

May 11, 2022

**WHEREAS**, on May 9, 2018, City Council authorized the adoption of the Comprehensive Housing Policy (CHP) by Resolution No. 18-0704; and

**WHEREAS**, after the adoption of the CHP City Council authorized multiple amendments to the CHP in order to correct inconsistencies and to facilitate effective implementation by Resolution No. 18-1680 on November 28, 2018, by Resolution No. 19-0884 on June 12, 2019, by Resolution No. 19-1041 on June 26, 2019, by Resolution No. 19-1498 on September 25, 2019, by Resolution No. 19-1864 on December 11, 2019, and by Resolution No. 21-1450 on September 9, 2021; and

**WHEREAS**, on December 1, 2021, the City issued a Notice of Funding Availability, as amended, in accordance with the CHP; and

**WHEREAS**, on January 28, 2022, LDG The Terrace at Southern Oaks, LP (Applicant) submitted an application that received a fundable score (96) and passed a third-party underwriting review for their proposed The Terrace at Southern Oaks; and

**WHEREAS**, to assist in the affordable housing production goals established in the CHP, the City desires to enter into a loan agreement with the Applicant and/or its affiliates in an amount not to exceed \$7,900,000.00 in consideration of the LDG The Terrace at Southern Oaks, LP; and

**WHEREAS**, the Applicant or its affiliates has proposed the development of a 300-unit multifamily complex known as The Terrace at Southern Oaks located at 3300 Southern Oaks Blvd in the City of Dallas, Texas (Development); and

**WHEREAS**, the Applicant proposes to develop new construction of 300 units, including 36 1-bedroom, 132 2bedroom, 120 3-bedroom units, and 12 4-bedroom units; and

**WHEREAS**, upon completion of the Development, at least 153 of the 300 units will be available to rent to low-income households earning 0.00%-80.00% of Area Median Income (AMI), of which 20 will be HOME-assisted units for a minimum of 20 years, and 147 of the 300 units will be at market rates. In addition, 40% of the market rate units will serve residents at 140% AMI (annual income of \$106,800.00).

**Now, Therefore,**

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

May 11, 2022

**SECTION 1.** That the City Manager is hereby authorized to execute a development loan agreement with LDG The Terrace at Southern Oaks, LP and/or its affiliates, approved as to form by the City Attorney, described herein including any financing and associated documents related to the loan agreement, subordinations to the senior lender for a loan in a greater amount, and release of liens and termination of deed restrictions on the property upon satisfaction of all applicable conditions. The Director may extend deadlines by up to two years.

**SECTION 2.** As a requirement for the loan, the Applicant must provide at least 153 of the 300 units to households earning 0.00%-80.00% of the Area Median Income (AMI) as defined by the U.S. Department of Housing and Urban Development (HUD). Twenty will be HOME-funded units for a minimum of 20 years. The remaining 147 units will not be income restricted and will be market rate. The loan amount will not exceed \$7,900,000.00, specifically \$3,500,000.00 in HOME Investment Partnership (HOME) and \$4,400,000.00 Community Development Block Grant (CDBG) funds, for the construction of affordable housing located at 3300 Southern Oaks Boulevard, Dallas, Texas 75216.

CDBG funds will be used for acquisition costs and other allowable development costs, as allowed by federal regulations governing the use of the funds and the Comprehensive Housing Policy (CHP). The HOME funds will be used for hard and soft construction cost, in accordance with the CHP and the regulations. All funds will be provided on a reimbursable basis. The terms of the loan agreement shall include, but are not limited to the following:

1. The term of the loan agreement(s) is 35 years beginning from the effective date;
2. The term of the loan(s) shall be 35 years and ends on the maturity date to be defined in the loan agreement(s) and other financing documents for the loan(s), in accordance with the CHP;
3. LDG The Terrace at Southern Oaks, LP shall complete construction of the 300 units within 2 years of the effective date of the agreement, which may be extended by the Director of the Department of Housing and Neighborhood Revitalization (Director) up to two years (unless prohibited by the applicable regulations or the CHP);
4. 153 of the 300 units to households earning at or below 80.00% AMI and 147 units at market rates.
5. The development shall consist of approximately 347,142 square feet distributed over 3 stories of rentable living space. The unit mix will include 36 1-bedrooms apartments, 132 2-bedroom apartments, 120 3-bedroom apartments, and 12 4-bedroom apartments. The requirements of this subsection may be modified by the Director;

**SECTION 1.** (continued)

6. Loan amortization is 35 years, with an interest rate of 1% simple annual interest;
7. LDG The Terrace at Southern Oaks, LP must execute a promissory note(s) for the total loan amount(s);
8. The owner of the property, DHFC, and LDG The Terrace at Southern Oaks, LP shall execute and record deed restrictions on the property. The deed restrictions may be recorded senior to other financing documents such that the HOME covenant is not extinguished in the case of foreclosure by a senior lender and shall be recorded to secure the 20-year affordability period for the affordable HOME/CDBG units and 15-year voucher period for the voucher units, which are subject to the requirements or amended requirements of Chapter 20A of the Dallas City Code and CHP;
9. The owner of the Property, DHFC, and LDG The Terrace at Southern Oaks, LP shall execute and record a deed of trust on the property, including the leasehold and all improvements to secure payment and performance which will be released once all terms and conditions of the HOME and CDBG loan agreement(s) are met. The owner of the Property, DHFC, and LDG The Terrace at Southern Oaks, LP shall execute one deed of trust for the total Loan amount.
10. The City shall maintain a first or second lien position. The lien will run concurrently with the lien associated with the Loan, and will be released upon satisfaction of the obligations detailed therein and within the agreement(s) (subject to the City's review and approval). The City's lien or liens for loan agreements may be subordinate to a financial institution's lien, subject to the requirements of the CHP. In the event subordination agreements are required, the City agrees to provide the subordination document in a form acceptable to the City;
11. A default under the HOME loan agreement shall constitute a default under the CDBG loan agreement, and vice versa;
12. The HOME/CDBG loan shall be a nonrecourse and the City's remedies is limited to foreclosure only in the event of an uncured default;
13. Although the term, the maturity date, and the amortization are anticipated to be for a period of 35 years, the Director may adjust the terms so that it is coterminous with the senior lender;
14. DHFC shall purchase and own the land, enter into a long-term ground lease with LDG The Terrace at Southern Oaks, LP, and take an ownership interest in LDG The Terrace at Southern Oaks, LP for the development of a mixed-income multifamily complex located at 3300 Southern Oaks Boulevard, Dallas, Texas 75216;

**SECTION 1.** (continued)

15. LDG Athena Capital, LLC shall provide guarantees including a completion and operating deficit guaranty for the loan agreements;
16. LDG The Terrace at Southern Oaks, LP must provide payment and performance bonds or guarantees, or acceptable equivalent methods of guarantees to the City in the total amount of the construction of the development;
17. Repayment of loan principal and interest should be an annual surplus cash payment. The City's surplus cash loans funding will be structured with note provisions requiring that at least 50.00% of eligible cash, as defined in the CHP, in excess of \$50,000.00 be paid annually to subordinate lenders (including funding partners and related parties) on a prorated basis;
18. The HOME/CDBG loan agreements are conditioned upon:
  - a. Approval of equity, construction and permanent financing documentation in a form acceptable to the City;
  - b. HUD federal requirements including environmental review, site and neighborhood standards, cost reasonableness, subsidy layering, and underwriting;
  - c. LDG The Terrace at Southern Oaks, LP shall make a good faith effort to comply with the City's Business Inclusion and Development goal of 32% participation by certified Minority/Women-owned Business Enterprises for all hard construction expenditures of the Development (i.e. public and private improvements) and meet all reporting requirements of the City of Dallas Office of Business Diversity;
  - d. All conditions listed in the CHP for developer programs;
  - e. Final underwriting; and
  - f. Closing on equity and all other financing for the development.

May 11, 2022

**SECTION 3.** That the Chief Financial Officer is hereby authorized to encumber funds and disburse funds to LDG The Terrace at Southern Oaks, LP, Vendor VC24869, as the City receives and reviews reimbursement requests and related supporting documentation submitted by LDG The Terrace at Southern Oaks, LP for eligible expenditures and accepts supporting evidence as defined in the agreements for the total amount not to exceed \$7,900,000.00 from funding sources listed and described below:

<b>FUND</b>	<b>DEPT</b>	<b>UNIT</b>	<b>OBJECT</b>	<b>AMOUNT</b>
HM17	HOU	275B	3015	\$1,647,941.69
HM19	HOU	919D	3015	\$1,782,641.43
HM21	HOU	520F	3015	\$ 69,416.88
CD20	HOU	406E	3015	\$1,586,898.58
CD21	HOU	507F	3015	\$2,813,101.42

**SECTION 4.** That it is FURTHER RESOLVED that the City of Dallas hereby confirms that its Governing Body has voted specifically to authorize the Development to move forward.

**SECTION 5.** That the City Controller is hereby authorized to record notes receivable - developers loan in balance sheet account 033F and deferred revenue-home loans in 050A in fund CDBG for the amount of the loan and in 0859 in fund HOME for the amount of the 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 these contracts are designated as Contract Number HOU-2022-00018853.

**SECTION 8.** That this resolution shall take effect immediately from and after its passage in accordance with the provision of the Charter of the City of Dallas, and it is accordingly so resolved