

KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: June 22, 2016
COUNCIL DISTRICT(S): 7
DEPARTMENT: Housing/Community Services
CMO: Alan Sims, Chief of Neighborhood Plus, 670-1611
MAPSCO: 46T

SUBJECT

Authorize an amendment to Resolution No. 15-1079, previously approved on June, 10, 2015, to extend the loan agreement with Southfair Community Development Corporation, a certified Community Housing Development Organization, for a housing development loan in the amount of \$112,000 from June 30, 2016 to June 30, 2017 for construction of two housing units located at 2800 Park Row Avenue - Financing: No cost consideration to the City

BACKGROUND

In April 2016, Annie Evans, Executive Director of Southfair Community Development Corporation (Southfair), requested to extend the completion date to June 30, 2017 for the housing development loan in the amount of \$112,000 for construction costs for the development of two housing units located at 2800 Park Row. Upon completion, Southfair will have a 15-year deed restriction on the units to maintain affordability with households up to 80% of area median family income.

Southfair is a certified Community Housing Development Organization (CHDO) and had a prior contract with the City to complete acquisition, demolition and predevelopment of the 2800 Park Row property. Southfair is awaiting the approval of their construction plans, and has obtained a builder for the homes. Due to issues with platting and surveying, the start of construction was delayed.

Southfair has obtained interim financing for the construction costs. The City will provide HOME funds to gap finance for a portion of the construction costs for 2 homes to be built out. The homes will be 3 bedroom with 2 baths and one car garage with approximately 1400 sq. ft. The construction and occupancy of the units will be completed within one year. A lien will be placed on the property and released on a partial basis as each unit is built and an eligible household is approved. Estimated private leverage will be \$420,000.

BACKGROUND (continued)

City Council approval of this item will authorize the City Manager to amend the loan documents with Southfair for these funds.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 25, 2014, City Council approved the City of Dallas FY 2014-15 Consolidated Plan Budget for the U.S. Department of Housing and Urban Development (HUD) Grant by Resolution No. 14-1001 (amended and reconsidered by Resolution No. 14-1314 on August 13, 2014) which included the CHDO Development Loans in the HOME Investment Partnership Funds.

On June 10, 2015, City Council approved the housing development loan agreement with Southfair Community Development Corporation, by Resolution No. 15-1079.

Information about this item will be provided to the Housing Committee on June 20, 2016.

FISCAL INFORMATION

No cost consideration to the City

OWNER

Southfair Community Development Corporation

Annie Evans-Jones, Executive Director

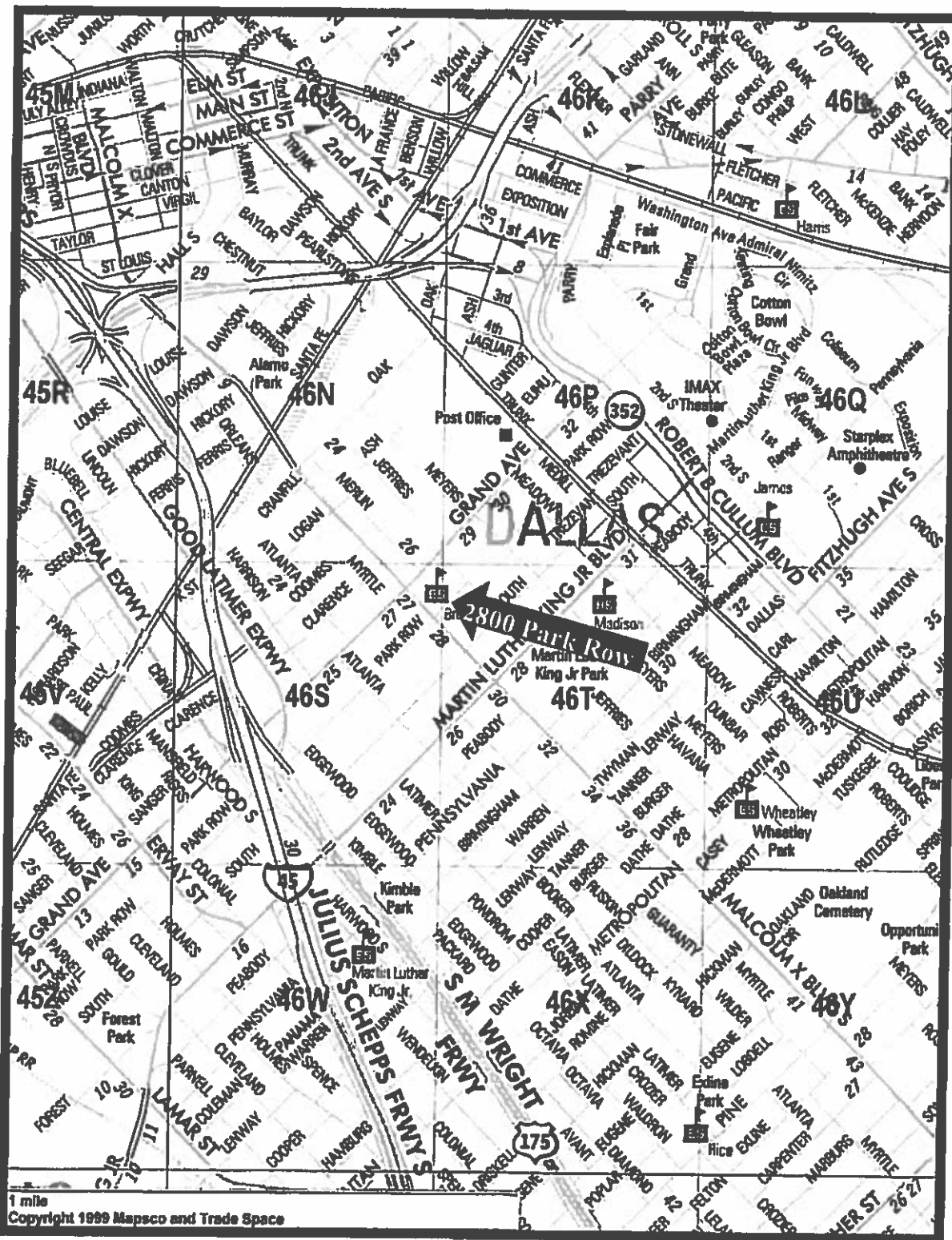
DEVELOPER

Southfair Community Development Corporation

Annie Evans-Jones, Executive Director

MAP

Attached



MAPSCO 46T

June 22, 2016

WHEREAS, the development of owner occupied housing units for households with varied income levels is a high priority of the City of Dallas to create more housing choices; and

WHEREAS, on June 25, 2014, City Council approved the FY 2014-15 Consolidated Plan Budget for the U.S. Department of Housing and Urban Development (HUD) Grant by Resolution No. 14-1001 (amended and reconsidered by Resolution No. 14-1314 on August 13, 2014) which included the HOME Investment Partnership Program, CHDO Development Loan funds; and

WHEREAS, on June 10, 2015, City Council approved the housing development loan agreement with Southfair Community Development Corporation (Southfair), by Resolution No. 15-1079; and

WHEREAS, Southfair proposes to work with the City of Dallas to undertake the development of two (2) housing units at 2800 Park Row Avenue; and

WHEREAS, the City desires for Southfair to develop housings units for varied income families; **NOW, THEREFORE**,

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

Section 1. That following approval as to form by the City Attorney, the City Manager is authorized to amend Resolution No. 15-1079, previously approved on June 10, 2015, to extend the loan agreement with Southfair Community Development Corporation, a certified Community Housing Development Organization, for a housing development loan in the amount of \$112,000 from June 30, 2016 to June 30, 2017 for construction of two housing units located at 2800 Park Row Avenue.

Section 2. That the terms of the loan agreement include:

- (a) Southfair must execute an amended note payable for \$112,000 to the City of Dallas for the loan.
- (b) Southfair will execute a lien through a Deed of Trust and deed restriction for a 15-year term for the affordable units.
- (c) Southfair will use the funds to gap the construction costs of the units and developer fee up to \$15,000 per unit and will remit any proceeds to the City after paying the interim construction lien and allowable closing costs. In the case of lease to own, Southfair will remit proceeds from the rents after deducting a 10% management fee.
- (d) Southfair will have one (1) year to fully complete the project.

June 22, 2016

Section 2. (continued)

- (e) Southfair must build and occupy the units to families with incomes at or below 80% of area median family income.
- (f) The City will subordinate first lien position to the interim construction lender.
- (g) The City will release Southfair's lien on a partial basis as each eligible household is approved for the units.

Section 3. That the City Manager, upon approval as to form by the City Attorney, is authorized to execute releases of liens and terminate deed restrictions on the property upon compliance with the loan terms and deed restrictions.

Section 4. That this resolution does not constitute a binding agreement upon the City or subject the City to any liability or obligation with respect to the loan, until such time as the loan documents are duly approved by all parties and executed.

Section 5. 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.

KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: June 22, 2016
COUNCIL DISTRICT(S): 2
DEPARTMENT: Housing/Community Services
CMO: Alan Sims, Chief of Neighborhood Plus, 670-1611
MAPSCO: 46K L

SUBJECT

Authorize an amendment to Resolution No. 15-1150, previously approved on June 17, 2015, for the conditional grant agreement with Jubilee Park & Community Center Corporation to (1) increase the project budget by \$25,000, from \$500,000 to \$525,000; and (2) extend the completion date from June 30, 2016 to June 30, 2017 for the acquisition, demolition, relocation, predevelopment and construction of the Jubilee Neighborhood Project - Not to exceed \$25,000 - Financing: 2012 Bond Funds

BACKGROUND

On May 6, 2016, Jubilee Park & Community Center Corporation (JPCCC) requested an increase of funds in the amount of \$25,000 and extension of the completion date from June 30, 2016 to June 30, 2017 for the conditional grant in the amount of \$500,000 for the development of owner occupied housing to include acquisition, demolition, relocation, predevelopment and construction costs, not to exceed \$75,000 in predevelopment reimbursement and \$25,000 in construction subsidy per housing unit. JPCCC has agreed to increase its matching funds by the \$25,000 for a total match in the amount of \$525,000 with the City's commitment of \$525,000. The estimated leverage is \$4,590,000.

In July 2015, Jubilee completed construction and sales for 9 of the 18 owner occupied units to be built under the contract. In the first quarter of 2016, they acquired several lots from Dallas Independent School District and a private property owner with a reputation for owning blighted properties. Today they own more than 9 lots to continue construction of the remaining units. Due to construction cost increases and costs associated with lot clearing, they are requesting an additional \$25,000 to complete the remaining nine homes.

City Council approval of this item will authorize the City Manager to execute the second amendment to the conditional grant agreement with JPCCC for these funds.

PRIOR ACTION/REVIEW (COUNCIL, BOARD, COMMISSIONS)

On June 26, 2013, City Council approved the conditional grant with JPCCC in the amount of \$500,000 for the development to include acquisition, demolition, relocation, predevelopment and construction costs of the Jubilee Neighborhood Project by Resolution No. 13-1106.

On January 8, 2014, City Council approved an amendment to the conditional grant with JPCCC by Resolution No. 14-0107.

On June 17, 2015, City Council approved an amendment to the conditional grant with JPCCC by Resolution No. 15-1150.

Information about this item will be provided to the Housing Committee on June 20, 2016.

FISCAL INFORMATION

2012 Bond Funds - \$25,000

OWNER

Jubilee Park & Community Center Corporation

Jeff Rice, Chairperson of Board
Ben Leal, Chief Executive Officer

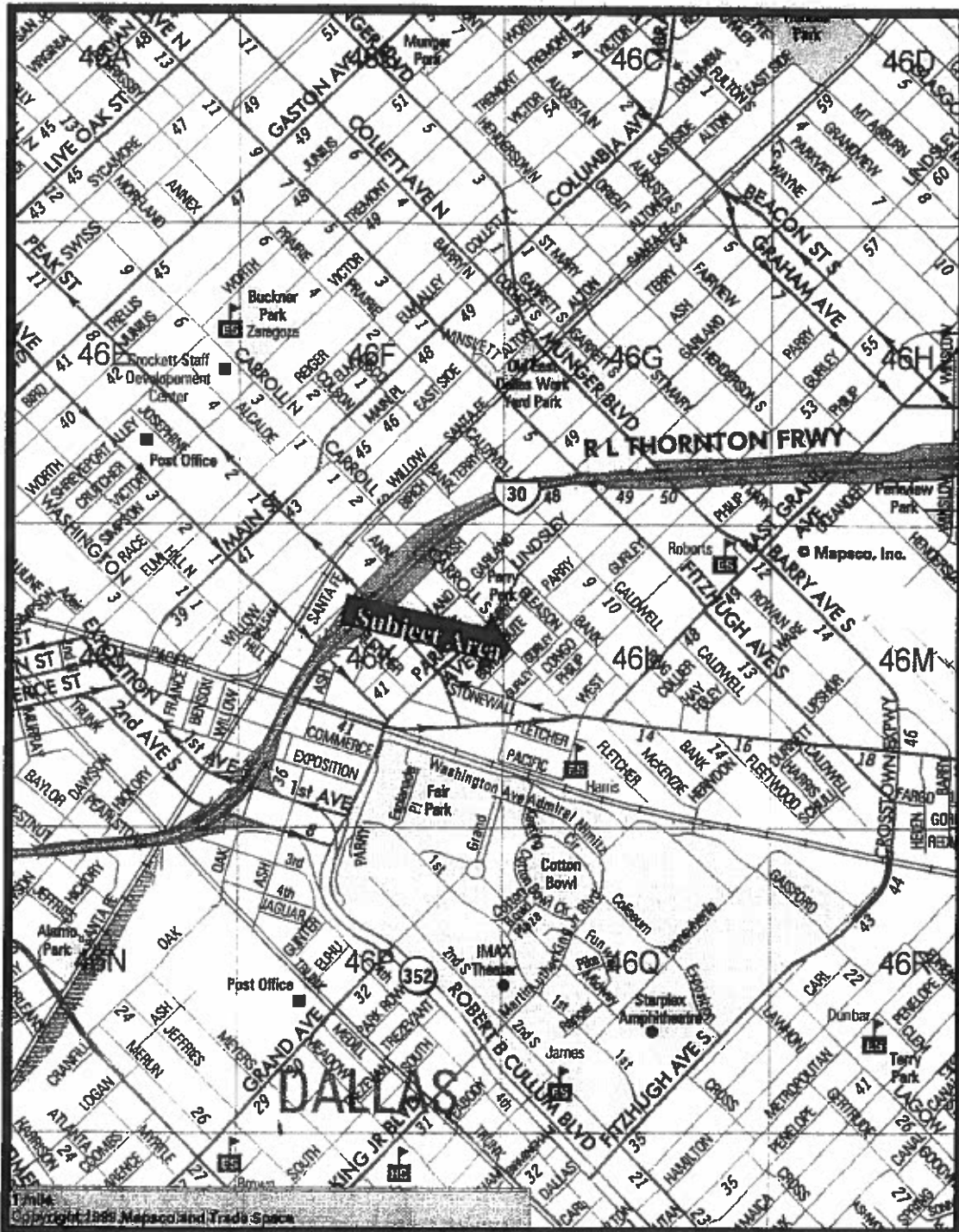
DEVELOPER

Jubilee Park & Community Center Corporation

Jeff Rice, Chairperson of Board
Ben Leal, Chief Executive Officer

MAP

Attached



MAPSCO 46K & 46L

June 22, 2016

WHEREAS, the development of owner occupied housing units for households with varied income levels is a high priority of the City of Dallas to create more housing choices and economic growth; and

WHEREAS, Jubilee Park & Community Center Corporation (JPCCC) wishes to partner with the City of Dallas to provide forty single family homes in the Jubilee Neighborhood; and

WHEREAS, on June 26, 2013, City Council approved the conditional grant with JPCCC in the amount of \$500,000 for the development to include acquisition, demolition, relocation, predevelopment and construction costs of the Jubilee Neighborhood Project by Resolution No. 13-1106; and

WHEREAS, on January 8, 2014, City Council approved an amendment to the conditional grant with JPCCC by Resolution No. 14-0107; and

WHEREAS, on June 17, 2015, City Council approved an amendment to the conditional grant with JPCCC by Resolution No. 15-1150; and

WHEREAS, the City requests a modification to the conditional grant agreement as part of the City's ongoing efforts to promote housing as a part of greater economic development plans in the city; **NOW, THEREFORE**,

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

SECTION 1. That the City Manager, upon approval as to form by the City Attorney, is authorized to amend Resolution No. 15-1150, previously approved on June 17, 2015, for the conditional grant agreement in the amount of \$500,000 with Jubilee Park & Community Center Corporation to (1) increase the project budget by \$25,000; and (2) extend the completion date from June 30, 2016 to June 30, 2017 for the acquisition, demolition, relocation, predevelopment and construction of 18 single family homes in the Jubilee Neighborhood Project.

SECTION 2. That the grant agreement is hereby expressly made subject to all of the following contingencies which must be performed or occur:

- a. JPCCC shall complete construction by June 30, 2017.
- b. JPCCC will execute an amended performance Deed of Trust and deed restrictions on the property.
- c. The City will subordinate its lien position to the Lender for interim construction.
- d. The debt will be forgiven and the lien released on a partial basis as each unit is built and the homebuyer.

June 22, 2016

SECTION 3. That the City Manager, upon approval as to form by the City Attorney, is authorized to execute the second amendment and to execute releases of liens and terminate the deed restrictions on the property upon compliance with the conditional grant terms.

SECTION 4. That the Chief Financial Officer is hereby authorized to disburse funds in accordance with this resolution as follows:

Jubilee Park & Community Center Corporation Vendor #356593

<u>Fund</u>	<u>Dept</u>	<u>Unit</u>	<u>Object Code</u>	<u>Program #</u>	<u>Encumbrance</u>	<u>Amount</u>
3U53	HOU	W089	3016	3U53HOW089	HOUS904I131	\$25,000

SECTION 5. That this resolution does not constitute a binding agreement upon the City or subject the City to any liability or obligation with respect to the grant funds, until such time as the second amendment and related documents are duly approved by all parties and executed.

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.

KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: June 22, 2016
COUNCIL DISTRICT(S): 3
DEPARTMENT: Housing/Community Services
CMO: Alan Sims, Chief of Neighborhood Plus, 670-1611
MAPSCO: 65G

SUBJECT

Authorize an amendment to Resolution No. 15-0822, previously approved on April 22, 2015, for a conditional grant agreement in the amount of \$450,000 with NP Community Development Corporation dba Heroes House to extend the loan agreement from June 30, 2016 to October 31, 2016 – Financing: No cost consideration to the City

BACKGROUND

This item is on the addendum to move forward due to legal deadlines before the next available agenda.

In June 2016, Gary Hasty, CEO of Heroes House, requested to extend the completion date to October 31, 2016 for the conditional grant agreement in the amount of \$450,000 for rehabilitation costs for the 64-unit apartment complex located at 2120 52nd Street offering mixed-income units.

Construction began in January 2016 with several conditions contributing to the delay in timely completion of the project including: weather delays which held up supply deliveries, precautions and inspections associated with asbestos abatement, design and permitting delays for the burned units, additional underground utilities replaced, and collapsed plumbing throughout the entire property.

To date, the developer has completed and received green tags and clearance for asbestos abatement, roofs, windows, plumbing, electrical, and heating/air conditioning in four of the five buildings. Framing, overhangs, and walkways have been replaced in three of the five buildings. Sheetrock and flooring will be completed in three of the five buildings in June with new appliances in July. Rehabilitation for the remaining two buildings will be completed by August. The developer is utilizing \$2,650,000 in private funds for this project.

BACKGROUND (continued)

It is anticipated that preleases for occupancy of the 33 affordable units to satisfy the City's investment will begin in July for occupancy of all 64 units completed by October. Mr. Hasty is working with the Housing Crisis Center and Veterans Affairs to identify clients to occupy the units. Currently, ten veteran households have been identified for these units.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On April 22, 2015, City Council approved the conditional loan agreement with NP Community Development Corporation dba Heroes House, by Resolution No. 15-0822.

Information about this item will be provided to the Housing Committee on June 20, 2016.

FISCAL INFORMATION

No cost consideration to the City

OWNER

NP Community Development Corporation dba Heroes House

Gary Hasty, Founder and Chairman

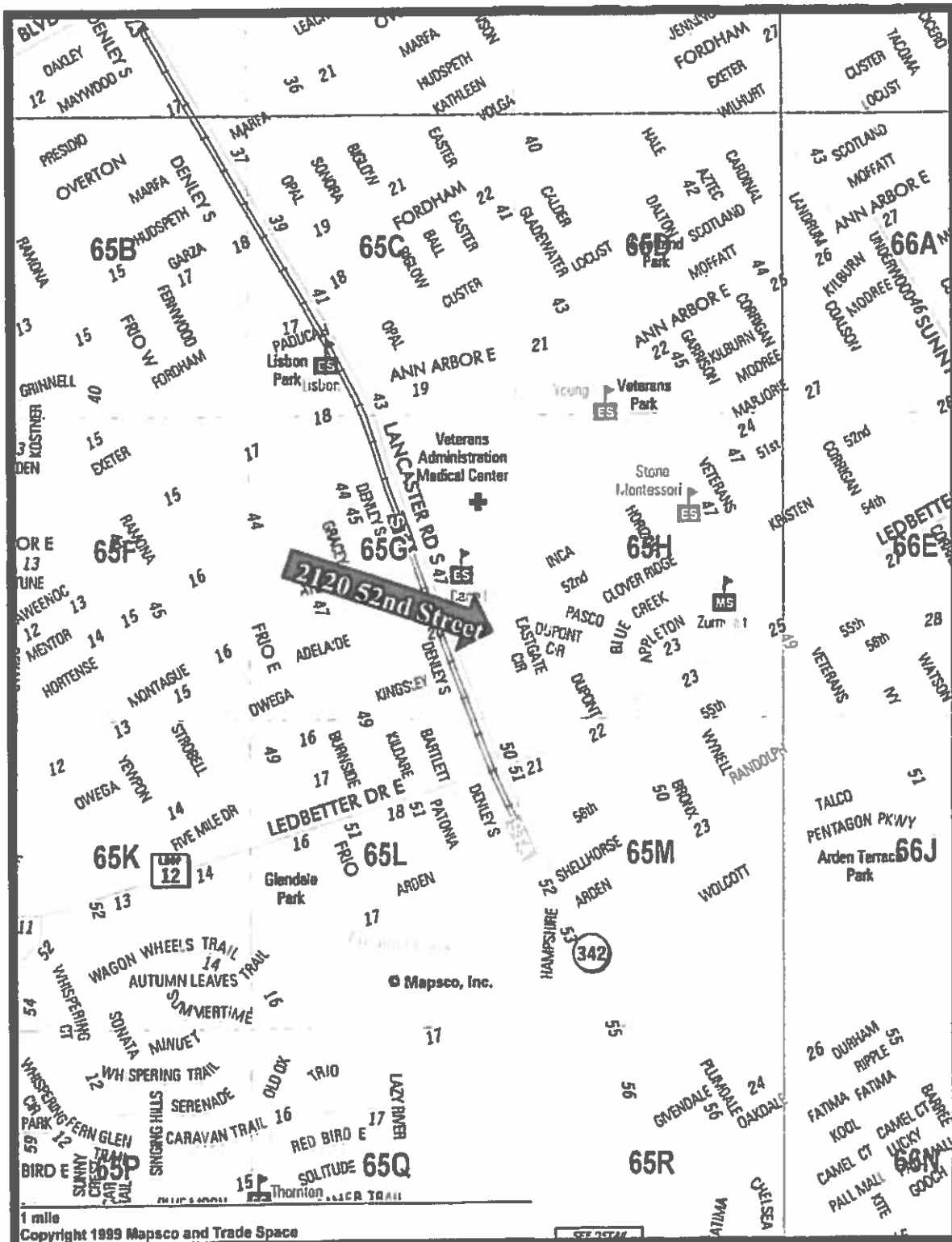
DEVELOPER

NP Community Development Corporation dba Heroes House

Gary Hasty, Founder and Chairman

MAP

Attached



MAPSCO 65G

June 22, 2016

WHEREAS, the development of owner occupied housing units for households with varied income levels is a high priority of the City of Dallas to create more housing choices; and

WHEREAS, on April 22, 2015, City Council approved the conditional loan agreement with NP Community Development Corporation dba Heroes House, by Resolution No. 15-0822; and

WHEREAS, the City desires for NP Community Development Corporation dba Heroes House to complete the rehabilitate and occupancy of the 64 units for veterans.

NOW, THEREFORE,

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

Section 1. That following approval as to form by the City Attorney, the City Manager is authorized to execute an amendment to Resolution No. 15-0822, previously approved on April 22, 2015, for a conditional grant agreement in the amount of \$450,000 with NP Community Development Corporation dba Heroes House to extend the loan agreement from June 30, 2016 to October 31, 2016.

Section 2. That the terms of the conditional grant agreement include:

- (a) NP Community Development Corporation dba Heroes House will execute a performance Deed of Trust and Deed Restrictions on the property which will carry a 5 year term for the affordable units.
- (b) The lien will be released for forgiveness of debt after acquisition, completion of rehabilitation and 51% occupancy of the units to households at or below 80% AMFI.
- (c) NP Community Development Corporation dba Heroes House will have until October 31, 2016 to fully complete the rehabilitation and occupancy of the units.
- (d) The City will subordinate first lien position to the interim construction lender.

Section 3. That the City Manager, upon approval as to form by the City Attorney, is authorized to execute the loan agreement and associated documents, subordinations to the senior construction lender and permanent lender, and releases of liens and terminate deed restrictions on the property upon compliance with the loan terms and deed restrictions.

Section 4. That this resolution does not constitute a binding agreement upon the City or subject the City to any liability or obligation with respect to the loan, until such time as the loan documents are duly approved by all parties and executed.

June 22, 2016

Section 5. 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.

KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: June 22, 2016
COUNCIL DISTRICT(S): 2
DEPARTMENT: Housing/Community Services
CMO: Alan Sims, Chief of Neighborhood Plus, 670-1611
MAPSCO: 45Q

SUBJECT

Authorize an amendment to Resolution No. 15-2214, previously approved on December 9, 2015 for the Loan Agreement between TEOF Hotel LP, a Texas limited partnership, and the City of Dallas to provide for refinancing of the developer's first lien loan for development of the Lorenzo Hotel project located at 1011 South Akard Street from \$12,912,615 to \$17,850,000 – Financing: No cost consideration to the City

BACKGROUND

This item is on the addendum to move forward due to legal deadlines before the next available agenda.

The City seeks to fund projects that increase the level of business activity by expanding economic activities and increase the level of affordable housing in the project area. It is also important to the City that Section 108 loan repayments from borrowers match the City's required repayments to HUD on the Section 108 Guarantee Loan. Annual repayments of Section 108 Guarantee loans should be credit enhanced to eliminate risk of City making payments from annual CDBG allocations, to the extent reasonably possible.

In October 2012 the City received a proposal from Texas Educational Opportunity Fund (TEOF) for a loan in the amount of \$11,000,000 in CDBG Section 108 Guarantee Loan Program funds for eligible activities to assist with rehabilitation of a vacant hotel building located at 1011 South Akard Street to reuse as a new hotel. The City submitted the application to HUD in February 2013. During HUD's review and consideration of the application the project ownership structure was changed to TEOF Hotel LP who would undertake the development.

BACKGROUND (continued)

In December 2014 HUD approved Section 108 funds of \$11,000,000 for the project to provide exterior rehabilitation and interior rehabilitation of approximately 165,006 square feet for a 12-floor, 237-room hotel and a structured parking garage, and to fund sitework, loan interest reserve, and financing costs related to the Section 108 public offering.

The hotel would be developed as a four-star hotel under a franchise agreement with Choice Hotels International, Inc., Ascend Collection of boutique hotels, currently branded as the Lorenzo Hotel that will create an estimated 220 permanent full-time equivalent jobs.

The City received notice of award from HUD in December 2014 approving the Section 108 application for the Hotel project, and on January 14, 2015, the City Council, by Resolution No. 15-0147, authorized the City Manager to accept \$11,000,000 in Section 108 Loan Funds from HUD for the Hotel Project for assistance with rehabilitation of a vacant commercial building including economic development, loan interest reserve, and financing costs related to the Section 108 public offering for the Hotel Project located at 1011 South Akard Street and enter into a loan agreement with TEOF Hotel LP for a Section 108 funded loan of \$11,000,000 and execute any necessary documents in connection with development of the Hotel Project. On May 4, 2015, the City entered into a loan agreement with TEOF Hotel LP to provide a loan in the amount of \$11,000,000 secured by a second lien interest. TEOF secured a first lien construction loan of \$12,912,615 with Prosperity Bank and the third lien mezzanine loan of \$2,324,813 with 1011 Mezz Funder LLC. The hotel is under construction and is scheduled for completion in December 2017.

TEOF Hotel now wishes to refinance the first lien construction loan of \$12,912,615 with BancorpSouth Bank in the amount of \$17,850,000. This \$17,850,000 loan will include funding for an increase in total project costs resulting from a delay in start-up of project construction pending HUD's approval of the Section 108 loan and closing of the loan for the project. TEOF's request for replacement financing is required by the Subordination and Intercreditor Agreement, among TEOF Hotel LP, 1011 Mezz Funder LLC, Prosperity Bank, and the City of Dallas, which requires that the City consent to any increase in the first lien amount.

After completion of the refinance, the debt service coverage ratio will be greater than 1.15 and the loan to value ratio will be 80.97%, both in conformance with the requirements of the Subordination and Intercreditor Agreement.

Final approval of this refinance is subject to approval by the U.S. Department of Housing and Urban Development, and the City's resolution is contingent upon such approval.

BACKGROUND (continued)

The economic development activity will meet the CDBG National Objective of benefiting low- and moderate-income persons and the public benefit standard set forth in HUD Regulations. The CDBG National Objective requires that at least 51% of the 220 jobs created (113 jobs) will be held by or made available to low- and moderate-income persons with incomes at 80% or less of Area Median Family Income as established by HUD. The public benefit standard requires the activity undertaken to create at least one permanent full-time equivalent job per \$50,000 of CDBG funds used, for a total of 220 permanent full-time equivalent jobs.

Based on the most recent decennial census, which has been replaced by the American Community Survey 5-year estimates for 2006-2010, the project is located in census tract 204.00 where at least 20% of the population in all of the block groups in that census tract is below the poverty level. On this basis, all of the jobs created by the project can be presumed to be low- and moderate-income jobs pursuant to HUD regulations.

Additionally, the commercial development of the project will meet the statements of community development objectives in the City's Consolidated Plan dealing with creation of employment opportunities by creating an estimated 220 permanent full-time equivalent jobs for low- and moderate-income persons.

The Section 108 Loan funds are being used to fund exterior rehabilitation and interior rehabilitation of approximately 165,006 square feet for a 12-floor, 237-room hotel and a structured parking garage, and to fund sitework, loan interest reserve, and financing costs related to the Section 108 public offering. The total project cost to develop the Hotel Project including rehabilitation of the exterior and approximately 165,006 square feet of interior space has increased from is \$32.6M to \$37.9M with the City contributing 29%. Funding for the project comes from the \$11M Section 108 Loan Funds and from a first lien note of \$17,850,000, owner equity of \$5.4M, TIF grant of \$1M, and owner holding costs of \$.5M. A bank loan of \$17,850,000 for construction will be in first lien position followed by the Section 108 loan of \$11,000,000 in second lien position.

The amount of \$2,324,813 for the mezzanine loan will remain as third lien.

City Council approval of this item will authorize the City Manager to execute all necessary documents with TEOF Hotel LP, and BancorpSouth Bank to provide for refinancing of the developer's first lien loan, including a revised Subordination and Intercreditor Agreement.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On December 12, 2012, City Council authorized a public hearing to be held on January 23, 2013, to receive comments on adoption of Substantial Amendment No. 17 to the 2008-09 through 2012-2013 Consolidated Plan and the FY 2012-13 Action Plan for HUD Funds to identify the Hotel Project and on the proposed City of Dallas submission of an application to HUD for a Section 108 Guaranteed Loan Program loan not to exceed \$11,000,000 for the Hotel Project located at 1011 South Akard Street by Resolution No. 12-3018.

On January 23, 2013, City Council held a public hearing and adopted Substantial Amendment No. 17 to the 2008-09 through 2012-2013 Consolidated Plan and the FY 2012-13 Action Plan for HUD funds, approved modification of the CDBG Section 108 Loan Program Statement, and authorized submission of a Section 108 Guaranteed Loan Program loan application to HUD for a CDBG Section 108 Program loan in the amount of \$11,000,000 to fund a loan for Texas Educational Opportunity Fund, a Texas non-profit, to assist with rehabilitation of a blighted, 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 by Resolution No. 13-0237.

On January 14, 2015, City Council authorized the acceptance of \$11,000,000 of Community Development Block Grant Section 108 Guaranteed Loan Program Funds (Section 108 Loan Funds) from the U.S. Department of Housing and Urban Development for the Plaza Hotel commercial development project (Hotel Project); execution of a loan agreement with TEOF Hotel, LP (the Section 108 Borrower) in the amount of \$11,000,000 of Section 108 Loan Funds (the Section 108 Borrower Loan) for development of the Hotel Project to assist with rehabilitation of a vacant commercial building located at 1011 South Akard Street including economic development, loan interest reserve and financial costs for the Section 108 public offering that will create an estimated 220 permanent full-time equivalent jobs with 51% to be held by or made available to low- and moderate-income persons with incomes at 80% or less of Area Median Family Income as established by HUD; the City Manager to enter into all necessary agreements with HUD including a Funding Approval/Agreement, a Fiscal Agency Agreement, a Promissory Note, up to two letters of agreement, for establishment of a custodial account, documents relating to additional security if required by HUD, and a letter requesting advance funds for interim financing; the City Manager to establish appropriations for Section 108 Loan Funds and all necessary loan documents related to the \$11,000,000 Section 108 loan Funds for the Hotel Project involving rehabilitation of a blighted, vacant commercial building into a new 237-room four-star hotel under Choice Hotels International, Inc., Ascend Collection; and the City Controller to deposit and disburse funds from an identified account with total disbursements not to exceed \$11,000,000 in Section 108 Loan Funds, by Resolution No. 15-0147.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS) (continued)

On December 9, 2015, City Council approved (1) amendment of the Loan Agreement between TEOF Hotel LP, a Texas limited partnership, and the City of Dallas to provide for refinancing of the developer's first lien loan and third lien (mezzanine) loan for development of the Lorenzo Hotel project located at 1011 South Akard Street; (2) incorporation of the mezzanine loan into first lien place together with the Construction Loan and increasing the total senior loan from \$12,912,615 to \$18,000,000 including an increase of \$1,997,572 in total project cost in return for which Lawrence E. Hamilton, Lawrence E. Hamilton III, and Texas Educational Opportunity Fund will convert \$415,000 of mezzanine debt into additional equity, Lawrence E. Hamilton, Lawrence E. Hamilton III, and TEOF Hotel LP will forego \$350,000 of mezzanine loan payments, and Lawrence E. Hamilton will provide the City with a personal payment and completion guaranty; and (3) the City Manager or his designee to execute any necessary documents related to amending the Loan Agreement with TEOF Hotel LP, by Resolution No. 15-2214.

Information about will be provided to the Housing Committee on June 20, 2016.

FISCAL INFORMATION

No cost consideration to the City.

OWNER

TEOF Hotel, LP

John P. Greenan, Chairman of the Board
Texas Educational Opportunity Fund

Lawrence E. Hamilton, Chief Executive
Officer
Hamilton Properties Corporation

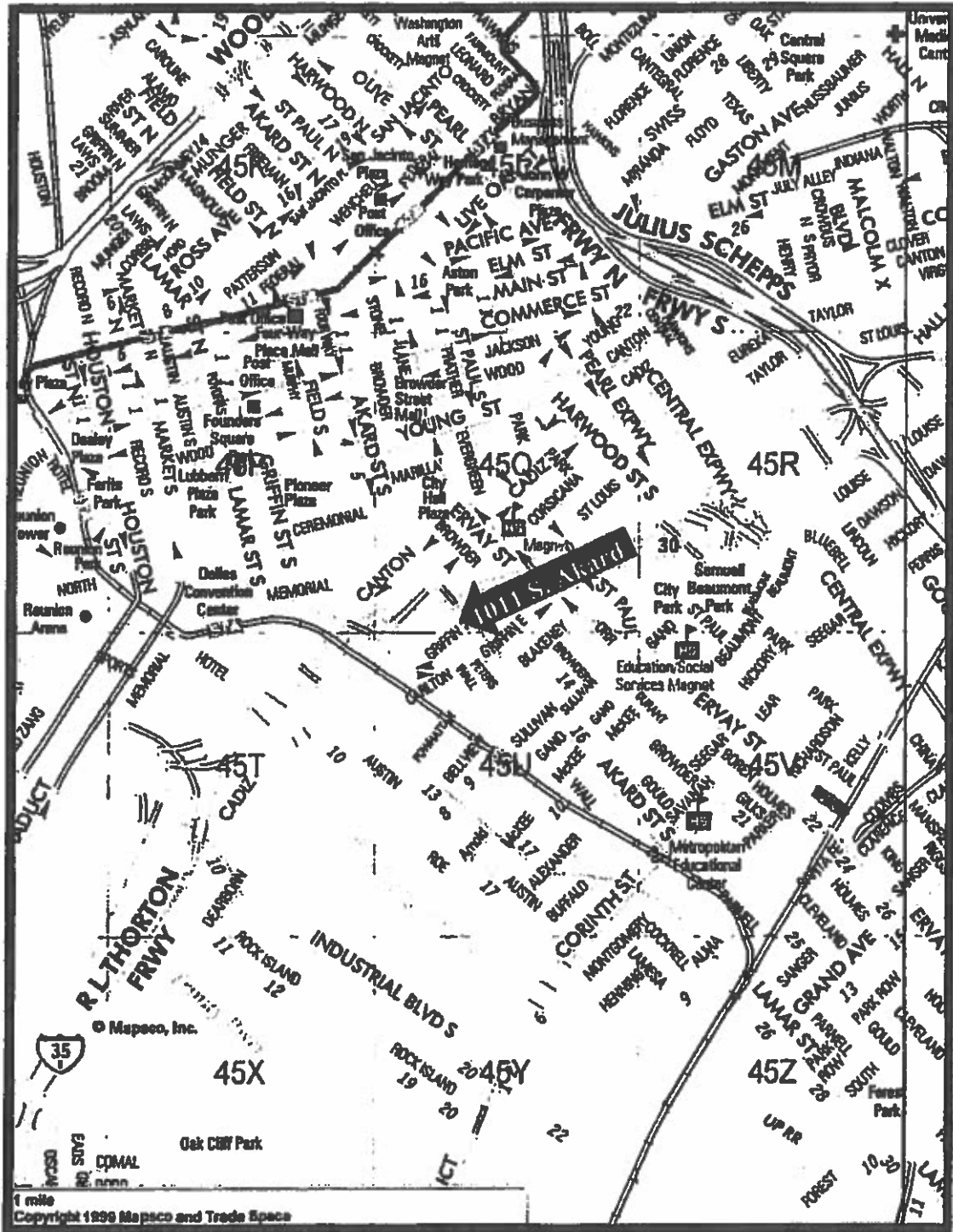
DEVELOPER

Hamilton Properties Corporation

Lawrence E. Hamilton, Chief Executive
Officer

MAP

Attached



MAPSCO 45Q

June 22, 2016

WHEREAS, the City of Dallas seeks to increase the amount of funding available for economic development through making loans that promote activities which contribute to the development of viable communities by providing decent housing and a suitable living environment, by promoting local economic development to stimulate business and commercial activity in the City of Dallas leading to creation of permanent jobs and provision of goods and services to project areas, and by providing for elimination of specific conditions of blight, physical decay, or environmental contamination to protect the health and safety of the public; and

WHEREAS, in October 2012 the developer submitted a proposal to the City for CDBG Section 108 Guaranteed Loan Program funds for eligible economic development activities related to the development of the Hotel Project; and

WHEREAS, on December 12, 2012, the City Council authorized a public hearing to be held on January 23, 2013, to receive comments on adoption of Substantial Amendment No. 17 to the 2008-09 through 2012-2013 Consolidated Plan and the FY 2012-13 Action Plan for HUD Funds to identify the Hotel Project and on the proposed City of Dallas submission of an application to HUD for a Section 108 Guaranteed Loan Program loan not to exceed \$11,000,000 for the Hotel Project located at 1011 South Akard Street by Resolution No. 12-3018; and

WHEREAS, on January 23, 2013, the City Council held a public hearing and adopted Substantial Amendment No. 17 to the 2008-09 through 2012-2013 Consolidated Plan and the FY 2012-13 Action Plan for HUD funds, approved modification of the CDBG Section 108 Loan Program Statement, and authorized submission of a Section 108 Guaranteed Loan Program loan application to HUD for a CDBG Section 108 Program loan in the amount of \$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, 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 by Resolution 13-0237; 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 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

June 22, 2016

WHEREAS, during HUD's review of the Hotel Project application, the project structure changed such that the Section 108 loan would be made from the City to TEOF Hotel, LP, and the developer entered into a franchise agreement with Choice Hotels International, Inc. to operate a four-star hotel with 237 rooms under its Ascend Collection, and the proposed number of jobs increased to an estimated 220 permanent full-time equivalent jobs with 51% to be held by or made available to low- and moderate-income persons with incomes at 80% or less of Area Median Family Income as established by HUD; and

WHEREAS, on January 14, 2015, the City Council, authorized the City Manager to accept \$11,000,000 in Section 108 Loan Funds from HUD for the Hotel Project for assistance with rehabilitation of a vacant commercial building including economic development, loan interest reserve, and financing costs related to the Section 108 public offering for the Hotel Project located at 1011 South Akard Street and further authorized the City Manager to enter into a loan agreement with TEOF Hotel LP for a CDBG Section 108 funded loan of \$11,000,000 and execute any necessary documents in connection with development of the Hotel Project by Resolution No. 15-0147; and

WHEREAS, on May 4, 2015, the City entered into a loan agreement with TEOF Hotel LP to provide a Section 108 loan in the amount of \$11,000,000 secured by a second lien interest; and

WHEREAS, the developer has requested the City's approval to refinance the first lien bank loan of \$12,912,615 with Prosperity Bank into a \$17,850,000 loan with BancorpSouth Bank; and

WHEREAS, the developer's request to secure replacement financing is made in accordance with the Subordination and Intercreditor Agreement, Section 2(b) Subordination, Replacement Indebtedness, Funding of Retainage, among TEOF Hotel LP, 1011 Mezz Funder LLC, Prosperity Bank, and the City of Dallas; and

WHEREAS, the City desires to amend the Loan Agreement between TEOF Hotel LP and the City to provide for senior loan refinancing in the amount of \$17,850,000; **NOW, THEREFORE,**

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

SECTION 1. That the City Manager, upon approval as to form by the City Attorney, is hereby authorized amend the Loan Agreement between TEOF Hotel LP and the City to provide for loan refinancing from \$12,912,615 to \$17,850,000 with BancorpSouth Bank, and to execute any and all documents necessary to accomplish the refinance.

June 22, 2016

Section 2. That this resolution does not constitute a binding agreement upon the City or subject the City to any liability or obligation with respect to the loans, until such time as the refinance documents are duly approved by all parties and executed.

Section 3. 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.

KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: June 22, 2016
COUNCIL DISTRICT(S): 9
DEPARTMENT: Housing/Community Services
CMO: Alan Sims, Chief of Neighborhood Plus, 670-1611
MAPSCO: 47C

SUBJECT

Authorize an amendment to Resolution No. 16-0844, previously approved on May 25, 2016 for (1) a housing development loan in an amount not to exceed \$250,000; and (2) a conditional grant agreement in an amount not to exceed \$200,000 with KAH Holdings, Inc. dba Karrington & Company for construction of ten single family homes for the Ferguson Road Townhomes Project to be located in 7839 Ferguson Road to change the funding from 2012 Bond Funds to 2015-16 HOME Investment Partnerships Program Grant Funds – Financing: No cost consideration to the City

BACKGROUND

This item is on the addendum to move forward on contracting for construction and committing HOME funds before the next available agenda.

On May 25, 2016, the City Council awarded a contract with KAH Holdings, Inc. dba Karrington & Company for a development loan with HOME Investment Partnership Program Grant Funds from the U.S. Department of Housing and Urban Development (HUD) in the amount of \$250,000 and a conditional grant agreement with 2012 Bond Funds in the amount of \$200,000 for the development of ten housing units to be located at 7839 Ferguson Road. Estimated private leverage will be \$1,325,000.

Pursuant to 2012 Bond Proposition 3, bond funds can only be used for economic development and housing projects in the Southern area of the city or in conjunction with transit oriented developments. This project does not meet either requirement, and is therefore is not eligible for bond funding. In lieu of bond funding, the project will receive a total of \$450,000.00 in HOME funds, instead of a mix of HOME and 2012 Bond Funds, as originally awarded. The funds will be used for gap financing for construction of the units to be built and sold to households up to 80% Area Median Family Income (AMFI).

BACKGROUND (continued)

The homes will be three-story, 2 bedroom, with approximately 1600-1700 sq. ft. and have open dining and living areas. The construction work and occupancy will be completed within two years. Upon sale, liens will be released but deed restrictions will remain on the property for 15 years.

City Council approval of this item will authorize the City Manager to execute the loan documents with KAH Holdings, Inc. dba Karrington & Company for these funds, subject to environmental clearance by the City of Dallas and HUD.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 25, 2014, City Council approved the City of Dallas FY 2014-15 Consolidated Plan Budget for federal funds which included the HOME Investment Partnership Funds, CHDO Development Loans by Resolution No. 14-1001.

On June 10, 2015, City Council approved the City of Dallas FY 2015-16 Consolidated Plan Budget for federal funds which included the HOME Investment Partnership Funds CHDO Development Loans by Resolution No. 15-1055.

On January 13, 2016, City Council approved the Owner Occupied Housing Development Program Statement by Resolution No. 16-0079.

On May 25, 2016, City Council approved (1) a housing development loan in an amount not to exceed \$250,000; and (2) a conditional grant agreement in an amount not to exceed \$200,000 with KAH Holdings, Inc. dba Karrington & Company, by Resolution No. 16-0844.

Information about this item will be provided to the Housing Committee on June 20, 2016.

FISCAL INFORMATION

No cost consideration to the City.

OWNER

KAH Holdings, Inc. dba Karrington & Company

Gary Hasty, President

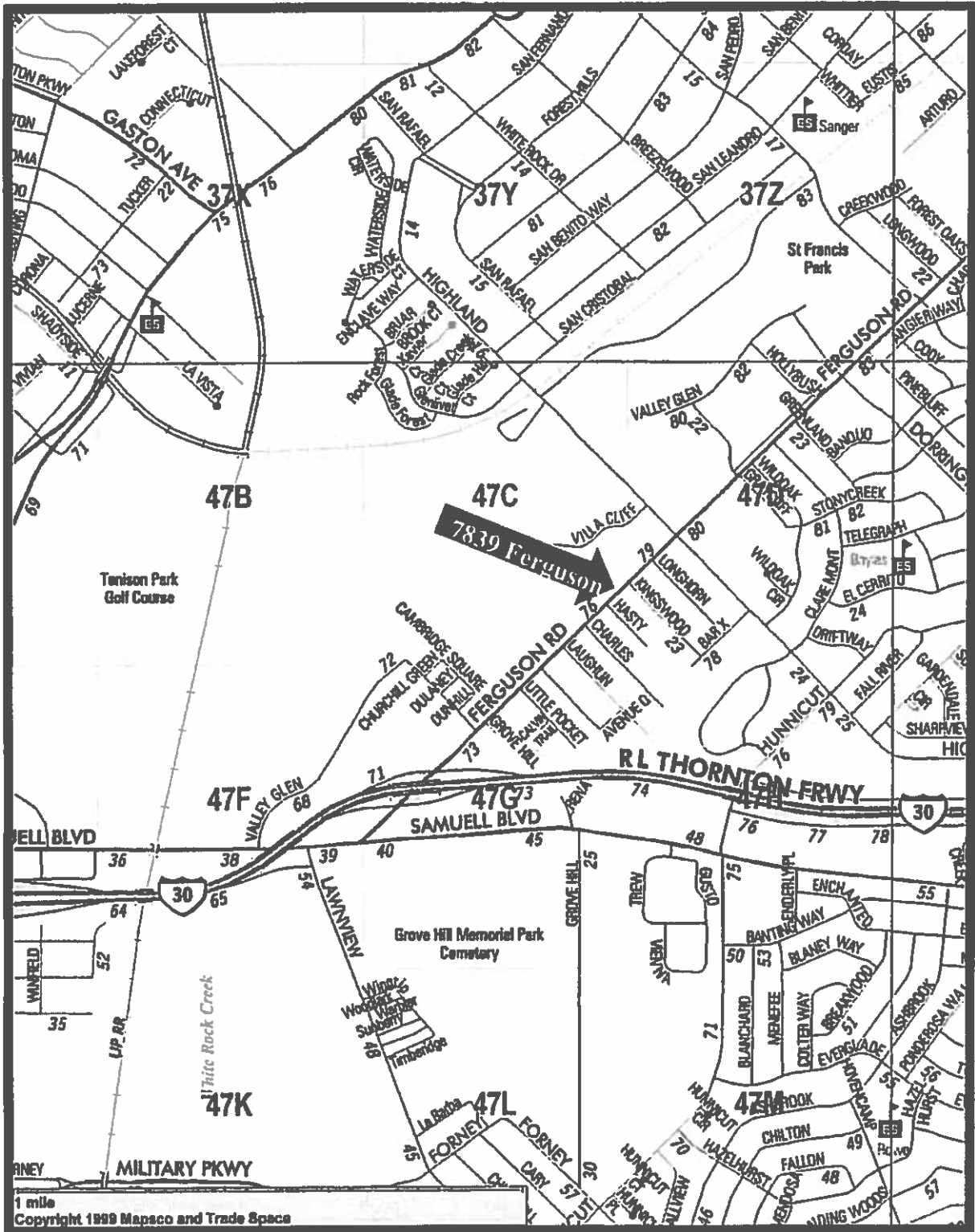
DEVELOPER

KAH Holdings, Inc. dba Karrington & Company

Gary Hasty, President

MAP

Attached



MAPSCO 47C

June 22, 2016

WHEREAS, the development of owner occupied units for households with varied income levels is a high priority of the City of Dallas to create more housing choices; and

WHEREAS, on June 25, 2014, City Council approved the City of Dallas FY 2014-15 Consolidated Plan Budget for federal funds which included the HOME Investment Partnership Funds by Resolution No. 14-1001; and

WHEREAS, on June 10, 2015, City Council approved the City of Dallas FY 2015-16 Consolidated Plan Budget for federal funds which included the HOME Investment Partnership Funds CHDO Development Loans by Resolution No. 15-1055; and

WHEREAS, on January 13, 2016, City Council approved the Owner Occupied Housing Development Program Statement by Resolution No. 16-0079; and

WHEREAS, on May 25, 2016, City Council approved (1) a housing development loan in an amount not to exceed \$250,000; and (2) a conditional grant agreement in an amount not to exceed \$200,000 with KAH Holdings, Inc. dba Karrington & Company, by Resolution No. 16-0844; and

WHEREAS, KAH Holdings, Inc. dba Karrington & Company proposes to work with the City of Dallas to undertake the development of ten single family townhomes for the Ferguson Rd. Project at 7839 Ferguson Road; and

WHEREAS, the City desires for KAH Holdings, Inc. dba Karrington & Company to develop single family units for households with incomes at or below 80% Area Median Family Income; **NOW, THEREFORE,**

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

Section 1. That following approval as to form by the City Attorney, the City Manager is authorized to execute a housing development loan in an amount not to exceed \$450,000 with KAH Holdings, Inc. dba Karrington & Company for construction of ten single family homes for the Ferguson Road Townhomes Project to be located in 7839 Ferguson Road to change the funding from 2012 Bond Funds to HOME Investment Partnership Grant Funds.

Section 2. That the terms of the loan include:

- (a) KAH Holdings, Inc. dba Karrington & Company must execute a note payable for \$450,000 with 0% interest and deferred payments until completion with the City of Dallas.
- (b) KAH Holdings, Inc. dba Karrington & Company will execute a Deed of Trust securing repayment of the loan note, and deed restriction for a 15-year term for the units.

June 22, 2016

- (c) KAH Holdings, Inc. dba Karrington & Company will use the funds to gap the construction costs for the units and will retain the proceeds from the sale of the units. Upon sale of each unit to an eligible homebuyer, the debt will be partially forgiven and the liens partially released. Upon sale of all units the loan will be fully forgiven.
- (d) KAH Holdings, Inc. dba Karrington & Company will have two years to fully complete the project and sell each home to a household earning at or below 80% AMFI.
- (e) The City will subordinate first lien position to the interim construction lender.

Section 3. That the City Manager, upon approval as to form by the City Attorney, is authorized to execute the loan agreement and associated documents, subordinations to the senior construction lender, and releases of liens and terminations of deed restrictions on the property upon compliance with the loan terms and deed restrictions.

Section 4. That the Chief Financial Officer is hereby authorized to disburse funds in accordance with this resolution as follows:

KAH Holdings, Inc. dba Karrington & Company # VS0000073392

<u>Fund</u>	<u>Dept</u>	<u>Unit</u>	<u>Object Code</u>	<u>Program #</u>	<u>Program Name</u>	<u>Encumbrance</u>	<u>Amount</u>
3U53	HOU	W086	3016	3U53HOW086	7839FERGSM-TH	HOU3U53G207	\$200,000
HM15	HOU	640H	3015	3U53HO640H	7839FERGSM-TH	HOU3U53G207	\$260,678
14M1	HOU	489G	3015	3U53HO489G	7839FERGSM-TH	HOU3U53G207	\$72,326
HM13	HOU	233F	3015	3U53HO233F	7839FERGSM-TH	HOU3U53G207	\$42,053
HM12	HOU	890E	3015	3U53HO890E	7839FERGSM-TH	HOU3U53G207	\$17,683
HM11	HOU	745D	3015	3U53HO745D	7839FERGSM-TH	HOU3U53G207	\$57,260

Section 5. That the City Controller is hereby authorized to record notes receivable - developers loan in balance sheet account (033F) and an allowance for uncollectible debt (022D) in fund HM11, HM12, HM13, 14M1 and HM15 for the amount of the \$450,000 loan.

Section 6. That this resolution does not constitute a binding agreement upon the City or subject the City to any liability or obligation until such time as the loan and conditional grant documents are duly approved by all parties and executed.

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.