

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7132

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN, A DEVELOPMENT AND DISPOSITION AGREEMENT, AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO WILLIAMS/DAME AND ASSOCIATES, 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 9121 SE Foster Road, commonly known as Crossroads Plaza (“Property”), in the Lents Town Center URA for the purposes of furthering the goals of the Lents Town Center URA Plan;

WHEREAS, in May of 2014, 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 Williams/Dame and Associates, Inc. (“Developer”), redevelopment proposal;

WHEREAS, the proposal is a mixed-use, mixed-income 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

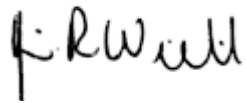
WHEREAS, PDC staff and the Developer have agreed upon the major terms of a Predevelopment Loan, a Development and Disposition Agreement, and a Commercial Property Redevelopment Loan.

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, somewhat stylized font.

Gina Wiedrick, Recording Secretary

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7132

EXHIBIT A

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN; A DEVELOPMENT AND DISPOSITION AGREEMENT AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO WILLIAMS/DAME AND ASSOCIATES, 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:	Williams/Dame & Associates, Inc.																		
Loan Program:	Commercial Property Redevelopment Loan - Predevelopment																		
Loan Amount:	\$1,256,077																		
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>\$ 53,000</td> </tr> <tr> <td>Design</td> <td>\$ 633,090</td> </tr> <tr> <td>Fees / Permits</td> <td>\$ 117,987</td> </tr> <tr> <td>Miscellaneous</td> <td>\$ 3,500</td> </tr> <tr> <td>Legal</td> <td>\$ 98,500</td> </tr> <tr> <td>Financing Costs</td> <td>\$ 185,000</td> </tr> <tr> <td>Contingency</td> <td>\$ 115,000</td> </tr> <tr> <td>Development Overhead</td> <td><u>\$ 50,000</u></td> </tr> <tr> <td>Total</td> <td>\$1,256,077</td> </tr> </table>	Property	\$ 53,000	Design	\$ 633,090	Fees / Permits	\$ 117,987	Miscellaneous	\$ 3,500	Legal	\$ 98,500	Financing Costs	\$ 185,000	Contingency	\$ 115,000	Development Overhead	<u>\$ 50,000</u>	Total	\$1,256,077
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Contingency	\$ 115,000																		
Development Overhead	<u>\$ 50,000</u>																		
Total	\$1,256,077																		
Loan Fee:	1% of loan amount (\$1,256,077), 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 reserves 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.
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PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7132

EXHIBIT B

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN; A DEVELOPMENT AND DISPOSITION AGREEMENT AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO WILLIAMS/DAME AND ASSOCIATES, 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 Williams/Dame and Associates, Inc.

SUMMARY OF TERMS AND CONDITIONS

OF

DISPOSITION AND DEVELOPMENT OF PROPERTY
IN THE LENTS URBAN RENEWAL AREA

Between

THE PORTLAND DEVELOPMENT COMMISSION

And

WILLIAMS/DAME AND ASSOCIATES, 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). Williams/Dame and Associates, 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 26,789 square foot lot located on the Northwest corner of SE Foster Rd. & SE 92nd Ave., Portland, Oregon.

Land Value: According to an appraisal dated February 27, 2015, the Property is valued at \$800,000.

Project: The proposed “Project” is a mixed-use building consisting of 54 residential units of which 16 are affordable (level of affordability to be determined with the Portland Housing Bureau); 8,992 square feet of ground floor commercial space; and 37 surface parking spaces.

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 a DDA (currently anticipated to be June 24, 2015). During the Feasibility Period the Developer shall undertake appropriate due diligence and cause design documents to be drafted and delivered to the City of Portland for design review.

Exclusive Negotiation: To the extent that Developer abides by the terms of this summary and is progressing toward negotiation of a 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 \$1,256,077 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 a predevelopment loan 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:** \$15,702,000
 - 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.
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D. Capital Sources Precedent to Closing:

a. **Senior Loan:** \$9,400,000 of FHA 221(d) 4 guaranteed financing

b. **PDC Permanent Loan:** PDC anticipates a \$4,750,000 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 25-year term and carry a 5.5% interest rate. Payments shall be interest only for the initial 10 years and cash flow dependent (no interest on accruals). Principal and interest payments shall start in year 11 based on a 25 year amortization of the then outstanding principal plus capitalization of any accrued interest. The PDC Permanent Loan shall be secured by a second lien on the Property.

c. **PHB Loan:** Portland Housing Bureau (PHB) is underwriting a loan (PHB Loan) in an amount and terms to be determined by PHB sufficient to allow for project feasibility.

d. **Developer Equity.** A Developer contribution of \$400,000 in the form of cash shall be contributed on the Closing Date. The Developer Equity shall be entitled to a 13.25% annual, non-compounded, preferred return, payable to Developer prior to PDC Permanent Loan debt service. The annual Developer Equity preferred return shall increase by 1% each year starting in year 11.

E. **Seller's Long Term Repurchase Option.** The Seller, PDC, shall reserve an option to repurchase the Property and Project for \$440,000 (Long Term Repurchase Option). PDC may exercise the option no sooner than 10 years after the Closing Date. Such Long Term Repurchase Option shall be assignable at PDC's discretion. If PDC exercises or assigns the Long Term Repurchase Option then PDC or its assignee shall assume the repayment obligations associated with the Senior Loan and PHB Loan.

F. **Developer Fee.** 3.6% of total Project Costs

- G. **Community Benefits.** The DDA shall include specific provisions to ensure that public benefits are secured. One such benefit is the provision of affordable commercial lease space for neighborhood business tenants. In order to establish this benefit, PDC may seek to lease up to 50% of the commercial space in the Project at an agreed upon 10% discount to market rates charged on the portion that is not PDC-leased. Such additional terms and conditions shall be mutually agreed upon by the Parties.

- H. **Short Term Repurchase Right.** Seller shall have the right to repurchase the Property for the original Land Value of \$800,000 if Developer does not commence construction within 12 months of the Closing Date.

- I. **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 closing of a Predevelopment Loan approved 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:

WILLIAMS/DAME & ASSOCIATES, INC.,
an Oregon corporation

By: _____
T.B. Dame, President

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7132

EXHIBIT C

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN; A DEVELOPMENT AND DISPOSITION AGREEMENT AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO WILLIAMS/DAME AND ASSOCIATES, 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:	Williams/Dame & Associates, Inc. or Special Purpose Entity per DDA																						
Loan Program:	Commercial Property Redevelopment Loan – Construction/Permanent																						
Loan Amount:	\$4,750,000																						
Uses of Funds:	New construction																						
Loan Fee:	1% of the loan amount (\$47,500), financed																						
Interest Rate:	5.5% annual fixed rate																						
Term:	25 year term, 25 year amortization beginning in year 11																						
Repayment:	Interest-only payments for 10 years that are cash flow dependent with accrual (no interest on the accruals), followed by principal and interest payments for the remaining 15 years with the balance due at the end of year 25.																						
Collateral:	2 nd lien position on the property																						
Guarantors:	None																						
Total Development Sources and Uses:	<p><u>Sources:</u></p> <table> <tr> <td>Senior Loan</td> <td>\$ 9,400,000</td> </tr> <tr> <td>PDC Permanent Loan</td> <td>\$ 4,750,000</td> </tr> <tr> <td>Portland Housing Bureau (PHB) Funding</td> <td>\$ 1,152,000</td> </tr> <tr> <td>Developer Equity</td> <td><u>\$ 400,000</u></td> </tr> <tr> <td>Total</td> <td>\$15,702,000</td> </tr> </table> <p><u>Uses:</u></p> <table> <tr> <td>Land</td> <td>\$ 800,000</td> </tr> <tr> <td>Construction Costs</td> <td>\$ 10,200,000</td> </tr> <tr> <td>Soft Costs</td> <td>\$ 3,270,000</td> </tr> <tr> <td>Contingency</td> <td>\$ 900,000</td> </tr> <tr> <td>Developer Fee</td> <td><u>\$ 532,000</u></td> </tr> <tr> <td>Total</td> <td>\$ 15,702,000</td> </tr> </table>	Senior Loan	\$ 9,400,000	PDC Permanent Loan	\$ 4,750,000	Portland Housing Bureau (PHB) Funding	\$ 1,152,000	Developer Equity	<u>\$ 400,000</u>	Total	\$15,702,000	Land	\$ 800,000	Construction Costs	\$ 10,200,000	Soft Costs	\$ 3,270,000	Contingency	\$ 900,000	Developer Fee	<u>\$ 532,000</u>	Total	\$ 15,702,000
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Total	\$ 15,702,000																						
Program Guideline Exceptions:	<ul style="list-style-type: none"> • Loan amount exceeds program maximum of \$2,000,000 • Interest rate is not based on Prime + 3% 																						

	<ul style="list-style-type: none"> • 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
Other Conditions:	
Equity Goals	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.
Green Building	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.
Prevailing Wage	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.)
Other	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.

RESOLUTION NO. 7132

RESOLUTION TITLE:

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN, A DEVELOPMENT AND DISPOSITION AGREEMENT, AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO WILLIAMS/DAME AND ASSOCIATES, INC., FOR REDEVELOPMENT OF A CERTAIN PROPERTY IN THE LENTS TOWN CENTER URBAN RENEWAL AREA

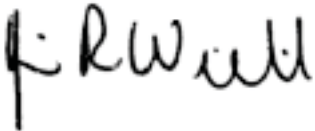
Adopted by the Portland Development Commission on June 24, 2015

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.

	<p>Date:</p> <p>June 26, 2015</p>
<p>Gina Wiedrick, Recording Secretary</p>	