

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7209

**AUTHORIZING ACTIONS ASSOCIATED WITH 9101 FOSTER, LLC FOR
DEVELOPMENT, CONSTRUCTION, AND MANAGEMENT OF THE 9101 SE
FOSTER ROAD PROJECT WITHIN THE LENTS TOWN CENTER URBAN
RENEWAL AREA**

WHEREAS, the Portland Development Commission (“PDC”) owns a land assemblage consisting of 0.63 acres located at 9101 SE Foster Road (the “Property”) in the Lents Town Center Urban Renewal Area (“URA”), acquired by PDC in 1997, 1999, and 2014;

WHEREAS, PDC issued a Request for Interest in October 2014, for which Williams/Dame and Associates Inc, was one of four developers selected to negotiate the redevelopment of certain PDC-owned properties in the Lents Town Center;

WHEREAS, on June 24, 2015, the PDC Board of Commissioners (“Board”) through Resolution No. 7132 approved a Predevelopment Loan with WDA 91st and Foster Development LLC (“WDA”) for the purpose of developing the Property into a mixed-use, mixed-income apartment project (the “Project”) as part of PDC’s implementation of the Lents Five-Year Action Plan;

WHEREAS, PDC and WDA agreed to assign the contracts and work product generated under the Predevelopment Loan to PDC in lieu of loan repayment in accord with the terms of the Predevelopment Loan agreement;

WHEREAS, on June 8, 2016, the PDC Board through Resolution No. 7196 approved assignment of the WDA contracts and work product, formation of a Limited Liability Company (“9101 Foster, LLC”) for the purpose of completing construction and management of the Project, and transfer of both the remaining predevelopment funds and Property to 9101 Foster, LLC;

WHEREAS, on June 8, 2016, the PDC Board acting as the Local Contracting Review Board through Resolution No. 7197 adopted Findings and exempted the Project from the low-bid requirements of Oregon Revised Statutes Chapter 279 and specifically approved the Project for the alternative contracting approach set forth in the Findings;

WHEREAS, Bremik Construction (“General Contractor”) has submitted a Guaranteed Maximum Price (“GMP”) contract for construction of the Project in an amount not to exceed \$12,201,957;

WHEREAS, the total current Project budget is estimated at \$16,245,125; and

WHEREAS, PDC and the City of Portland Housing Bureau (“PHB”) have provided loan commitments to 9101 Foster, LLC in the amounts of \$15,100,000 and \$1,152,000, respectively.

NOW, THEREFORE, BE IT RESOLVED, that the Executive Director is authorized to execute a Commercial Property Redevelopment Loan to 9101 Foster LLC in an amount up to \$15,100,000;

BE IT FURTHER RESOLVED, the Executive Director, acting as the manager of 9101 Foster LLC, is authorized to borrow funds from both PDC and PHB in the aggregate amount of up to \$16,245,125;

BE IT FURTHER RESOLVED, the Executive Director, acting as the manager of 9101 Foster LLC, is authorized to execute a GMP contract with the General Contractor in an amount not to exceed \$12,201,957;

BE IT FURTHER RESOLVED the Executive Director, acting as the manager of 9101 Foster LLC, is authorized to approve any other costs associated with construction and stabilization of the Project up to the Project budget;

BE IT FURTHER RESOLVED, that the Executive Director may make changes to the GMP and other Project elements if, after consultation with PDC General Counsel, such changes do not materially exceed the Project Budget or materially increase risks; and

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

Adopted by the Portland Development Commission on September 14, 2016



Anne Crispino-Taylor, Recording Secretary

Summary of DRAFT GMP Contract Terms

Guaranteed Maximum Price:	\$12,201,957
Fee and Overhead Percentage:	4.3% (included in GMP)
Owner Controlled Contingency	5.0% (included in GMP)
Contractor General Conditions:	\$544,803 (included in GMP)
Payment Application Method:	Actual Costs Incurred
Savings Adjustments:	100% to Owner
Notice to Proceed Price Guarantee:	60 Days from Contract Execution
Substantial Completion NLT Date:	365 Days from Notice to Proceed
Liquidated Damages:	Per PDC Supplemental Conditions
Applicable Public Requirements:	Green Building, Workforce & Business Equity, BOLI Wages
Insurance and Bonding Coverages:	Subject to Owner Approval

91st and Foster

Preliminary PHB Structure – Amortized Loan Subject to HIC approval

Borrower	91 st and Foster LLC
Funding Amount	\$1,152,000 of Lent URA funds FY 16-17
Interest Rate	0% during Construction Period, 1.5% thereafter for entire 30 year term
Construction Period	18 months with an additional extension up to four months
Permanent Term	30 Years
Repayment:	Amortized monthly payments of \$3,975.79 (\$47,709.42 annually) for 360 months
Collateral	Subordinated Trust Deed that will be second in recording behind the PDC loan
Guarantors:	N/A
Cost Savings:	100% to go to PDC
Reserves	Operating Reserve to be funded in the amount of \$250,000. Replacement reserves will be funded through monthly deposits equal to \$200 per unit annually and increase by 3% each year.

DISBURSEMENTS: The PHB funding will be on a disbursement basis.

PHB HOLDBACK: The 10% hold back in the amount of \$115,200 to be released at conversion of the senior loan form construction to permanent funding.

Proposed Terms and Conditions of PDC Permanent Loan

Borrowing Entity:	9101 Foster LLC																				
Loan Program:	Commercial Property Redevelopment Loan – Construction/Permanent																				
Loan Amount:	Up to \$15,100,000																				
Uses of Funds:	New construction																				
Loan Fee:	None																				
Interest Rate:	Local Government Investment Pool rate as provided by the City Treasurer, fixed in the month of Board approval date (0.92% as of July 2016)																				
Term:	10 year term, 40 year amortization																				
Repayment:	Cash flow dependent annual payments with interest accrual (no interest on the accruals and unpaid principal deferred), with the balance due at the end of year 10. Deferred developer fee to be paid from cash flow priority to PDC repayment.																				
Collateral:	1 st lien position on the property																				
Guarantors:	None																				
Total Development Sources and Uses:	<p><u>Sources:</u></p> <table> <tr> <td>PDC Loan</td> <td>\$ 15,093,125</td> </tr> <tr> <td>Portland Housing Bureau (PHB) Funding</td> <td>\$ 1,152,000</td> </tr> <tr> <td>Deferred Developer Fee</td> <td>\$ <u>319,900</u></td> </tr> <tr> <td>Total</td> <td>\$ 16,565,025</td> </tr> </table> <p><u>Uses:</u></p> <table> <tr> <td>Land</td> <td>\$ 829,000</td> </tr> <tr> <td>Construction Costs</td> <td>\$ 12,201,957</td> </tr> <tr> <td>Development Costs</td> <td>\$ 2,604,168</td> </tr> <tr> <td>Reserves and TI Allowance</td> <td>\$ 610,000</td> </tr> <tr> <td>Developer Fee</td> <td>\$ <u>319,900</u></td> </tr> <tr> <td>Total</td> <td>\$16,565,025</td> </tr> </table>	PDC Loan	\$ 15,093,125	Portland Housing Bureau (PHB) Funding	\$ 1,152,000	Deferred Developer Fee	\$ <u>319,900</u>	Total	\$ 16,565,025	Land	\$ 829,000	Construction Costs	\$ 12,201,957	Development Costs	\$ 2,604,168	Reserves and TI Allowance	\$ 610,000	Developer Fee	\$ <u>319,900</u>	Total	\$16,565,025
PDC Loan	\$ 15,093,125																				
Portland Housing Bureau (PHB) Funding	\$ 1,152,000																				
Deferred Developer Fee	\$ <u>319,900</u>																				
Total	\$ 16,565,025																				
Land	\$ 829,000																				
Construction Costs	\$ 12,201,957																				
Development Costs	\$ 2,604,168																				
Reserves and TI Allowance	\$ 610,000																				
Developer Fee	\$ <u>319,900</u>																				
Total	\$16,565,025																				
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"> • No loan fee • 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	No prepayment penalty (partial refinance anticipated within 5 years)



CITY OF

PORTLAND, OREGON

Dan Saltzman, Commissioner

Kurt Creager, Director

421 SW 6th Avenue, Suite 500

Portland OR 97204

Date: July 25, 2016

To: Jina Bjelland, Portland Development Commission

From: Lois Waugh, Portland Housing Bureau

Re: 91st and Foster LLC loan

The Portland Housing Bureau (PHB) is pleased to be partnering with the Portland Development Commission (PDC) in the revitalization of the Lents Town Center and more specifically the 91st and Foster project.

In order for the 91st and Foster project to meet its original schedule, it is my understanding that PDC will be financing its development and intends to refinance the project shortly after stabilization for approximately \$6,900,000. While PHB is structuring its loan as amortized debt, long term project sustainability is top priority. As such, in order to facilitate the project's recapitalization, PHB is willing to review its proposed loan structure to determine the best form of financing when a new loan is obtained. This may include changing our currently proposed amortized loan to a cash flow loan. This is normal practice for PHB since project sustainability is a key priority as previously stated.

As a partner in affordable housing, it's our goal to work with PDC to determine the best solution to support long-term affordability while meeting PHB's internal loan requirements. Rest assured, we will do our part to ensure a successful project.

RESOLUTION NO. 7209

RESOLUTION TITLE:

AUTHORIZING ACTIONS ASSOCIATED WITH 9101 FOSTER, LLC FOR DEVELOPMENT, CONSTRUCTION, AND MANAGEMENT OF THE 9101 SE FOSTER ROAD PROJECT WITHIN THE LENTS TOWN CENTER URBAN RENEWAL AREA


Adopted by the Portland Development Commission on September 14, 2016

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 Mark Edlen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Alisha Moreland-Capuia MD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner William Myers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Gustavo J. Cruz, Jr.	<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>November 3, 2017</p>
<p>Anne Crispino-Taylor, Recording Secretary</p>	