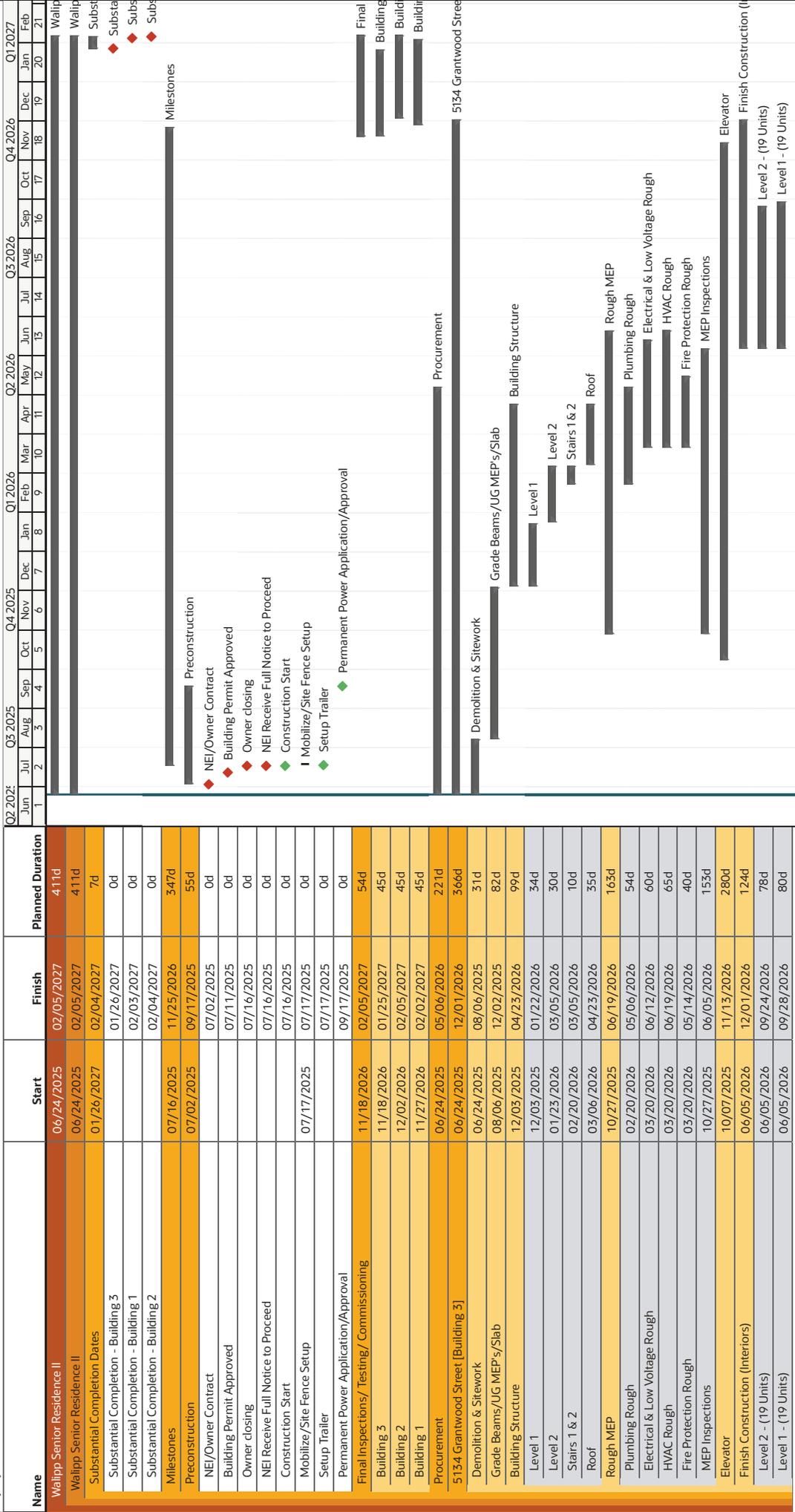


**WALIPP Senior Residence II**  
**"Preliminary Project Schedule"**

EXHIBIT A TIMELINES

NEI

06/23/2025



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■ Current
 ■ Progress
 ■ Critical

◆ Milestones
 ▬ Summary

Name: Walipp Senior Residence II  
 ID: 25-50-0008  
 Data Date: 06/23/2025  
 Finish Date: 02/04/2027



