

# Memorandum



CITY OF DALLAS

DATE September 13, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **Upcoming Agenda Items: September 25, 2019, Amendments to Three Mixed Income Multifamily Developments known as 2400 Bryan Street, Estates at Shiloh, and Palladium Redbird**

## Recommendation

Staff recommends amending the terms previously agreed upon in the resolutions adopted on February 27, 2019 and June 12, 2019. The amendments below will remove the permanent repayment guaranty for all **3** developments as there will be adequate measures in place to secure the City's financing. The guarantors are providing completion and payment guaranty for construction in addition to an operating deficit guaranty to fund operating deficits. The City's loan and grant will be secured by a deed of trust on the property and all improvements.

Additionally, staff recommends City Council, acting as the elected representative, approve the issuance of multifamily residential revenue bonds to be issued by the DHFC for the Estates at Shiloh and Palladium Redbird developments.

## Issues

The City's term sheet attached to the original resolutions required a full repayment guaranty by the guarantors for each development. Therefore, the City's loan is full recourse. While working on finalizing negotiations and closing on the land for 2400 Bryan Street, it was realized that the City's loans are full recourse and would impact each deal. However, the senior lender's loan is nonrecourse. Therefore, the senior lender will not participate under any scenario where the City's debt is full recourse. Additionally, the permanent guaranty requirement impacts the ability for the 9% and 4% housing tax credits, which will fund a portion of the costs for the developments, to be reallocated by the Investor for each development. Consequently, Investors will not invest or participate under any scenario where debt is full recourse.

Furthermore, the Palladium Redbird development is utilizing a 221(d)(4) U.S. Department of Housing and Urban Development (HUD) permanent loan to finance the development. HUD requires payment and performance bonds for construction of the development. The City under its terms for the loan agreement and conditional grant agreement required a completion guaranty or accepted the City being an additional obligee on the payment and

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performance bonds required by the construction lender. But, staff was informed that HUD does not allow additional obligees on payment and performance bonds. Staff has requested that HUD reconsider adding the City as an additional obligee.

To remedy these situations and to move forward with closing the transactions, staff proposes the following amendments to the terms agreed upon for the loan and conditional grant agreements:

1. Remove the requirement of guarantors, to provide full, unconditional guarantees of repayment related to each development;
2. If elect to provide payment and performance bonds, add to the requirement that City become an additional obligee on payment and performance bonds furnished by the borrower to its construction lender, if allowed by the permanent lender; and
3. In consideration of the removal of the terms previously agreed upon, each developer shall provide a minimum investment, stated, to construct the improvements for the developments.

## **Background**

On August 30, 2018, the City issued a Notice of Funding Availability in accordance with the City's Comprehensive Housing Policy to provide gap financing in the form of a repayable loan to support new developments or substantial rehabilitation of existing developments located within the City limits. All proposals that scored at or above the minimum score of **100** out of **155** points are considered eligible for a funding award. There were **3** proposals that received a fundable score, 2400 Bryan Street, Estates at Shiloh, and Palladium Redbird.

On February 27, 2019, City Council authorized loan agreements and conditional grant agreements in addition to approving the City of Dallas Housing Finance Corporation (DHFC) to: **(1)** acquire the land, **(2)** enter into long-term ground leases with the entities owning the improvements, and **(3)** taking an ownership interest in all **3** developments. Additionally, the DHFC would issue multifamily residential revenue bonds for the Estates at Shiloh and Palladium Redbird. On June 12, 2019, City Council authorized amendments to the resolutions to adjust the federal grant allocations for all **3** developments and allow the DHFC to enter into a loan agreement to acquire the land for 2400 Bryan Street in order for the City to meet a federal expenditure deadline.

On September 25, 2019, staff is bringing forward **5** items related to each of these developments for Council consideration as follows:

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1. **2400 Bryan Street** – Authorize the second amendment to Resolution No.19-0360, previously approved on February 27, 2019, and the first amendment to the development loan with City of Dallas Housing Finance Corporation (DHFC) for a mixed-use and mixed-income multifamily residential development to be located at 2400 Bryan Street (Development) to: **(1)** remove the permanent repayment guaranty requirement of RMGM Bryan Street, LLC; **(2)** add to the requirement that the City only be added as an additional obligee on payment and performance bonds furnished by 2400 Bryan Street, LLC to its senior construction lender, if allowed by the permanent lender; and **(3)** add a minimum investment requirement for DHFC and 2400 Bryan Street, LLC of **\$45,000,000.00** to construct the improvements for the Development as additional consideration;
  
2. **Estates at Shiloh – Item 1:** Authorize a second amendment to Resolution No.19-0387 and first amendment to Resolution No. 19-0945, previously approved on February 27, 2019 and June 12, 2019, for a mixed-income multifamily complex for seniors to be located at 2649 Centerville Road (Development) to: **(1)** remove the permanent repayment guaranty requirement of Generation Housing Partners, LLC, Hill Tide Partners, LLC, and Monarch Private Investments, LLC; **(2)** add to the requirement that the City only be added as an additional obligee on payment and performance bonds furnished by TX Casa View, Ltd. to its senior construction lender, if allowed by the permanent lender; and **(3)** add a minimum investment requirement for TX Casa View, Ltd. of **\$25,000,000.00** to construct the improvements for the Development as additional consideration; and  
  
**Item 2:** Authorize the issuance of multifamily residential revenue bonds to be issued by the DHFC; and
  
3. **Palladium Redbird – Item 1:** Authorize the second amendment to Resolution No.19-0385 and first amendment to Resolution No. 19-0944, previously approved on February 27, 2019 and June 12, 2019, for a mixed-income multifamily residential development to be located at 7202 South Westmoreland Road (Development) to: **(1)** remove the permanent repayment guaranty requirement of Palladium USA, Inc.; **(2)** add to the requirement that the City only be added as an additional obligee on the payment and performance bonds for the construction of the Development, if allowed by the permanent lender; and **(3)** add a minimum investment requirement for Palladium Redbird, Ltd. of **\$30,000,000.00** to construct the improvements for the Development as additional consideration; and  
  
**Item 2:** Authorize the issuance of multifamily residential revenue bonds to be issued by the DHFC.

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**Fiscal Information**

No cost consideration to the City.

Should you have any questions, please contact me at (214) 670-3390.



Michael A. Mendoza  
Chief of Economic Development & Neighborhood Services

c: T.C. Broadnax, City Manager  
Chris Caso, City Attorney (Interim)  
Mark Swann, City Auditor  
Biliera Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager  
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Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer  
M. Elizabeth Reich, Chief Financial Officer  
Laila Aleqresh, Chief Innovation Officer  
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion  
Directors and Assistant Directors