

PORTLAND DEVELOPMENT COMMISSION
Portland, Oregon

RESOLUTION NO. 6602

APPROVING MODIFICATIONS TO TERMS OF A LOAN TO THE HERITAGE BUILDING, LLC, PREVIOUSLY AUTHORIZED PURSUANT TO A DISPOSITION AND DEVELOPMENT AGREEMENT FOR REDEVELOPMENT OF REAL PROPERTY LOCATED AT 3934 NE MARTIN LUTHER KING, JR. BOULEVARD IN THE OREGON CONVENTION CENTER URBAN RENEWAL AREA; AUTHORIZING EXECUTIVE DIRECTOR TO EXECUTE SUCH DOCUMENTS AS SHALL BE NECESSARY TO IMPLEMENT SUCH LOAN TERM MODIFICATIONS.

WHEREAS, the Portland Development Commission (“PDC”) is charged by the Albina Community Plan and the Oregon Convention Center Urban Renewal Area Plan to carry out projects that support commercial revitalization on NE Martin Luther King, Jr. Blvd. and, among other tasks, to assemble property at key commercial nodes to promote neighborhood-oriented commercial development;

WHEREAS, PDC worked closely with a community advisory committee to prepare a development vision for PDC-owned properties near NE Martin Luther King, Jr. Blvd. and NE Fremont Street including an existing 18,000 square foot building located at 3934 NE Martin Luther King, Jr. Blvd. (“Property”);

WHEREAS, on July 21, 2001, PDC issued a Request-for-Proposals (“RFP”) and, after extensive review, a community evaluation committee recommended a local development team known as Heritage Building, L.L.C. (the “Developer”) to carry out redevelopment of the Property;

WHEREAS, on January 8, 2003, the PDC Board of Commissioners (“Board”) adopted Resolution Number 5964 authorizing the Executive Director to enter into a Disposition and Development Agreement (“DDA”) with the Developer for the redevelopment of the Property, more commonly known as, “The Heritage Building” (the “Project”);

WHEREAS, on May 11, 2005, the PDC Board adopted Resolution No. 6238 which authorized the Executive Director to amend the DDA for the purpose, among others, of increasing the amount of the Project financing to be provided by PDC to the Developer (“PDC Financing”);

WHEREAS, at the time that the PDC Financing was made available to the Developer in September 2005, the PDC Financing in the principal amount of \$2,450,000 was secured by a lien on the Property which was subordinate to a lien on the Property securing Developer’s repayment of a loan made by Albina Community Bank (“Albina”) to Developer in the principal amount of \$1,900,000 (“Albina Loan”);

WHEREAS, during the course of construction, Developer encountered certain unanticipated construction cost increases and lease up delays;

WHEREAS, the terms to the PDC Financing were amended in September 2007 to, among other things, (a) extend the date for conversion from a construction loan to a permanent loan from March 31, 2007, to December 31, 2007, and (b) permit disbursement of a project contingency reserve for the purpose of funding a portion of construction cost increases;

WHEREAS, the terms to the Albina Loan were similarly amended in September 2007, to extend the date for conversion from a construction loan to a permanent loan;

WHEREAS, because Developer did not satisfy all conditions for conversion of the Albina Loan by December 31, 2007, the Albina Loan has matured and become due and payable as of December 31, 2007;

WHEREAS, Albina has issued a Notice of Default and Election to Sell the Property, with a scheduled foreclosure sale anticipated to occur on July 22, 2008;

WHEREAS, Developer has entered into preliminary negotiations with Bank of the West (“BOTW”) to obtain a loan to pay off the Albina Loan and is currently in the process of obtaining a loan commitment from BOTW for financing in the approximate amount of \$2,100,000 (“Proposed BOTW Loan”);

WHEREAS, in order to qualify for the Proposed BOTW Loan, certain modifications will be required to be made to the terms of the PDC Financing, all of which are set forth in Exhibit A attached hereto (“PDC Financing Modifications”); and

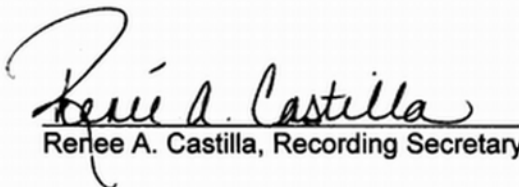
WHEREAS, the completion of improvements at the Heritage Building and the leasing of commercial space in the Heritage Building with commercial tenants has contributed to the revitalization of NE Martin Luther King, Jr. Blvd.

NOW, THEREFORE, BE IT RESOLVED that the PDC Financing Modifications are hereby approved;

BE IT FURTHER RESOLVED that the Executive Director is hereby authorized to execute such documents as shall be necessary to implement the PDC Financing Modifications and to accommodate the replacement of the Albina Loan with the Proposed BOTW Loan; and

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

Adopted by the Portland Development Commission on June 25, 2008.


Renee A. Castilla, Recording Secretary

PDC Financing Modifications

	Loan as currently approved	
Loan	PDC Note A	PDC Note B
Loan Amount	1,250,000 face value	1,200,000 face value
Loan Fee	0	0
Interest Rate	3%	1%
Loan Term and Payments	30-year amortization. 1 year interest-only payments after projected Debt Service Coverage achieve 1:00:1:00, followed by full principal and interest payments.	40-year amortization. Five years deferred payments, then 5 years interest-only payments, followed by full principal & interest. Additional payments may be required based on Excess Cash Flow.
Conversion to Permanent	December 31, 2007	
First Payment	April 2008 (date when projected Debt Service Coverage expected to achieve 1:00:1:00)	January 2013
Maturity	September 1, 2036	September 1, 2046
Collateral	Lien on Property, subordinate to Albina Senior Loan in principal amount of \$1.9 million	
Guarantors	None	

	Changes proposed to accommodate BOTW refinance	
Loan	PDC Note A	PDC Note B
Loan Term and Payments	30-year amortization. Five years payment deferral, followed by full principal & interest payments. Triggers change to Excess Cash Flow sharing calculation.	No Change
Conversion to Permanent	At closing of BOTW loan, expected to occur prior to July 22, 2008 (unless foreclosure sale date is extended by Albina)	
First Payment	August 2013	August 2013
Collateral	Lien on Property, subordinate to BOTW Senior Loan in the estimated principal amount of \$2.1 million	\$713K secured by lien on Property, subordinate to \$2.1M BOTW Senior Loan. Remaining \$487K secured by other real property controlled by Developer members.

PDC

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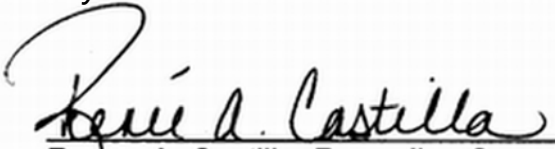
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PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Mark Rosenbaum, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Sal Kadri	<input 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 checked="" type="checkbox"/>	Charles Wilhoite	<input checked="" 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 26, 2008