

**WHEREAS**, in order to receive grant funds from applicable U.S. Department of Housing and Urban Development (HUD) programs, including Community Development Block Grant (CDBG), HOME Investment Partnership Grant (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA), the City of Dallas is required to complete and submit a Consolidated Plan; and

**WHEREAS**, a Consolidated Plan is a comprehensive analysis and strategic plan that identifies city needs and proposed resources, as well as establishes priorities to address those identified needs with applicable HUD funds; and

**WHEREAS**, the City's current Consolidated Plan covers a planning period of five years from 2008-09 through 2012-13 and was submitted to HUD in August, 2008; and

**WHEREAS**, pursuant to the City's Citizen Participation Plan, incorporating additional priority needs into the Consolidated Plan constitutes a substantial amendment; and

**WHEREAS**, federal regulations and the City's Citizen Participation Plan require a public hearing to authorize a substantial amendment and requires that a public hearing be held with not less than a 30-day public review and comment period to allow for public comments and input with respect to any substantial amendment; and

**WHEREAS**, holding a public hearing on January 23, 2013, will satisfy requirements set forth in federal regulations and the City's Citizen Participation Plan; and

**WHEREAS**, the City of Dallas seeks to keep momentum going in growth prone areas and stimulate investment in more challenged areas by providing a substitute for declining availability of capital funding while banks are not willing to loan as much against collateral, interest rates for available funding have increased and proceeds from sales of tax credits has declined; and

**WHEREAS**, on November 17, 2008, the Economic Development Committee and the Housing Committees were briefed and gave favorable approval on CDBG Section 108 Loan Application authorization for the use of Section 108 Guarantee Loan funds to provide project gap financing or mezzanine debt necessary to move projects forward in today's financial market, to minimize, if not eliminate, the risk to the CDBG program revenue and set guidelines by which the funds would be used; and

**WHEREAS**, on January 5, 2009, the Economic Development Committee and the Housing Committees were briefed and gave favorable approval on CDBG Section 108 Guarantee Loan fund application requirements and proposed Program Guidelines for the City to apply for up to a total of \$75,000,000 in guarantee loans; and

**WHEREAS**, on January 28, 2009, the City Council adopted CDBG Section 108 Guarantee Loan Program Statement, setting out the program purpose, description, operations and project criteria by Resolution No. 09-0291; and

**WHEREAS**, the developer has submitted a proposal to the City for Community Development Block Grant Section 108 Guarantee Loan Program funds for eligible economic development activities related to the development of the Holiday Inn & Suites project; and

**WHEREAS**, on December 3, 2012, the Housing Committee was briefed on Substantial Amendment No. 17 to the 2008-09 through 2012-13 Consolidated Plan and the FY 2012-13 Action Plan for U.S. Department of Housing and Urban Development Funds to incorporate additional City priority needs and resources including elimination of blight on a spot basis as an enumerated Community Development Block Grant (CDBG) Section 108 Guarantee Loan Program activity to deal with specific conditions of blight, physical decay, or environmental contamination not located in a slum or blighted area, identification of the Holiday Inn & Suites project as an eligible CDBG economic development activity providing an estimated 90 permanent full-time jobs for low-and moderate-income persons and providing elimination of specific conditions of blight, physical decay, or environmental contamination not located in a slum or blighted area, amendment of the CDBG Section 108 Guarantee Loan Program Statement to expand Project Criteria to include elimination of specific conditions of blight, physical decay, or environmental contamination not located in a slum or blighted area in conjunction with other eligible special economic development activity, and submission of a proposed CDBG Section 108 Guarantee Loan Program loan application to HUD for Texas Educational Opportunity Fund, a Texas non-profit, for assistance with rehabilitation of a vacant commercial building for the Holiday Inn & Suites project at 1011 S. Akard Street; and

**WHEREAS**, on December 6, 2012, the Community Development Commission was briefed on Substantial Amendment No. 17 to the 2008-09 through 2012-13 Consolidated Plan and the FY 2012-2013 Action Plan for U.S. Department of Housing and Urban Development Funds to incorporate additional City priority needs and resources including elimination of blight on a spot basis as an enumerated Community Development Block Grant (CDBG) Section 108 Guarantee Loan Program activity to deal with specific conditions of blight, physical decay, or environmental contamination not located in a slum or blighted area, identification of the Holiday Inn & Suites project as an eligible CDBG economic development activity providing an estimated 90 permanent full-time jobs for low-and moderate-income persons and providing elimination of specific conditions of blight, physical decay, or environmental contamination not located in a slum or blighted area, amendment of the CDBG Section 108 Guarantee Loan Program Statement to expand Project Criteria to include elimination of specific conditions of blight, physical decay, or environmental contamination not located in a slum or blighted area in conjunction with other eligible special economic development activity, and submission of a proposed CDBG Section 108 Guarantee Loan Program loan application to HUD for Texas Educational Opportunity Fund, a Texas non-profit, for assistance with rehabilitation of a vacant commercial building for the Holiday Inn & Suites project at 1011 S. Akard Street; and

**WHEREAS**, the City Council of the City of Dallas desires to adopt the amended CDBG Section 108 Guarantee Loan Program Statement attached as Exhibit A to expand Project Criteria to include elimination of specific conditions of blight, physical decay, or environmental contamination not located in a slum or blighted area in conjunction with other eligible special economic development activity; and

**WHEREAS**, the City of Dallas desires to apply to HUD for Community Development Section 108 Guarantee Loan Program funds for Texas Educational Opportunity Fund, a Texas non-profit, for assistance with rehabilitation of a vacant commercial building including property acquisition, environmental remediation, elimination of adverse health and safety hazards, loan interest reserve, and financial costs for public offering for the Holiday Inn & Suites project located at 1011 S. Akard Street that will create an estimated 90 permanent full-time jobs to be held by individuals with incomes at 80% or less of Area Median Family Income as established by HUD; and

**WHEREAS**, the City Council of the City of Dallas desires to call a public hearing to receive comments on Substantial Amendment No. 17 and on the submission of an application to the U.S. Department of Housing and Urban Development for Community Development Block Grant Section 108 Guarantee Loan Program loan in an amount not to exceed \$11,000,000 for Texas Educational Opportunity Fund for rehabilitation of vacant commercial building for the Holiday Inn & Suites project; **NOW THEREFORE**,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:**

**SECTION 1.** That preliminary adoption of Substantial Amendment No. 17 to amend the 2008-2009 through 2012-13 Consolidated Plan and the FY 2012-13 Action Plan for applicable U.S. Dept of Housing and Urban Development Funds to incorporate additional City priority needs and resources including (a) elimination of blight on a spot basis as an enumerated Community Development Block Grant (CDBG) Section 108 Guarantee Loan Program activity to deal with specific conditions of blight, physical decay, or environmental contamination not located in a slum or blighted area and (b) identification of the Holiday Inn & Suites project as an eligible CDBG economic development activity providing an estimated 90 permanent full-time jobs to be held by low-and moderate-income persons and providing elimination of specific conditions of blight, physical decay, or environmental contamination not located in a slum or blighted area is authorized.

**SECTION 2.** That a public hearing be held on January 23, 2013, to receive comments on Substantial Amendment No. 17 to amend the 2008-09 through 2012-13 Consolidated Plan and the FY 2012-13 Action Plan for U.S. Department of Housing and Urban Development Funds to incorporate additional City priority needs and resources including (a) elimination of blight on a spot basis as an enumerated Community Development Block Grant (CDBG) Section 108 Guarantee Loan Program activity to deal with specific conditions of blight, physical decay, or environmental contamination not located in a slum or blighted area and (b) identification of the Holiday Inn & Suites project as an eligible CDBG economic development activity providing an estimated 90 permanent full-time jobs to be held by low-and moderate-income persons and providing elimination of specific conditions of blight, physical decay, or environmental contamination not located in a slum or blighted area.

**SECTION 3.** That the City Council of the City of Dallas hereby adopts the amended CDBG Section 108 Guarantee Loan Program Statement attached as Exhibit A to expand Project Criteria to include elimination of specific conditions of blight, physical decay, or environmental contamination not located in a slum or blighted area in conjunction with other eligible special economic development activity, and the revisions to the Program Statement are effective upon adoption of this resolution.

December 12, 2012

**SECTION 4.** That the City Council hereby authorizes a public hearing to be held on January 23, 2013, to receive comments on the proposed City of Dallas submission of an application to the U.S. Department of Housing and Urban Development (HUD) for a CDBG Section 108 Guarantee Loan Program loan in an amount not to exceed \$11,000,000 to fund a loan for Texas Educational Opportunity Fund, a Texas non-profit, for assistance with rehabilitation of a vacant commercial building including property acquisition, environmental remediation, elimination of adverse health and safety hazards, loan interest reserve, and financial costs for public offering for the Holiday Inn & Suites project located at 1011 S. Akard Street that will create an estimated 90 permanent full-time jobs to be held by individuals with incomes at 80% or less of Area Median Family Income as established by HUD.

**SECTION 5.** That at the close of the January 23, 2013 public hearing, the City Council will consider whether to authorize the submission of an application to HUD for a CDBG Section 108 Guarantee Loan Program loan for Texas Educational Opportunity Fund, a Texas non-profit, in an amount not to exceed \$11,000,000 for rehabilitation of vacant commercial building for the Holiday Inn & Suites project at 1011 S. Akard Street.

**SECTION 6.** That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

APPROVED BY  
CITY COUNCIL

DEC 12 2012

*Anna C. Davis*  
City Secretary

**EXHIBIT A****PROGRAM STATEMENT  
COMMUNITY DEVELOPMENT BLOCK GRANT SECTION 108 GUARANTEE LOAN  
PROGRAM**

**Program Purpose:** To provide up to a total of \$75,000,000 in funds for economic development projects, large-scale physical development projects, and construction of public facilities projects. To increase the amount of funding available for future economic development through the making of loans that promote activities which contribute to the development of viable communities by providing decent housing and a suitable living environment. To promote local economic development and to stimulate business and commercial activity in the city of Dallas.

To keep momentum going in growth-prone areas and stimulate investment in more challenged areas by providing a substitute for declining availability of capital funding while banks are not willing to loan as much against collateral, interest rates for available funding have increased and proceeds from sales of tax credits has declined. To provide the City of Dallas with a source of financing for mixed-use, housing and economic development projects including large-scale physical development projects. To provide project gap financing or mezzanine debt necessary to move targeted development projects forward in today's financial market while minimizing the risk of needing future Community Development Block Grant entitlement funds to make Section 108 loan payments.

**Program Description:**

The City will loan Community Development Block Grant (CDBG) Section 108 loan funds for the following activities:

- Acquisition of improved or unimproved real property including acquisition for economic development purposes
- Clearance, demolition and removal of buildings and improvements on real property
- Site preparation, including construction, reconstruction or installation of public or other site improvements, utilities, or facilities in conjunction with acquisition for an economic development purpose
- Commercial or industrial improvements by nonprofits including acquisition, construction, rehabilitation, reconstruction or installation of commercial or industrial buildings or structures

- Grants, loans, loan guarantees, interest supplements, or technical assistance for commercial or industrial improvements
- The cost of the commercial portion of a project to be assisted which includes new housing as part of a commercial structure ("mixed use" project)
- Planning for economic development projects including conducting market surveys to determine an appropriate type of business to attempt to attract to a particular area; developing individual commercial or industrial project plans; and identifying actions to implement project plans
- Acquisition, construction, reconstruction, rehabilitation or installation of public facilities, public streets, sidewalks and other site improvements and public utilities
- The City Housing Department will solicit proposals that include project and selection criteria for economic development projects including mixed-use, housing and large-scale physical development projects
- The City Council Housing Committee will be briefed on all CDBG Section 108 Guaranteed Loan projects recommendations
- City Council approval is required for all projects prior to HUD application for CDBG Section 108 Guaranteed Loan funds
- The project must meet federal housing quality standards and applicable City Codes
- Affordability, eligibility and relocation requirements will be observed in accordance with federal guidelines.

50% of the total of Section 108 Guarantee loan funds must be included for projects located in the Southern Sector of the City of Dallas

**Program Operations:**

- Project proposals can be accepted until the total of \$75,000,000 for all Section 108 Loan Guarantee loans is reached and is sufficient to support a project according to the requirements of this program statement.
- City staff is responsible for reviewing completeness of funding proposals and determining if the applicant meets the requirements of this program statement. Those proposals not meeting the criteria of this program statement will not be sent to the City Council Housing Committee for consideration.

- Funding for each project will be submitted to HUD as an individual Section 108 Guarantee Loan program application and will require separate hearings and council approval prior to submission to HUD
- City Housing Department staff will develop proposed Section 108 Guarantee Loan proposals with a description of activities including community development objective, federal national objective, amount of funds location of proposed project and program income expected
- Housing Department staff will publish the proposed application City-wide according to the methods required by the City's CDBG Citizen Participation Plan
- Housing Department staff will hold a neighborhood public hearing in the area in which the funds will be used to describe the proposed project activities in order to obtain the views of the citizens in the neighborhood about community development objectives, economic development needs and housing needs
- Housing Department staff will prepare a final Section 108 Guarantee Loan application including the consideration of public comments and views and a finalized description of activities
- A City Council Public Hearing will be held covering the contents of the final Section 108 Loan Guarantee application and a summary of public comments
- Final City Council approval for the Section 108 Guarantee Loan application must be obtained for each project including a schedule of repayment to HUD of the Section 108 loan from proceeds of the project loan to the developer
- The final Section 108 Guarantee Loan application to HUD will include a schedule for repayment and the City's certifications that it has the legal authority to pledge its CDBG entitlement grants, that efforts have been made to obtain financing without Section 108 loan funds, that citizen participation requirements have been followed and including the certifications required by HUD as with the annual City of Dallas Consolidated Plan
- The Developer will be responsible for: 1) site control which must be documented at time of submission of proposal by an executed (dated and signed by seller and buyer) contract or deed; 2) securing primary financing with guarantees where required; 3) securing commitment(s) from contractor(s); 4) completing the project on time and within budget; 5) managing the build out of the development; and paying back the development loan.

**Project Criteria:**

- Projects must sustain or increase the level of business activity in the area by expanding economic opportunities for job creation and retention, improvement or construction of housing in conjunction with mixed use projects, or the provision of jobs to low and moderate income persons in CDBG eligible areas, or providing elimination of specific conditions of blight, physical decay, or environmental contamination not located in a slum or blighted area in conjunction with other eligible special economic development activity.
- Projects must substantiate that but for the funding sought, the proposed project would be substantially altered such that the economic returns to the City would be reduced or the project could not be developed
- A minimum private investment of \$30,000,000 in debt plus equity will be required
- Funds must be used as subordinate gap financing as a mezzanine refunding piece
- The total loan balance of the project, including first liens, cannot exceed 85% of the lower of total cost or appraised value of the completed stabilized project
- Projects will be funded only where there will be a return of investment within 3-5 years of initial loan sufficient to cover City's Section 108 Guaranteed Loan payments for the amount of the City's investment in the project, and where there will be an 18 to 24 month mini-permanent loan for lease up, 3 to 5 years for project stabilization, and where the City's equity with interest is recovered when the senior loan is refinanced into the permanent project loan
- An additional credit enhancement will be required to provide additional collateral support to insure that interest and/or principal can be repaid in the event that the refinancing is insufficient to repay both the first and second liens
- If the first lien mortgage financing doesn't include an interest reserve during the construction period, redevelopment and lease up, additional credit support will be required
- The Housing Department will identify, structure, and recommend only projects where there will be no use of CDBG entitlement grant to make Section 108 Guaranteed loan repayments
- Projects can be commercial, industrial, mixed use or housing
- Projects must include an affordability plan for housing investment, a relocation assistance plan, and must meet all HUD Section 108 Loan Guarantee requirements

- The City will require that its loan and its interest be paid back prior to the developer's fee being paid
- The project developer will be required to contract with infrastructure contractors, general construction contractors and construction subcontractors acceptable to the City
- The Developer must have site control of the proposed property at the time the proposal is submitted to the City. Site control of property is defined as owned or under an executed contract (dated and signed by buyer and seller)
- The Developer must have, at a minimum, a contingency commitment for a loan for development financing from a lender acceptable to the City before a proposal is submitted to the City Council for review
- The Developer must have, at a minimum, a contingency commitment(s) from construction contractors with a schedule for financing construction acceptable to the City
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- The project should comply with the City's Good Faith Effort Plan for Minority and Women-Owned Business Enterprise (M/WBE) goals
- Consideration will be given to those projects wherein the Developer(s) are proposing to build environmentally friendly projects which conserve energy and reduce utility costs
- The Developer, or any of its associated companies must not have any outstanding compliance issues, delinquent taxes, or code violations with the City of Dallas
- The Developer, or any of its associated companies, must not have had any bankruptcies in the last seven (7) years

**Selection Criteria:**

- Feasibility of development project – 70 points
- Development history of similar projects – 25 points
- Organizational capacity – 20 points
- Use of General Partner equity – 25 points
- Citizen participation – 10 points
- Acceptable development loan commitment – 30 points
- Acceptable construction contractor commitments – 20 points