

WHEREAS, in October 2012, the developer submitted a proposal to the City for Community Block Grant (CDBG) Section 108 Guaranteed Loan Program funds for eligible economic development activities related to the development of the Hotel Project; 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 Housing and Urban Development (HUD) Funds to incorporate additional City priority needs and resources including elimination of blight on a spot basis as an enumerated 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 to identify the Hotel Project as an eligible CDBG economic development activity providing an estimated 90 permanent full-time equivalent 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, and on submission of a proposed CDBG Section 108 Guaranteed Loan Program loan application to HUD for Texas Educational Opportunity Fund, a Texas non-profit, for assistance with rehabilitation of a vacant commercial building, formerly Plaza Hotel, for the Hotel Project at 1011 South Akard Street; and

WHEREAS, on February 11, 2013, the City of Dallas applied to HUD for CDBG Section 108 Guaranteed Loan funds in the amount of \$11,000,000.00 for a Section 108 loan for Texas Educational Opportunity Fund, a Texas non-profit, for assistance with rehabilitation of a vacant commercial building, formerly Plaza Hotel, including property acquisition, environmental remediation, elimination of adverse health and safety hazards, loan interest reserve, and financial costs for the Section 108 public offering for the Hotel Project located at 1011 South Akard Street that would create an estimated 90 permanent full-time equivalent jobs to be held by individuals with incomes at 80% or less of Area Median Family Income as established by HUD; and

WHEREAS, a bank loan of \$12,912,615.00 for construction would be in the first lien position, the Section 108 loan of \$11,000,000.00 would be in the second lien position, and a mezzanine loan of \$2,324,913.00 would be a soft lien in the third position; and

WHEREAS, if the project's cash flow was not sufficient for the City to make required annual payments to HUD, or if the project otherwise failed, any applicable loan payments would be made from the City's future CDBG allocation of entitlement funds; and

WHEREAS, on January 14, 2015, the City of Dallas was authorized to enter into a loan agreement with HUD to borrow \$11,000,000.00 under the CDBG Section 108 Guarantee Loan Program and to use the Section 108 Loan Funds to provide a development loan to TEOF Hotel LP in the amount of \$11,000,000.00 for assistance with rehabilitation of a blighted, vacant commercial building including economic development, loan interest reserve, and financial costs for the Section 108 public offering for the Hotel Project located at 1011 South Akard Street, now known as the Lorenzo Hotel (Hotel) that would create an estimated 220 permanent full-time equivalent jobs with 51% to be held by or made available to low-to-moderate-income persons with incomes at 80% or less of Area Median Family Income as established by HUD; and

WHEREAS, during 2020 the corona virus health related event has had an economic impact on the tourism and hospitality industry throughout the City of Dallas and worldwide; and

WHEREAS, TEOF Hotel LP, has indicating that the Hotel would not be able to make the annual principal payment amount of \$504,000.00 and corresponding interest payment of \$141,306.35 (due to corona virus impact), which in turn the City of Dallas owes to HUD by August 1, 2020 (must be processed 10 days prior to deadline date); and

WHEREAS, the City consulted with HUD on options to address this situation and HUD has indicated that this may be addressed via an additional promissory note between the City and HUD for the deferral of the \$504,000.00 principal amount and flat principal annual payment over the remainder of the original note's repayment schedule; however with a variable interest rate to be paid quarterly to HUD on the additional note; and

WHEREAS, HUD also indicated to the City that the interest due on 08/01/2020 is not deferrable and will need to be paid as scheduled; for which funds from an upcoming reimbursement to TEOF Hotel LP will be applied, as per agreement terms and conditions under Section 10 of a related agreement to the Hotel project, which provides the City an option to offset any amounts due and payable. The balance of the reimbursement amount will be retained by the City, in the debt service account for the Hotel loan, to service the variable interest loan (payable quarterly to HUD) on the additional note to the Hotel loan related to the deferral of the principal payment due August 1, 2020 and any other relevant/pertinent note relate expenditures; and

WHEREAS, the City finds that this is a pertinent step to take to keep the loan in good standing status with HUD; and given the situation impacting TEOF Hotel LP, the City considers that a due-diligence review of the Hotel project should take place before making any additional amendments to the agreement between the City and TEOF Hotel LP beyond reflecting the equivalent amendments on the City of Dallas HUD agreement.

Now, Therefore,

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

SECTION 1. That City Council authorizes the City Manager to enter into an additional promissory note agreement with the United States Housing and Urban Development Agency (HUD) to defer the principal payment due by the City of Dallas (City) to HUD on August 1, 2020 in the amount of \$504,000.00, for a Section 108 loan related to the Lorenzo Hotel project, given TEOF Hotel LP has indicated that they are not going to be able to make the payment to the City, on the loan that they have outstanding with the City. A proposed amended repayment schedule reflecting the additional \$504,000.00 note payable by the City to HUD **Attachment A.**

SECTION 2. That City Council authorizes the City Manager to (a) amend the agreements referenced in Resolution No.15-0147 related to the existing loan agreement between the City of Dallas and HUD, to reflect this additional promissory note to the referenced Section 108 loan, related to the rehabilitation of a blighted vacant structure, now the Lorenzo Hotel (Hotel), and add any and all the relevant terms and conditions imposed by HUD, including but not limited to the variable interest rate due quarterly to HUD on the \$504,000.00 additional note, and (b) amend the agreement between the City of Dallas and TEOF Hotel LP to reflect the equivalent amendment terms and conditions to this agreement as those referenced in Section (2)(a) between HUD and the City, given that the City had loaned the referenced Section 108 funds to TEOF Hotel LP for the referenced rehabilitation project, TEOF Hotel LP communicated that the Hotel will not be making the upcoming payment due to the City (principal payment of \$504,000.00 and interest of \$141,306.35) due to COVID-19 impact on the hotel industry.

SECTION 3. That the City Manager is hereby authorized to increase appropriations in an amount not to exceed \$90,214.15 in Section 108 Loan-Lorenzo-Plaza Hotel Fund, Fund 0J55, Department HOU, Unit 0J5E, Object 3076 and 3077 associated with the additional promissory note variable interest and any other relevant/pertinent note related expenditures related to Section 108 Loan agreement B-12-MC-48-0009.

SECTION 4. That the Chief Financial Officer is hereby authorized that as repayments from TEOF are received, both principal and interest, as per HUD's amended repayment schedule with the City, on the outstanding loan and additional promissory note and any other relevant/pertinent note related expenditures; the City be authorized to receive, deposit and disburse those funds to repay the principal plus interest to HUD on the existing Section 108 loan B-12-MC-48-0009, the additional related promissory note, and any other related expenditures and any related terms and conditions imposed by HUD. These repayments from TEOF must be deposited into Fund 0J55, Department HOU, Unit 0J5E, Revenue Code 8503 for Principal amounts and interest amounts to be deposited into Revenue Code 8556.

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June 24, 2020

SECTION 5. That the Chief Financial Officer is hereby authorized to disburse loan payments to HUD, Vendor 263304 in accordance with all the terms and conditions on the existing loan agreement, any other relevant/pertinent on the additional note and any other related expenditures from Fund 0J55, Department HOU, Unit 0J5E, Object 3077 for the Principal amounts disbursed and for the interest amounts to be disbursed from Object 3076.

SECTION 6. That all other terms and conditions on the existing agreements between the City and HUD and between the City and TEOF Hotel LP related to the Section 108 loan and the now known Lorenzo Hotel Project remain in full force.

SECTION 7. 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

JUN 24 2020


CITY SECRETARY

ATTACHMENT A
HUD TENTATIVE AMENDED REPAYMENT SCHEDULE
SECTION 108 LOAN
B-12-MC-48-0009

Borrower Dallas, TX **Loan #** B-12-MC-48-0009
Remaining Balance \$ 9,572,000 **Project** Monocle Hotel
Public Offering Series 2015-A

Principal Due Date	Current Permanent Finance Note		Deferral Amount	Remaining Permanent Note		New Interim Note	
	Principal	Interest		Principal	Interest	Principal	Interest
8/1/20	\$ 504,000.00	\$ 141,306.35	\$504,000.00		\$ 141,306.35		
11/1/20							*
2/1/21		\$ 136,316.75			\$ 136,316.75		*
5/1/21							*
8/1/21	\$ 520,000.00	\$ 136,316.75		\$ 520,000.00	\$ 136,316.75	\$ 72,000.00	*
11/1/21							*
2/1/22		\$ 130,206.75			\$ 130,206.75		*
5/1/22							*
8/1/22	\$ 535,000.00	\$ 130,206.75		\$ 535,000.00	\$ 130,206.75	\$ 72,000.00	*
11/1/22							*
2/1/23		\$ 123,653.00			\$ 123,653.00		*
5/1/23							*
8/1/23	\$ 551,000.00	\$ 123,653.00		\$ 551,000.00	\$ 123,653.00	\$ 72,000.00	*
11/1/23							*
2/1/24		\$ 115,939.00			\$ 115,939.00		*
5/1/24							*
8/1/24	\$ 568,000.00	\$ 115,939.00		\$ 568,000.00	\$ 115,939.00	\$ 72,000.00	*
11/1/24							*
2/1/25		\$ 107,845.00			\$ 107,845.00		*
5/1/25							*
8/1/25	\$ 585,000.00	\$ 107,845.00		\$ 585,000.00	\$ 107,845.00	\$ 72,000.00	*
11/1/25							*
2/1/26		\$ 99,216.25			\$ 99,216.25		*
5/1/26							*
8/1/26	\$ 602,000.00	\$ 99,216.25		\$ 602,000.00	\$ 99,216.25	\$ 72,000.00	*
11/1/26							*
2/1/27		\$ 89,885.25			\$ 89,885.25		*
5/1/27							*
8/1/27	\$ 5,707,000.00	\$ 89,885.25		\$ 5,707,000.00	\$ 89,885.25	\$ 72,000.00	*
Total Payment	\$ 9,572,000.00	\$ 1,747,430.35		\$ 9,068,000.00	\$ 1,747,430.35	\$ 504,000.00	

* is calculated quarterly based on interim rate. Rate is currently 3 month Libor rate plus 0.2%