

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7133

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN, A DEVELOPMENT AND DISPOSITION AGREEMENT, AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO PALINDROME COMMUNITIES, LLC, FOR REDEVELOPMENT OF A CERTAIN PROPERTY IN THE LENTS TOWN CENTER URBAN RENEWAL AREA

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

WHEREAS, PDC purchased the property located at 5933 SE 92nd and 5916 SE 91st avenues, commonly known as Edmonson’s Drapery (“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, 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 Palindrome Communities, LLC (“Developer”), redevelopment proposal;

WHEREAS, the proposal is a mixed-use multi-block 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

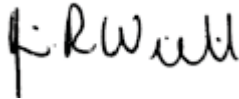
WHEREAS, PDC staff and the Developer have agreed upon the major terms of a Predevelopment Loan, a Development and Disposition Agreement, and a Commercial Property Redevelopment Loan.

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".

Gina Wiedrick, Recording Secretary

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7133

EXHIBIT A

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN, A DEVELOPMENT AND DISPOSITION AGREEMENT, AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO PALINDROME COMMUNITIES, LLC, 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:	Palindrome Communities, LLC																		
Loan Program:	Commercial Property Redevelopment Loan - Predevelopment																		
Loan Amount:	\$1,315,000																		
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>\$ 32,000</td> </tr> <tr> <td>Design</td> <td>\$ 967,500</td> </tr> <tr> <td>Fees / Permits</td> <td>\$ 22,500</td> </tr> <tr> <td>Miscellaneous</td> <td>\$ 7,500</td> </tr> <tr> <td>Legal</td> <td>\$ 40,000</td> </tr> <tr> <td>Financing Costs</td> <td>\$ 25,000</td> </tr> <tr> <td>Contingency</td> <td>\$ 50,000</td> </tr> <tr> <td>Purchase Earnest Money</td> <td><u>\$ 170,000</u></td> </tr> <tr> <td>Total</td> <td>\$1,315,000</td> </tr> </table>	Property	\$ 32,000	Design	\$ 967,500	Fees / Permits	\$ 22,500	Miscellaneous	\$ 7,500	Legal	\$ 40,000	Financing Costs	\$ 25,000	Contingency	\$ 50,000	Purchase Earnest Money	<u>\$ 170,000</u>	Total	\$1,315,000
Property	\$ 32,000																		
Design	\$ 967,500																		
Fees / Permits	\$ 22,500																		
Miscellaneous	\$ 7,500																		
Legal	\$ 40,000																		
Financing Costs	\$ 25,000																		
Contingency	\$ 50,000																		
Purchase Earnest Money	<u>\$ 170,000</u>																		
Total	\$1,315,000																		
Loan Fee:	1% of loan amount (\$13,150.00), 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. 7133

EXHIBIT B

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN, A DEVELOPMENT AND DISPOSITION AGREEMENT, AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO PALINDROME COMMUNITIES, LLC, FOR REDEVELOPMENT OF A CERTAIN PROPERTY IN THE LENTS TOWN CENTER URBAN RENEWAL AREA

Exhibit B includes this cover page and contains nine pages:

- Summary of Terms and Conditions of Disposition and Development of Property in the Lents Urban Renewal Area between the Portland Development Commission and Palindrome Communities, LLC

SUMMARY OF TERMS AND CONDITIONS

OF

DISPOSITION AND DEVELOPMENT OF PROPERTY
IN THE LENTS URBAN RENEWAL AREA

Between

THE PORTLAND DEVELOPMENT COMMISSION

And

PALINDROME COMMUNITIES, LLC

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). Palindrome Communities, LLC (“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 26,205 square foot lot located on the Northwest corner of SE Foster Rd. & SE Woodstock Blvd., Portland, Oregon.

Land Value: According to an appraisal dated February 18, 2015, the Property is valued at \$710,000.

Project: The proposed “Project” consists of 131,560 square feet of mixed-use space across several buildings on the Seller owned property, plus adjacent property located at 5932 SE 92nd Avenue (New Copper Penny “NCP” site) that Developer intends to acquire and property at 9138 SE Foster Road (“Chevron” site) that Developer intends to acquire; the Project will contain approximately 120 residential units all of which will be affordable (level of affordability to be determined with the Portland Housing Bureau), approximately 25,000 square feet of ground floor commercial space, and associated parking.

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 the Feasibility Period.

Predevelopment
Loan:

PDC anticipates a \$1,315,000 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:** \$40,120,000

C. **SPE:** The Parties anticipate that Developer will create one or more special purpose entities (SPEs) to execute the DDA or to accept an assignment of elements of the DDA. Developer may separate the residential and the commercial portions of the development into separate SPEs. Developer shall provide to PDC all necessary information for PDC to determine that the SPEs will be able to fulfill the obligations of the DDA and that PDC assumes no greater risk as a product of the SPEs' roles.

D. **Capital Sources Precedent to Closing:**

a. **RESIDENTIAL FINANCING:**

- i. **Tax Exempt Bonds:** \$8,000,000
- ii. **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.
- iii. **Low Income Housing Tax Credit Equity ("LIHTC"):** \$7,900,000 from Federal 4% LIHTC program.

b. **COMMERCIAL FINANCING:**

- i. **Senior Commercial Loan:** \$4,000,000 secured by a first lien on the commercial portion.
- ii. **PDC Permanent Loan:** PDC anticipates a \$5,130,000 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 and carry a 3.25% interest rate. Payments shall be interest only for the initial 2 year construction and stabilization period, and the interest accrued will be deferred to maturity. Principal and interest payments will start in year 3 based on a 38 year amortization. Repayment will be cash flow dependent and any unpaid interest shall accrue and be paid first from available cash flow (accrued interest balance will not incur additional interest.) The PDC

Permanent Loan shall be non-recourse, and be secured by a second lien on the Property.

- iii. **Deferred Developer Fee.** Developer Fee associated with commercial development shall be limited to 3.5% of Project costs associated with the commercial development and will be wholly deferred.

E. Returns to Developer and PDC Associated with Commercial Development:

- a. **Deferred Fee Repayment (Phase One Split).** The Deferred Developer Fee and any additional equity contributed by the Developer associated with the commercial development shall be recaptured when there is positive cash flow. Positive cash flow is that cash available after payment of net operating expenses and payment of the monthly obligation to the Senior Commercial Loan. Positive cash flow shall be allocated 50% to the Developer to recapture the Deferred Developer Fee and any additional Developer equity, and 50% to pay accrued interest due under the PDC Permanent Loan. Unpaid PDC Permanent Loan principal during this Phase shall be deferred until Phase Three or Loan maturity, whichever comes first.
- b. **Developer Preferred Return (Phase Two Split).** The Phase One Split shall continue until the Deferred Developer Fee and any additional Developer equity is fully recaptured. Starting the month after full Deferred Fee recapture, the positive cash flow amount shall be split 20% to Developer and 80% to pay the PDC Permanent Loan interest accruals. Unpaid PDC Permanent Loan principal during this Phase shall be deferred until Phase Three or Loan maturity, whichever comes first.
- c. **Seller's Participation (Phase Three Split).** The Phase Two Split shall continue until all PDC Permanent Loan interest accruals have been satisfied. Starting the month after satisfaction of all interest accruals, positive cash flow shall be split 30% to Developer and 70% to pay the PDC Permanent Loan including principal, interest, and deferred principal. Once the PDC Permanent Loan is fully repaid, any Seller Participation will cease. (See Exhibit A for a diagram of the cash flow waterfalls described in the preceding paragraphs.)

- F. **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 the benefit, PDC may seek to lease not more than 4,000 square feet of the commercial space in the Project at an agreed upon 10% discount to market rates charged on the non-anchor square footage that is not PDC-leased. Such additional terms and conditions shall be mutually agreed upon by the Parties.
- G. **Short Term Repurchase Right.** Seller shall have the right to repurchase the Property for the original Land Value of \$710,000 if Developer does not commence construction within 12 months of the Closing Date.
- H. **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 the DDA terms by the PDC Board.

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

SELLER:

PORTLAND DEVELOPMENT COMMISSION

By: _____
Patrick Quinton, Executive Director

APPROVED AS TO FORM:

Legal Counsel

BUYER:

PALINDROME COMMUNITIES, LLC

A Nevada Limited Liability Company

By: _____
Chad Rennaker, Manager

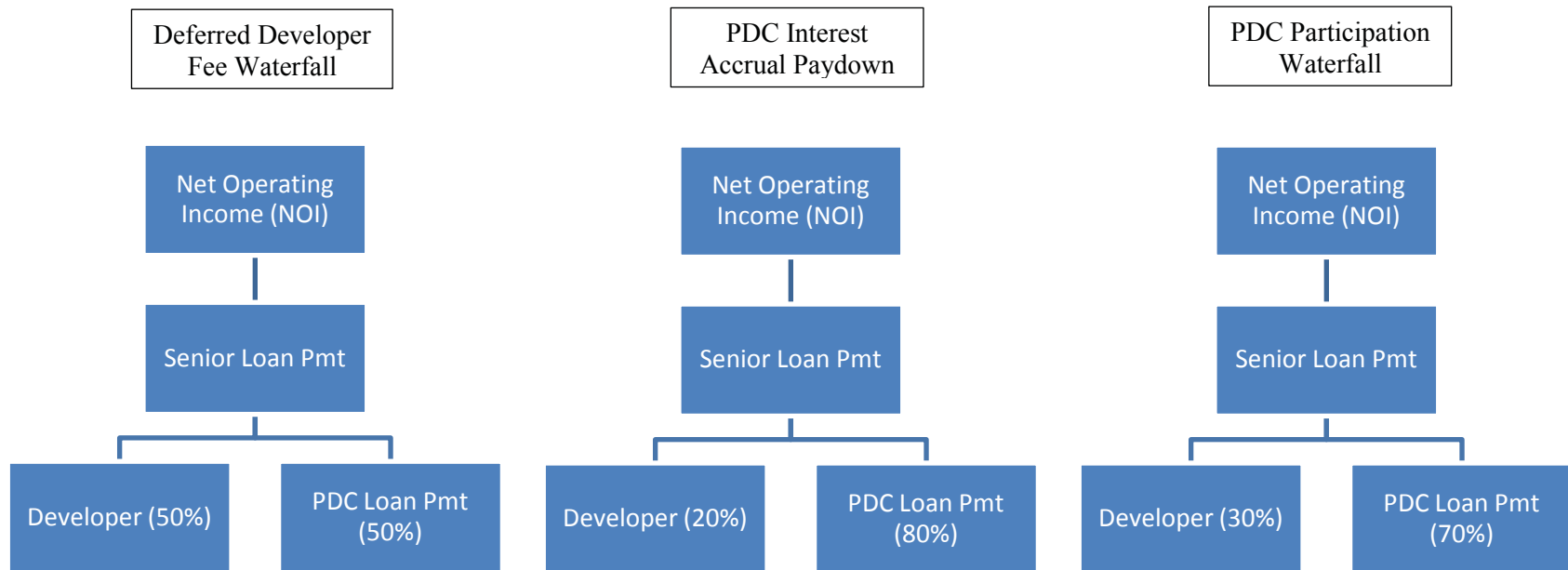
Exhibit "A"

Cash Flow Waterfall Diagrams

Phase One Split

Phase Two Split

Phase Three Split



PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7133

EXHIBIT C

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN, A DEVELOPMENT AND DISPOSITION AGREEMENT, AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO PALINDROME COMMUNITIES, LLC, FOR REDEVELOPMENT OF A CERTAIN PROPERTY IN THE LENTS TOWN CENTER URBAN RENEWAL AREA

Exhibit C includes this cover page and contains four pages:

- Proposed Terms and Conditions of PDC Permanent Loan

Proposed Terms and Conditions of PDC Permanent Loan

Borrowing Entity:	Palindrome Communities, LLC or Special Purpose Entity per DDA																		
Loan Program:	Commercial Property Redevelopment Loan – Construction/Permanent																		
Loan Amount:	\$5,130,000																		
Uses of Funds:	New construction (commercial portion only of a mixed use project)																		
Loan Fee:	1% of the loan amount (\$51,300), financed																		
Interest Rate:	3.25% annual fixed rate																		
Term:	40 year term, 38 year amortization beginning in year 3																		
Repayment:	Interest-only payments for 2 years that are deferred to maturity, followed by principal and interest payments for the remaining 38 years with the balance due at the end of year 40. All payments are cash flow dependent; interest accrues and is paid down first (no interest on accruals) and unpaid principal is deferred.																		
Collateral:	2 nd lien position on the property																		
Guarantors:	None																		
Total Development Sources and Uses:	<p><u>Sources:</u></p> <p>Residential:</p> <table> <tr> <td>Tax Exempt Bonds</td> <td align="right">\$ 8,000,000</td> </tr> <tr> <td>Low Income Housing Tax Credit Equity</td> <td align="right">\$ 7,900,000</td> </tr> <tr> <td>Portland Housing Bureau (PHB) Funding</td> <td align="right">\$ 12,000,000</td> </tr> <tr> <td>Developer Equity (Deferred Developer Fee)</td> <td align="right"><u>\$ 2,775,000</u></td> </tr> <tr> <td>Total</td> <td align="right">\$ 30,675,000</td> </tr> </table> <p>Commercial:</p> <table> <tr> <td>Senior Commercial Loan</td> <td align="right">\$ 4,000,000</td> </tr> <tr> <td>PDC Permanent Loan</td> <td align="right">\$ 5,130,000</td> </tr> <tr> <td>Developer Equity (Deferred Developer Fee)</td> <td align="right"><u>\$ 315,000</u></td> </tr> <tr> <td>Total</td> <td align="right">\$ 9,445,000</td> </tr> </table> <p>TOTAL \$ 40,120,000</p> <p><u>Uses:</u></p>	Tax Exempt Bonds	\$ 8,000,000	Low Income Housing Tax Credit Equity	\$ 7,900,000	Portland Housing Bureau (PHB) Funding	\$ 12,000,000	Developer Equity (Deferred Developer Fee)	<u>\$ 2,775,000</u>	Total	\$ 30,675,000	Senior Commercial Loan	\$ 4,000,000	PDC Permanent Loan	\$ 5,130,000	Developer Equity (Deferred Developer Fee)	<u>\$ 315,000</u>	Total	\$ 9,445,000
Tax Exempt Bonds	\$ 8,000,000																		
Low Income Housing Tax Credit Equity	\$ 7,900,000																		
Portland Housing Bureau (PHB) Funding	\$ 12,000,000																		
Developer Equity (Deferred Developer Fee)	<u>\$ 2,775,000</u>																		
Total	\$ 30,675,000																		
Senior Commercial Loan	\$ 4,000,000																		
PDC Permanent Loan	\$ 5,130,000																		
Developer Equity (Deferred Developer Fee)	<u>\$ 315,000</u>																		
Total	\$ 9,445,000																		

	<p>Residential:</p> <p>Land \$ 4,315,000</p> <p>Construction Costs \$ 17,525,000</p> <p>Soft Costs \$ 2,660,000</p> <p>Contingency/Reserves \$ 2,272,000</p> <p>Developer Fee <u>\$ 3,903,000</u></p> <p>Total \$ 30,675,000</p> <p>Commercial:</p> <p>Land \$ 3,395,000</p> <p>Construction Costs \$ 4,100,000</p> <p>Soft Costs \$ 930,000</p> <p>Contingency/Reserves \$ 900,000</p> <p>Developer Fee <u>\$ 315,000</u></p> <p>Total \$ 9,445,000</p> <p>TOTAL \$ 40,120,000</p>
<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, amortization exceeds 25 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>

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. 7133

RESOLUTION TITLE:

APPROVING THE TERMS OF A PREDEVELOPMENT LOAN, A DEVELOPMENT AND DISPOSITION AGREEMENT, AND A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO PALINDROME COMMUNITIES, LLC, FOR REDEVELOPMENT OF A CERTAIN PROPERTY IN THE LENTS TOWN CENTER URBAN RENEWAL AREA

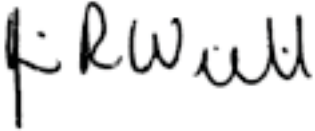
Adopted by the Portland Development Commission on June 24, 2015

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	