



## Legislation Text

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**File #:** 20-224, **Version:** 2

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**STRATEGIC PRIORITY:** Economic and Neighborhood Vitality  
**AGENDA DATE:** February 12, 2020  
**COUNCIL DISTRICT(S):** 14  
**DEPARTMENT:** Office of Economic Development  
**EXECUTIVE:** Michael Mendoza

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### **SUBJECT**

Authorize a ratification of the fourth amendment to Resolution No. 19-0360, previously approved on February 27, 2019, as amended, and the third amendment to the Community Development Block Grant development loan agreement with the City of Dallas Housing Finance Corporation (DHFC) for a mixed-use and mixed-income multifamily residential development to be located at 2400 Bryan Street to: **(1)** amend the loan maturity to the 15<sup>th</sup> anniversary from the date of conversion from construction financing to permanent financing plus 6 months or 6 months from the maturity date of the senior lender note, whichever is later; and **(2)** increase the minimum investment requirement by DHFC and 2400 Bryan Street, LLC from \$45,000,000.00 to \$45,500,000.00 - 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 (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 tax increment financing (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 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 3<sup>rd</sup> 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 (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.

Under the original terms authorized by City 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: **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 amendment of the City's loan maturity as defined above to meet Freddie Mac's requirements for subordinate debt and to increase the minimum investment requirement by DHFC and 2400 Bryan Street, LLC from \$45,000,000.00 to \$45,500,000.00 as additional consideration for such amendment.

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 and to include the additional consideration, 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.

All other terms and conditions from Resolution No. 19-0360, previously approved on February 27, 2019, Resolution No. 19-0943, previously approved on June 12, 2019, Resolution No. 19-1509, previously approved on September 25, 2019, and by Resolution No. 19-1770, previously approved on November 13, 2019, 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' TDHCA 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 February 27, 2019, City Council authorized (1) a development loan agreement with 2400 Bryan Street, LLC (2400 Bryan) 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 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 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 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 by Resolution No. 19-0943.

On September 25, 2019, City Council authorized 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 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 to its senior construction lender, if allowed by the permanent lender; and (3) add a minimum investment requirement for DHFC and 2400 Bryan of \$45,000,000.00 to construct the improvements for the Development by Resolution No. 19-1509.

On November 13, 2019, City Council authorized the third amendment to Resolution No. 19-0360, previously approved on February 27, 2019, as amended, and the second amendment to the development loan with DHFC for the Development: (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 2400 Bryan Street, LLC (Borrower) and for the loan to be collaterally assigned to the City; (2) 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.

Information about this item was provided to the Economic Development Committee on February 3, 2020.

### **FISCAL INFORMATION**

No cost consideration to the City.

### **OWNER/DEVELOPER**

#### **2400 Bryan Street, LLC**

2400 Bryan Street GP, LLC is the general partner, City of Dallas Housing Finance Corporation the sole member of the GP

2400 Bryan Street SLP, LLC a formed entity with The Community Project, BETCO Consulting, LLC, and RMGM Bryan Street, LLC (RMGM Bryan Street) as members

AHP Housing Fund 95, LLC, a Delaware limited liability company as Investor Member

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

Jack Matthews, President

City of Dallas Housing Finance Corporation

### **MAP**

Attached