

1001 N WATER STREET LLC

500 N. CAPITAL OF TEXAS HWY
BUILDING 8, SUITE 100
AUSTIN, TX 78746

January 21, 2022

City of Corpus Christi
Attn.: City Manager's Office
Tax Increment Reinvestment Zone #3
P.O. Box 9277
Corpus Christi, Texas 78469-9277

Re: Extension request for Downtown Development Reimbursement Agreement for
1001 N Water Street LLC (The Northwater)

Dear Mr. Zanoni

We would like to request an extension for the completion of construction on 1001 N. Water Street. This letter provides some background on the challenges we faced, and delays caused by these unforeseeable events. We closed on the purchase of the property in March 2021 and began working with the DMD even prior to close. At the time of sale, the property was severely neglected, and no repairs had been made in years. The HVAC system was down, the elevator was inoperable, and the building was only 70% occupied. Of the 41 units that were occupied over half of those units had not been paying rent so we expected that the vacating of the building would be almost immediate.

Knowing our renovation plans required all units to be vacated, we instructed Seller's management company not to renew any leases and to provide a Notice to Vacate to all residents who were not paying rent. We also told them to communicate to all residents of our plans to vacate the property. We did this so that residents had sufficient time to find a new apartment. On the day of closing (March 9, 2021), we also put a notice "Notice to Vacate" on all units that were delinquent or whose lease was expired. For the handful of the paying tenants we offered to move them into another GVA-owned property.

Many of the residents relocated without any issues but a few residents, none of whom were paying rent, refused to vacate the property. During this time frame one or more of the residents who were now occupying the building illegally filed complaints with Code Enforcement citing violations citing several items that we planned to address in the renovation. During this time, we had a severe water leak in a vacant unit and had to turn the water off (one of the main items needed was replacement of all water supply lines because the pipes kept bursting). When we did this one of these same residents turned the water back on causing further damage and then called the fire department on us. Thankfully the prosecutor understood our position and all the violations we received were dismissed in Municipal Court.

We formally filed an eviction for these last residents in July 2021 and they still refused to leave. They finally had to be removed by the sheriff. From start to finish **it took over 5 months to fully vacate the property.** We were unable to do anything prior to this last eviction.

In August we pulled our permit for interior demolition that would allow us to get access to the plumbing and have been working in earnest during this time.

Since we started the renovation in August 2021 the following is an update on the accomplishments:

Trash out and Demolition

Over half of the units were left with furniture and personals by the former residents. There were also several homeless that had been living in the vacant units, who also left behind a lot of trash. Given the vacancy at closing, we did not expect to have this much furniture and trash left behind. What we expected would take a week, ended up taking our team several weeks filling a dumpster per day with furniture, clothing, food left in the refrigerators, and general trash.

A key item to this renovation is plumbing and HVAC. The Princess suffered from continuous water leaks from the original galvanized domestic and chilled / hot water (for the HVAC) supply lines. The original cast iron sewer stacks were also rotted. In order to expose the plumbing, we had to carefully remove all hallway walls and ceilings, bathroom tub surrounds and ceilings, kitchen ceilings and kitchen and bath cabinets. This amount of demo the plumber required ended up being much more than they originally requested. As a result, the demolition took twice as long as expected (60 days). As of the date of this request, all demolition for the plumber has been completed.

Plumbing and HVAC

The plumbing contractor has been on site since late October and as of this writing the main water supply lines have been installed and approximately 1/3 of the sewer stacks have been replaced. We have been waiting for our electrical contractors to solve for the electrical capacity issue (discussed below) after which time to the installation of the individual hot water heaters can commence. We expect that will be started in 30 days.

Electrical and HVAC

Our original electrical contractor did not anticipate that the service coming into the Princess building was insufficient to power the individual hot water heaters and mini split HVAC system we specified. This contractor planned to run a new electrical subpanel for the new systems from the original switch panel, and this which is what we had budgeted for. Since this time, we have learned this would not work. As such we are obtaining proposal from two additional contractors to address capacity. At this time, it appears that the electrical upgrade will cost at least twice what we had originally budgeted. *While we have are still waiting for bids, we would like to request additional funds if available to address these cost overruns once we have a handle on these cost overruns.*

We expect the electrical work will take 60 days to complete and plan to have the HVAC contractor to start 30 days from commencing the electrical upgrades. Once these items are completed and inspected, we can begin closing the walls and starting on the cosmetic repairs.

Summary

As a result of the initial delays vacating the property and some of the unexpected mechanical / electrical challenges, we request an extension for completing construction through the end of 2022. While we are doing all we can to complete the project much sooner than this, we would prefer not to have to ask for another extension. We believe this renovation will be a key to the plans for the "Reimagine Water Street" and address some of the needs for housing in Downtown Corpus Christi. We appreciate yours and the City's support for this development. Please call me at 512-970-3889 if you have any questions or concerns.

Sincerely



David M. Fournier
Principal