

June 24, 2026

WHEREAS, on January 14, 2015, the City Council authorized the City Manager to accept a \$11,000,000.00 loan from the United States Department of Housing and Urban Development (HUD) under the Section 108 Loan Guarantee Program (Section 108) for assistance with rehabilitation of a blighted, vacant commercial building located at 1011 South Akard Street now known as the Lorenzo Hotel (Property) including economic development, loan interest reserve, and financial costs and further authorized the City Manager to enter into a loan agreement with TEOF Hotel LP (Borrower) for a Community Development Block Grant (CDBG) Section 108 funded loan of \$11,000,000.000.00 (Loan Agreement) secured by a second lien interest and to execute any necessary documents in connection with the development of the Property that would create an estimated 220 permanent full-time equivalent jobs with 51% to be held by or made available to low-to-moderate-income persons with incomes at 80% or less of Area Median Family Income as established by HUD by Resolution No. 15-0147; and

WHEREAS, on December 9, 2015, the City Council authorized an amendment to the Loan Agreement between TEOF Hotel LP and the City to provide for loan refinancing to consolidate the first lien bank loan of \$12,912,615.00 with Prosperity Bank and third lien mezzanine loan of \$2,324,813.00 with 1011 Mezz Funder LLC into a larger, replacement first lien loan with Bancorp South Bank in the amount of \$18,000,000.00, including \$1,997,572.00 for an increase in total project construction costs in exchange for which Lawrence E. Hamilton, Lawrence E. Hamilton III, and TEOF Hotel LP were to convert \$415,000 of mezzanine debt into additional equity, Lawrence E. Hamilton, Lawrence E. Hamilton III, and TEOF Hotel LP were to forgo \$350,000.00 of mezzanine loan payments, and Lawrence E. Hamilton was to provide the City with a personal payment and completion guaranty by Resolution No. 15-2214; and

WHEREAS, the COVID-19 pandemic had an economic impact on the tourism and hospitality industry throughout the City of Dallas and worldwide; and

WHEREAS, TEOF Hotel LP notified the City that it would be unable to make a \$504,000.00 principal payment and \$141,306.35 payment due to COVID-19's impact on the hotel industry, which in turn the City of Dallas owed to HUD by August 1, 2020; and

WHEREAS, the City consulted with HUD on deferral options, and HUD indicated that a feasible solution was an additional promissory note between the City and HUD; and

WHEREAS, on June 24, 2020, the City Council authorized the City to enter into a \$504,000.00 deferral note agreement with HUD related to City's Section 108 Hotel Project loan with HUD by Resolution No. 20-1036; and

WHEREAS, TEOF Hotel LP communicated to the City that it continued to experience financial challenges due to COVID-19; and

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WHEREAS, on November 11, 2020, the City Council authorized the use of up to \$1,800,000.00 in CARES Act funds to make interim payments of interest and principal on Section 108 Hotel Project loan agreement (B-12-MC-48-0009) between the City and HUD by Resolution No. 20-1845; and

WHEREAS, the City negotiated a loan workout with TEOF Hotel LP to make the City whole for entire \$11,000,000.00 in principal loaned to TEOF Hotel LP; reflect new liquidity and security requirements and amortize principal and interest payments in default; and

WHEREAS, on June 14, 2023, the City Council authorized a Forbearance and Loan Modification Agreement with TEOF Hotel LP, an Amended and Restated Promissory Note with Borrower, a Guaranty Agreement with Lawrence E. Hamilton, III as trustee of the Lawrence E. Hamilton Living Trust by Resolution No 23-0795; and

WHEREAS, in January 2026, a representative for the Borrower communicated to City staff that, due to a number of extenuating circumstances, including the partial shutdown of the Convention Center for redevelopment and the closure of the Akard Street bridge by the Texas Department of Transportation for the I-30 Canyon reconstruction over the next 2.5 years, the Borrower would be unable to make an upcoming \$1,082,093.45 principal and interest payment due to the City on May 1, 2026 and intended to sell the hotel during the summer months of 2026; and

WHEREAS, on April 8, 2026, the City Council authorized final adoption of Reprogramming Budget No. 2 (Substantial Amendment No. 2) to the FY 2025-26 Action Plan to use unspent CDBG Funds in the amount of \$2,566,661.00 for public improvement projects and Section 108 debt payments by Resolution No. 26-0681, of which up to \$935,101.50 could be used to make principal and interest payments due to HUD between August 1, 2026 and February 1, 2027; and

WHEREAS, the Borrower is in default on both the senior lender's loan and City's junior loan; and

WHEREAS, City staff under the advisement of its outside legal counsel have evaluated the risks and benefits of legal remedies available and had ongoing discussions with the Borrower and HUD's Loan Management Team;

Now, Therefore,

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

June 24, 2026

SECTION 1. That the City Manager is hereby authorized to [accept or reject] an offer received from TEOF Hotel LP (“Borrower”), a Texas limited partnership to (1) pay the City \$5,707,000.00 (plus any pertinent accrued interest) and the City’s legal fees upon the sale and title closing of the Lorenzo Hotel (“Property”) located at 1011 South Akard Street, owned by Borrower, in exchange for the release of the City of Dallas lien on the Property, and (2) execute an agreement not to pursue any additional funds owed by Borrower or Lawrence E. Hamilton, III, as trustee of the Lawrence E. Hamilton Living Trust (“Guarantor”) to the City approved as to form by the City Attorney, and (3) execute any other documents deemed necessary by the U.S. Department of Housing and Urban Development (HUD) and/or the City Attorney’s Office (the execution of all such and aforementioned documents contingent on HUD’s final approval of terms).

SECTION 2. Subject to City Council’s approval of the offer, the following shall be applicable:

1. That the Chief Financial Officer is hereby authorized to receive and deposit funds recovered from Borrower in the Section 108-Loan-Lorenzo-Plaza Hotel Fund, Fund 0J55, Department HOU, Unit 0J5E, Revenue Code 8503 for principal and Revenue Code 8556 for interest.
2. That the Chief Financial Officer is hereby authorized to reverse any account receivable amounts recorded in balance sheet accounts for Section 108-Loan-Lorenzo-Plaza Hotel Fund, Fund 0J55, Department HOU, Unit 0J5E.
3. That the Chief Financial Officer is hereby authorized to disburse principal, interest, and any other relevant/pertinent note-related expenditures related to City's Section 108 Loan agreement with HUD, from the Section 108-Loan-Lorenzo-Plaza Hotel Fund, Fund 0J55, Department HOU, Unit 0J5E, Object 3077 for principal payments and Object 3076 for interest payments, Vendor 263304.

SECTION 3. That all other terms and conditions on the existing agreements between the City and HUD and between the City and Borrower related to the Section 108 Hotel Project loan shall remain in full force.

SECTION 4. That this resolution does not constitute a binding agreement upon the City or subject the City to any liability or obligation with respect to these transactions until the formal written binding documents are duly approved by all parties and executed.

SECTION 5. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.