

**PORTLAND DEVELOPMENT COMMISSION**  
Portland, Oregon

**RESOLUTION NO. 6863**

**ADOPTING REVISED FINANCIAL ASSISTANCE GUIDELINES  
FOR THE COMMERCIAL PROPERTY REDEVELOPMENT  
LOAN PROGRAM**

**WHEREAS**, on February 28, 2007, the Portland Development Commission (“PDC”) Board of Commissioners (the “Board”) adopted Resolution No. 6442 establishing guidelines for the Commercial Property Redevelopment Loan Program to provide gap financing for commercial redevelopment projects in urban renewal areas;

**WHEREAS**, the Commercial Property Redevelopment Loan Program helps implement Urban Renewal Area goals and the City of Portland’s Economic Development Strategy by supporting the development and redevelopment of blighted or underutilized properties;

**WHEREAS**, 26 loans in seven urban renewal areas have been approved since program inception, providing more than \$23.6 million in project funding that has leveraged nearly \$208 million of private investment;

**WHEREAS**, staff has undertaken a review of all financial products offered by PDC and has developed revised Commercial Property Redevelopment Loan Program guidelines; and

**WHEREAS**, the proposed changes to the Commercial Property Redevelopment Loan Program guidelines are designed to align with the Financial Investment Policy adopted by the Board in Resolution No. 6832, Strategic Plan 2010, and the City of Portland Economic Development Strategy, make the program more effective, and to better ensure implementation of Program objectives while minimizing PDC financial risk; and

**WHEREAS**, the proposed changes to the Commercial Property Redevelopment Loan Program guidelines, together with changes to the Business Incentive Fund in Resolution No. 6788, provide sufficient assistance to retail business to warrant elimination of the Retail Retention and Improvement Loan Product in Resolution No. 6442.

**NOW, THEREFORE, BE IT RESOLVED** that the Commercial Property Redevelopment Loan Program Guidelines attached hereto as Exhibit A are adopted and shall supersede any Commercial Property Redevelopment Loan Program Guidelines previously adopted by the PDC Board;

**BE IT FURTHER RESOLVED** that the Retail Retention and Improvement Loan Product in Resolution No. 6442 is hereby eliminated;

**BE IT FURTHER RESOLVED** that financial assistance offered under the Commercial Property Redevelopment Loan Program shall be approved in accordance with Resolution No. 6832 establishing the Financial Investment Committee;

**BE IT FURTHER RESOLVED** that the Executive Director is authorized to make procedural and administrative changes to the Commercial Property Redevelopment Loan Program Guidelines and shall present any policy changes to the Board for approval; and

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

**Adopted by the Portland Development Commission April 13, 2011.**



Recording Secretary

## Commercial Property Redevelopment Loan Program

The Portland Development Commission (PDC) makes loans to assist private partners with redevelopment, new development and tenant improvements that encourage property revitalization and wealth creation within urban renewal areas (URAs). The Commercial Property Redevelopment Loan Program ('Program') will encourage commercial, industrial or mixed use development consistent with PDC and URA goals. Generally, the Program provides loans with flexible terms to fill financial gaps and make a project financially feasible.

This Program will provide financial assistance for property development or rehabilitation of blighted sites or buildings, identified as vacant, abandoned or under-utilized in commercial areas or commercial corridors. Because funds are limited and insufficient for all projects, PDC may focus its scarce resources in certain areas of an Urban Renewal Area.

To be eligible for this Program, a project must align with Urban Renewal Area goals and include one or more of the following elements:

- **preservation of older and historic buildings**, identified as follows
  - on the National Register of Historic Places, either individually listed or identified as contributing in an historic district, or
  - an older building eligible for 10% Historic Tax Credits.
- **implementation of transit-oriented development**, defined as mixed-use development within 1/2 mile of light rail stations and 1/4 mile of frequent transit service.
- **supportive of permanent job growth or job retention** that reflect the strategic priorities of PDC, as defined in the Portland Economic Development Strategy, PDC Strategic Plan, proposed Community Economic Development Plan, and Downtown Retail Strategy<sup>1</sup>. Current business categories include:
  - **Target Cluster businesses** are defined as traded sector firms, in a target cluster, having the highest potential for growth due to the concentration of firms in the city and the existence of critical elements to competitive advantage over other industries.
  - **High Growth businesses** are defined as traded sector firms characterized by robust historical sales growth, identified markets for potential exponential growth in sales, and previous success in raising either debt or equity capital to finance initial start-up and expansion.
  - **Community Economic Development businesses** promote wealth creation opportunities for small business owners and jobs for neighborhood residents and offer a mix of goods and services, and investing in these businesses furthers the promotion of physical revitalization in neighborhood commercial corridors.
  - **Downtown Retail businesses** reside inside the Downtown Retail corridor.

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<sup>1</sup> Category definitions will be revised from time to time to reflect changes in the focus of PDC's economic development work and updates in the agency's strategic priorities.

- **integration of sustainable and green building practices** into construction projects. This could include implementation of PDC's Green Building Policy.
- **advancement of social equity** through providing contracting and employment opportunities to Portland's diverse populations, particularly those that have historically been underutilized. This could include implementation of PDC's Business Equity Program (formerly the Good Faith Effort Program) or the Workforce Equity Program (formerly the Workforce Training and Hiring Program).

### **Eligible Purpose**

Funding for this program is through tax increment financing (TIF). Therefore, only costs necessarily incurred to construct physical improvements to real property located within a URA are eligible for funding. If property acquisition costs are included as part of the requested funding, no more than 49% of the total TIF funds for the project may be used to pay for acquisition.

Loans types available include predevelopment, construction, and permanent financing.

These Program guidelines will be used to negotiate terms for financial assistance in a disposition of PDC-owned property under a Disposition and Development Agreement.

The Program is not intended to be used for development of solely residential projects. To qualify as mixed-use, an eligible project that includes housing must also include significant commercial space or work/live units.

### **Eligible Borrower**

Eligible Borrowers include:

- Property owner (fee simple or long term ground lease with term remaining that exceeds the loan term by at least five years).
- Parties in negotiation for acquisition of PDC or City-owned property.

### **Service Area**

All URAs, as funding is available.

### **Loan Types and Guidelines**

#### **Predevelopment Loans:**

- Loan Amount: minimum of \$25,000 and a maximum of \$200,000
- Interest Rate: a fixed rate equal to the current Prime Rate
- Fee: 1% of loan amount borrowed, paid at closing

- Term: up to 24 months, taken out by construction financing or repaid if project does not proceed.

If the proposed development does not proceed due to infeasibility, as mutually determined by PDC and the Borrower prior to approval of the loan, the predevelopment loan will be repaid through property sale or other sources after which PDC may consider forgiveness in its sole discretion. Forgiveness of any portion of the loan should not be assumed and is not automatically granted by the PDC. Criteria for determining infeasibility of the project will include the following:

- Ability to attract equity investment and/or secure the property
  - Strength of the market for the development project
  - Financial assumptions for development cost and operating income
  - Strength of the Borrower's financial capability
  - Ability to secure project financing
- Payments: deferred, balloon payment at the end of the term
  - Borrower's cash contribution: at least 50% of predevelopment costs, but a minimum of 25% cash
  - Security: security interest in the property and/or interest in the work product

#### **Construction and Permanent Loans:**

- Loan Amount: minimum of \$50,000 and a maximum of \$2 million.
- Interest Rate: a fixed rate based on the current Prime Rate plus 3%. The interest rate may be reduced by one percentage point (up to a maximum of three percentage points) for each of the following program objectives that are met:
  - preservation of an older or historic building, identified as being a building on the National Register of Historic Places, either individually listed or identified as contributing in an historic district, or an older building eligible for 10% Historic Tax Credits,
  - supportive of permanent job growth or job retention that reflect the strategic priorities of PDC. The Borrower will demonstrate (with signed leases or other commitments) that at least 50% of the project square feet will be utilized by employers in industries reflecting PDC's strategic priorities (as listed on page 2),
  - integration of sustainable and green building practices by exceeding the requirements of PDC's Green Building Policy. This applies if compliance with the Policy is not required but the Borrower agrees to voluntarily comply with the program requirements, or if the Borrower will achieve a higher certification level than required by the Policy, and
  - advancement of social equity by exceeding the requirements of the Business Equity Program or the Workforce Equity Program. This applies if

compliance with either program is not triggered but the Borrower agrees to voluntarily comply with the program requirements.

- Fee: 1% of loan amount borrowed, paid at closing
- Term:
  - For construction loans: up to 48 months which will allow up to 24 months for construction and up to 24 months for stabilization (defined as reaching the minimum Debt Service Coverage Ratio for the program). May be taken out with permanent financing.
  - For permanent loans: up to 10 years, with up to 25 years amortization
- Payments:
  - For construction loans: during construction and stabilization, interest-only payments are due, and may include a period of deferred payments based on underwriting analysis. This underwriting analysis will consider the construction and stabilization periods individually.
  - For permanent loans: principal and interest
- Borrower's equity contribution: at least 10% of project cost
- Collateral: interest in the subject property or other real estate
- Guarantee: personal and/or corporate guarantees of all principals and entities with at least a 20% ownership interest in the business
- Credit: Borrower and principals of company must have good credit. They may not be in bankruptcy or in foreclosure, or have unpaid tax liens, collections, or charge-offs. Any bankruptcies, tax liens, collections, charge-offs, foreclosures, repossessions or settlements on debt within the last seven years must have a written explanation acceptable to PDC.
- Combined Loan to Value: up to 100%
- Leverage of PDC dollars: generally a goal of 1:5, but a minimum of 1:1
- Debt Service Coverage Ratio: minimum of 1.15

# PDC

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**PORTLAND DEVELOPMENT COMMISSION**

## Resolution Number 6863

Title: **ADOPTING REVISED FINANCIAL ASSISTANCE GUIDELINES FOR THE COMMERCIAL PROPERTY REDEVELOPMENT LOAN PROGRAM**

Adopted by the Portland Development Commission on April 13, 2011.

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Chair Scott Andrews	<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 John Mohlis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	Commissioner Steven Straus	<input 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"/> <b>Consent Agenda</b>		<input checked="" type="checkbox"/> <b>Regular Agenda</b>		

### 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.*

  
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 Recording Secretary

Date: April 15, 2011