

Memorandum



DATE February 3, 2020

CITY OF DALLAS

TO The Honorable Members of the Economic Development Committee:
Tennell Atkins, (Chair), David Blewett, (Vice-Chair), Jennifer Staubach Gates,
Adam McGough, Omar Narvaez, Jaime Resendez, Chad West

SUBJECT **Amendments to Development Loan Agreements with the City of Dallas Housing Finance Corporation and 2400 Bryan Street, LLC for a Mixed-Use and Mixed-Income Multifamily Residential Development to be Located at 2400 Bryan Street**

On February 12, 2020, subject to recommendation by the Economic Development Committee, City Council would consider an amendment to extend the loan maturity for **two (2)** City of Dallas (City) loans for the 2400 Bryan Street development.

BACKGROUND

On February 27, 2019, City Council authorized a development loan and conditional grant agreement with 2400 Bryan Street, LLC (Borrower) or its affiliate to develop a **15-story** mixed-use development with approximately **10,000** square feet of retail space and a mixed-income multifamily rental residential with **217** units in downtown by Resolution No. 19-0360. The retail space will include an early childhood education or childcare facility. The proposed development includes structured parking with approximately **312** spaces. Planned amenities for the development include a multipurpose room with fitness center and swimming pool. RMGM Bryan Street, LLC or RMGM Developers, LLC, both affiliates of Matthews Southwest, Inc. (MSW) will serve as the developer for the development. MSW redeveloped the historic Old Dallas High School in partnership with the City using TIF funds from Deep Ellum TIF District which is adjacent to the proposed development.

On June 12, 2019, City Council authorized a first amendment to Resolution No. 19-0360 to amend the development loan amount to **\$6,000,000.00** to Borrower, to authorize a development loan agreement with the City of Dallas Housing Finance Corporation (DHFC) in an amount not to exceed **\$7,026,943.00**, to allow the closing of the loans and grant to occur prior to closing on the equity and all other financing for the development, to allow Borrower and DHFC to be reimbursed for costs associated to acquisition at closing, and to allow the City to maintain no less than a **3rd** lien position by Resolution No. 19-0943.

On September 25, 2019, City Council authorized a second amendment to Resolution No. 19-0360, as amended, and the first amendment to the development loan agreement with the DHFC to remove the permanent repayment guaranty requirement of RMGM Bryan Street, LLC, the guarantor, to add the requirement that the City only be added as an additional obligee on the payment and performance bonds furnished by Borrower to its senior construction lender; if allowed by the permanent lender, and to add a **\$45,000,000.00** minimum investment requirement by Resolution No. 19-1509.

On November 13, 2019, City Council authorized the third amendment to Resolution No. **19-0360**, and the second amendment to the development loan with DHFC to: (1) authorize a conditional grant agreement in an amount not to exceed **\$973,057.00** in 2012 General Obligation Bond Funds with a nonprofit entity, subject to approval by the Director of the Office Economic Development, allow the nonprofit entity to assign certain obligations under conditional grant agreement to Borrower and for the loan to be collaterally assigned to the City; (2) clarify that the loans with the DHFC and Borrower shall be nonrecourse; (3) that the City shall maintain no less than **4th** lien position, subordinate only to a senior construction lender for a loan in a greater amount; (4) in the event of an uncured default by the Borrower and DHFC, the City's remedies shall be limited to foreclosure only; in such instance, the City cannot sue Borrower and DHFC for repayment of the loan and will not be entitled to damages and/or deficiency judgments; and (5) increase the voucher unit set aside, as required in Chapter **20A** of the Dallas City Code, from **10%** to **15%** as additional consideration by Resolution No. 19-1770.

ISSUE

Under the original terms authorized by Council on February 27, 2019, the term for the City's loans were intended to be coterminous with the senior permanent lender, Freddie Mac, but the term sheet defined coterminous as **15** years from the beginning of the date of the City's loan documents and ending on the maturity date defined in the loan documents. However, during review and comment of the City's loan documents by Freddie Mac it was noted that the City's loan cannot mature earlier than the senior lender.

Freddie Mac requires subordinate debt, which City Council authorized the City's loans to be subordinate to the senior lender, to not mature any earlier than **6** months after the loan maturity of its loan. In order to close the transaction timely and resolve the issue, which closing occurred not later than January 31, 2020, staff added the following language to the City's loan documents:

*"The final payment date shall be: i) **15th** anniversary date from the conversion date plus **6** months or ii) **6** months from the maturity date of the senior lender note, whichever is later. The Final Payment Date is subject to City Council ratification and approval. If City Council does not ratify and approve the final payment date, described above, the final payment date shall be the **15th** anniversary date from the effective date of the loan documents."*

This item is a ratification for the amendments of the City's loan maturity as defined above to meet Freddie Mac's requirements for subordinate debt and to include the increase in the minimum investment requirement by DHFC and 2400 Bryan Street, LLC from \$45,000,000.00 to \$45,500,000.00 as consideration for the loan maturity extension.

RECOMMENDATION

Staff recommends the ratification and approval of the amendments to both the CDBG development loan agreement and the P/PP development loan agreement to extend the maturity since it was the intent to have the City's loans be subordinate and coterminous

with the senior permanent lender and it's a Freddie Mac requirement for subordinate debt and to include the increase in the minimum investment requirement by DHFC and 2400 Bryan Street, LLC from \$45,000,000.00 to \$45,500,000.00 as consideration for the loan maturity extension.

If you have questions about the amendment to the development loan agreements related to the 2400 Bryan Street development, please contact Avis F. Chaisson, Assistant Director, Office of Economic Development at 214-670-5110.



Michael A. Mendoza
Chief of Economic Development & Neighborhood Services

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Mark Swan, City Auditor
Billieae 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
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