

June 14, 2023

WHEREAS, on January 14, 2015, the City Council authorized the City Manager to accept a \$11,000,000.00 loan from the United States Department of Housing and Urban Development (HUD) under the Section 108 Loan Guarantee Program (Section 108) for assistance with rehabilitation of a blighted, vacant commercial building located at 1011 South Akard Street now known as the Lorenzo Hotel (Hotel Project) including economic development, loan interest reserve, and financial costs and further authorized the City Manager to enter into a loan agreement with TEOF Hotel LP for a Community Development Block Grant (CDBG) Section 108 funded loan of \$11,000,000.000 secured by a second lien interest and to execute any necessary documents in connection with the development of the Hotel Project (Loan Agreement) 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 by Resolution No. 15-0147; and

WHEREAS, on December 9, 2015, the City Council authorized an amendment to the Loan Agreement between TEOF Hotel LP and the City to provide for loan refinancing to consolidate the first lien bank loan of \$12,912,615 with Prosperity Bank and third lien mezzanine loan of \$2,324,813 with 1011 Mezz Funder LLC into a larger, replacement first lien loan with Bancorp South Bank in the amount of \$18,000,000, including \$1,997,572 for an increase in total project construction costs in exchange for which Lawrence E. Hamilton, Lawrence E. Hamilton III, and TEOF Hotel LP will convert \$415,000 of mezzanine debt into additional equity, Lawrence E. Hamilton, Lawrence E. Hamilton III, and TEOF Hotel LP will forgo \$350,000 of mezzanine loan payments, and Lawrence E. Hamilton will provide the City with a personal payment and completion guaranty by Resolution No. 15-2214; and

WHEREAS, the COVID-19 pandemic had an economic impact on the tourism and hospitality industry throughout the City of Dallas and worldwide; and

WHEREAS, TEOF Hotel LP notified the City that it would be unable to make a \$504,000.00 principal payment and \$141,306.35 payment due to COVID-19's impact on the hotel industry, which in turn the City of Dallas owed to HUD by August 1, 2020; and

WHEREAS, the City consulted with HUD on deferral options, and HUD indicated that a feasible solution was an additional promissory note between the City and HUD; and

WHEREAS, on June 24, 2020, the City Council authorized the City to enter into a \$504,000.00 deferral note agreement with HUD related to City's Section 108 Hotel Project loan with HUD by Resolution No. 20-1036; and

WHEREAS, TEOF Hotel LP communicated to the City that it continued to experience financial challenges due to COVID-19; and

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WHEREAS, on November 11, 2020, the City Council authorized the use of up to \$1,800,000.00 in CARES Act Funds to make interim payments of interest and principal on Section 108 Hotel Project loan agreement (B-12-MC-48-0009) between the City and HUD by Resolution No. 20-1845; and

WHEREAS, the City has utilized a total of \$1,732,047.00 in CARES Act Funds to make principal and interest payments due to HUD between January 1, 2021 and August 1, 2022; and

WHEREAS, on December 9, 2022, TEOF Hotel LP made a payment of \$176,957.70 to the city of Dallas which consisted of \$123,653.00 for February 1, 2023 interest payment and \$53,304.70 for past due interest; and

WHEREAS, the City has negotiated a loan workout with TEOF Hotel LP that reflects new liquidity and security requirements and amortizes principal and interest payments in default as shown on **Exhibit A** and a revised repayment schedule as show on **Exhibit B**; and

WHEREAS, the proposed loan workout provides a way for TEOF Hotel LP to make the City whole for entire \$11,000,000.00 in principal loaned to TEOF Hotel LP plus interest of \$3,667,040.22 (assuming loan reaches maturity) for a total amount of \$14,667,040.22 as shown on **Exhibit C** and provides the City with assurances needed to ensure assets of TEOF Hotel LP and Lawrence E. Hamilton Living Trust as Guarantor are sufficient to repay the City's outstanding liability with HUD; and

WHEREAS, the City's proposed loan workout documents have been initially approved by HUD in May 2023; and

WHEREAS, HUD has requested to amend the City's Section 108 Hotel Project loan agreement with HUD to assign new collateral coverage provided through a Guarantee Agreement to HUD; and

WHEREAS, HUD has not reviewed the terms of the collateral assignment agreement, the City Council's approval is contingent upon HUD's final review and approval of terms.

Now, Therefore,

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

SECTION 1. That, contingent on HUD's final approval of terms, the City Manager or his or her designee (City Manager) is authorized to **(1)** to execute a forbearance and loan modification agreement with TEOF Hotel LP, a Texas limited partnership (Borrower) and Lawrence E. Hamilton, III, as trustee of the Lawrence E. Hamilton Living Trust (Guarantor), approved as to form by the City Attorney, related to City's loan of Section 108 funds for rehabilitation of a blighted and vacant hotel structure known as the Hotel Project; **(2)** execute an amended and restated promissory note with Borrower, approved

SECTION 1. (continued)

as to form by the City Attorney; **(3)** execute a guaranty agreement with Guarantor, approved as to form by the City Attorney; **(4)** amend the existing Section 108 loan agreement between the City and HUD for the Hotel Project (B-12-MC-48-0009) to incorporate a new collateral assignment agreement with HUD, approved as to form by the City Attorney; **(5)** execute any other documents deemed necessary by HUD or the City Attorney's Office and that the execution of all such and aforementioned loan documents shall be contingent on HUD's final approval of terms; and **(6)** as the City receives repayments from TEOF Hotel LP according to the proposed amended repayment schedules attached as **Exhibits B and C**, deposit \$1,732,047.00 to CDBG Program Income Fund to repay City contributions made with CARES Act Funds to make principal and interest payments to HUD between January 1, 2021 and August 1, 2022.

SECTION 2. That the Chief Financial Officer is hereby authorized to deposit funds in an amount not to exceed \$1,732,047.00 from TEOF Hotel LP, in accordance with the amended repayment schedules (**Exhibit B and C**) (of which \$53,304.70 was received on December 9, 2022) to the CDBG Program Income Fund, Fund 0602, Department BMS, Unit 6391, Program: 6391 COVID, Activity COVID-19, Revenue Code 852E and Revenue Code 852F.

SECTION 3. That the Chief Financial Officer is hereby authorized to receive and deposit \$9,852,914.00 from TEOF Hotel LP per the amended repayment schedules (**Exhibit B and C**) and funds received for any other note-related fees or payments in the Section 108-Loan-Lorenzo-Plaza Hotel Fund, Fund 0J55, Department HOU, Unit 0J5E, Revenue Code 8503 for principal and Revenue Code 8556 for interest.

SECTION 4. That the Chief Financial Officer is hereby authorized to reverse any account receivable amounts recorded in balance sheet accounts for Section 108-Loan-Lorenzo-Plaza Hotel Fund, Fund 0J55, Department HOU, Unit 0J5E.

SECTION 5. That the Chief Financial Officer is hereby authorized to disburse principal, interest, and any other relevant/pertinent note-related expenditures related to City's Section 108 Loan agreement with HUD, from the Section 108-Loan-Lorenzo-Plaza Hotel Fund, Fund 0J55, Department HOU, Unit 0J5E, Object 3077 for principal payments and Object 3076 for interest payments, Vendor 263304.

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 Hotel Project loan shall 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.