



Legislation Text

File #: 19-1520, **Version:** 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: October 23, 2019
COUNCIL DISTRICT(S): 8
DEPARTMENT: Office of Economic Development
EXECUTIVE: Michael Mendoza

SUBJECT

Authorize a third amendment to Resolution No. 19-0385, previously approved on February 27, 2019, as amended, with Palladium Redbird, Ltd. for a mixed-income multifamily residential development to be located at the intersection of **West Camp Wisdom Road and 7202** South Westmoreland Road site of the former Red Bird Mall/Southwest Center Mall to **(1)** clarify that the loan shall be a nonrecourse loan; and **(2)** limit the City's remedies to foreclosure only - Financing: No cost consideration to the City

BACKGROUND

On February 27, 2019, City Council authorized a development loan and conditional grant agreement with Palladium Redbird, Ltd. (Borrower) to construct a new, 300-unit development with structured parking for approximately 450 spaces at the site of the former Red Bird/Southwest Center Mall. The development will include two 4-story residential buildings with elevators and, in addition to structured parking, planned amenities include a clubhouse with a fitness center, a business center, a club room, resort-style swimming pool, playground, pedestrian access to the Redbird Mall Area, and a dog park. Palladium Red Bird, Ltd. is an affiliate of Palladium USA International, Inc. who will serve as the co-developer for the Development along with the City of Dallas Housing Finance Corporation ("DHFC").

On September 25, 2019, City Council authorized a second amendment to Resolution No. 19-0385 to remove the permanent repayment guaranty requirement of Palladium USA, Inc. (Guarantor) and add to the requirement that the City only be added as an additional obligee on the payment and performance bonds furnished by Palladium Redbird, Ltd. to its senior construction lender, [if allowed by the permanent lender](#). The amendment also clarified that the nonprofit entity may assign certain obligations under the conditional grant agreement to Palladium Redbird, Ltd.

It was the intent of staff to seek authorization from City Council on September 25, 2019 to limit the City's remedies upon default to foreclosure only and to clarify that the loan to Borrower is a nonrecourse loan, however, it was not included in the Resolution No. 19--1508. Staff recommends a third amendment to Resolution No. 19-0385 to authorize the City Manager to amend the loan agreement with Palladium Redbird, Ltd. to:

1. Clarify that the loan shall be a nonrecourse loan; and
2. Limit the City's remedies in the event of an uncured default by the Borrower to foreclosure only. In such an instance, the City cannot sue the Borrower for repayment of the loan and will not be entitled to damages and/or deficiency judgements.

The Investor requested these changes as a full recourse loan would cause tax implications to the Investor and impact the flow of equity from the 4% tax credits to the ~~D~~development. All other terms and conditions from the original Resolution No. 19-0385, previously approved on February 27, 2019, Resolution No. 19-0944, previously approved on June 12, 2019, and Resolution No. 19-1508, previously approved on September 25, 2019, shall remain unchanged and in full force and effect.

City Council approval of this item will authorize the City Manager to execute the amendment to the development loan agreement related to the development.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

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 Palladium Redbird, Ltd. and an inducement of multifamily mortgage revenue bonds.

The Economic Development and Housing Committee was briefed on the development loan [and](#) agreement with ~~2400 Bryan Street, LLC~~ [Palladium Redbird, Ltd. \(PRL\)](#) and approved moving forward to Council for consideration on February 19, 2019.

~~On February 27, 2019, City Council authorized (1) a development loan agreement with Palladium Redbird, Ltd. or an affiliate thereof in an amount not to exceed \$6,271,576.00 (comprised of \$3,575,276.00 in HOME Investment Partnerships Program Funds and \$2,696,300.00 of Community Development Block Grant Funds); (2) a conditional grant agreement with Palladium Redbird, Ltd. or an affiliate thereof for the development of a multifamily residential development to be located at the intersection of W. Camp Wisdom Road and S. Westmoreland Road in an amount not to exceed \$2,028,424.00 in 2012 General Obligation Bond Funds; and (3) the City of Dallas Housing Finance Corporation to purchase and own the land and to enter into a long-term ground lease with Palladium Redbird, Ltd. by Resolution No. 19-0385.~~

On February 27, 2019, City Council authorized (1) a Resolution of No Objection for PRL or its affiliate, related to its application to TDHCA for the acquisition and new construction of improvements to be known as the Palladium Redbird; and (2) conditioned upon PRL receiving a 2019 4% Housing Tax Credit award and upon City Council's final adoption of the Community Development Block Grant (CDBG) Reprogramming Budget No. 1 on April 10, 2019, authorize (a) a development loan agreement in an amount not to exceed \$6,271,576.00 (comprised of \$2,696,300.00 in Community Development Block Grant Funds and \$3,575,276.00 of HOME Investment Partnerships Program Funds) with PRL or an affiliate thereof; (b) a conditional grant agreement in an amount not to exceed \$2,028,424.00 in 2012 General Obligation Bond Funds with a nonprofit entity; and (c) the City of Dallas Housing Finance Corporation to purchase and own the land, enter into a long-term ground lease with PRL, and take an ownership interest in PRL for the development of a mixed-income multifamily complex located at the intersection of West Camp Wisdom Road and South Westmoreland Road, site of the former Red Bird Mall/Southwest Center Mall by Resolution No. 19-0385.

On June 12, 2019, City Council authorized the first amendment to Resolution No. 19-0385 to: (1) amend the development loan amount with Palladium Redbird, Ltd. or an affiliate to only include an amount not to exceed \$5,000,000.00 in HOME Funds for construction; (2) authorize a development loan agreement with Palladium Redbird, Ltd. or the DHFC for acquisition of land and construction, subject to DHFC Board of Directors' approval, in an amount not to exceed \$1,271,576.00 in CDBG Funds; (3) allow the closing of the Palladium Redbird, Ltd. and DHFC grant/loan to occur prior to closing on the equity and all other financing for the development; (4) allow Palladium Redbird, Ltd. and DHFC to be reimbursed for costs associated to acquisition at closing, but must meet all other requirements under the agreement to be reimbursed the remaining loan and grant amounts; and (5) allow the City to maintain no less than 3rd lien position by Resolution No. 19-0944.

On June 12, 2019, City Council authorized a first amendment to Resolution No. 19-0387, previously approved on February 27, 2019, for a mixed-income multifamily complex for seniors to be located at 2649 Centerville Road to: (1) amend the funding source for the development loan amount with TCV of \$3,801,000.00 from \$3,801,000.00 CDBG to \$1,620,154.00 in CDBG funds and \$2,180,846.00 HOME Investment Partnership Program ("HOME") funds; and (2) allow the closing of the TCV grant/loan to occur prior to closing on the equity and all other financing for the development by Resolution No. 19-0945.

On September 25, 2019, by Resolution No. 19-1508, City Council authorized the second amendment to Resolution No. 19-0385, previously approved on February 27, 2019, as amended, for a mixed-income multifamily residential development to be located at 7202 South Westmoreland Road to: (1) remove the permanent repayment guaranty requirement of Palladium USA, Inc.; (2) add to the requirement that the City only be added as an additional obligee on the payment and performance bonds furnished by Palladium Redbird, Ltd. to its senior construction lender, if allowed by the permanent lender; (3) add a minimum investment requirement for Palladium Redbird, Ltd. Of \$30,000,000.00 to construct the improvements for the Development as additional consideration; (4) clarify that the nonprofit entity may assign certain obligations under the conditional grant agreement to Palladium Redbird, Ltd.; and (5) allow the City's deed restrictions to be subordinate to the U.S. Department of Housing and Urban Development covenants and restrictions, to the extent that they do not conflict.

FISCAL INFORMATION

No cost consideration to the City.

OWNER/DEVELOPER

Palladium Redbird, Ltd.

Palladium Redbird GP, LLC is the general partner, a formed entity with members affiliated with Palladium Redbird (City of Dallas Housing Finance Corporation will be admitted as the sole member of the GP)

Palladium Redbird and DHFC will serve as co-Developer.

Thomas Huth, President of Palladium Redbird

City of Dallas Housing Finance Corporation

MAP

Attached