

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7131

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN; A DISPOSITION AGREEMENT AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO ASIAN HEALTH AND SERVICE CENTER, INC. FOR REDEVELOPMENT OF A CERTAIN PROPERTY IN THE LENTS TOWN CENTER URBAN RENEWAL AREA

WHEREAS, in September 1998, the Portland Development Commission (“PDC”) Board of Commissioners (“Board”) approved, and Portland City Council adopted, the Lents Town Center Urban Renewal Area (“URA”);

WHEREAS, PDC purchased the property located at 8931 SE Foster Road, commonly known as Lents Town Center Parcel 2 (“Property”), in the Lents Town Center URA for the purposes of furthering the goals of the Lents Town Center URA Plan;

WHEREAS, in May 2014, the PDC Board approved, and Portland City Council instituted, the Lents Five-Year Action Plan;

WHEREAS, in December 2014, PDC completed a Request for Interest and an evaluation committee of local stakeholders recommended four proposals, one of which was the Asian Health and Service Center, Inc. (“Developer”), redevelopment proposal;

WHEREAS, the proposal is a commercial build-to-suit development (the “Project”);

WHEREAS, the Developer’s redevelopment proposal aligns with the Neighborhood Economic Development Strategy and the Lents Five-Year Action Plan;

WHEREAS, the Developer has identified and PDC has confirmed that the Project is not financially feasible without additional support; and

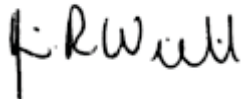
WHEREAS, PDC staff and the Developer have agreed upon the major terms of a Predevelopment Loan, a Development and Disposition Agreement, and a Commercial Property Redevelopment Loan.

NOW, THEREFORE, BE IT RESOLVED, that the Executive Director is hereby authorized to: 1) execute a Predevelopment Loan with Developer substantially in accord with the provisions of Exhibit A; 2) negotiate and execute a Development and Disposition Agreement substantially in accord with the provisions of Exhibit B; and 3) execute a Commercial Property Redevelopment Loan with Developer substantially in accord with the provisions of Exhibit C;

BE IT FURTHER RESOLVED, that the Executive Director may approve changes to the Predevelopment Loan, the Development and Disposition Agreement, or the Commercial Property Redevelopment Loan, if such changes do not materially increase PDC's obligations or risks, as determined by the Executive Director in consultation with PDC's General Counsel; and

BE IT FURTHER RESOLVED, that this resolution shall become effective immediately upon its adoption.

Adopted by the Portland Development Commission on June 24, 2015

A handwritten signature in black ink, appearing to read "Gina Wiedrick". The signature is written in a cursive, flowing style.

Gina Wiedrick, Recording Secretary

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7131

EXHIBIT A

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN; A DISPOSITION AGREEMENT AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO ASIAN HEALTH AND SERVICE CENTER, INC. FOR REDEVELOPMENT OF A CERTAIN PROPERTY IN THE LENTS TOWN CENTER URBAN RENEWAL AREA

Exhibit A includes this cover page and contains three pages:

- Proposed Terms and Conditions of PDC Predevelopment Loan

Proposed Terms and Conditions of PDC Predevelopment Loan

Borrowing Entity:	Asian Health and Service Center, Inc.																		
Loan Program:	Commercial Property Redevelopment Loan - Predevelopment																		
Loan Amount:	\$786,800																		
Use of Funds:	<p>All TIF-eligible, PDC pre-approved predevelopment expenses in accordance with the following proposed budget:</p> <table border="0"> <tr> <td>Property</td> <td align="right">\$ 38,000</td> </tr> <tr> <td>Design</td> <td align="right">\$ 422,752</td> </tr> <tr> <td>Fees / Permits</td> <td align="right">\$ 74,230</td> </tr> <tr> <td>Legal / Accounting</td> <td align="right">\$ 57,000</td> </tr> <tr> <td>Financing Costs</td> <td align="right">\$ 32,869</td> </tr> <tr> <td>Contingency</td> <td align="right">\$ 62,545</td> </tr> <tr> <td>Development Consultant</td> <td align="right">\$ 60,804</td> </tr> <tr> <td>Capital Campaign Consultant</td> <td align="right"><u>\$ 50,000</u></td> </tr> <tr> <td>Total</td> <td align="right">\$ 798,800*</td> </tr> </table> <p><i>*PDC has provided a \$12,000 Development Opportunity Services grant towards predevelopment expenses</i></p>	Property	\$ 38,000	Design	\$ 422,752	Fees / Permits	\$ 74,230	Legal / Accounting	\$ 57,000	Financing Costs	\$ 32,869	Contingency	\$ 62,545	Development Consultant	\$ 60,804	Capital Campaign Consultant	<u>\$ 50,000</u>	Total	\$ 798,800*
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Contingency	\$ 62,545																		
Development Consultant	\$ 60,804																		
Capital Campaign Consultant	<u>\$ 50,000</u>																		
Total	\$ 798,800*																		
Loan Fee:	1% of loan amount (\$7,868.00), financed																		
Interest Rate:	3.25%																		
Term:	18 months																		
Repayment:	Deferred; taken out by construction financing or forgiven if project does not proceed																		
Collateral:	Project materials																		
Guarantors:	None																		
Program Guideline Exceptions:	<ul style="list-style-type: none"> • Loan amount exceeds program maximum of \$200,000 • Borrower Cash Contribution is less than 50% of predevelopment costs with a minimum of 25% cash • Loan Forgiveness is presupposed; no additional guarantees or collateral to be required • Loan Fee: the loan fee to be financed instead of paid at closing 																		

Other Conditions:

PDC would have the unilateral right to cease disbursement of funds at any point during the term of the loan. If it becomes clear that the costs would be significantly greater than projected, that the other project financing will not be secured, or any other information obtained renders the project not feasible, funding for any further predevelopment costs would cease.

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7131

EXHIBIT B

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN; A DISPOSITION AGREEMENT AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO ASIAN HEALTH AND SERVICE CENTER, INC. FOR REDEVELOPMENT OF A CERTAIN PROPERTY IN THE LENTS TOWN CENTER URBAN RENEWAL AREA

Exhibit B includes this cover page and contains seven pages:

- Summary of Terms and Conditions of Disposition and Development of Property in the Lents Urban Renewal Area between the Portland Development Commission and Asian Health and Service Center, Inc.

SUMMARY OF TERMS AND CONDITIONS
OF
DISPOSITION AND DEVELOPMENT OF PROPERTY
IN THE LENTS URBAN RENEWAL AREA
Between
THE PORTLAND DEVELOPMENT COMMISSION
And
ASIAN HEALTH AND SERVICE CENTER, INC.

PDC (“Seller”) contemplates the following major terms and conditions leading to and informing the negotiation of a conveyance and development of the Property (defined below). Asian Health and Service Center, Inc. (“Developer”) together with the Seller shall be referred to as “the Parties”. The terms and conditions as outlined herein are intended to serve as a basic framework for a proposed transaction and shall inform negotiations leading to a legally binding contract between Developer and Seller (“DDA”). Additional minor terms and conditions will be subject to subsequent negotiations between the Parties.

Property Description: The “Property” is an approximately 31,501 square foot lot located at SE Foster Rd. & SE 91nd Ave., Portland, Oregon.

Land Value: According to an appraisal dated February 18, 2015, the Property is valued at \$900,000.

Project: The proposed “Project” is a 34,206 square foot commercial building.

AS IS Sale: Subject to appropriate due diligence, the Property is offered and Developer is acquiring the Property in the condition existing at the time of Closing, AS IS, with all defects, if any.

Feasibility Period: The Feasibility Period is 180 days from the Date the PDC Board approves the Terms and Conditions of the DDA (currently anticipated to be June 24, 2015). During the Feasibility Period the Developer shall cause design documents to be drafted and delivered to the City of Portland for design review. Developer shall also undertake all appropriate due diligence so as to enable Developer to execute a binding agreement for conveyance of the Property and construction of the Project.

Exclusive Negotiation: To the extent that Developer abides by the terms of this summary and is progressing toward negotiation of a final form of conveyance and development agreement, Seller shall refrain from negotiating with other parties regarding the disposition of the Property during Feasibility Period.

Predevelopment Loan: PDC anticipates a \$786,800 Predevelopment Loan to Developer. The PDC Board is scheduled to review the Predevelopment Loan on June 24, 2015 which, if approved, will be disbursed to Developer after all conditions to close have been met and PDC has approved the scope(s) of work. The Predevelopment Loan is forgivable if the project is determined not to be financially feasible or if the subsidy package contemplated is not available. In addition, PDC in its sole discretion

could cease disbursement of the Predevelopment Loan at any point during the term of the loan if it becomes clear that the Project costs would be significantly greater than projected, that the other capital sources will not be secured, or any other information obtained renders the proposed Project not feasible.

Title Objection: Developer shall have 30 days from the date the PDC Board approves the Terms and Conditions of the DDA to provide Seller with any title objections (“Title Objection Letter”). Seller shall then have 30 days from receipt thereof to respond to the Title Objection Letter.

Title Conveyance: Title shall be free of all liens except non-delinquent real estate taxes and title restrictions or other conditions acceptable to Developer.

Agreement: Prior to the expiration of the Feasibility Period the Developer and Seller shall have made significant progress on the final form of a DDA. The DDA shall be a legally binding instrument and shall set forth the more detailed provisions governing the rights and obligations of the Parties with respect to conveyance of the Property and construction of the Project.

Closing/Closing Date: “Closing” shall be the conveyance of the Property to Developer. (Many elements of the DDA will survive Closing.) The “Closing Date” shall be within 30 days after a building permit for the Project is deemed “ready to issue” by the City of Portland, Bureau of Development Services. Closing shall remain subject to, among other things, financing commitments, final form of deed, environmental condition acceptance, and agreed-upon final Project Budget.

Additional DDA Terms:

- A. **Non-Assignment.** The DDA may not be assigned without prior written PDC approval.
- B. **Project Budget:** \$10,613,000
- C. **SPE:** The Parties anticipate that Developer will create a special purpose entity (SPE) to execute the DDA or to accept an assignment of elements of the DDA. Developer shall provide to PDC all necessary information for PDC to determine that the SPE will be able to fulfil the obligations of the DDA and that PDC assumes no greater risk as a product of the SPE’s role.

D. Capital Sources Precedent to Closing:

- a. **Senior Loan:** Developer shall secure \$1,970,000 commercial financing on acceptable terms to PDC. Senior Loan projected to have an interest rate of 5.25%, a 7 year term and a first lien on the property. If and when Senior Loan is refinanced it must be with terms and conditions acceptable to PDC.

- b. **PDC Permanent Loan:** PDC anticipates a \$3,050,000 permanent loan to Developer. The PDC Board is scheduled to review the Permanent Loan on June 24, 2015. The PDC Permanent Loan shall be subordinated to the Senior Loan. The PDC Permanent Loan shall have a 40-year term, 22 year grace period and an 18 year amortization. Interest rate shall be 0% with no payments for 22 years. Starting in year 23 the payment obligation shall be positive cash flow dependent, with 50% of the positive cash flow to be utilized to service the PDC Loan. Positive cash flow means funds available after the Senior Loan debt is serviced. The PDC Permanent Loan shall be secured by a second lien on the Property.

- c. **Other Capital Sources.** \$3,638,000 of funds. Sources may include, but are not limited to: Meyer Memorial Trust Grant, New Market Tax Credits (State and Federal), weatherization credits, program related investment, etc. Other Capital Sources senior to PDC Permanent Loan shall be on terms acceptable to PDC.

- E. **Seller's Participation.** Upon any Capital Event the Developer shall pay 28.7% of all net proceeds to PDC. The percentage represents the proportion of funds provided by PDC of the total capital costs of the project. A "Capital Event" shall be either 1) the sale of part or all of the Project as improved, or 2) any refinancing of the Project that is not a necessary element of the unwind of a New Markets Tax Credit structure following the compliance period, which shall be an exception to the refinancing trigger of the term Capital Event. "Net Proceeds" shall be those funds remaining after 1) full satisfaction of the repayment obligations associated with the Senior Loan and the

PDC Permanent Loan, and 2) the payment to Developer of an amount equal to Developer's Equity (defined below).

- F. **Developer Equity.** A Developer contribution of not less than \$1,950,000 contributed on or before Closing Date. Funds shall be raised via a capital campaign conducted by the Developer.

- G. **Developer Fee.** 3.5% of total Project Costs

- H. **Community Benefits.** The DDA shall include specific provisions identified for public benefit to achieve PDC goals and to mitigate adverse community impacts.

- I. **Short Term Repurchase Right.** Seller shall have the right to repurchase the Property for the original Land Value of \$900,000 if Developer does not commence construction within 12 months of the Closing Date.

- J. **PDC Policies.** Developer shall comply with all applicable PDC policies and Oregon State statutes including prevailing wage laws.

Public Involvement: Developer shall participate in public engagement meetings organized by PDC with local community stakeholders and the public, after approval of a Predevelopment Loan by the PDC Board of Commissioners.

Broker Commission: Neither Developer nor Seller is represented by a broker and no sales commissions shall be paid as part of this contemplated transaction.

SIGNATURE PAGE TO FOLLOW

For SELLER

Portland Development Commission:

By: _____
Patrick Quinton, Executive Director

APPROVED AS TO FORM:

Legal Counsel

BUYER:

ASIAN HEALTH SERVICE CENTER, INC.,
an Oregon non-profit corporation

By: _____
Holden Leung, Executive Director

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7131

EXHIBIT C

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN; A DISPOSITION AGREEMENT AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO ASIAN HEALTH AND SERVICE CENTER, INC. FOR REDEVELOPMENT OF A CERTAIN PROPERTY IN THE LENTS TOWN CENTER URBAN RENEWAL AREA

Exhibit C includes this cover page and contains three pages:

- Proposed Terms and Conditions of PDC Permanent Loan

Proposed Terms and Conditions of PDC Permanent Loan

Borrowing Entity:	Asian Health and Service Center, Inc. or Special Purpose Entity per DDA																														
Loan Program:	Commercial Property Redevelopment Loan – Construction/Permanent																														
Loan Amount:	\$3,050,000																														
Uses of Funds:	New construction																														
Loan Fee:	1% of the loan amount (\$30,500), financed																														
Interest Rate:	0% annual fixed rate																														
Term:	40 year term, 18 year repayment beginning in year 23																														
Repayment:	Principal payments starting in year 23 that are cash flow dependent																														
Collateral:	2 nd lien position on the property																														
Guarantors:	None																														
Total Development Sources and Uses:	<p><u>Sources:</u></p> <table> <tr> <td>Leverage Loan/ Commercial Mortgage</td> <td align="right">\$ 1,970,000</td> </tr> <tr> <td>PDC Permanent Loan</td> <td align="right">\$ 3,050,000</td> </tr> <tr> <td>NMTC Investment (federal)</td> <td align="right">\$ 2,656,000</td> </tr> <tr> <td>Capital Campaign</td> <td align="right">\$ 1,955,000</td> </tr> <tr> <td>NMTC Investment (OR)/</td> <td></td> </tr> <tr> <td> Additional Capital Campaign</td> <td align="right">\$ 960,000</td> </tr> <tr> <td>Weatherization Grant (Energy Trust of OR)</td> <td align="right">\$ 10,000</td> </tr> <tr> <td>PDC DOS Grant</td> <td align="right">\$ <u>12,000</u></td> </tr> <tr> <td>Total</td> <td align="right">\$10,613,000</td> </tr> </table> <p><u>Uses:</u></p> <table> <tr> <td>Land</td> <td align="right">\$ 900,000</td> </tr> <tr> <td>Construction Costs</td> <td align="right">\$ 7,000,000</td> </tr> <tr> <td>Soft Costs</td> <td align="right">\$ 1,510,000</td> </tr> <tr> <td>Contingency</td> <td align="right">\$ 848,000</td> </tr> <tr> <td>Developer Fee</td> <td align="right">\$ <u>355,000</u></td> </tr> <tr> <td>Total</td> <td align="right">\$ 10,613,000</td> </tr> </table>	Leverage Loan/ Commercial Mortgage	\$ 1,970,000	PDC Permanent Loan	\$ 3,050,000	NMTC Investment (federal)	\$ 2,656,000	Capital Campaign	\$ 1,955,000	NMTC Investment (OR)/		Additional Capital Campaign	\$ 960,000	Weatherization Grant (Energy Trust of OR)	\$ 10,000	PDC DOS Grant	\$ <u>12,000</u>	Total	\$10,613,000	Land	\$ 900,000	Construction Costs	\$ 7,000,000	Soft Costs	\$ 1,510,000	Contingency	\$ 848,000	Developer Fee	\$ <u>355,000</u>	Total	\$ 10,613,000
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<p>Program Guideline Exceptions:</p>	<ul style="list-style-type: none"> • Loan amount exceeds program maximum of \$2,000,000 • Interest rate is not based on Prime + 3% • Fee to be financed instead of paid at closing • Loan term exceeds 10 years • Loan payments are cash flow dependent • Borrower's equity contribution is less than 10% • Personal/ corporate guarantees not required from the principals/ entities • Combined Loan to Value exceeds 100%; • Debt service coverage ratio does not meet minimum 1:1.15
<p>Other Conditions:</p>	
<p>Equity Goals</p>	<p>Pursuant to PDC's adopted Equity Policy & Procedures, Borrower will comply with PDC's requirements for participation of minority-owned, women-owned and emerging small businesses and will make good faith efforts to utilize apprentices and women, minorities, and disadvantaged individuals in the construction workforce for the project, as provided by the Business Equity Program Requirements.</p>
<p>Green Building</p>	<p>Pursuant to PDC's adopted Green Building Policy, the project will register and certify for the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) at the Gold level.</p>
<p>Prevailing Wage</p>	<p>The project will be considered a "public work" subject to Oregon's Prevailing Wage Law (ORS 279C.800 to 279C.870 and the administrative rules adopted thereunder.)</p>
<p>Other</p>	<p>Borrower will provide additional information, execute and deliver additional agreements and documents, and comply with additional terms and conditions, in connection with the loans, as PDC may reasonably require.</p>

RESOLUTION NO. 7131

RESOLUTION TITLE:

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN; A DISPOSITION AGREEMENT AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO ASIAN HEALTH AND SERVICE CENTER, INC. FOR REDEVELOPMENT OF A CERTAIN PROPERTY IN THE LENTS TOWN CENTER URBAN RENEWAL AREA

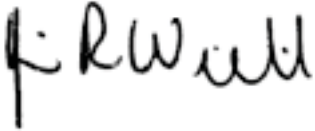
Adopted by the Portland Development Commission on June 24, 2015

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Chair Tom Kelly	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Aneshka Dickson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Mark Edlen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner John Mohlis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Charles Wilhoite	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Consent Agenda		<input checked="" type="checkbox"/> Regular Agenda		

CERTIFICATION

The undersigned hereby certifies that:

The attached resolution is a true and correct copy of the resolution as finally adopted at a Board Meeting of the Portland Development Commission and as duly recorded in the official minutes of the meeting.

	Date: June 26, 2015
Gina Wiedrick, Recording Secretary	