



September 20, 2024

Mr. Rosalio Banuelos, Director of Asset Management
Texas Department of Housing and Community Affairs
221 E 11th Street
Austin, Texas 78701
Via Email: rosalio.banuelos@tdhca.state.tx.us

RE: TDHCA #23964/#22827/#21245 – The Rushmore – Request for Extension of Placed in Service Deadline to December 31, 2026.

Dear Mr. Banuelos,

On behalf of HTG Rushmore, LLC (the “Owner”), please accept this correspondence as our formal request to extend the Placed in Service deadline from December 31, 2025 to December 31, 2026 for TDHCA #23964/#22827/#21245, CMTS 5824, The Rushmore (the “Development”).

This Development has suffered the problems inherent in the unprecedented cost increases and loss of anticipated loan sizing resulting from many consecutive interest rate increases, insurance cost increases resulting from numerous natural disasters from 2021 until now, and construction cost increases as a result of COVID-19’s effect on supply chains throughout the country. since its original 9% award in 2021. As part of its plan to adjust to a new financial reality, in 2023 the Development sought and received a Force Majeure return of 2021 credits and issuance of 2022 credits. The Development also received a Commitment of \$225,000 in Supplemental Credits from the Department on March 29, 2023. Rev. Proc. 2014-49 is a rule published by the Internal Revenue Service (IRS) and provides TDHCA with the authority to agree to a postponement of the placed in-service deadline under some circumstances when there has been a Presidentially Declared Major Disaster in the project’s locale, as is in the case of The Rushmore.

The Owner is requesting this extension due to COVID-19’s effects and natural disasters such as Hurricane Beryl’s effect on the financial feasibility of the Development since being awarded 9% Housing Tax Credits in 2021 which delayed the possibility of closing until now. Additionally, the Owner has noted the increase in interest rates since The Rushmore’s inception in 2021. Please find below evidence of the financial strain created by these events that were out of the Owner’s control.

COVID-19 EFFECTS:

1. **Construction Cost Increases:** In the Owners original application to TDHCA in February 2021, The Rushmore had a Total Construction Contract Cost of \$11,324,835 which translates to \$112,127 in hard costs per unit. This was within the middle of the COVID-19, which was declared a pandemic on March 11, 2020, and declared no longer a public health emergency on May 5, 2023. The initial construction cost was quoted at a time when the shockwaves of the supply chain issues across the county had not been fully realized. Looking at the Producer Price Index for Construction Materials pasted by the U.S. Bureau of Labor Statistics, February



2021 had a index of 264.600 which increased dramatically within 4 months to 315.700. This increased further until reaching a high in May 2022 of 353.015 from which it has finally been able to decrease slightly to 324.731 in August of 2024 which is still a 22% increase from the time of its initial application. The effects on the construction cost of The Rushmore became much more apparent. Our latest Schedule of Values with our General Contractor now totals a cost of \$19,327,543 in Total Construction Contract Cost which is \$191,361 per unit and a 70% increase from 2021. This construction cost increase had a direct impact on the financial feasibility of The Rushmore, which is now made feasible by multiple sources of local gap funding obtained and detailed below.

NATURAL DISASTER AND HURRICANE BERYL EFFECTS:

1. **Insurance Cost Increases:** At the time of The Rushmore's TDHCA application in February 2021, The Rushmore was anticipated to have insurance costs on a per unit basis of \$425 annually. Since 2021, the country has seen a dramatic increase in natural disasters resulting in increased insurance costs. The most recent natural disaster to add to this national crisis was Hurricane Beryl which was a Category 1 hurricane that made landfall in Houston, Texas, where The Rushmore is located, and wreaked havoc on trees and powerlines, leaving millions of Texans without electricity for days. Currently, The Rushmore is expected to have insurance costs on a per unit basis of over \$1,800 annually. This increase in insurance cost has a direct impact on the amount of financing The Rushmore is able to obtain to finance the development and forces the need for more gap funding.

INTEREST RATE EFFECTS:

1. **Interest Rate Increases:** In the Owners original TDHCA application in February 2021, The Rushmore had a permanent loan interest rate of 4.40%. Starting in March of 2022 and ending in July of 2023 the Federal Reserve increased its interest rate 11 times from 0% to 5.50% in order to tame rampant inflation across the country. Since its last increase in 2023 the Federal Reserve has maintained its federal funds rate at this all time high which directly affected financing costs associated with financing The Rushmore. Our latest Citibank term sheet now shows an all-in rate of 6.36% which results in a dramatically decreased allowable permanent loan.

Housing Trust Group is dedicated to providing safe and quality affordable housing that its residents are proud to call "Home." Housing Trust Group did not give up on the 101 units of much needed housing that The Rushmore will provide and has overcome numerous hurdles to be able to get to the closing table. HTG has continued to invest in The Rushmore and is finally in the position to develop this community with the help of Harris County's and the City of Houston's additional funding and support after the perfect storm of dramatically and rapidly increasing construction costs, insurance costs, and interest rates since 2021 nearly destroyed this community. Since the 2021 Commitment Notice for Tax Credits was executed, HTG has worked tirelessly to ensure the quality of this Development and we have made it our mission to see this project to the finish line.



HTG respectfully requests that the TDHCA approve this extension to the Placed In Service deadline of December 31, 2025 to December 31, 2026 to allow HTG the ability to finish the Rushmore and provide this much needed housing within the City of Houston and Harris County.

If staff has any questions, please contact Jordan Finkelman via email at operationalcontact_tx@htgf.com or directly at 786-347-4520.

Sincerely,

HTG RUSHMORE, LLC,
a Texas limited liability company

By: **HTG RUSHMORE MEMBER, LLC,**
a Florida limited liability company,
its Managing Member

By: 
Randy Rieger, Manager