



Legislation Details (With Text)

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On agenda: 9/25/2019 **Final action:**

Title: Authorize the second amendment to Resolution No. 19-0360, previously approved on February 27, 2019, as amended, and the first amendment to the development loan with City of Dallas Housing Finance Corporation (DHFC) for a mixed-use and mixed-income multifamily residential development to be located at 2400 Bryan Street (Development) to: (1) remove the permanent repayment guaranty requirement of RMGM Bryan Street, LLC; (2) add to the requirement that the City only be added as an additional obligee on payment and performance bonds furnished by 2400 Bryan Street, LLC to its senior construction lender, if allowed by the permanent lender; and (3) add a minimum investment requirement for DHFC and 2400 Bryan Street, LLC of \$45,000,000.00 to construct the improvements for the Development - Financing: No cost consideration to the City

Sponsors:

Indexes: 14

Code sections:

Attachments: 1. Map, 2. Resolution

Date	Ver.	Action By	Action	Result
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STRATEGIC PRIORITY: Economic and Neighborhood Vitality

AGENDA DATE: September 25, 2019

COUNCIL DISTRICT(S): 14

DEPARTMENT: Office of Economic Development

EXECUTIVE: Michael Mendoza

SUBJECT

Authorize the second amendment to Resolution No. 19-0360, previously approved on February 27, 2019, as amended, and the first amendment to the development loan with City of Dallas Housing Finance Corporation (DHFC) for a mixed-use and mixed-income multifamily residential development to be located at 2400 Bryan Street (Development) to: **(1)** remove the permanent repayment guaranty requirement of RMGM Bryan Street, LLC; **(2)** add to the requirement that the City only be added as an additional obligee on payment and performance bonds furnished by 2400 Bryan Street, LLC to its senior construction lender, if allowed by the permanent lender; and **(3)** add a minimum investment requirement for DHFC and 2400 Bryan Street, LLC of \$45,000,000.00 to construct the improvements for the Development - Financing: No cost consideration to the City

BACKGROUND

On February 27, 2019, City Council authorized a development loan and conditional grant agreement with 2400 Bryan Street, LLC (2400 Bryan) 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. 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. As part of the terms, RMGM Bryan Street, LLC (Guarantor) would provide a completion and permanent repayment guaranty 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 development loan agreement with the City of Dallas Housing Finance Corporation (DHFC), instead of 2400 Bryan, for acquisition of land and construction, in Community Development Block Grant (CDBG) funds. On July 16, 2019, the DHFC closed on the land for the Development. While finalizing the loan documents for closing, it was realized that the City's loan is a recourse loan requiring a full repayment guaranty from Guarantor. However, the permanent guaranty requirement impacts the ability for the 9% housing tax credits, which will fund a portion of the costs for the Development, to be reallocated by the Investor for the Development. Therefore, Investors will not invest or participate under any scenario where debt is full recourse.

To finalize closing of the land, staff proposed bringing forward the following amendments to the terms previously agreed upon for Council approval:

1. Remove the requirement of Guarantor to provide full, unconditional guarantees of repayment for 2400 Bryan and the DHFC; and
2. Add to the requirement that the City only be added as an additional obligee on payment and performance bonds furnished by 2400 Bryan to its senior construction lender, if allowed by the permanent lender; and
3. Add a minimum investment requirement for 2400 Bryan and DHFC of \$45,000,000.00 to construct the improvements for the Development as additional consideration.

Staff recommends amending the terms since there will be adequate measures in place to secure the City's financing. The Guarantor is providing completion and payment guaranty for construction in addition to an operating deficit guaranty to fund operating deficits on behalf of 2400 Bryan and DHFC. The City's loan and grant will be secured by a deed of trust on the property and all improvements. All other terms and conditions from the original Resolution No. 19-0360 approved on February 27, 2019, Resolution No. 19-0943 approved on June 12, 2019 and Contract No. HOU-2019-00010717, shall remain unchanged and in full force and effect.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On January 24, 2018, City Council supported the 2018 Texas Department of Housing and Community Affairs' 9% low-income housing tax credit application for the development at 2400 Bryan Street and authorized a line of credit agreement in the amount of \$500.00 for a commitment of development funding by Resolution No.18-0219.

On January 25, 2019, the DHFC Board of Directors approved owning the land, entering into a long-term ground lease, and taking an ownership interest in 2400 Bryan Street, LLC.

On February 19, 2019, the Economic Development and Housing Committee was briefed on the development loan agreement with 2400 Bryan Street, LLC and approved moving forward to Council for consideration.

On February 27, 2019, City Council authorized (1) a development loan agreement with 2400 Bryan Street, LLC or an affiliate thereof in an amount not to exceed \$13,026,943.00 (comprised of \$3,605,570.00 in HOME Investment Partnerships Program Funds, \$6,000,000.00 in Public/Private Partnership Funds, and \$3,421,373.00 of CDBG Funds); (2) a conditional grant agreement with 2400 Bryan Street, LLC or an affiliate thereof for the development of a mixed-use and mixed-income multifamily residential development to be located at 2400 Bryan Street in an amount not to exceed \$973,057.00 in 2012 General Obligation Bond Funds; and (3) the DHFC to purchase and own the land and to enter into a long-term ground lease with 2400 Bryan Street, LLC by Resolution No. 19-0360.

On June 12, 2019, City Council authorized the first amendment to Resolution No.19-0360, previously approved on February 27, 2019, for a mixed-use and mixed-income multifamily residential development to be located at 2400 Bryan Street to: (1) amend the development loan amount with 2400 Bryan or an affiliate to only include an amount not to exceed \$6,000,000.00 in Public/Private Partnership funds for construction, (2) authorize a development loan agreement with the City of Dallas DHFC, instead of 2400 Bryan, for acquisition of land and construction, subject to DHFC Board of Directors' approval, in amount not to exceed \$7,026,943.00 in CDBG funds, (3) allow the closing of the 2400 Bryan and DHFC grant/loan to occur prior to closing on the equity and all other financing for the development, (4) allow 2400 Bryan and DHFC to be reimbursed for costs associated to acquisition at closing, but must meet all other requirements under Resolution No.19-0360 to be reimbursed the remaining loan and grant amounts and (5) allow the City to maintain no less than 3rd lien position

City Council was briefed by memorandum regarding this matter on September 13, 2019.

FISCAL INFORMATION

No cost consideration to the City.

OWNER/DEVELOPER

2400 Bryan Street, LLC

2400 Bryan Street GP, LLC is the general partner, a formed entity with The Community Project, BETCO Consulting, LLC, and RMGM Bryan Street, LLC (RMGM Bryan Street) as members. (City of Dallas Housing Finance Corporation will be admitted as the sole member of the GP)

RMGM Bryan Street or RMGM Developers, LLC, both affiliates of Matthews Southwest Inc. will serve as the Developer.

Jack Matthews, President

City of Dallas Housing Finance Corporation

MAP

Attached