

Subject: SUP Extension Request – 3301 N Elm Street, Project S23-0001

Dear Members of the City of Denton City Council,

We respectfully request a one-year extension of our Special Use Permit for 3301 N Elm Street (expiring September 17, 2026) through September 17, 2027. This request reflects the realities of today's construction environment, not inaction.

We are shovel-ready. Construction documents are complete, City engagement has been continuous, and we have invested over \$500,000 in architectural, engineering, and permitting costs. Our commitment to this project is demonstrated.

What has changed is the cost environment. Since our SUP was issued, a convergence of forces has materially increased the capital required to deliver this project:

- Material costs (steel, concrete, lumber, MEP) have surged due to supply chain disruption and tariff pressure
- Contractor contingencies have jumped from 5–8% to 12–18%+, inflating bid totals well beyond our original model
- Labor, insurance, and freight costs have risen sharply with inflation
- The most aggressive Fed tightening cycle in four decades has increased financing costs and equity requirements across the board

These are industry-wide, well-documented conditions—not unique to this project. We are actively working to close our capital structure and expect to finalize financing by the end of 2026, with groundbreaking to follow within the extended term.

Proceeding undercapitalized would risk a stalled project, an outcome that serves no one. We are asking only for the time to do this right.

No changes to approved conditions, scope, use, or design are requested—only time.

This project will bring real economic benefits to Denton—jobs, tax revenue, and revitalization of 3301 N Elm Street. Approving this extension ensures those benefits are delivered.

We appreciate the City Council's consideration and welcome any questions.

Respectfully submitted,

Ali Mortazavi. P.E