

PORTLAND DEVELOPMENT COMMISSION
Portland, Oregon

RESOLUTION NO. 6597

**AUTHORIZE EXECUTIVE DIRECTOR TO EXECUTE SECOND
MODIFICATION AGREEMENT FOR DEBT WITH BANK OF
AMERICA, N.A.**

WHEREAS, PDC at May 31, 2008 had \$2,213,775 of non-recourse Private Lender Participation Agreement (PLPA) debt outstanding in favor of Bank of America, N.A. (Bank of America), which debt bears interest at 7.65%, and which can be prepaid in whole or part at any time;

WHEREAS, PDC at April 30, 2008 held \$979,339 of contractually restricted cash in the PLPA debt service fund, and such cash earned interest from the City Treasurer at a 3.66% rate during the month of April 2008;

WHEREAS, PDC currently has budget authority to prepay \$750,000 of PLPA debt;

WHEREAS, Bank of America has agreed that if PDC prepays \$750,000 of the PLPA debt, it will lower the required monthly debt service payments from \$47,088 to an estimated amount of \$24,575, which lower monthly payment will fully amortize the new debt amount to the PLPA debt original maturity date of July 15, 2014 at an unchanged interest rate of 7.65%;

WHEREAS, prepaying the debt and reducing the required monthly debt service payments will result in projected net interest cost savings of approximately \$129,000 over the term of the debt;

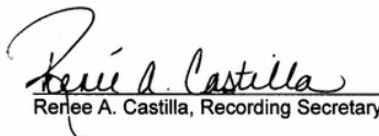
WHEREAS, reducing required monthly payments will release approximately \$270,000 per year of cash flow which would otherwise have been used for debt service, and such newly released funds will be available for spending for any lawful PDC purpose; and

WHEREAS, lowering required monthly payments should eliminate possible future problems for PDC in complying with the collateral maintenance provisions of the PLPA agreement.

NOW, THEREFORE, BE IT RESOLVED that that the Executive Director is authorized to prepay \$750,000 of the PLPA debt, and to execute a modification to the PLPA debt agreement substantially in the form affixed hereto as Exhibit A; and

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

Adopted by the Portland Development Commission on June 11, 2008.


Relee A. Castilla, Recording Secretary

SECOND MODIFICATION AGREEMENT

This Second Modification Agreement ("Agreement") is made as of June 15, 2008, among the City of Portland, Oregon ("City"), the Portland Development Commission, the duly authorized and acting urban renewal agency of City ("PDC"), and Bank of America, N.A., successor in interest by merger to Bank of America Oregon and successor in interest by merger to Security Pacific Bank of Oregon and successor in interest to The Oregon Bank ("Lender").

Recitals

- A. City, PDC and Lender (the "Parties") entered into a Private Lender Participation Agreement on November 10, 1988 ("PLPA"), and City and PDC agreed to enter into a loan payable to Lender. On or about September 26, 1989, the parties amended the PLPA to:
- modify terms to allow second mortgage rehabilitation loans to homeowners under the PLPA;
 - increase Reserve Balance Minimum from 10.0% to 10.5% of Master Note Advances outstanding with no immediate increase to the amount of the Reserve Balance;
 - modify the underwriting criteria;
 - modify terms to allow non-residential property as collateral for Qualified Loans;
 - increase the note in the amount of \$250,000; and
 - modify administrative procedures to allow timely execution and funding of Qualified Loans.
- B. The Parties also entered into a Private Lender Participation Agreement II on June 19, 1991 ("PLPA II"), and City and PDC agreed to enter into a loan payable to Lender. On or about June 30, 1993, the parties amended PLPA II to extend the expiration of the commitment period referenced in Section 2.3.1 from July 1, 1993 to January 1, 1994. On or about November 2, 1993, the parties amended PLPA II to extend the expiration of the commitment period 1 from January 1, 1994 to April 1, 1994. On or about March 29, 1994, the parties amended PLPA II to extend the expiration of the commitment period from April 1, 1994 to July 1, 1994.
- C. The Parties also entered into a Private Lender Participation Agreement III on June 1, 1994 ("PLPA III"), and City and PDC agreed to enter into a loan payable to Lender. On or about May 31, 1996, the parties amended PLPA III to extend the expiration of the commitment period from May 31, 1996 to August 31, 1996.
- D. The above loans were evidenced by:
- A Master Promissory Note dated November 10, 1988 in the stated principal amount of \$4,750,000.00 ("Note 1"). On or about September 26, 1989, the parties amended Note 1 and other loan documents to increase the principal amount from \$4,750,000.00 to \$5,000,000.00.

- A Master Promissory Note dated June 26, 1991 in the stated principal amount of \$3,500,000.00 ("Note 2"). On or about November 2, 1993, the parties amended Note 2 and other loan documents to increase the principal amount from \$3,500,000.00 to \$4,200,000.00 and the total principal commitment from \$4,354,044.00 to \$5,054,044.00.
 - A Master Promissory Note dated June 1, 1994 in the stated principal amount of \$3,000,000.00 ("Note 3"). On or about May 31, 1996, the parties amended Note 3 and other loan documents to increase the principal amount from \$3,000,000.00 to \$3,200,000.00 and the total principal commitment from \$6,778,112.05 to \$6,978,112.05;
- E. By Modification Agreement dated June 28, 2001 ("2001 Modification"), the above loans were combined into a new "Master Note" dated June 28, 2001, which consolidated the obligation under Notes 1, 2 and 3 and included \$600,000 of additional principal amount (hereafter, the "2001 Master Note").
- F. City and PDC propose to make a prepayment of principal in the amount of \$750,000 on June 15, 2008, and request that the Master Note be reamortized accordingly.
- G. As of June 15, 2008, after application of the prepayment referred to in Recital F, the outstanding principal balance of the 2001 Master Note will be \$1,430,800.21.
- H. Lender, PDC and City have agreed to modify the 2001 Master Note.

Agreement

Therefore, City, PDC, and Lender agree as follows:

1. **THE MASTER LOAN.** The parties hereby agree to modify the Master Note on the terms set forth in this Agreement.
 - 1.1 Fees to Lender. PDC shall pay all attorney fees and costs incurred in conjunction with this Agreement including the fees and costs of Lender's counsel.
 - 1.2 Master Note. The second paragraph of the 2001 Master Note is amended to provide that monthly principal and interest installments under the 2001 Master Note shall equal \$24,574.44, commencing July 1, 2008, and shall continue until the maturity date of the 2001 Master Note, which maturity date shall remain July 15, 2014, on which date all remaining principal and accrued but unpaid interest shall be paid in full.
2. **MISCELLANEOUS PROVISIONS**
 - 2.1 Interest in the Collateral Pool. As security for the Master Loan, the City and PDC confirm the assignment of the Existing Pledged Notes pursuant to the Prior Loan Documents and Additional Pledged Notes as set forth in the 2001 Modification.

2.2 Cash Reserves.

2.2.1 PDC shall maintain a cash reserve in an amount equal to two months of loan payments (\$49,179). This reserve may be maintained in the form of a deposit with the City Treasurer.

2.2.2 PDC shall certify its required cash holdings on its quarterly collateral certifications, in addition to its other normal loan collateral certifications.

2.3 Excess Cash. Provided that PDC complies with all quarterly certification requirements, PDC will be allowed to use for any lawful purpose of PDC all cash from the loan collateral, whether from regular monthly payments or from loan prepayments, that exceed the new lower monthly debt service requirements.

2.4 Effect of Change. Except as modified herein and to the extent not inconsistent with the terms hereof, all other terms of the 2001 Master Note and the Prior Loan Documents remain in full force and effect.

2.5 Conditions to Closing.

2.5.1 At Closing, the prepayment of \$750,000 described in Recital F shall be made.

2.5.2 At Closing, Lender's counsel and any fees incurred by Lender's counsel shall be paid by PDC in the amount of \$1,200.

Statutory Notice: UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY US CONCERNING LOANS OR OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE, MUST BE IN WRITING, EXPRESS CONSIDERATION AND SIGNED BY US TO BE ENFORCEABLE.

BANK OF AMERICA, N.A.

By: _____

**CITY OF PORTLAND, a municipal corporation
of the State of Oregon**

By: _____

**PORTLAND DEVELOPMENT COMMISSION,
the duly authorized and acting urban renewal
agency of the City of Portland**

By: _____

APPROVED AS TO FORM:

By: _____
Name:
City Attorney

By: _____
Name:
General Counsel, Portland Development Commission

PDC

PORTLAND DEVELOPMENT COMMISSION

Resolution Number 6597

TITLE: AUTHORIZE EXECUTIVE DIRECTOR TO EXECUTE SECOND MODIFICATION AGREEMENT FOR DEBT WITH BANK OF AMERICA, N.A.


Adopted by the Portland Development Commission on June 11, 2008.

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Mark Rosenbaum, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Sal Kadri	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Bertha Ferrán	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	Charles Wilhoite	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	John Mohlis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/> Consent Agenda		<input 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 duly recorded in the official minutes of the meeting.


Renee A. Castilla, Recording Secretary

Date: June 12, 2008