

# Memorandum



CITY OF DALLAS

DATE March 2, 2026

TO Honorable Members of the City Council Economic Development Committee: Jesse Moreno (Chair), Paul Ridley (Vice Chair), Lorie Blair, Laura Cadena, Zarin Gracey, Bill Roth, Chad West

SUBJECT **Upcoming Agenda Item: Authorize an Amendment to Reprogramming Budget No. 2 (Substantial Amendment No. 2) to the City's FY 2025-26 Action Plan to Authorize the Use of Up to \$935,101.50 in Community Development Block Grant (CDBG) funds as Interim Loan Financing for the City's Section 108 Hotel Project Loan Agreement with the U.S. Department of Housing and Urban Development (HUD)**

## Background

The U.S. Department of Housing and Urban Development (HUD) provides communities with access to financing for large-scale community or economic development projects through the Section 108 Loan Guarantee Program (Section 108). Under Section 108, as a Community Development Block Grant (CDBG) recipient, the City pledges current and future CDBG funds as collateral for the guaranteed loan.

On January 14, 2015, the City Council via Resolution No. 15-0147, approved an \$11 million, 13-year Section 108 loan agreement with HUD for the rehabilitation of the blighted and vacant former Plaza Hotel structure at 1011 South Akard Street. Concurrently, the City approved lending \$11 million in Section 108 loan funds received from HUD to TEOF Hotel LP (Borrower), a for-profit entity, to rehabilitate the hotel structure into a new, 12-floor, 237-room hotel which currently operates as the Lorenzo Hotel (Hotel Project).

Due to the impact that the COVID-19 pandemic had on the tourism and hotel industry, the Borrower was unable to make scheduled loan payments to the City between August 2020 and August 2022. On June 14, 2023, City Council approved a loan forbearance agreement with the Borrower. The loan workout amortized approximately \$2.47 million in unpaid principal and interest payments over the remaining loan term, thereby providing a way for the Borrower to make the City whole for the entire balance of Section 108 funds loaned to them. As part of the loan forbearance agreement, the City obtained additional security in case of a future loan default in the form of a Guarantee Agreement with Lawrence E. Hamilton, III, as trustee of the Lawrence E. Hamilton Living Trust. Since the loan forbearance and modification agreement was executed in July 2023, the Borrower has made all scheduled loan payments on time.

Recently, however, a representative for the Borrower communicated to City staff that, due to a number of extenuating circumstances, including the partial shutdown of the Convention Center for redevelopment and the closure of the Akard Street bridge by the

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Texas Department of Transportation for the I-30 Canyon reconstruction over the next 2.5 years, the Borrower will be unable to make an upcoming \$1,082,093.45 principal and interest payment due to the City on May 1, 2026. The City, in turn, has a \$773,216.25 principal and interest payment due to HUD on August 1, 2026. The Borrower's representative has also notified City staff of the Borrower's intent to sell the hotel with an anticipated closing period beginning in late July and ending in late August.

Next year, there is a final \$6.55 million balloon principal and interest payment due from the Borrower to the City on May 1, 2027 and a final \$5.8 million balloon principal and interest payment due from the City to HUD on August 1, 2027 (see **Exhibit A** for complete list of all remaining loan payments).

The federal government will automatically withdraw any of the City's missed loan payments from the City's CDBG line of credit, which would likely negatively impact or jeopardize the City's current and/or future CDBG-funded programs and participants.

To avoid a loan default with HUD, while the City considers or pursues any necessary enforcement actions pursuant to the City's Forbearance Agreement with the Borrower, staff recommends that, on March 25, 2026, City Council authorize an amendment to Reprogramming Budget No. 2 (Substantial Amendment No. 2) to the City's FY 2025-26 Action Plan to authorize the use of up to \$935,101.50 in CDBG funds as interim loan financing on the City's Section 108 Hotel Project Loan Agreement with HUD. The funds, if needed, would be used to service a \$773,216.25 principal and interest payment due to HUD on August 1, 2026 and a \$161,885.25 principal and interest payment due to HUD on February 1, 2027.

Should you have any questions, please contact Kevin Spath, Director, Office of Economic Development, at (214) 670-1691 or [Kevin.Spath@dallas.gov](mailto:Kevin.Spath@dallas.gov).

Service First, Now!



Robin Bentley  
Assistant City Manager

DATE February 27, 2026

SUBJECT **Upcoming Agenda Item: Authorize an Amendment to Reprogramming Budget No. 2 (Substantial Amendment No. 2) to the City's FY 2025-26 Action Plan to Authorize the Use of Up to \$935,101.50 in Community Development Block Grant (CDBG) funds as Interim Loan Financing for the City's Section 108 Hotel Project Loan Agreement with the U.S. Department of Housing and Urban Development (HUD)**

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c: Kimberly Bizer Tolbert, City Manager  
Tammy Palomino, City Attorney  
Mark Swann, City Auditor  
Biliera Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Baron Eliason, Inspector General (I)  
Dominique Artis, Chief of Public Safety  
Dev Rastogi, Assistant City Manager  
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager  
Alina Ciocan, Assistant City Manager  
Donzell Gipson, Assistant City Manager  
Robin Bentley, Assistant City Manager  
Jack Ireland, Chief Financial Officer  
Ahmad Goree, Chief of Staff to the City Manager  
Directors and Assistant Directors

## EXHIBIT A

### Schedule of Borrower and City's Remaining Loan Payments

**Table 1. SCHEDULE P&I TO BORROWER'S NOTE WITH CITY**

<b>Payment Date</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
5/1/2026	\$ 168,293.45	\$ 913,800.00	\$ 1,082,093.45
11/1/2026	\$ 157,457.45		\$ 157,457.45
5/1/2027	\$ 536,054.95	\$ 6,018,800.00	\$ 6,554,854.95
<b>Total</b>	<b>\$ 861,805.85</b>	<b>\$ 6,932,600.00</b>	<b>\$ 7,794,405.85</b>

**Table 2. SCHEDULE P&I TO CITY'S NOTE WITH HUD**

<b>Payment Date</b>	<b>Interest</b>	<b>Principal (Original &amp; Deferral Note)</b>	<b>Total</b>
8/1/2026	\$ 99,216.25	\$ 674,000.00	\$ 773,216.25
2/1/2027	\$ 89,885.25	\$ 72,000.00	\$ 161,885.25
8/1/2027	\$ 89,885.25	\$ 5,707,000.00	\$ 5,796,885.25
<b>Total</b>	<b>\$ 278,986.75</b>	<b>\$ 6,453,000.00</b>	<b>\$ 6,731,986.75</b>