



DATE: November 14, 2012
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 12-41
Authorizing the Third Amendment to the Disposition and Development Agreement with Grove Hostel Property, LLC, an Additional Loan in the Amount of \$180,000 to Grove Hostel Property, LLC, and Revised Terms for a \$2,465,000 Loan to Grove Hostel Property, LLC

BOARD ACTION REQUESTED

Adopt Resolution No. 6980

ACTION DESCRIPTION

This action will authorize the Portland Development Commission's (PDC) Executive Director to execute the Third Amendment to the Disposition and Development Agreement (the Third Amendment) with Grove Hostel Property, LLC (GHP) that will extend the Final Termination Date and modify the purchase price of the property. This action will also approve a new loan and modify the previously-approved loan terms.

The original Disposition and Development Agreement (DDA) was approved by the PDC Board of Commissioners (Board) on July 27, 2011, executed on August 18, 2011, and was set to terminate on March 31, 2012 (Attachment C). Pursuant to Section 15.8.3 of the DDA, the Executive Director approved the First Amendment to the DDA (Attachment D), which extended the Final Termination Date by 180 days, to September 30, 2012. The Board approved the Second Amendment to the DDA (Attachment E) on September 12, 2012, which extended the final termination date to December 30, 2012. Amendment Three, which is the key piece of the current action, would extend the Final Termination Date to December 30, 2013. Amendment Three will also reduce the sales price of the property from \$765,000 (as originally approved) to \$555,000. The revised sales price of the property is based on its Fair Market Value of \$660,000 as determined by an appraisal by Integra Realty Resources dated April 10, 2012, minus a deduction of \$105,000 to replace the roof.

The redevelopment cost of the project has increased since it was originally approved by the Board (from \$4.17 million to \$4.75 million); this action will also authorize a new PDC loan of \$180,000 to partially fund the increase. The new loan will be in addition to the previously-approved loan of \$2.465 million. Modifications to the previously approved \$2.465 million loan are proposed to address changes in the ownership structure of GHP that will add almost \$400,000 of additional equity and additional partners to the GHP.

BACKGROUND AND CONTEXT

PDC entered into exclusive negotiations with members of GHP in 2010 for the renovation of the Grove Hotel (the Project) located at West Burnside Street between NW Fourth and NW Fifth Avenues in the River District Urban Renewal Area (the Property), because GHP's ownership of the adjacent properties

(on Blocks 32 and 33) created an opportunity for a future redevelopment of both blocks. See Attachment A, Property Map. Pursuant to the subsequent DDA, PDC agreed to sell the Property for its current appraised value and provide a Commercial Property Redevelopment Loan (CPRL) for the Property acquisition and a portion of the renovation costs. The remainder of the Project financing was to be in the form of a loan from Advantis Credit Union and an equity contribution from GHP.

In the fall of 2011, the revised construction cost from the developer's general contractor significantly exceeded the Project budget assumed during underwriting and as a result, PDC did not close on the Property conveyance and PDC financing. The Project was rebid in February 2012, and, while the construction estimate is lower than the construction cost provided in the fall of 2011, additional Project financing and equity contributions are required. In addition, the sales price has been reduced following a re-appraisal of the Property dated April 10, 2012.

The Project will create an urban hostel operated by Ace Group International, LLC, which will also manage leased retail and restaurant space on the ground floor. The ground floor will be returned to its original commercial use when new storefront façades are installed and the upper floors will be renovated into hostel rooms. The location, with excellent transit access and proximity to bus and train stations, is highly desirable for any urban hostel. The Project serves as an early phase initiative of the Old Town/Chinatown Entrepreneurial District (the District), a PDC initiative to further entrepreneurship and innovation in Old Town/Chinatown. Early support of the entrepreneurial ecosystem and culture of this area - particularly at its entry and adjacent to the increasing activity along NW Fifth Avenue - is critical to catalyzing other projects and initiatives in the District. Despite the increasing popularity of the Old Town/Chinatown District among entrepreneurs and others, the District remains at a critical tipping point for market factors and public safety.

COMMUNITY AND PUBLIC BENEFIT

This Project will rehabilitate a highly visible blighted site that has suffered from decades of neglect and disrepair and continues to burden PDC resources in terms of property management and upkeep. As a building directly adjacent to the Old Town/Chinatown gate, it will provide an iconic symbol of the neighborhood's revitalization.

The Project will create significant benefit for the neighborhood. The proposed hostel will draw thousands of new visitors to the historic neighborhood who will, in turn, bring their discretionary income to the existing neighborhood businesses. The operator, Ace Group International, LLC, is a nationally known brand that caters to a young, creative class clientele. The ground floor commercial will remain active throughout the day, unlike many businesses in the immediate vicinity which have a nighttime clientele focus. The hostel has the potential to create an economic impact here similar to that created by the Ace Hotel in the West End neighborhood south of Burnside.

The attraction of young, creative tourists to the area supports Objective 2.2 of the Economic Development Strategy: Enhance the vitality and distinctiveness of the Central City to showcase our sustainable way of life and attract creative class talent. This Project also implements PDC's Business and Workforce Equity Policy, PDC's Green Building Policy, and State of Oregon Prevailing Wage Rates.

Finally, the Grove Hostel serves as an early phase initiative of the Old Town/Chinatown Entrepreneurial District, as mentioned in the Background and Context Section above.

PUBLIC PARTICIPATION AND FEEDBACK

This Project was presented to the River District Urban Renewal Area Council and the Old Town/Chinatown Neighborhood Association prior to PDC Board consideration in July 2011. Both groups support the Project and welcome new investment to Old Town/Chinatown in the near term.

There has not been additional public outreach conducted on the amendments to the DDA.

BUDGET AND FINANCIAL INFORMATION

The PDC loans for the Project totaling \$2.645 million are within the \$4 million appropriated in the FY 2012-13 adopted budget for the River District CPRL program.

The cost to renovate the Grove Hotel is projected at \$4.75 million. Resources to fund project costs include the PDC loans of \$2.465 million and \$180,000 (structured as detailed in the table below), GHP’s equity contribution of \$1,104,635, and a \$1 million loan from Advantis Credit Union (or another lender acceptable to PDC).

The sales price of the property has been reduced from \$765,000 (as originally approved) to \$555,000. The revised sales price of the property is based on its Fair Market Value of \$660,000 as determined by an appraisal by Integra Realty Resources dated April 10, 2012, minus a deduction of \$105,000 to replace the roof. The previous sales price was based on an appraised value of \$765,000 performed in October 2010; since then comparable property values have decreased and the building has suffered additional damage from the roof’s failure in the winter of 2011-2012.

A previously approved PDC predevelopment loan of \$150,215 will be repaid from loan proceeds at closing.

	Previously-approved PDC loan <i>(changes are bolded)</i>	New PDC loan
Loan Amount	\$2,465,000 Delegated program authority to the Executive Director is \$2 million	\$180,000
Purpose	Rehabilitation of the Grove Hotel into a hostel with ground floor commercial space	
Loan Fee	1% of loan amount plus \$5,000 modification fee	
Interest Rate	Construction loan : 4.25% Permanent loan (first 12 months): 4.25% Permanent loan (next 24 months): 5.50% Permanent loan (all later years): 7.00%	Permanent loan: 10%
Term	Construction Loan (construction period): 6 months plus two 3-month extensions Construction Loan (stabilization period) : 24 months Accrued interest will be capitalized to the loan balance at the end of the deferral period Permanent loan: amortized over 20 years, due when the senior loan matures (projected for December 2022)	Permanent loan: 5-year term, amortized over 10 years. Maturity will correspond to date when interest rate of Advantis loan adjusts from its initial rate (projected for December 2017)

Payments	Construction Loan (construction period) : no payments Construction Loan (stabilization period) : for 12 months, payments are deferred, next 12 months payments are interest-only Permanent loan: principal and interest	Permanent loan: principal and interest
Reserve Requirement	GHP will be required to fund a Furniture, Fixture and Equipment Reserve and a Debt Service Reserve	
Collateral	Trust deed on the subject property, junior to senior loan	
Loan to Value	125%, which is higher than the program guideline maximum of 100%, see below	
Leverage Ratio	\$1 : \$.80, which is less than the program guideline minimum of 1:1, see below	

The Loan to Value ratio is determined by dividing the sum of all loans by the project value, and is a key indicator of project risk. The Loan to Value for the Project is 125% and reflects the significant investment required to renovate the property into a hostel. The projected value for the renovated Grove Hotel is \$3.06 million, as determined by an as-built appraisal performed by Integra Realty Resources and dated November 5, 2012. GHP believes that the project has potential to outperform other local hostels and they will be able to command lease rates that are higher than the current market average for Old Town/Chinatown. In addition, other risk factors are strong for the project, such as debt service coverage, and GHP will be required to fund a Debt Service Reserve.

The \$1 million Advantis loan and \$1,104,635 equity resources are the maximum available for the Project, and result in the leverage of 1:.8. When the deal was originally structured, Advantis was the only lender willing to provide long-term financing for the Project, and \$1 million was the maximum it was willing to lend after assessment of the Project risk. Advantis is currently updating its underwriting but previously it had approved a loan in senior position, with minimum debt service coverage of 1.15 (among other requirements). If Advantis does not approve the loan, GHP will seek a replacement senior lender.

RISK ASSESSMENT

PDC assumes significant financial risk for this Project as the major funding source, particularly since the PDC loan will be secured by a subordinate lien. However, the risks will be mitigated by commitments from GHP members and conservative operating projections. Four of the GHP members are providing a conditional guaranty of the Advantis loan; if the Advantis loan goes into default, these members promise to use their personal assets to pay to PDC the outstanding balance of the Advantis loan plus interest and expenses. PDC would then be able to repay Advantis and be in first position on the property. This conditional guaranty is in addition to the personal guaranties required by Advantis. Borrower members will not offer a personal guaranty of the PDC loans. The borrower has attracted additional members, and no member will have an ownership share of 20% or more (the threshold for requiring guaranties in the CPRL guidelines).

The operating projections for the Grove Hostel were built on conservative room and lease revenue assumptions and experience from other Ace Hotel projects informed assumptions for expenses. The as-built appraisal concluded that at stabilization the hostel could achieve an average occupancy of 62% at an average rate of \$36 per bed, and a 2010 market study completed by Tungsten Partners assumed that

in five years the hostel could achieve an average occupancy of 70% at an average rate of \$45.64 per bed. GHP has assumed the hostel occupancy will top out at 62% after stabilization, with an average bed rate of \$35.86 at stabilization and reaches \$39.54 per bed after five years. GHP has received considerable interest for the retail spaces and plans to curate the retail spaces and restaurant with Portland and New York talent and will negotiate leases once project financing is secured. The DDA requires that the Grove Hotel be operated as a hostel for a period of 10 years after PDC issues its Certificate of Completion, unless PDC agrees to another use.

The PDC predevelopment loan will be repaid from proceeds from the Project construction financing and is unsecured. If the Project financing does not close, PDC is at risk for repayment of the predevelopment loan. PDC has the option to forgive this loan if PDC and GHP agree that the project is not financially feasible (among other conditions).

While the project poses risk to PDC, it will also bring benefit to the Old Town/Chinatown community and to PDC, as described in the Community and Public Benefit Section of this report. The impacts of a renovation at this site will be significant and the disposition of this site will lessen the burden on PDC property management resources. Additionally, PDC's risk is compensated by above market interest rates on both loans to Grove Hostel Property, LLC.

ALTERNATIVE ACTIONS

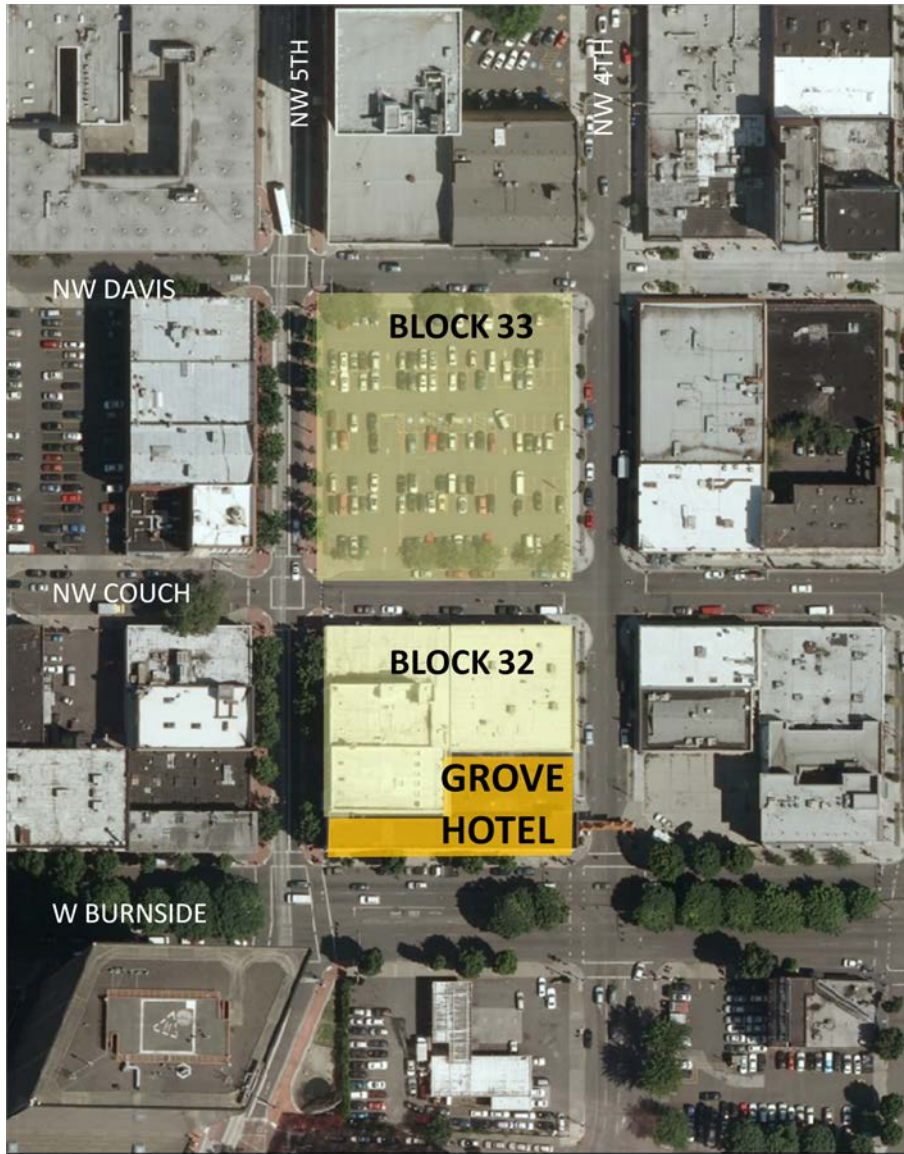
The Board could elect not to authorize the Third Amendment, the modifications to the \$2,465,000 loan or the new \$180,000 loan or might recommend additional or alternative changes to the DDA or loan terms. The Board could also choose to reduce the amount of PDC financial assistance for this Project, requiring the development team to find additional funding which could delay or ultimately terminate the Project.

The Commission could elect to hold the Property and engage in an alternative solicitation process. If PDC holds the Property, the roof would need to be renovated for a cost of approximately \$105,000.

ATTACHMENTS

- A. Property Map
- B. Urban Renewal Area (URA) Financial Summary
- C. Agreement for Disposition and Development of in Property in the River District Urban Renewal Area between the Portland Development Commission and with Grove Hostel Property, LLC dated August 18, 2011
- D. First Amendment to Agreement for Disposition and Development of Property dated March 27, 2012
- E. Second Amendment to Agreement for Disposition and Development of Property dated September 19, 2011

Property Map



URA Financial Summary

Five-Year Forecast Project Requirements Detail

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
River District URA						
Resources						
Beginning Fund Balance	9,943,488	11,850,302	7,789,589	2,120,760	1,529,322	1,478,706
Interest on Investments	30,000	0	0	0	0	0
Loan Collections	450,000	600,000	600,000	600,000	600,000	600,000
Long Term Debt	19,760,955	0	38,081,104	25,800,000	33,535,673	27,500,000
Property Income	582,348	582,348	582,348	582,348	582,348	582,348
Reimbursements	200,000	452,822	100,000	100,000	100,000	100,000
Short Term Debt	24,975,000	21,756,450	21,124,245	17,400,567	18,792,098	17,592,961
Total Fund Resources	55,941,789	35,041,922	68,257,286	46,603,675	55,139,441	47,854,015
Requirements						
Program Expenditures						
Administration						
Financial Administration						
A45101330 Debt Management-RVD	50,000	50,000	50,000	50,000	50,000	50,000
A45997330 Portland Harbor-RVD	85,000	0	0	0	0	0
Administration Total	135,000	50,000	50,000	50,000	50,000	50,000
Business Dev						
Cluster Industry Development						
B15100330 Cluster Development-RVD	200,000	100,000	100,000	100,000	100,000	100,000
B15102330 Site Recruitment-RVD	71,250	82,500	75,000	75,000	75,000	75,000
B15401330 Design Forum/PDX-RVD	0	5,000	0	0	0	0
Business Lending						
L02100330 BIF-General-RVD	2,000,000	2,000,000	2,500,000	0	0	3,000,000
Business Dev Total	2,271,250	2,187,500	2,675,000	175,000	175,000	3,175,000
Infrastructure						
Parks						
N33011915 Nbrhd Prk(The Fields)-RVD-Adm	1,550,000	4,130,000	0	0	0	0
N33012015 Nbrhd Park SDC Credit-RVD-Adm	0	0	400,000	0	0	0
Public Facilities						
N33022015 Union Station-RVD-Adm	1,706,500	1,182,520	506,500	506,500	3,506,500	106,500
Transportation						
N33033417 Burnside Oper Improv-RVD-Pred	0	2,595,000	0	0	0	0
N33033715 Streetcar Loop Project-RVD	0	500,000	0	0	0	0
N34630015 Dtwm Retail Infra-SPB-Adm	240,924	0	0	0	0	0
Infrastructure Total	3,497,424	8,407,520	906,500	506,500	3,506,500	106,500
Portland Hsg Bureau						
PHB Housing						
H15135330 The Medford-RVD	0	1,476,000	0	0	0	0
H15138330 Pearl Family Housing-RVD	547,748	0	0	0	0	0
H15430330 Affordable Rental Hsg-RVD	1,227,314	310,201	4,429,737	7,309,297	10,771,836	7,269,123
H15900330 PHB Staff & Admin-RVD	492,919	521,210	565,867	629,976	659,802	674,283
H15930330 Fairfield Apartments-RVD	5,000	65,000	64,400	64,400	64,400	65,000
H15938330 Blanchet House Redev-RVD	4,022,950	0	0	0	0	0
H15940330 RAC - Access Center-RVD	17,363,209	0	0	0	0	0
H15951330 Yards at Union Station-RVD	4,965,000	1,693,799	0	0	0	0
Portland Hsg Bureau Total	28,624,140	4,066,210	5,060,004	8,003,673	11,496,038	8,008,406
Property Redev						
Commercial Property Redevlopm						
A35401330 Central City 2035-RVD	27,840	0	0	0	0	0
A45997330 Portland Harbor-RVD	0	32,000	0	0	0	0
N33024015 Multnomah County-RVD-Adm	0	0	26,948,460	0	0	0
P33013715 Grove Hotel-RVD-Adm	2,707,850	0	0	0	0	0
P33050015 Post Office-RVD-Adm	100,000	500,000	8,000,000	16,000,002	15,086,222	22,313,779

Five-Year Forecast Project Requirements Detail

		FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
P33050115	Dtwn Retail Strat-RVD-Adm	200,000	500,000	250,000	250,000	250,000	250,000
P33050415	Centennial Mills Rdv-RVD-Adm	472,000	365,000	7,836,000	7,076,000	0	0
P33051515	Station Place Garage-RVD-Adm	233,147	223,147	223,147	223,147	223,147	223,147
P33052115	10th & Yamhill Redev-RVD-Adm	15,000	0	0	3,750,000	14,200,000	0
P33052215	CC 2035-RVD-Adm	0	163,895	0	0	0	0
P33052715	PNCA-RVD-Adm	250,000	0	0	0	0	0
P33053219	Horse Barn Relocation-RVD-mgmt	100,000	1,750,000	0	0	0	0
P33054315	RD Enviro-RVD-Adm	65,000	75,000	0	0	0	0
P33054415	One Waterfront Pl-RVD-Adm	7,000	6,000	6,000	6,000	6,000	6,000
P33054515	Blocks A&N-RVD-Adm	32,300	150,000	32,300	32,300	32,300	32,300
Commercial Real Estate Lending							
R01100330	CPRL-General-RVD	1,280,000	4,035,000	3,000,000	0	0	3,000,000
Community Redevelopment Grants							
G02100330	DOS-General-RVD	75,000	100,000	100,000	100,000	100,000	100,000
G03100330	SIP-General-RVD	300,000	275,000	275,000	275,000	275,000	275,000
	Property Redev						
	Total	5,865,137	8,175,042	46,670,907	27,712,449	30,172,669	26,200,226
Total Program Expenditures		40,392,951	22,886,272	55,362,411	36,447,622	45,400,207	37,540,132
Personal Services		1,062,225	816,694	2,628,182	2,098,214	2,021,682	1,834,749
Transfers - Indirect		3,324,879	3,569,367	8,145,933	6,528,517	6,238,846	5,691,590
PHB Staff/Admin		0	0	0	0	0	0
Total Fund Expenditures		44,780,055	27,272,333	66,136,526	45,074,353	53,660,735	45,066,471
Contingency		11,161,734	7,769,589	2,120,760	1,529,322	1,478,706	2,787,544
Ending Fund Balance		0	0	0	0	0	0
Total Requirements		55,941,789	35,041,922	68,257,286	46,603,675	55,139,441	47,854,015

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

REPORT NO. 12-41

ATTACHMENTS C, D, AND E

AUTHORIZING THE THIRD AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT WITH GROVE HOSTEL PROPERTY, LLC, AN ADDITIONAL LOAN IN THE AMOUNT OF \$180,000 TO GROVE HOSTEL PROPERTY, LLC, AND REVISED TERMS FOR A \$2,465,000 LOAN TO GROVE HOSTEL PROPERTY, LLC

Attachments C, D, and E include this cover page and contain 82 pages:

- C. Agreement for Disposition and Development of in Property in the River District Urban Renewal Area between the Portland Development Commission and with Grove Hostel Property, LLC dated August 18, 2011 (71 pages)
 - includes its own Exhibits A – M
- D. First Amendment to Agreement for Disposition and Development of Property dated March 27, 2012 (5 pages)
 - includes its own Exhibit E
- E. Second Amendment to Agreement for Disposition and Development of Property dated September 19, 2012 (5 pages)
 - includes its own Exhibit E

AGREEMENT FOR DISPOSITION AND DEVELOPMENT OF PROPERTY

IN THE RIVER DISTRICT URBAN RENEWAL AREA

GROVE HOTEL

BETWEEN

THE PORTLAND DEVELOPMENT COMMISSION

AND

GROVE HOSTEL PROPERTY, LLC

DATED

AUGUST 18, 2011

**AGREEMENT FOR DISPOSITION AND DEVELOPMENT OF PROPERTY
(GROVE HOTEL)**

This AGREEMENT FOR DISPOSITION AND DEVELOPMENT OF PROPERTY (GROVE HOTEL) (this "Agreement") is made and entered this 18th day of August, 2011 (the "Effective Date"), by and between the CITY OF PORTLAND, a municipal corporation of the State of Oregon, acting by and through the PORTLAND DEVELOPMENT COMMISSION, the duly designated urban renewal agency of the City of Portland ("PDC") and Grove Hostel Property, LLC, an Oregon limited liability company ("Developer"). PDC and Developer may be referred to jointly in this Agreement as the "Parties" and individually as a "Party."

RECITALS

- A. In furtherance of the objectives of Oregon Revised Statutes, Chapter 457, and Chapter XV of the Charter of the City of Portland, PDC has undertaken a program for the development, redevelopment and renovation of blighted areas within the city limits and in connection therewith prepared and approved an Amended and Restated Urban Renewal Plan for the River District Urban Renewal Area, which was approved by the City Council of the City on June 24, 2009 (as amended from time to time and as constituted on the date hereof, the "Urban Renewal Plan"), recorded in the real property records of Multnomah County, Oregon, as Document 2009-094197;
- B. PDC, finding it necessary and in the public interest to implement the Urban Renewal Plan, acquired the Property (defined below) in the River District Urban Renewal Area to serve as a catalyst for further redevelopment and renovation, consistent with Goal 3 (To Become a Community of Distinct Neighborhoods) and Goal 4 (To Enhance the Best of What Exists) in the Urban Renewal Plan;
- C. Developer desires to acquire the Property and renovate it to make it suitable for operation as a youth hostel;
- D. Renovation and subsequent operation of the Property as a youth hostel will further implementation of the Urban Renewal Plan through restoration to active use of an existing building in a matter consistent with complimentary to the Old Town/Chinatown neighborhood.
- E. Accordingly, the Parties desire to enter into this Agreement setting forth the terms and conditions under which PDC will convey the Property to Developer for renovation to make it suitable for operation as a youth hostel (the "Project," as further defined in Exhibit A);
- F. The completion of the Project according to the terms of this Agreement, including the Scope of Development (as defined in Exhibit A) and the Schedule of Performance (as defined in Exhibit A), is a material inducement to PDC to enter into this Agreement; and
- G. PDC finds that the fulfillment, generally, of this Agreement, and the intentions set forth herein, are in the vital and best interest of the City and the health, safety, and welfare of its residents, and are in accord with the public purposes and provisions of the applicable state and federal laws and requirements under which the Urban Renewal Plan was adopted.

AGREEMENT

NOW, THEREFORE, in consideration of the conditions, covenants and agreements set forth herein and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. DEFINED TERMS

1.1. Words that are capitalized, and which are not the first word of a sentence, are defined terms. A defined term has the meaning given it when it is first defined in this Agreement. Defined terms may be used together and the combined defined term has the meaning of the combined defined terms. A defined term that is a noun may be used in its verb or adjective form and vice-versa. If there is any difference between the definition of a defined term in the text of this Agreement and the definition of that term in Exhibit A, the definition in the text controls. Defined terms may be used in the singular or the plural.

2. GENERAL TERMS OF CONVEYANCE

2.1. Agreement for Disposition and Development. PDC agrees to sell and convey to Developer, and Developer agrees to purchase from PDC and renovate the Property upon the terms and conditions set forth in this Agreement.

2.2. Description of the Property. The Property which is subject to this Agreement consists of the following: The land located at 401-439 West Burnside St., Portland, Oregon, as more particularly described in Exhibit B attached hereto (the "Land"), together with (i) all rights, privileges and easements appurtenant to the Land owned by PDC, including, without limitation, all minerals, oil, gas, and other hydrocarbon substances on and under the Land, as well as development rights, air rights, water rights related to the Land, and any other easements, rights-of-way, or appurtenances used in connection with the beneficial use and enjoyment of the Land; and (ii) all improvements and fixtures located on the Land, including, without limitation all buildings and structures presently located on the Land, all apparatus, equipment and appliances used in connection with the operation or occupancy of the improvements and fixtures (which Land, together with the elements described above in (i) and (ii), is collectively referred to herein as the "Property").

2.3. [Section Reserved]

2.4. Purchase Price. The Purchase Price for the Property is SEVEN HUNDRED SIXTY FIVE THOUSAND DOLLARS (\$765,000). Developer shall pay the purchase price in cash to PDC at Closing. Subject to review and approval as set forth in this Agreement, PDC will finance Developer's acquisition of the Property consistent with the terms and conditions of the Redevelopment Loan set forth in the Redevelopment Loan Term Summary, attached hereto as Exhibit H. As of the Effective Date, the Parties anticipate that, subject to Developer's satisfaction of the conditions to closing thereof, Developer will draw funds under the Redevelopment Loan to pay the Purchase Price.

2.5. [Section Reserved]

2.6. Title Review.

2.6.1. Within ten (10) days after the Effective Date, PDC will deliver to Developer a preliminary title report on the Property and copies of all exception documents (the "Title Report"). Developer will have twenty (20) days after receiving the Title Report to notify PDC in writing if Developer objects to any item in the Title Report. Those items to which Developer does not object are "Permitted Exceptions". If Developer objects to any item, then PDC shall have twenty (20) days after receiving Developer's written objection to notify Developer in writing of its intention to remove or not remove the objected to exceptions to title prior to Closing. If PDC does not respond to Developer's objections within the twenty (20) day time period or if PDC refuses to remove any such objected to exceptions, Developer shall have twenty (20) days to terminate this Agreement by written notice to PDC. If Developer terminates this Agreement under this section, no remedies shall accrue to either Party and all rights and obligations of the Parties under this Agreement shall terminate other than the obligation to cooperate in preparing, executing and recording such documents as may be necessary or desirable to reflect the termination of this Agreement in the real property records of Multnomah County. If this Agreement is not so terminated, the Permitted Exceptions shall also include those exceptions, if any, that Developer originally objected to and that PDC refused to remove or failed to respond to.

2.6.2. Developer may obtain an update to the Title Report on the Property at any time prior to the Closing. Developer shall promptly give to PDC a copy of any updated Title Report. Within twenty (20) days after receiving an updated Title Report, Developer shall give PDC notice, in writing, of any objections to the exceptions (that are not Permitted Exceptions) to title that appear on the updated Title Report. Within twenty (20) days of Developer's written notice to PDC described in the preceding sentence, PDC shall notify Developer in writing of its intention to remove or not remove the objected to exceptions to title prior to Closing. If PDC does not give its response to Developer's objections within the twenty (20) day time period or if PDC refuses to remove any such objected to exceptions, Developer shall have twenty (20) days to terminate this Agreement by written notice to PDC. If this Agreement is not so terminated, the Permitted Exceptions shall also include those exceptions, if any, that Developer originally objected to under this section 2.6.2 and that PDC refused to remove or failed to respond to. All Permitted Exceptions together with any other exceptions that Developer accepts at Closing are the Final Permitted Exceptions.

3. REPRESENTATIONS AND WARRANTIES

3.1. PDC Representations and Warranties. PDC's representations and warranties under this Agreement are limited to the following. PDC hereby warrants and represents to Developer as of the Effective Date and as of the Closing Date the following:

3.1.1. PDC has the legal power, right, and authority to enter into this Agreement and the instruments referred to herein and to consummate the transactions contemplated herein; and all requisite action has been taken by PDC in connection with entering into this Agreement, the instruments referred to herein, and the consummation of the transactions contemplated herein.

3.1.2. To PDC's knowledge, except as has been disclosed to Developer herein or in the Environmental Due Diligence Reports, PDC has not generated, manufactured, refined, transported, treated, stored, handled, disposed, transferred, Released or produced Hazardous Substances on the Property, and no underground storage tanks exist on the

Property, except in compliance with Environmental Laws currently in effect, and PDC has not received notice of the Release of any Hazardous Substances on the Property.

- 3.1.3. PDC is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended.
- 3.1.4. To PDC's knowledge, there is no litigation, action, suit, or any condemnation, environmental, zoning, or other government proceeding pending or threatened, which may affect the Property, or PDC's ability to perform its obligations under this Agreement.
- 3.1.5. To PDC's knowledge, and except as otherwise disclosed in writing to Developer before the Effective Date, including but not limited to as disclosed in the certain Stipulated Agreement between PDC and the City of Portland, Bureau of Development Services last executed on April 13, 2010 (the "Stipulated Agreement") and in that certain Notice of Violation – Property Maintenance Code (Additional Violations) dated May 15, 2009 and issued to the Housing Authority of Portland by the City of Portland Bureau of Development Services (the "Notice of Violation"), the Property has been operated in compliance with all applicable laws, rules, regulations, ordinances and other governmental requirements ("Laws"). Developer acknowledges receipt of copies of the Stipulated Agreement and Notice of Violation.
- 3.1.6. To PDC's knowledge and except as set forth herein, PDC has not received any notice stating that the Property is in violation of any applicable laws, rules, regulations, ordinances or other governmental requirements.

3.2. Developer Representations and Warranties. Developer's representations and warranties under this Agreement are limited to the following. Developer hereby warrants and represents to PDC as of the Effective Date and as of the Closing Date the following:

- 3.2.1. Developer is a limited liability company duly organized and validly existing under the laws of the State of Oregon. Howard Davis, Linda Davis, David Gold, Katherine Gold, John Jay, Janet Jay and Ace Group International, LLC, are the sole members of the Developer.
- 3.2.2. Developer has full power and authority to enter into and perform this Agreement in accordance with its terms and does not require the consent of any third party that has not been secured, and all requisite action (corporate, trust, partnership, membership or otherwise) has been taken by Developer in connection with entering into this Agreement, the instruments referred to herein, and the consummation of the transactions contemplated herein. No further consent of any partner, shareholder, creditor, investor, judicial or administrative body, governmental authority or other party is required.
- 3.2.3. This Agreement and all documents required to be executed by Developer are and shall be valid, legally binding obligations of and enforceable against Developer in accordance with their terms.
- 3.2.4. Neither the execution and delivery of this Agreement and documents referred to herein, nor the incurring of the obligations set forth herein, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this Agreement and

the documents referred to herein conflict with or result in the material breach of any terms, conditions, or provisions of, or constitute a default under any bond, note or other evidence of indebtedness, or any contract, indenture, mortgage, deed of trust, loan, partnership agreement, lease, or other agreements or instruments to which Developer is a party.

- 3.2.5. No representation, warranty or statement of Developer in this Agreement or any of the exhibits attached hereto contains any untrue statement of a material fact or omits a material fact necessary to make the representation, warranty or statement not misleading.
- 3.2.6. Developer enters into this Agreement without reliance on verbal representations by PDC, its employees, agents or consultants, regarding any aspect of the Property, the Project, its feasibility, financing, or compliance with any governmental regulation.
- 3.2.7. As of the Effective Date, Developer is not in default under this Agreement and no event has occurred that, with the passage of time or the giving of notice or both, would constitute a default of Developer under this Agreement.
- 3.2.8. The persons executing this Agreement and the instruments referred to herein on behalf of Developer have the legal power, right and actual authority to bind Developer to the terms and conditions of this Agreement.

4. CONDITIONS PRECEDENT TO CLOSING

4.1. Conditions. Developer and PDC are not obligated to proceed with the conveyance of the Property to the Developer unless the following conditions are satisfied prior to the date scheduled for Closing as set forth in the Schedule of Performance. The Party benefited by a particular condition shall not unreasonably withhold, condition, or delay acknowledgment that the condition has been satisfied.

4.1.1. The following events have occurred:

- (i) Title Company is prepared to issue to Developer a standard coverage Owner's Policy of Title Insurance (with extended coverage if elected by Developer in its discretion), covering the Property in an amount not less than the Purchase Price, subject only to the Final Permitted Exceptions; and
- (ii) Developer shall have received the Phase I Environmental Assessment.

4.1.2. To the reasonable satisfaction of both PDC and Developer:

- (i) Both the Design Development Drawings and the Construction Drawings and Technical Specifications have been reviewed and approved by all required governmental entities and/or agencies, including PDC pursuant to Section 7.2 below.
- (ii) All land use approvals for the Project required by Title 33 of the Code of the City of Portland shall have been secured and no appeal of any required approval shall have been filed, and the time for any such appeal shall have expired. If an appeal was filed, it shall have been finally resolved.
- (iii) All financing necessary to construct the Project has closed or will close

simultaneously with the Closing.

- (iv) The Parties have agreed to the final form of any documents necessary to close the conveyance of the Property to Developer and to close the Redevelopment Loan.
- (v) No litigation is pending that prevents PDC or Developer from performing their respective obligations under this Agreement.

4.1.3. To Developer's reasonable satisfaction:

- (i) PDC is not in default under this Agreement and no event has occurred that, with notice or passage of time or both notice and passage of time, would constitute a default of PDC under this Agreement.
- (ii) No material adverse change in the physical or legal condition of the Property has occurred.

4.1.4. To PDC's reasonable satisfaction:

- (i) PDC has received documentation indicating that the City of Portland Bureau of Development Services is ready to issue all building permits that are required to construct the Project, subject only to Developer's ownership of the Property.
- (ii) Developer has provided to PDC documentation that:
 - (a) Developer is a limited liability company duly organized and validly existing in the state of Oregon;
 - (b) The Articles of Organization and Operating Agreement of the Developer have not been altered since the Effective Date in any manner that may adversely affect PDC's interests after the Closing;
 - (c) Developer has full power and authority to enter into and perform its obligations under this Agreement;
 - (d) Developer has the financial capability to undertake and complete the Project; and
 - (e) This Agreement has been executed and delivered, for and on behalf of Developer, by an authorized individual.
- (iii) PDC has received an acceptable Final Project Budget.
- (iv) Developer has demonstrated financial feasibility for the Project, consistent with the Final Project Budget, by providing to PDC written evidence of necessary equity commitments from Developer's investors and necessary loan commitments from Developer's lender (collectively, "Developer's Third Party Construction Financing") which, together with the proceeds of the

Redevelopment Loan are sufficient to complete the Project as reflected in the Final Project Budget.

- (v) Developer's Third Party Construction Financing has closed or will close concurrently with the Closing hereunder.
- (vi) Developer has registered the Project for LEED certification and has provided PDC with documentation of the Project's LEED credits, evidencing anticipated credits sufficient to reach at least the applicable level of LEED certification required by the Green Building Policy.
- (vii) Developer is not in default under this Agreement and no event has occurred that, with notice or passage of time or both notice and passage of time, would constitute a default of Developer under this Agreement.
- (viii) Developer shall have entered into, or shall be prepared to enter into at Closing, the Compliance Agreement described in Section 9.

4.2. Elections upon Non-Satisfaction of Conditions. If any condition in this Section 4 is not fulfilled to the satisfaction of the benefited Party or Parties as of the date scheduled for Closing as set forth in the Schedule of Performance (or such later date, if any, designated pursuant to Section 4.2(c) below or determined in accordance with Section 15.8), then such benefited Party or Parties may elect to:

- (a) Terminate this Agreement by and effective upon written notice to the other Party; or
- (b) Waive in writing the benefit of that condition and proceed in accordance with the terms hereof; or
- (c) Designate in writing a later date for the Closing, to allow additional time for the condition to be satisfied, if the condition can be satisfied and the other Party agrees in writing to the later date.

4.3. Final Termination Date. If all of the conditions precedent to the Closing set forth in this Section 4 have not been satisfied or waived by the later of (a) the date scheduled for Closing as set forth in the Schedule of Performance or (b) such later date, if any, designated pursuant to Section 4.2(c) or determined in accordance with Section 15.8, then this Agreement shall automatically terminate ninety (90) days after the later of the foregoing dates.

4.4. Effect of Termination for Non-Satisfaction of Conditions Precedent to Closing. If this Agreement terminates or is terminated for non-satisfaction of the conditions precedent to the Closing and neither Party is in default under this Agreement, then all rights and obligations of the Parties under this Agreement shall terminate upon termination of this Agreement other than the obligation to cooperate in preparing, executing and recording such documents as may be necessary or desirable to reflect the termination of this Agreement in the real property records of Multnomah County. If a Party is in default under this Agreement on the date this Agreement terminates or is terminated for non-satisfaction of the conditions precedent to Closing, then the rights and remedies accruing to the other Party under this Agreement as a result of such default shall survive termination of this Agreement.

5. CLOSING

5.1. Manner of Closing.

- 5.1.1. The Closing of the purchase and sale of the Property will occur in an escrow to be administered by the Escrow Agent.
- 5.1.2. The Parties agree to provide the Escrow Agent with escrow instructions consistent with the terms of this Agreement.
- 5.1.3. On the Closing Date, the Escrow Agent shall deliver or cause to be delivered the sums and documents pursuant to the Escrow Instructions. In the event that the Escrow Agent cannot, or refuses to, handle this transaction, the Parties shall appoint an escrow company mutually satisfactory to the Parties, which is licensed in the State of Oregon.

5.2. [Section Reserved]

5.3. Payment of Purchase Price. Subject to satisfaction of the Conditions Precedent to Closing set forth above, at the Closing, Developer shall accept the conveyance of the Property and pay the Purchase Price to PDC in the manner set forth in Section 2.4. The payment terms are specific to Developer's unique characteristics and are not assignable except as allowed under Section 12 below.

5.4. Conveyance by Deed. Subject to satisfaction of the Conditions Precedent to Closing set forth above and upon Developer's payment to PDC of the Purchase Price, at the Closing PDC will convey the Property to the Developer by a statutory Bargain and Sale Deed, substantially in the form of Exhibit C ("Deed").

5.5. Documents to Be Deposited Into Escrow by PDC. On or before the Closing Date, PDC shall deposit into Escrow all of the following:

- 5.5.1. A duly executed and acknowledged Deed;
- 5.5.2. An original certificate of non-foreign person duly executed by PDC and notarized.
- 5.5.3. Such documents as the Escrow Agent may require to establish the authority of PDC to complete the sale of the Property as contemplated by this Agreement.

5.6. Documents and Sums to Be Deposited Into Escrow by Developer. On or before the Closing Date, Developer shall deposit into Escrow such funds (by wire transfer) and documents as are necessary to complete payment of the Purchase Price in accordance with Section 2.4 of this Agreement, to pay Developer's portion of the closing costs, and otherwise to Close the purchase and sale of the Property in accordance with the terms and conditions of this Agreement.

5.7. Prorations and Costs.

- 5.7.1. **Closing Costs.** The costs for recording a Memorandum of this Agreement, a form of which is attached as Exhibit K, shall be paid by PDC. The costs for recording the Deed and any other documents required by Developer to be recorded will be paid by Developer.

PDC will pay the costs of the standard coverage Owner's Policy of Title Insurance described in Section 4.1.1. Developer shall pay the costs of extended coverage under the Owner's Policy of Title Insurance, if elected by Developer. PDC shall execute any affidavits or other documents reasonably required by the Title Company to enable Developer to obtain extended coverage. Developer shall pay the costs of any survey. Each Party shall pay one-half (1/2) of any escrow fees charged by Escrow Agent. All other closing costs, if any, shall be allocated in accordance with the customary practice in Multnomah County.

5.7.2. Prorations of Taxes. All property taxes and special assessments on the Property attributable to the year in which the Closing occurs shall be prorated and adjusted as of the Closing Date as an adjustment at the Closing (regardless of whether such taxes and special assessments are then due and payable or delinquent). PDC agrees that any property taxes and special assessments that will be a lien against the Property at the Closing, whether or not those charges would constitute a lien against the Property at settlement, shall be satisfied by PDC. If PDC shall fail to do so, Developer may pay any such property taxes and special assessments and deduct an amount equal to any such payment from the Purchase Price of the Property. Regular real property taxes payable during the year in which the Closing occurs and any rents or income applicable to the Property shall be prorated as of the Closing Date. Developer shall pay any property taxes resulting from the transfer of the Property from public ownership, and therefore the change of the Property's status from tax exempt to taxable. In addition, the Developer shall pay property taxes on the Property from and after the Closing.

5.7.3. Utilities. PDC shall cause all meters for electricity, gas, water, sewer or other utility usage at the Property, if any to be read on the Closing Date and PDC shall pay all charges for such utility charges which have accrued on or prior to the Closing Date. If the utility companies are unable or refuse to read the meters on the Closing Date, all charges for such utility usage to the extent unpaid shall be prorated and adjusted as of the Closing Date based on the most recent bills therefore.

5.7.4. Other Prorations and Costs. Except as otherwise provided herein, all other items to be prorated, including rents, operating expenses, revenues, and other income, if any, shall be prorated as of the Closing Date. For the purpose of calculating prorations, the Developer shall be deemed to be entitled to the Property and, therefore, entitled to the income and responsibility for the expenses for the entire day following the Closing Date. PDC shall pay only the annual payments due through the Closing Date for the Property's pro rata share of any special assessments that have been paid in annual installments. Developer shall assume liability for payment of any annual payments due after the Closing Date for any special assessments that have been paid in annual installments. Developer and the PDC shall each pay their own legal and professional fees of other consultants incurred by Developer and PDC, respectively.

6. INFRASTRUCTURE, UTILITIES AND LAND CONDITION

6.1. Infrastructure Improvements. As part of the Project, Developer, at its own cost, will design, construct, fund and obtain permits for all Infrastructure.

6.2. Site Preparation. Unless otherwise provided for in Section 8, Developer will, as part of the Project and at its own cost, complete all necessary site preparation in accordance with the Schedule of Performance.

6.3. Utility Service. As part of the Project, Developer shall install, connect, and upgrade new and existing utilities necessary to serve the Project.

6.4. Subsurface, Surface and Building Conditions. PDC shall convey the Property to Developer, and Developer shall accept the Property, in "AS IS" condition on the Closing Date, without warranty of any kind except as otherwise specifically set forth in this Agreement. In particular, PDC makes no warranties or representations that the soil conditions, Environmental Conditions or any other conditions of the Property or structures thereon are suitable for any improvements. Developer acknowledges that it has not relied on any verbal representations made by the PDC as to the soil conditions, Environmental Conditions or any other conditions of the Property. Developer acknowledges that it has had free access to PDC's records with respect to the condition of the Property, specifically including the Environmental Due Diligence Reports, which are identified in Exhibit L.

7. DEVELOPMENT

7.1. Project Financing.

Except as described in Sections 7.1.1 and 7.1.2 below, Developer will be responsible for obtaining from third parties all funds and financing necessary to acquire the Property and construct and operate the Project. The Parties anticipate that the Project financing will be structured generally as shown in the Project Budget. The parties acknowledge and agree that the Project Budget is only a projection and that a number of factors may change this projection including interest rates, lender requirements, market shifts, and the soft and hard development costs. Developer shall provide its private lender with a completion guarantee and a repayment guarantee for the full amount of the Project construction.

7.1.1. [Section Reserved.]

7.1.2. Subject to satisfaction of PDC's customary underwriting criteria, as determined by the PDC Executive Director based on the recommendation of the PDC Financial Investment Committee and agreement on definitive loan documentation, PDC shall provide a portion of the financing for the Project in the form of the Redevelopment Loan, certain terms and conditions of which are set forth in Exhibit H.

7.2. Plans, Drawings and PDC Design Review and Approval.

7.2.1. PDC Design Review and Approval, in General. The Scope of Development is described in Exhibit F. Developer has prepared Preliminary Design Documents for the Project that is the basis for entering into this Agreement. Developer shall prepare Design Development Drawings and Construction Drawings and Technical Specifications for the Project and submit them to PDC for review and approval as discussed below and in accordance with the Schedule of Performance. Review meetings with Developer's design team and PDC representatives are encouraged to facilitate the review and approval process. PDC approval of Design Development Drawings must be obtained prior to submission for City Design Review. All plans and specifications referred to in this Section 7.2 are referred to herein as the "Drawings."

7.2.2. Standards for PDC Design Review and Approval. PDC will not withhold its approval of any Drawings for the Project that, in PDC's sole discretion, adequately address the following design objectives:

- (a) **Urban and Pedestrian Environment.** The Project should be designed to foster active pedestrian environments along Burnside Street and along Fourth Avenue that enhance the level of commercial activity. The Project should create an urban environment that feels safe and friendly to pedestrians, with window glass that is transparent and non-reflective, landscape improvements, building lighting, and storefront entries located on the street.
- (b) **Neighborhood Compatibility.** The Project should be designed such that the buildings, site improvements, and landscaping build pride, reflect neighborhood character, and show commitment to the cultural and architectural heritage of the neighborhood. Designs and materials should be complementary to and compatible with the Old Town/Chinatown building forms, incorporating high-quality, durable materials and colors.
- (c) **Green Building Principles.** The Project should be designed to achieve at least the applicable Green Building standard set forth in the Green Building Policy incorporating Green Building, energy efficiency and sustainability practices and designs.
- (d) **Central City Fundamental Design Guidelines.** The Project is otherwise consistent with the Central City Fundamental Design Guidelines set forth in Title 33 of the Portland City Code.

7.2.3. Limitations on Review of Design. PDC's review and approval of Drawings will occur in stages and approvals will be progressive in nature, but limited to the following elements:

- (a) **Preliminary Design Development Drawings (50% DD).** Elements, including Green Building elements, draft Design Review Application and Narrative, draft Design Development Drawings (50%) material and color samples, and draft Design Development Drawings (50%) cost estimate, depicted in the draft Design Development Drawings (50%) that were not: (i) previously approved, (ii) at a level of detail to be approved, or (iii) in conformance with the approved Preliminary Design Documents;
- (b) **Final Design Development Drawings (100% DD).** Elements, including Green Building elements, Final Design Review Application and Narrative, final Design Development Drawings material and color samples, and final Design Development Drawings cost estimate, depicted in the final Design Development Drawings that were not: (i) previously approved, (ii) at a level of detail to be approved, or (iii) in conformance with the approved draft Design Development Drawings (50%);
- (c) **Preliminary Construction Drawings and Technical Specifications (50% CD).** Elements, including Green Building elements, draft Construction Drawings and Technical Specifications (50%) cost estimate, and material and color samples, depicted in the draft Construction Drawings and Technical Specifications (50%) that were not: (i) previously approved, (ii) at a level of detail to be approved, or (iii) in conformance with the approved Design Development Drawings;
- (d) **Preliminary Construction Drawings and Technical Specifications (90%)**

CD). Elements, including Green Building elements, draft Construction Drawings and Technical Specifications (90%) cost estimate, and material and color samples, depicted in the draft Construction Drawings and Technical Specifications (90%) that were not: (i) previously approved, (ii) at a level of detail to be approved, or (iii) in conformance with the approved Draft Construction Drawings and Technical Specifications (50%);

- (e) **Final Construction Drawings and Technical Specifications (100% CD).** Elements, including Green Building elements, final Construction Drawings and Technical Specifications cost estimate, and material and color samples, depicted in the final Construction Drawings and Technical Specifications that were not: (i) previously approved, (ii) at a level of detail to be approved, or (iii) in conformance with the approved draft Construction Drawings and Technical Specifications (90%).

7.2.4. Changes in Approved Drawings. The Developer shall submit to PDC for review any substantial changes to any previously approved Drawings. A substantial change shall mean any change that would have a material impact on the function, appearance or cost of the Project. Developer acknowledges that it may be required to secure separate City approval of such changes. Any separate City approvals shall be sought after PDC has approved the changes. PDC shall assist Developer throughout any City or PDC design review process of the appropriate bureaus or agencies within the City, but PDC does not represent or warrant that its assistance will guarantee approval.

7.2.5. Project Rendering. Developer will provide PDC with at least one electronic and one hardcopy color rendering of the Project at the time the Project is submitted for City Design Review and another set of copies upon completion of final Design Development Drawings after completion of City Design Review if changes are made during the review process.

7.2.6. PDC Design Review Process.

- (a) **PDC Staff Review of Design.** PDC and Developer acknowledge that the Schedule of Performance for the Project requires expeditious review and response from PDC and responsiveness and cooperation from Developer and its design team in connection with the design review process. The Parties agree that efficient communication between all concerned is necessary to resolve design issues in a timely manner. PDC staff shall be notified in advance and may attend regularly scheduled design meetings for the Project. The PDC Project Manager will meet with Developer and its design team regularly as scheduled by the Parties, or upon the request of either Party to the other, to review progress on the resolution of design and related issues. The scope of PDC's review will be consistent with Sections 7.2.2 and 7.2.3 of this Agreement. If PDC does not provide its approval or rejection of any Drawings by the due date for completion of PDC's review of such Drawings as set forth in the Schedule of Performance, then such Drawings shall be deemed approved by PDC.
- (b) **PDC Design Advisor.** PDC may retain one or more design advisors for the Project. The role of the design advisors is to review the design of the Project, to present the design to PDC as needed, and to advise PDC as to design considerations consistent with this Agreement.

- (c) **Community Input.** PDC and the Developer have coordinated on outreach efforts regarding the Project and its design. It is expected that if Developer changes the design of the Project in a material way from that presented to the River District Urban Renewal Advisory Committee and the Old Town/Chinatown Visions Land Use Committee, Developer will present the revised Project design to the foregoing groups for their input and advice.

7.3. Diligent Completion. Subject to the terms and conditions of this Agreement, Developer covenants to complete the development of the Project in substantial conformance with the final Construction Drawings and Technical Specifications and in accordance with the Schedule of Performance. Developer shall complete development of the Project no later than the date for completion of construction set forth in the Schedule of Performance. Developer agrees to keep PDC informed of its progress with respect to development of the Project during construction, with periodic reports to be issued no less frequently than biweekly until PDC issues the PDC Certificate of Completion for the Project. Project development shall include:

- 7.3.1. Entering into all necessary architectural and construction contracts;
- 7.3.2. Securing all necessary public entitlements and building permits;
- 7.3.3. Securing all financing necessary to complete the Project, consistent with the Final Project Budget.

7.4. Covenants Running with the Land.

7.4.1. Developer covenants and agrees that up through the issuance of the PDC Certificate of Completion, it will use the Property solely for purposes substantially consistent with this Agreement, including the Scope of Development and the final Construction Drawings and Technical Specifications, except to the extent otherwise approved by PDC in writing. Developer covenants and agrees that for a period of ten years after the issuance of the PDC Certificate of Completion, it will use the Property solely for operation of a youth hostel with ground floor commercial space, except to the extent otherwise approved by PDC in writing, which approval shall not be unreasonably withheld.

7.4.2. Developer and PDC hereby declare and agree that the covenants set forth in this section 7.4 shall be deemed covenants running with the land for the applicable periods set forth above and shall pass to and be binding upon the Developer's successors in title, including, without limitation, any Mortgagee, purchaser, grantee, or lessee of any portion of the Property and any other person or entity having any right, title, or interest in the Property and upon the respective heirs, executors, administrators, devisees, designees, successors, and assigns of any Mortgagee, purchaser, grantee, or lessee of any portion of the Property and any other person or entity having any right, title, or interest in the Property .

7.5. Inspection and Property Access.

7.5.1. **Before Closing.** Before Closing, PDC may allow Developer and/or Developer's employees, agents and consultants to enter upon the Property in reasonable furtherance of the transaction contemplated in this Agreement pursuant to a written permit of entry in a

form to be provided by PDC. Developer agrees not to interfere with any tenants or other occupants of the Property.

7.5.2. After Closing. After Closing, during construction of the Project, and until the PDC Certificate of Completion is issued for the Project, Developer's work shall, upon reasonable notice, be accessible at all reasonable times for inspection by representatives of PDC. PDC agrees not to interfere with the work occurring on the Property.

7.6. Safety Matters and Indemnification. Developer shall:

7.6.1. Safety. Comply with all safety laws and take all safety measures necessary to protect its employees and PDC's employees, agents, contractors, subcontractors, licensees and invitees, their personal property, and improvements of each, from injury or damage caused by or resulting from the performance of its construction.

7.6.2. Indemnity from Liability Claims. Indemnify, defend (at PDC's request) and hold harmless PDC, and its successors and assigns, from and against all claims, costs, expenses, losses, damages and liabilities whatsoever arising from or in connection with the death of, or injury, loss or damage whatsoever caused to, any person or to the property of any person as occurs in the process of the construction work or the performance of Developer's other obligations under this DDA, except to the extent caused by PDC's negligence. The indemnity set forth in this Section 7.6.2 shall survive the issuance of the PDC Certificate of Completion and any termination of this Agreement.

7.6.3. Indemnity from Liens. Indemnify, defend (at PDC's request) and hold harmless PDC, and its successors and assigns, from and against all claims, costs, expenses, losses, damages and liabilities whatsoever arising from or in connection with any mechanics', materialmen's, laborers' or other construction or statutory liens filed against any portion of the Property or the Project or arising from or related to construction on the Property or the Project performed by or at the request of Developer or Developer's contractors or agents. The indemnity set forth in this Section 7.6.3 shall survive the issuance of the PDC Certificate of Completion and any termination of this Agreement.

7.7. Liens. If any statutory lien shall be filed prior to PDC's issuance of the PDC Certificate of Completion against any portion of the Project by reason of labor, services or materials supplied to or at the request of Developer or Developer's contractors or agents or in connection with any construction on the Project, Developer shall, within thirty (30) days after the filing thereof, take whatever action is necessary and proper (including posting a bond or a cash deposit and taking such further action as may be required by the Oregon Construction Lien Law), so that the Project shall thereafter be entirely free of the lien. Alternatively, Developer may elect to leave the lien of record and to contest its validity, amount or applicability by appropriate legal proceedings, but only if Developer shall, within the 30-day period following the filing of the lien, furnish an indemnity against such lien in an amount and form satisfactory to induce the title insurance company which insured title to the Property to insure over such lien or to reissue or update its existing policy, binder or commitment without showing any title exception by reason of such lien; provided, further, that in such event, (i) Developer shall indemnify and hold harmless PDC from all loss, damage, liability, expense or claim whatsoever (including attorneys' fees and other costs of defending against the foregoing) resulting from the assertion of any such lien, and (ii) in the event such legal proceedings shall be finally concluded (so that no further appeal may be taken) adversely to Developer, Developer shall within fifteen (15) days thereafter cause the lien to be discharged of record.

7.8. Compliance with Laws and Use Restrictions. Developer will comply with, or cause the Project to comply with, all laws, ordinances, statutes, rules, regulations, orders, injunctions, or decrees of any government agency or instrumentality applicable to Developer, the Project, or the operation thereof, including, without limitation:

7.8.1. All applicable health and safety, environmental, and zoning laws, and

7.8.2. All requirements or restrictions pertaining to the construction, use, occupancy or operation of the Project arising from the original source of any funds used by Developer to complete the Project.

7.9. PDC Certificate of Completion.

7.9.1. When Developer is Entitled to PDC Certificate of Completion. Upon substantial completion of the Project as described in this Section 7.9 on or before the date for completion of the construction set forth in the Schedule of Performance and provided Developer is not in default under this Agreement, PDC will furnish Developer with a PDC Certificate of Completion for the Project. The Project will be deemed to be substantially complete when:

- i. PDC determines that the Project is complete according to the Final Construction Drawings and Technical Specifications, except for punch-list items that do not materially affect the use of the Project for the purposes intended under this Agreement;
- ii. Developer has completed all environmental remediation and abatement on the Property, if any, required of Developer under Sections 8.3 or 8.4;
- iii. The City has issued a temporary or permanent Certificate(s) of Occupancy with respect to the Project;
- iv. Developer has submitted all materials to the United States Green Building Council necessary to obtain the applicable level of LEED certification required by the Green Building Policy, and
- v. PDC determines that any other improvements required by this Agreement are complete in all material respects.

7.9.2. Form and Effect of the PDC Certificate of Completion. A PDC Certificate of Completion shall be substantially in the form of Exhibit G and in a form that can be recorded in the real property records of Multnomah County. The PDC Certificate of Completion shall provide for termination of obligations under this Agreement and limitation of remedies of PDC as expressly provided for in the PDC Certificate of Completion. At Developer's request, the PDC Certificate of Completion for the Project shall state which terms and conditions of this Agreement are of no further force and effect.

7.9.3. Procedure Where PDC Refuses to Issue. If PDC refuses or fails to provide a PDC Certificate of Completion in accordance with this Section 7.9, then PDC, within thirty (30) days after written request by Developer for such PDC Certificate of Completion, shall

provide Developer with a written statement indicating in detail in what respects Developer has failed to complete the Project in accordance with the provisions of this Agreement or is otherwise in default and what measures or acts Developer must take or perform to obtain such PDC Certificate of Completion. PDC's failure to furnish Developer with such detailed written statement within such thirty (30) day period shall be deemed PDC's approval of Developer's request for the PDC Certificate of Completion.

8. ENVIRONMENTAL CONDITION OF THE PROPERTY AND PARTIES' RESPONSIBILITIES

- 8.1. Environmental Due Diligence Reports.** Developer acknowledges receipt of copies of the Environmental Due Diligence Reports, as set forth in Exhibit L, other than the Phase I Environmental Site Assessment described in Section 8.2 below.
- 8.2. Phase I Environmental Site Assessment.** Within 180 days prior to Closing, PDC shall cause completion of a Phase I Environmental Site Assessment of the Property in conformance with the ASTM E 1527-05 process in compliance with the United States Environmental Protection Agency All Appropriate Inquiries (40 CFR Part 312). PDC shall provide a copy of the Phase I Environmental Site Assessment to Developer, promptly after PDC's receipt thereof.
- 8.3. Environmental Cleanup.** In November of 2010, PDC removed and properly disposed of asbestos, from inside the basement boiler, and chemicals stored in the basement. Asbestos containing building materials remain in the structure as identified in the *Asbestos Survey Report* dated January 31, 2008 and prepared by PBS Environmental and in the *Asbestos Survey Report Addendum* dated May 21, 2008 and prepared by R&H Construction, including but not limited to accessible materials and latent materials behind walls, floors and other inaccessible areas. It is the sole responsibility of the Developer to properly abate, encapsulate or otherwise mitigate, in compliance with applicable law, any remaining asbestos containing materials that may be disturbed.
- 8.4. Unforeseen Environmental Conditions.** If Developer encounters, after Closing and prior to issuance of the PDC Certificate of Completion, an Unforeseen Environmental Condition on the Property that was not caused directly or indirectly by Developer, Developer shall suspend all related construction activities pending PDC's investigations under this Section 8.4. Developer shall also, promptly thereafter, notify DEQ (to the extent required by applicable law) and PDC of the Unforeseen Environmental Condition and provide PDC with any documentation regarding the circumstances of the discovery of the Unforeseen Environmental Condition, including but not limited to any documentation on the release of a Hazardous Substance on the Property. After discovery of an Unforeseen Environmental Condition on the Property, Developer shall allow PDC access to the Property to make such surveys and conduct such tests and investigations as PDC deems reasonably necessary or desirable to determine the nature and extent of the Unforeseen Environmental Condition. Developer hereby grants a license to PDC for PDC to enter on the Property to perform the foregoing surveys, tests and investigations which PDC shall conduct in accordance with applicable Environmental Laws. PDC will provide Developer with copies of any reports arising from such surveys, tests and investigations. Promptly after PDC's completion of the surveys, tests and investigations, the Parties shall meet to agree upon a source and method for funding the remediation or abatement, as applicable, of the Unforeseen Environmental Condition, which Developer shall then complete as part of the Project, as a condition to issuance of the PDC Certificate of Completion and in a manner necessary to obtain an NFA Letter, UST Letter, or other required approval. Developer shall comply with all restrictions, limitations, conditions and obligations set forth in the NFA Letter, UST Letter or

other required approval, as applicable, once issued by DEQ. If the Parties are unable to agree on a source and method for funding the remediation or abatement, then PDC shall have the right, but not the obligation, in its sole discretion, to pursue other responsible parties of the Unforeseen Environmental Condition or perform remediation or abatement of the Unforeseen Environmental Condition itself, as it determines necessary or appropriate in its sole discretion as a matter of right but not obligation, and Developer shall permit PDC access to the Property to do so.

8.5. Indemnification. Developer shall be responsible for compliance with all Environmental Laws with respect to the Property, its business and the operation of the Project from and after Closing, including but not limited to compliance with all restrictions, limitations, conditions and obligations imposed by DEQ pursuant to a No Further Action Letter, Underground Storage Tank Closure letter or Easement and Equitable Servitude applicable to the Property, if any. In addition Developer shall be responsible for all environmental remediation and abatement of Recognized Environmental Conditions and Unforeseen Environmental Conditions on the Property to the extent such obligations are imposed on Developer under Sections 8.3 or 8.4 above. Developer shall defend (at PDC's request), indemnify and hold harmless PDC, its successors and assigns, from and against all claims, costs, expenses, losses, damages, and liabilities, including, without limitation, reasonable legal, accounting, consulting, engineering and other expenses which may be imposed on or incurred by PDC, its successors or assigns, or asserted against PDC, its successors or assigns, by any other person or entity, including, without limitation, a governmental entity, arising out of or in connection with any violation of Environmental Laws by Developer, Developer's failure to comply with a restriction, limitation, condition or obligation imposed by DEQ pursuant to a NFA Letter, UST Closure Letter or E&ES applicable to the Property, if any, or Developer's failure to complete any environmental remediation or abatement of Recognized Environmental Conditions or Unforeseen Environmental Conditions on the Property required of Developer by Sections 8.3 or 8.4 above. The indemnity set forth in this Section 8.5 shall survive the issuance of the PDC Certificate of Completion and any termination of this Agreement.

8.6. Contribution. The foregoing indemnity does not limit any rights of contribution that the Parties may have against others under applicable law or agreement. The indemnity is intended only as an allocation of responsibility between the Parties.

9. Oregon Prevailing Wage Law.

The Parties hereby acknowledge that the Project is a "public work" subject to ORS 279C.800 to 279C.870 and the administrative rules adopted thereunder (the "Oregon Prevailing Wage Law"). Accordingly, the Parties have entered into, and shall perform and discharge their obligations under, that certain Compliance Agreement of even date herewith, which is hereby incorporated into this Agreement by this reference, to implement their compliance with the Oregon Prevailing Wage Law with respect to the Project.

10. COMPLIANCE WITH PDC POLICIES

10.1. Construction Wage Policy.

PDC's Construction Wage Policy is not applicable to the Project.

10.2. Business and Workforce Equity Policy. PDC has adopted the Business and Workforce Equity Policy, attached hereto as Exhibit J, to ensure fair and equitable opportunities to Portland's diverse populations, promote prosperity in all segments of Portland's diverse communities, foster economic growth, and expand competition in the market. The Business and Workforce Equity Policy is comprised of two (2) separate and distinct programs:

- The Business Equity Program; and
- The Workforce Equity Program

Within ten (10) days of the Effective Date, Developer shall contact the PDC Contracts Coordinator to obtain the Business Equity Program Specifications and the Workforce Equity Program Specifications (each, the "Specifications") that outline the procedural requirements of the respective programs, including the reporting requirements to the City. The Project is subject to both the Business Equity Program and the Workforce Equity Program as follows:

10.2.1. Business Equity Program. The purpose of the Business Equity Program is to ensure that PDC provides professional, supplier and construction contracting opportunities to State certified minority-owned, women-owned and emerging small businesses (collectively, "Certified Firms") and to encourage the participation of businesses owned by veterans in connection with PDC projects. The utilization goal for Certified Firms in connection with the Project is twenty percent (20%) of the Project's hard construction costs. The Developer shall comply with the Business Equity Program by including provisions in its contract with its General Contractor that require the General Contractor to comply with the Specifications of the Business Equity Program and otherwise causing its General Contractor, and the subcontractors thereof, to comply with the Specifications in connection with the Project. Developer shall also comply with all portions of the Business Equity Program applicable directly to Developer. The failure of Developer or Developer's General Contractor, or the subcontractors thereof, to comply with the Specifications shall constitute a breach of a material provision of this Agreement. Provided that the Specifications are followed, failure to meet the specific utilization goal for Certified Firms shall not constitute a breach of a material provision of this Agreement.

10.2.2. Workforce Equity Program. The purpose of the Workforce Equity Program is to maximize apprenticeship opportunities in the construction trades and ensure employment opportunities for People of Color and women and encourage the employment of people with disabilities and veterans in connection with PDC projects. In connection with the Project, Developer shall comply with the Workforce Equity Program by: (i) including provisions in its contract with its General Contractor that require the General Contractor to comply with the Workforce Equity Program Specifications and otherwise causing its General Contractor, and the subcontractors thereof, to comply with the Workforce Equity Program in connection with the Project; and (ii) complying with all portions of the Workforce Equity Program applicable directly to Developer. Projects subject to the Workforce Equity Program require contractors to ensure that a minimum of 20% of labor hours in each apprenticeable trade performed by the General Contractor and subcontractors are worked by state-registered apprentices. The failure of Developer or Developer's General Contractor, or the subcontractors thereof, to comply with the Specifications or to meet the required percentage of apprentice hours (not the specific goals for participation by People of Color or women on the Project) of the Workforce Equity Program shall constitute a breach of a material provision of this Agreement.

10.3. Green Building Policy. In connection with the Project, Developer shall comply with PDC's Green Building Policy, which, among other things, requires Developer to construct the Project in the manner necessary to meet the applicable Green Building standard set forth in the Green Building Policy. Within thirty (30) days after the Effective Date, Developer shall provide PDC with the initial Green Building Progress Report, and Developer shall submit subsequent Green Building Progress Reports to PDC as such reports are modified or updated until PDC has issued a PDC Certificate of Completion for the Project. If the applicable Green Building standard is some level of LEED certification, then Developer shall submit all materials necessary to obtain the applicable level of LEED certification for the Project to the United States Green Building Council prior to PDC's issuance of a PDC Certificate of Completion for the Project and submission of such materials is a condition precedent to PDC's obligation to issue the PDC Certificate of Completion.

10.4. EEO Certification. Developer shall comply with the City's EEO Certification Program by including provisions in its contract with its General Contractor that require the General Contractor to comply with the EEO Certification Program and otherwise causing its General Contractor, and the subcontractors thereof, to comply with the EEO Certification Program. Developer shall also comply with all portions of the EEO Certification Program applicable directly to Developer and with all applicable provisions of Federal or state statutes and regulations and City ordinances concerning equal employment opportunities for persons engaged in the Project. The failure of Developer or Developer's General Contractor, or the subcontractors thereof, to comply with the EEO Certification Program or other applicable equal employment opportunity law shall constitute a breach of a material provision of this Agreement. Additional information on the City's EEO Certification Program can be found on the City's website, <http://www.portlandonline.com>.

11. OTHER OBLIGATIONS

11.1. Feasibility Study. Developer shall, no later than 10 years after the date PDC issues the PDC Certificate of Completion, complete a study of the feasibility of a full block redevelopment of the Property and the other parcels that are part of the block bounded by NW Burnside, NW Couch, NW Fourth Avenue and NW Fifth Avenue. Developer shall provide PDC a copy of the written findings of the feasibility study promptly after completion of the study.

12. ASSIGNMENT AND TRANSFER PROVISIONS

12.1. Restrictions on Transfer of the Property and Assignment of the Agreement. Because it is a municipal entity, PDC is uniquely benefited by completion of the Project. Developer is uniquely qualified to construct and manage the Project. The anti-assignment provisions of this Section 12 are reasonable and necessary to provide to each Party the benefit of the transaction implemented through this Agreement.

12.1.1. Except as provided in Section 12.2, during the period commencing on the Effective Date and ending on the date that PDC issues the PDC Certificate of Completion, Developer shall not partially or wholly transfer or dispose of or agree to transfer or dispose of the Property, the Project, or Developer's interest in this Agreement without the prior written approval of the PDC, which may be withheld in PDC's sole discretion. Without limiting PDC's discretion to withhold its approval in any event, PDC is unlikely to approve a transfer or disposition if (a) the transfer or disposition violates another provision of this Agreement, (b) the proposed transferee does not possess qualifications and financial capacity equal to or

superior to that of Developer, or (c) the transfer or disposition will cause a material delay in completion of the Project.

12.1.2. Howard Davis, Linda Davis, David Gold and Katherine Gold (“Developer’s Principals”) shall retain a controlling ownership interest in the Developer and retain control of the operations of the Developer.

12.2. Approved Transfers. Notwithstanding Section 12.1 above, and provided that Developer provides PDC with copies of all agreements related to the transfer at least fifteen (15) days prior to the effective date of the proposed transfer, and any other information reasonably necessary for PDC to determine whether such transfer complies with the requirements of this Agreement, PDC hereby consents to:

12.2.1. An assignment of Developer’s rights under this Agreement and interest in the Property (which interest will remain subject to the terms and conditions of this Agreement) to a partnership, limited liability company or limited partnership provided that the owners of the assignee are the same as the owners of Developer and that Developer’s Principals hold a controlling ownership interest in the assignee, are the managing members or general partners of such assignee and retain control of the operations of the assignee. Notwithstanding an assignment under this Section 12.2.1, Developer shall remain fully responsible to PDC for performance of this Agreement.

12.2.2. Any Mortgage approved by PDC (and further defined below in Exhibit A).

12.2.3. An assignment of Developer’s rights under this Agreement and interest in the Property (which interest will remain subject to the terms and conditions of this Agreement) to a person or entity possessing qualifications and financial capacity equal to or superior to that of Developer, as determined by PDC in the reasonable exercise of its discretion.

13. CONTINUING COVENANTS SURVIVING TERMINATION OF AGREEMENT OR COMPLETION OF CONSTRUCTION

13.1. Surviving Sections. The following Sections of this Agreement shall survive and remain in effect for the periods identified in the DDA notwithstanding termination of this Agreement or issuance of the PDC Certificate of Completion: Section 7.6.2 (INDEMNITY FROM LIABILITY CLAIMS), Section 7.6.3 (INDEMNITY FROM LIENS), Section 7.4 (COVENANTS RUNNING WITH THE LAND), Section 8.5 (INDEMNIFICATION), and, to the extent such obligations are intended to continue as provided therein, Section 10 (COMPLIANCE WITH PDC POLICIES), , and Section 11 (OTHER OBLIGATIONS).

14. MORTGAGEE PROTECTION PROVISIONS

14.1. Effect of Revesting on Mortgages. Any reversion and revesting of the Property or any portion thereof in PDC pursuant to this Agreement shall always be subject to and limited by, and shall not defeat, render invalid, or limit in any way, except as expressly set forth herein, any Mortgage.

14.2. Mortgagee Not Obligated To Construct. Notwithstanding any of the provisions of the Agreement, except those that are covenants running with the Property, a Mortgagee or its designee for purposes of acquiring title at foreclosure shall in no way be obligated by the

provisions of this Agreement to construct or complete the Project or to guarantee such construction or completion.

14.3. Copy of Notice of Default to Mortgagee. If PDC delivers a notice or demand to Developer with respect to Developer's breach of this Agreement, PDC shall at the same time send a copy of such notice or demand to each Mortgagee approved by PDC, at the last address of such holder shown in the records of PDC. Failure of PDC to send a copy of such notice or demand to a Mortgagee shall not prevent or limit in any way PDC's rights and remedies under this Agreement or create any liability for PDC.

14.4. Mortgagee's Options to Cure Defaults. After Developer's default of this Agreement and if Developer fails to cure or remedy said default within the required time period, then each Mortgagee shall have thirty (30) days after passage of the latest date for Developer's cure or remedy of the default, to cure or remedy the default itself, if cure or remedy thereof is permitted by this Agreement. If a Mortgagee does cure or remedy the default within said thirty (30) day period, the Mortgagee may add the cost thereof to the Mortgage debt and the lien of its Mortgage, if permitted by its loan documents. If the default is with respect to construction of the Project, nothing contained in this Agreement shall be deemed to prohibit such Mortgagee, either before or after foreclosure or action in lieu thereof, from undertaking or continuing the construction or completion of the improvements, provided that the Mortgagee notifies PDC in writing of its intention to complete the Project according to the approved Final Construction Drawings and Technical Specifications. Any Mortgagee who properly completes the Project shall be entitled to issuance of a PDC Certificate of Completion, upon written request made to PDC following the procedures set forth in Section 7.9 above.

14.5. Amendments Requested by Mortgagee. PDC shall execute amendments to this Agreement or separate agreements to the extent reasonably requested by a Mortgagee proposing to make a loan to Developer secured by a security interest in all or any part of the Property or the Project, provided that such proposed amendments or other agreements do not materially and adversely affect the rights of PDC or its interest in the Property.

15. DEFAULT AND REMEDIES

15.1. Default and Cure.

15.1.1. Default by Developer.

- (a) Developer shall be in default under this Agreement if Developer breaches a material provision of this Agreement, whether by action or inaction, and such breach continues and is not remedied within thirty (30) days after Developer receives written notice from PDC specifying the breach. In the case of a breach that cannot with due diligence be cured within a period of thirty (30) days, Developer shall be in default under this Agreement if Developer does not commence the cure of the breach within thirty (30) days after Developer receives written notice from PDC and thereafter diligently prosecute to completion such cure within sixty (60) days after the written notice from PDC.
- (b) Developer shall also be in default under this Agreement if Developer makes an assignment for the benefit of creditors, or is adjudicated a bankrupt, or has a receiver, trustee or creditor's committee appointed over it that is not removed within one hundred eighty (180) days after appointment.

(c) Developer shall also be in default under this Agreement and PDC shall be irreparably harmed by such default, if Developer constructs or operates any portion of the Project in a manner materially inconsistent with Final Construction Drawings and Technical Specifications.

15.1.2. Default by PDC. PDC shall be in default under this Agreement if PDC breaches a material provision of this Agreement, whether by action or inaction, and such breach continues and is not remedied within thirty (30) days after PDC receives written notice from Developer specifying the breach. In the case of a breach that cannot with due diligence be cured within a period of thirty (30) days, PDC shall be in default under this Agreement if PDC does not commence the cure of the breach within thirty (30) days after PDC receives written notice from Developer and thereafter diligently prosecute to completion such cure within sixty (60) days after the written notice from Developer.

15.2. PDC's Pre-Conveyance Remedies. If a Developer default (as described in Section 15.1.1) occurs before the Property is conveyed to Developer, PDC may, at its option: (i) terminate this Agreement by written notice to Developer, (ii) seek monetary damages against Developer, or (iii) specifically enforce the obligations of Developer under this Agreement. If PDC terminates this Agreement as provided in this Section 15.2, then Developer shall deliver to PDC within thirty (30) days after termination, copies of all Project market research, design documents, engineering documents, proformas and financial projections prepared for Developer by unrelated third parties, and which Developer is authorized to release. PDC may use any of the foregoing documents in any manner that PDC deems appropriate with the consent of any party having approval rights thereunder. PDC shall pay no compensation to Developer for the foregoing Project documents.

15.3. PDC's Post-Conveyance Remedies. If a Developer default (as described in Section 15.1.1) occurs after the Property is conveyed to Developer, including but not limited to Developer's failure to complete the Project as required by Section 7.3, then PDC shall have the following remedies:

15.3.1. Subject to the Mortgagee protections specified in Section 14, PDC shall have the right to re-enter and take possession of the Property and to terminate (and revert in PDC) the estate conveyed by the Deed, terminate Developer's right to develop the Project, and resell the Property pursuant to Section 15.4 below. The conveyance of the Property to Developer shall be made upon, and the Deed shall provide for, a condition subsequent to the effect that, in the event of a Developer default (as described in Section 15.1.1), PDC, at its option, may, upon 30 days written notice of termination to Developer and the Escrow Agent, declare a termination of Developer's rights, title, and interest in the Property. After delivery of such notice of termination, and in the event Developer fails to remedy, end or abrogate such default within the 30-day period in the manner stated in the notice of termination, all the title and rights and interest in the Property conveyed to Developer by the Deed, or to any successors or permitted assigns of Developer, shall be reconveyed to PDC by quitclaim deed and pursuant to the escrow instructions, each as set forth in Exhibit I. Any delay by PDC in instituting or prosecuting any such actions or proceedings or otherwise asserting its rights under this Section 15.3 shall not operate as a waiver of such rights or to deprive it of or limit such rights in any way (it being the intent of this provision that PDC should not be constrained because of concepts of waiver, laches or estoppel so as to avoid the risk of being deprived of or limited in the exercise of the remedy provided in this section or otherwise to exercise such remedy at a time when it may still hope otherwise to resolve the problems created by the default involved); nor

shall any waiver in fact made by PDC with respect to any specific default by the Developer be considered or treated as a waiver of the rights of PDC with respect to any other defaults by the Developer or with respect to any particular default except to the extent specifically waived.

15.3.2. Developer shall deliver to PDC within thirty (30) days after reconveyance of the Property pursuant to Section 15.3.1, copies of all Project market research, design documents, engineering documents, proformas and financial projections prepared for Developer by unrelated third parties, and which Developer is authorized to release. PDC may use any of the foregoing documents in any manner that PDC deems appropriate with the consent of any party having approval rights thereunder. PDC shall pay no compensation to Developer for the foregoing Project documents.

15.4. PDC Resale. If title to the Property reverts in PDC in accordance with the provisions of Section 15.3, PDC may, at its option, bring the improvements to a state of completion deemed by PDC as reasonably necessary to protect the improvements from the elements or other dangers, and shall, pursuant to its responsibilities under Oregon Revised Statutes, Chapter 457, and Chapter XV of the Charter of the City of Portland, use its best efforts consistent with prudent business practices and generally in accordance with the terms of this Agreement to resell at a reasonable price the Property and such improvements (subject to any Mortgages) as soon and in such a manner as PDC shall find feasible and consistent with the objectives of such laws and the Urban Renewal Plan, to a qualified and responsible party or parties (as determined by PDC in its sole discretion) who will assume the obligation of making or completing the improvements or such other improvements in their stead as shall be satisfactory to PDC. Upon such resale, the proceeds thereof shall be applied as follows:

15.4.1. PDC Reimbursement. First, to PDC on its own behalf to reimburse PDC for all costs and expenses reasonably incurred by it in retaking, completing and selling the Property and its improvements, including, but not limited to, the following:

- (a) Salaries of personnel in connection with the recapture, management and resale of the Property;
- (b) Any expenditures made or costs incurred in completing the construction of the Project;
- (c) Any payments made or necessary to be made to discharge any encumbrances or liens existing on the Property at the time of reversion of title thereto in PDC or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, defaults, or acts of the Developer, its successors or transferees excluding any Mortgage if the Property or improvements are sold subject to such Mortgage;
- (d) All taxes, assessments and water and sewer charges with respect to the Property or part thereof (or, in the event the Property is exempt from taxation or assessment of such charges during the period of ownership thereof by PDC or Developer, an amount equal to such taxes, assessment, or charges, as determined by the County assessing official, as would have been payable if the Property were not so exempt), and

- (e) Any amounts owed to the City as lease or license fees, and any amounts otherwise owing PDC by Developer or its successor or transferee.

15.4.2. Developer Reimbursement. Second, to reimburse Developer, its successor or transferee, up to the amount equal to the sum of:

- (a) Any portion of the Purchase Price of the Property that Developer has paid to PDC; and
- (b) The PDC-approved development costs for the Project or part thereof paid by Developer, or for which Developer remains liable, that were not funded by PDC (if PDC provided financing for the Project), less any gains or income withdrawn or made as to the Project; and

15.4.3. Balance to PDC. Third, any balance remaining after the reimbursements described above shall be retained by PDC.

15.5. Developer's Pre-Conveyance Remedies. If a PDC default (as described in Section 15.1.2) occurs before PDC conveys the Property to Developer, Developer may, at its option: (i) terminate this Agreement by written notice to PDC without waiving any cause of action Developer may have against PDC, (ii) specifically enforce the obligations of PDC under this Agreement, or (iii) seek monetary damages against PDC. Notwithstanding the preceding sentence, Developer shall not seek incidental, indirect, consequential, exemplary, statutory or other special damages or damages for lost opportunity or profits from PDC in connection with PDC's default.

15.6. Developer's Post-Conveyance Remedies. If a PDC default (as described in Section 15.1.2) occurs after PDC conveys the Property to Developer, Developer may specifically enforce the obligations of PDC under this Agreement, or seek monetary damages against PDC. Notwithstanding the preceding sentence, Developer shall not seek incidental, indirect, consequential, exemplary, statutory or other special damages or damages for lost opportunity or profits from PDC in connection with PDC's default.

15.7. Nonexclusive Remedies. The rights and remedies provided by this Agreement shall not be deemed exclusive, except where otherwise indicated, and shall be in addition to any and all rights and remedies otherwise available at law or in equity. The exercise by either Party of one or more of such remedies shall not preclude the exercise by it, at the same or different times, of any other such remedies for the same default or of any of its remedies for any other default by the other Party, including, without limitation, the right to compel specific performance. Any limitation of remedies set forth herein shall not limit or affect the obligations of a Party under any contractual indemnities set forth herein.

15.8. Unavoidable Delay.

15.8.1. Neither a Party nor a Party's successor in interest shall be considered in breach of or in default with respect to any obligation under this Agreement if the delay in performance of such obligation ("Unavoidable Delay") is a result of conditions unforeseeable, beyond the Party's control, and without the Party's fault or negligence, such as natural disasters (fire, flood, earthquake, storm, hurricane, or unusually severe weather), war, invasion, hostilities, terrorist activities, epidemic, quarantine, blockage, embargo, labor dispute, strike, malicious mischief, or explosion.

15.8.2. A Party asserting an Unavoidable Delay as an excuse for failure to perform the Party's obligation must, within thirty (30) days after the Party becomes aware of the causes of any such Unavoidable Delay, notify the other Party in writing of the cause or causes of the delay and estimated time of correction. The Party must thereafter do everything in its power to resume performance of the delayed obligation.

15.8.3. Unavoidable Delay will extend the time or times for performance of the Party's obligation for the period of the Unavoidable Delay. In no event will the time or times for performance of an obligation be extended for more than 180 days in the aggregate.

16. MISCELLANEOUS PROVISIONS

16.1. PDC Project Manager. For the purposes of managing the implementation of the provisions of this Agreement on behalf of PDC, PDC shall designate a Project Manager. At the Effective Date, the Project Manager is Katherine Krajnak.

16.2. Discrimination. Developer, for itself and its successor and assigns, agrees that, during the construction of the Project, Developer will not discriminate against any employee or applicant for employment because of race, color, religion, age, gender, sexual orientation or national origin.

16.3. Notice. Any notice or communication under this Agreement by either Party to the other shall be deemed given and delivered (a) forty-eight (48) hours after being dispatched by registered or certified U.S. mail, postage prepaid, return receipt requested, (b) when received if personally delivered, or (c) if sent by e-mail or other form of electronic transmission, with receipt of confirmation that such transmission has been received, and:

In the case of a notice or communication to Developer, addressed as follows:

Grove Hostel Property, LLC
412 NW Couch St., #103
Portland, OR 97209

with a copy to:

Gary K. Kahn
Reeves, Kahn, Hennessy & Elkins
4035 SE 52nd Avenue
P.O. Box 86100

In the case of a notice or communication to PDC, addressed as follows:

Portland Development Commission
Attn. Katherine Krajnak
222 NW 5th Ave.
Portland, OR 97209
krajnakk@pdc.us

with a copy to:

Portland Development Commission
Attn. General Counsel
222 NW 5th Ave.
Portland, OR 97209

or addressed in such other way in respect to either Party as that Party may, from time to time, designate in writing dispatched as provided in this section. Notice given in any other manner shall be effective upon receipt by the Party for whom the same is intended.

- 16.3.1.** If either Party's notice contact person or address changes, that Party shall provide the other Party with the updated contact information.
- 16.4. Merger.** None of the provisions of this Agreement are intended to or shall be merged by reason of any deed transferring title to the Property from PDC to Developer or any successor in interest, and any such deed shall not be deemed to affect or impair the provisions and covenants of this Agreement, but shall be deemed made pursuant to this Agreement.
- 16.5. Headings.** Titles of the sections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.
- 16.6. Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.
- 16.7. Waivers.** No waiver made by either Party with respect to the performance, or manner or time thereof, of any obligation of the other Party or any condition inuring to its benefit under this Agreement shall be considered a waiver of any other rights of the Party making the waiver. No waiver by PDC or Developer of any provision of this Agreement or any breach thereof, shall be of any force or effect unless in writing and no such waiver shall be construed to be a continuing waiver.
- 16.8. Attorneys' Fees.** If a suit, action, arbitration, or other proceeding of any nature whatsoever, including, without limitation, any proceeding under U.S. Bankruptcy Code, is instituted to interpret or enforce any provision of this Agreement, or with respect to any dispute relating to this Agreement, including, without limitation, any action in which a declaration of rights is sought or an action for rescission, the prevailing party shall be entitled to recover from the losing party its reasonable attorneys', paralegals', accountants', and other experts' fees and all other fees, costs and expenses actually incurred and reasonably necessary in connection therewith, as determined by the judge at trial or on any appeal in addition to all other amounts provided by law. This provision shall cover costs and attorney fees related to or with respect to proceedings in Federal Bankruptcy Courts, including those related to issues unique to bankruptcy law.
- 16.9. Governing Law, Venue, Consent to Jurisdiction.** This Agreement shall be governed by Oregon law, without regard to principles of conflicts of law. Any action or suit to enforce or construe any provision of this Agreement by any Party must be brought in the Circuit Court of the State of Oregon for Multnomah County or, if the action or suit must be brought in a federal forum, the United States District Court for the District of Oregon in Portland, Oregon. Each Party, by execution of this Agreement, hereby consents to the in personam jurisdiction of said courts.

- 16.10. Calculation of Time.** All periods of time referred to herein shall include Saturdays, Sundays, and legal holidays in the state of Oregon, except that if the last day of any period falls on any Saturday, Sunday or legal holiday, the period shall be extended to include the next day which is not a Saturday, Sunday or legal holiday.
- 16.11. Construction.** In construing this Agreement, singular pronouns shall be taken to mean and include the plural and the masculine pronoun shall be taken to mean and include the feminine and the neuter, as the context may require.
- 16.12. Legal Purpose.** Developer agrees to use the Project solely for lawful purposes.
- 16.13. Severability.** If any clause, sentence or any other portion of the terms and conditions of this Agreement becomes illegal, null or void for any reason, the remaining portions will remain in full force and effect to the fullest extent permitted by law.
- 16.14. Entire Agreement.** This Agreement and its exhibits are the entire agreement between the Parties with regard to the disposition and development of the Property. There is no other oral or written agreement between the Parties with regard to this subject matter. There are no oral or written representations or warranties made by either Party, implied or express, other than those contained in this Agreement.
- 16.15. Amendments and Modifications.** Any modifications to this Agreement must be made in writing and executed by all Parties, with the approval of the PDC Board of Commissioners, if required. Notwithstanding this general requirement, the PDC Executive Director may approve minor modifications to this Agreement without Board of Commissioners approval. Minor modifications include changes in the Schedule of Performance that do not exceed 180 days. Any modifications to this Agreement made without the approval of the PDC Board of Commissioners must include an acknowledgement by PDC's General Counsel that such approval is not necessary.
- 16.16. Successors and Assigns.** Subject to the provisions of Section 12, the benefits conferred by this Agreement, and the obligations assumed thereunder, shall inure to the benefit of and bind the successors and permitted assigns of the Parties.
- 16.17. No Partnership.** Nothing contained in this Agreement or any acts of the Parties hereby shall be deemed or construed by the Parties, or by any third person, to create the relationship of principal and agent, or of partnership, or of joint venture, or any association between any of the Parties other than that of independent contracting parties.
- 16.18. Non-waiver of Government Rights.** Subject to the terms and conditions of this Agreement, by making this Agreement and delivery of the Deed, PDC is specifically not obligating itself, the City, or any other agency with respect to any discretionary action relating to development or operation of the improvements to be constructed on the Property, including, but not limited to, rezoning, variances, environmental clearances or any other governmental approvals which are or may be required, except as expressly set forth herein.
- 16.19. Approvals.** Where this Agreement requires the approval of PDC, PDC will approve or disapprove in writing within thirty (30) days after receipt of the material to be approved, except where a longer or shorter time period is specifically provided to the contrary, and further excepting construction change orders, to the extent governed by applicable loan documents, which will be processed according to the applicable loan documents. Failure by

PDC to approve or disapprove within said period of time shall be deemed an approval. Any disapproval shall state the reasons for such disapproval. Approvals will not be unreasonably withheld, except where rights of approval are expressly reserved to PDC's sole discretion in this Agreement. Developer, upon receipt of such disapproval, shall revise such disapproved portions in a manner responsive to the stated reasons for disapproval and resubmit the same to PDC within forty-five (45) days after receipt of the notice of disapproval.

16.20. Approval by PDC Executive Director. Except as provided for elsewhere in this Agreement, whenever consent or approval by PDC is required under the terms of this Agreement, all such consents or approvals shall be given in writing from the Executive Director of PDC or his or her designee.

16.21. Time of Essence. Time is of the essence of this Agreement.

16.22. No Third-Party Beneficiary Rights. No person not a party to this Agreement is an intended beneficiary of this Agreement, and no person not a party to this Agreement shall have any right to enforce any term of this Agreement.

16.23. Recording of Memorandum of Agreement. PDC shall record a memorandum of this Agreement ("Memorandum of Agreement") within ten (10) days after the Effective Date. The form of the Memorandum of Agreement is attached as Exhibit K to this Agreement. When PDC issues to Developer a PDC Certificate of Completion or if the Agreement is terminated, the Parties shall cooperate to promptly record, if reasonably requested by a Party, an Amended Memorandum of Agreement to reflect the surviving covenants of this Agreement.

16.24. Incorporation. The exhibits attached to this Agreement are incorporated into and made a part of this Agreement.

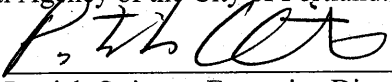
16.25. STATUTORY WARNING. THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS THAT, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, AND SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO VERIFY THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, AND SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009.

Executed in multiple counterparts as of the day and year first above written.

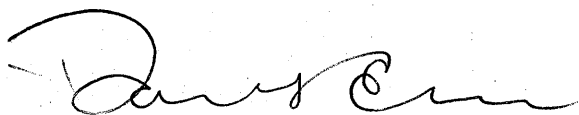
EXHIBITS

- Exhibit A.** Definitions
- Exhibit B.** Description of the Property
- Exhibit C.** Form of Deed
- Exhibit D.** Project Budget
- Exhibit E.** Schedule of Performance
- Exhibit F.** Scope of Development
- Exhibit G.** Form of PDC Certificate of Completion
- Exhibit H.** Redevelopment Loan Term Summary
- Exhibit I.** Form of Quitclaim Deed and Escrow Instructions
- Exhibit J.** Business and Workforce Equity Policy
- Exhibit K.** Form of Memorandum of Agreement
- Exhibit L.** Environmental Due Diligence Reports
- Exhibit M.** Green Building Policy

CITY OF PORTLAND, a municipal corporation in the State of Oregon, acting by and through the Portland Development Commission as the duly designated Urban Renewal Agency of the City of Portland.

By: 
Patrick Quinton, Executive Director

APPROVED AS TO FORM:


David J. Elott, Attorney
Portland Development Commission

GROVE HOSTEL PROPERTY, LLC,
an Oregon limited liability company,

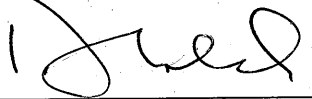
By: 
David Gold, Manager

EXHIBIT A

DEFINITIONS

The following words and phrases have the designated meanings in this Agreement:

1. **“Agreement”** means this Agreement for the Disposition and Development of Property and all attached Exhibits.
2. **“Amended Memorandum of Agreement”** has the meaning given in Section 16.23.
3. **“Business and Workforce Equity Policy”** means the Business and Workforce Equity Policy adopted by the PDC Board of Commissioners, a copy of which is attached hereto as Exhibit J.
4. **“Certified Firms”** has the meaning given in Section 10.2.1.
5. **“City”** means the municipal corporation of the City of Portland, Oregon and its constituent bureaus and agencies, except PDC.
6. **“City Design Review”** means review by the City of Portland, Bureau of Development Services in accordance with Title 33.825 of the Code of the City of Portland.
7. **“Closing”** means the transfer of the Property to Developer by PDC by recording of the Deed and handling of all other necessary documentation by the Escrow Agent.
8. **“Closing Date”** means the date on which the Deed from PDC to Developer is recorded.
9. **“Compliance Agreement”** means that agreement described in Section 9.
10. **“Construction Drawings and Technical Specifications”** means documents, based upon the Design Development Drawings, that set forth in detail the requirements for construction of the Project pursuant to the terms of this Agreement, approved by PDC and the appropriate City agencies. Construction Drawings and Technical Specifications shall include drawings and specifications that establish in detail the quality levels of materials and systems required for the Project.
11. [Reserved]
12. **“Conveyance”** means the transfer of fee simple title to the Property by PDC to Developer.
13. **“Deed”** means a Bargain and Sale Deed which will be used to convey fee simple title to the Property, substantially in the form of Exhibit C.
14. **“Demolition”** means the removal of certain improvements on the Property, including but not limited to the removal of debris from the Property and its lawful disposal.
15. **“DEQ”** means the Oregon Department of Environmental Quality.
16. [Reserved]
17. [Reserved].
18. [Reserved]
19. [Reserved]

20. **“Developer”** means Grove Hostel Property, LLC, an Oregon limited liability company.
21. **“Developer’s Principals”** has the meaning set forth in Section 3.2.1.
22. **“Design Development Drawings”** means the detailed plans submitted for City Design Review, including but not limited to:
- Architectural site plans showing all structures upon the site together with all connections to existing or proposed utilities, roads, sidewalks and alleys;
 - A general landscaping concept plan;
 - Elevations of the buildings to determine the site lines and the specific configuration and relationship of design elements of the building exteriors, which describe the aesthetic and technical aspects, including materials, of the building exteriors;
 - A calculation of gross building areas, floor areas, height ratios and open spaces;
 - A preliminary Exterior Finish Schedule;
 - Proposed layouts for exterior signage, graphics, and exterior lighting; and
 - A description of servicing requirements, trash collection locations, loading docks and related functional areas.
23. **“Drawings”** has the meaning set forth in Section 7.2.1.
24. [Reserved]
25. **“EEO Certification Program”** means the program run by the City requiring contractors to certify that they do not discriminate against any employee or applicant on the basis of race, religion, color, sex, marital status, national origin, age, mental or physical disability, sexual orientation, gender identity or source of income, and that they take steps to ensure equal opportunity in all aspects of employment including, but not limited to, hiring, promotion, transfer, advertising, layoff, termination, rates of pay, training (including apprenticeship), and terms and conditions of employment.
26. **“Effective Date”** means the date stated in the first paragraph of this Agreement.
27. [Reserved]
28. **“Environmental Conditions”** means the physical condition of the Property as measured by the standards of the Environmental Laws. Environmental Conditions do not include de minimis conditions that generally do not present a threat to human health or the environment and that generally would not be the subject of an enforcement action if brought to the attention of appropriate governmental agencies.
29. **“Environmental Laws”** means all federal, state and local laws, ordinances, rules and regulations relating to the protection or regulation of the environment that apply to the Property or the Project, including without limitation, Chapter 466 of the Oregon Revised Statutes, Chapter 341 of the Oregon Administrative Rules, RCRA (as defined in the definition of Hazardous Substances, below), CERCLA (defined in the definition of Hazardous Substances, below), the Safe Drinking Water Act, the Clean Air Act, the Clean Water Act, and the Toxic Substances Control Act.
30. **“Environmental Due Diligence Reports”** means reports of investigations performed as part of environmental due diligence, which may include Phase I, Phase 2 and Hazardous Building Site Assessments and reports, or documents or documentation, that PDC has prepared or has in its possession, of Recognized Environmental Conditions. A complete list of the Environmental Due Diligence Reports is attached as Exhibit L and incorporated herein by reference.
31. **“Escrow Agent”** means Fidelity National Title Insurance Company.

32. **"Final Permitted Exceptions"** has the meaning set forth in Section 2.6.2.
33. **"Final Project Budget"** means the updated and revised estimated sources and uses of funds for the Project, submitted by Developer to PDC prior to Closing.
34. **"General Contractor"** means Lease Crutcher Lewis.
35. **"Green Building"** means building design, siting, construction and operations practices that conserve natural resources and improve the performance of the building, other site improvements, and their users.
36. **"Green Building Policy"** means PDC's Green Building Policy in effect on the Effective Date, a copy of which is attached hereto as Exhibit K and incorporated herein by this reference.
37. **"Green Building Progress Reports"** means the reports Developer is required to submit to PDC under the Green Building Policy consisting of an updated LEED Checklist, if applicable, and any additional documentation indicating:
- the progress towards meeting the requirements of the Green Building Policy;
 - the likelihood that the requirements will be met or exceeded; and
 - any issues or circumstances that may prevent Developer from meeting the requirements.
38. **"Hazardous Substances"** means any pollutant, dangerous substance, toxic substance, asbestos, petroleum, petroleum product, hazardous waste, hazardous materials or hazardous substance as defined in or regulated by Chapter 466 of the Oregon Revised Statutes, the Resource Conservation Recovery Act, as amended, 42 USC Section 6901, et seq. ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 USC Section 9601, et seq. ("CERCLA"), or any other Environmental Law.
39. **"Infrastructure"** means public streets, sidewalks, alleys, and driveway approaches, connections to garages, planting street trees and grass in planting strips, stormwater mitigation, street and parking lot lighting, construction and connection of the Project to abutting potable water and sewer and storm sewer mains, connecting the Project to gas and electric and other necessary utility services, and all permitting for any of the above.
40. **"Land"** has the meaning set forth in Section 2.2.
41. **"Laws"** has the meaning set forth in Section 3.1.5.
42. **"LEED"** means Leadership in Energy and Environmental Design, a green building certification system developed by the U.S. Green Building Council, providing third-party verification that a building or community was designed and built using strategies aimed at improving performance across metrics of overall Project sustainability, including energy savings, water efficiency, CO2 emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts.
43. **"Memorandum of Agreement"** has the meaning set forth in Section 16.23.
44. **"Mortgage"** means a mortgage or deed of trust against the Property (or any portion thereof) to finance the Project that is approved by PDC and recorded in the real property records of Multnomah County, Oregon.
45. **"Mortgagee"** means the holder of any Mortgage, together with any successor or assignee of such holder. The term "Mortgagee" shall include any Mortgagee as owner of the Property or any part

thereof as a result of foreclosure proceedings, or action in lieu thereof, or any insurer or guarantor of any obligation or condition secured by a Mortgage but shall not include (a) any other person or entity who thereafter obtains title to the Property or such part from or through a Mortgagee or (b) any other purchaser at a foreclosure sale.

46. [Reserved]

47. **“Oregon Construction Lien Law”** means ORS 87.001 to 87.060 and 87.075 to 87.093.

48. **“Notice”** means any summons, citation, order, claim, litigation, investigation, proceeding, judgment, letter or other communication, written or oral, issued by the Oregon Department of Environmental Quality (“DEQ”), the United States Environmental Protection Agency, PDC, or other federal, state or local authority or any other government having jurisdiction with respect to the Property.

49. **“Oregon Prevailing Wage Law”** has the meaning set forth in Section 9.

50. **“Party” or “Parties”** means PDC and Developer, jointly or individually.

51. **“PDC Certificate of Completion”** means a certificate issued by PDC to Developer pursuant to Section 7.9 of this Agreement.

52. **“PDC’s knowledge”** means the actual current knowledge of the PDC Project Manager, without any duty of inquiry or investigation.

53. **“People of Color”** has the meaning given in the Business and Workforce Equity Policy.

54. **“Permitted Exceptions”** has the meaning set forth in Section 2.6.

55. **“Phase I Environmental Assessment”** has the meaning set forth in Section 8.2.

56. **“Predevelopment Loan Agreement”** means that loan agreement between PDC and Developer dated December 30, 2010, making up to \$150,215 available to fund certain predevelopment activities related to the Project as described therein.

57. **“Preliminary Design Documents”** means the site drawings for the Project including schematic, massing, feasibility and preliminary cost estimates for the Project in the form approved by PDC and that were the basis for entering into this Agreement.

58. **“Project”** means the Property, and the renovation to be completed by Developer on the Property as described in the Scope of Development set forth in Exhibit F.

59. **“Project Budget”** means the summary financial analysis for the Project set forth in Exhibit D, attached hereto and incorporated herein by this reference. The Project Budget represents the estimated sources and uses of funds for the Project as of the Effective Date.

60. **“Project Manager”** has the meaning set forth in Section 16.1.

61. **“Property”** has the meaning set forth in Section 2.2.

62. **“Public Participation Plan”** has the meaning set forth in Section 10.5.

63. **“Public Participation Policy”** means the policy adopted by the PDC Board of Commissioners Resolution 6266 on June 22, 2005.

64. **“Purchase Price”** means the price Developer shall pay to PDC for the Property to be conveyed by PDC to Developer. The Purchase Price is set forth in Section 2.4.
65. [Reserved]
66. [Reserved]
67. **“Recognized Environmental Conditions”** means the presence or likely presence of a Hazardous Substance on the Property under conditions that indicate an existing Release, a past Release, or a material threat of a Release of a Hazardous Substance into structures on the Property or into the ground, ground water, or surface water of the Property, whether or not the Release is in compliance with applicable law. Recognized Environmental Conditions do not include de minimis conditions that generally do not present a threat to human health or the environment and that generally would not be the subject of an enforcement action if brought to the attention of appropriate governmental agencies.
68. **“Release”** means releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, disposing or dumping.
69. **“Required Commercial Excavation”** means the excavation of soils for the utilities that will directly serve the Project, and the excavation of soils for the placement of structural support within the ground less than 5 feet deep for the Project.
70. **“Redevelopment Loan”** means the financing that PDC proposes to provide to Developer for acquisition and renovation of the Property pursuant to this Agreement and the Redevelopment Loan Documents, certain terms and conditions of which are set forth in Exhibit H.
71. **“Redevelopment Loan Documents”** means the promissory note, loan agreement, trust deed, financing statement and any other documents required by PDC to evidence the Redevelopment Loan.
72. **“Schedule of Performance”** means the document describing the schedule by which construction and development of the Project will occur, attached hereto as Exhibit E and incorporated herein by this reference.
73. **“Scope of Development”** means the description of the renovation comprising the Project, attached hereto as Exhibit F.
74. **“Special Soils”** means any soil that must be excavated from the Property as part of the Required Commercial Excavation, and which, pursuant to Environmental Laws, will require excavation, handling or disposal at a location, or using means and methods, that are prescribed by DEQ.
75. **“Title Company”** means Fidelity National Title Insurance Company with offices located at 900 SW Fifth Avenue, Portland, OR 97204.
76. **“Title Report”** has the meaning set forth in Section 2.6.1.
77. **“Unavoidable Delay”** has the meaning set forth in Section 15.8.
78. [Reserved].
79. **“Unforeseen Environmental Conditions”** means the presence of a Hazardous Substance on the Property that is not identified in the Environmental Due Diligence Reports, or that is substantially different in nature and extent from a Hazardous Substance on the Property that is identified in the Environmental Due Diligence Reports, and that constitutes a Recognized Environmental Condition

that, pursuant to Environmental Laws, will require remediation or abatement using means and methods that are prescribed by the Oregon Department of Environmental Quality.

80. "USGBC" means the U.S. Green Building Council, a coalition of building industry representatives working to promote buildings that are environmentally responsible, profitable, and healthy places to live and work. The USGBC manages the LEED rating system and is responsible for certification of registered projects.

EXHIBIT B

DESCRIPTION OF PROPERTY

LOTS 1 AND 2, EXCEPT THE SOUTHERLY 20 FEET IN BURNSIDE STREET, AND LOT 4, BLOCK 32, COUCH'S ADDITION TO THE CITY OF PORTLAND, IN THE CITY OF PORTLAND, MULTNOMAH COUNTY, OREGON.

EXHIBIT C

FORM OF

BARGAIN AND SALE DEED

After recording return to and,
until a change is requested, all
tax statements shall be sent to:

BARGAIN AND SALE DEED

The **CITY OF PORTLAND**, a municipal corporation of the State of Oregon, acting by and through the **PORTLAND DEVELOPMENT COMMISSION**, as the duly designated Urban Renewal Agency of the City of Portland (together with any successor public agency designated by or pursuant to law, "PDC"), conveys to _____, a _____ ("Developer"), the following described real property (herein called the "Property"):

The conveyance is made pursuant to that certain Agreement for Disposition and Development of Property (Grove Hotel), between Developer and PDC, dated _____ 20__, a Memorandum of which was recorded on _____, 20__ as Document No. _____, Records of Multnomah County, Oregon (the "DDA"). Any capitalized terms in this Deed shall have the meanings set forth in the DDA, unless otherwise defined herein. Other property or value was either part or the whole consideration.

The conveyance is subject to the following

1. Developer covenants and agrees that up through the issuance of the PDC Certificate of Completion, it will use the Property solely for purposes substantially consistent with the DDA, including the Scope of Development and the final Construction Drawings and Technical Specifications, except to the extent otherwise approved by PDC in writing. Developer covenants and agrees that for a period of ten years after the issuance of the PDC Certificate of Completion, it will use the Property solely for operation of a youth hostel with ground floor commercial space, except to the extent otherwise approved by PDC in writing, which approval shall not be unreasonably withheld. Developer and PDC hereby declare and agree that the covenants set forth in this section 1 shall be deemed covenants running with the land for the applicable periods set forth above and shall pass to and be binding upon the Developer's successors in title, including, without limitation, any Mortgagee, purchaser, grantee, or lessee of any portion of the Property and any other person or entity having any right, title, or interest in the Property and upon the respective heirs, executors, administrators, devisees, designees, successors, and assigns of any Mortgagee, purchaser, grantee, or lessee of any portion of the Property and any other person or entity having any right, title, or interest in the Property .
2. The covenants set forth in the DDA that the parties intend by the terms of the DDA to be real covenants running with the land.
3. A condition subsequent to this conveyance, that PDC shall have the option, in the event of a default by Developer before PDC issues a PDC Certificate of Completion for the Project, and upon 30 days written notice (hereinafter "Notice of Termination") to said Developer and the Escrow Agent, to declare a termination in favor of PDC of the title, and of all the rights and interest of Developer, and its successors and assigns, in the Property. After delivery of such Notice of Termination, and

in the event the Developer fails to remedy, end, or abrogate such default within the 30-day period in the manner stated in the Notice of Termination, Developer or its successors or assigns shall reconvey the Property to PDC by quitclaim deed, pursuant to the Escrow Instructions in Exhibit I to the DDA.

4. After the PDC Certificate of Completion is recorded, PDC shall thereafter have, or be entitled to exercise, no rights or remedies or controls that it may otherwise have been entitled to exercise under the DDA with respect to the construction of the Project, including but not limited to the right of entry to the Property and power of termination in PDC described in subparagraph 3 immediately above.

This Deed is made by PDC pursuant to powers exercised by it under Oregon Revised Statutes Chapter 457, and Chapter XV of the Charter of the City of Portland, and for the purpose of carrying out an urban renewal plan for the River District Urban Renewal Area approved by the City Council of the City on July 24, 2009, as amended.

It is intended that the delivery of this Deed shall not effect a merger of those provisions of the DDA that are intended by the terms of the DDA to continue after the delivery of this Deed.

BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, AND SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, AND SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009.

Dated this ____ day of _____, 20__.

CITY OF PORTLAND, a municipal corporation of the State of Oregon, acting by and through the PORTLAND DEVELOPMENT COMMISSION, as the duly designated Urban Renewal Agency of the City of Portland

By: _____

Chairman

By: _____

Secretary

STATE OF OREGON)

) ss.

County of Multnomah)

The foregoing instrument was acknowledged before me on _____, 20____, by _____ as Chairman of the City of Portland Development Commission, on its behalf.

Notary Public for Oregon

My commission expires: _____

STATE OF OREGON)

) ss.

County of Multnomah)

The foregoing instrument was acknowledged before me on _____, 20____, by _____ as Secretary of the City of Portland Development Commission, on its behalf.

Notary Public for Oregon

My commission expires: _____

EXHIBIT D

PROJECT BUDGET

Sources

Developer equity	705,837
Senior loan	1,000,000
PDC redevelopment loan	2,465,000
Total project sources	\$4,170,837

Uses

Land acquisition	765,000
Soft costs	646,239
Construction costs--building improvements	1,315,903
Construction costs-- tenant improvements	424,998
Furniture fixtures & equipment	480,324
Pre-opening expenses	304,057
Project contingency	234,316
Total project uses	\$4,170,837

EXHIBIT E

SCHEDULE OF PERFORMANCE

PRE-CLOSING

TASK	DUE DATE
1. PDC records Memorandum of DDA	[Within ten days after Effective Date]
2. PDC to provide Preliminary Title Report to Developer - Section 2.6.1	[Ten days after Effective date]
3. Developer to submit to the City of Portland Bureau of Development Services, an application for Design Review Approval	Complete
4. Developer to provide 50% Design Development Drawings & Project Budget - Section 7.2.3(a)	Complete
5. PDC to complete review of 50% Design Development Drawings & Project Budget	Complete
6. Developer to provide final Design Development Drawings & Project Budget - Section 7.2.3(b)	August 1, 2011
7. PDC to complete review of final Design Development Drawings & Project Budget	August 15, 2011
8. Developer to provide 50% Construction Drawings and Technical Specifications & Project Budget - Section 7.2.3(c)	August 31, 2011
9. PDC to complete review of 50% Construction Drawings and Technical Specifications & Project Budget	September 15, 2011
10. Developer to provide 90% Construction Drawings and Technical Specifications & Project Budget - Section 7.2.3(d)	September 30, 2011
11. PDC to complete review of 90% Construction Drawings and Technical Specifications & Project Budget	October 15, 2011
12. Developer to provide Final Construction Drawings and Technical Specifications & Project Budget - Section 7.2.3(e)	November 1, 2011
13. PDC to complete review of Final Construction Drawings and Technical Specifications & Project Budget	November 15, 2011
14. PDC to complete Phase I Environmental Site Assessment – Section 8.2	October 31, 2011
15. Developer to secure land use approvals and permits - Section 4.1.2(ii); 4.1.4(i)	November 15, 2011
16. Developer to secure building permits from BDS - Section 4.1.2(i); 4.1.4(i)	October 31, 2011

TASK	DUE DATE
17. Developer to provide documentation of required financing - Section 4.1.4(ii).	October 31, 2011
18. PDC to provide final form of Deed - Section 5.4	November 15, 2011
19. Developer to provide Organizational Documents, Certificate of Existence, and Authorizing Resolution - Section 4.1.4(ii)	October 31, 2011
20. Developer to submit Final Project Budget - Section 4.1.4(iii)	October 31, 2011
21. PDC to complete review of Final Project Budget - Section 4.1.4(iii)	November 30, 2011
22. Developer to provide LEED documentation - Section 4.1.4	November 30, 2011
23. Closing/Conveyance of Property to Developer - Section 5	December 31, 2011
24. Final Termination Date (if Closing does not occur by December 31, 2011) - Section 4.3	March 31, 2012

POST-CLOSING

TASK	DUE DATE
1. Developer to commence construction	January 31, 2012
2. Developer to complete construction and secure Certificate of Occupancy for the Project - Section 7.9.1iii	December 31, 2012
3. Developer to request PDC Certificate of Completion from PDC – Section 7.9	August 31, 2013
4. PDC to issue PDC Certificate of Completion (assuming compliance with DDA) - Section 7.9.1	September 30, 2013

POST ISSUANCE OF CERTIFICATE OF COMPLETION

TASK	DUE DATE
1. Developer to complete feasibility study for full block redevelopment –Section 11.1	[Ten years after Issuance of PDC Certificate of

TASK	DUE DATE
	Completion]
2. Developer to use property solely for operation of a youth hostel with ground floor commercial space, unless otherwise approved by PDC in writing – Section 7.4.1	[For ten years after Issuance of PDC Certificate of Completion]

EXHIBIT F

SCOPE OF DEVELOPMENT

Rehabilitation of the Grove Hotel into a 74-room youth hostel with 3,102 square feet of ground floor commercial space for active retail and restaurant uses. The youth hostel be targeted to young out-of-town tourists and creative class visitors. The ground floor commercial will consist of a 2,505 square foot restaurant and up to seven retail spaces leased to food and tourist oriented retail uses. Ace Group International, LLC will operate both the hostel and restaurant.

Building renovations will include a new roof, a newly painted façade, substantial improvements on the ground floor and mostly interior finish work (including some plumbing improvements) on the two upper floors. Outstanding code violations will be corrected. The original Grove Hotel sign will remain in place.

The ground floor rehabilitation will include mechanical, electrical and plumbing improvements and storefront replacement to create an entry lobby and lounge area for hostel guests, four accessible guest rooms, a restaurant and bar on the east end of the building along NW 4th Avenue next to the Chinatown Gate, and seven small retail spaces for lease on West Burnside. The restaurant space will be ready for equipment installation and furniture when renovations are complete. The retail space build out will provide a warm shell to the retail tenants.

EXHIBIT G

FORM OF PDC CERTIFICATE OF COMPLETION

After recording return to:

PDC CERTIFICATE OF COMPLETION

The CITY OF PORTLAND (the "City"), a municipal corporation of the State of Oregon, acting by and through the PORTLAND DEVELOPMENT COMMISSION, the duly designated urban renewal agency of the City of Portland ("PDC") hereby determines that Grove Hostel Property, LLC, an Oregon limited liability company ("Developer"), has substantially completed construction of the Project as described in the Agreement for Disposition and Development of Property (Grove Hotel), dated _____, 20__ (the "DDA"), a memorandum of which was recorded in the Records of Multnomah County, Oregon as Document No. _____ on _____, 20__. Capitalized terms used herein without definition shall have the meaning ascribed to them in the DDA.

Pursuant to Section 7.9 of the DDA, PDC hereby determines that:

- (i) the Project is complete according to the Final Construction Drawings and Technical Specifications, except for punch-list items that do not materially affect the use of the Project for the purposes intended under the DDA,
- (ii) Developer has completed all environmental remediation and abatement on the Property, if any, required of Developer under Sections 8.3 or 8.4 of the DDA,
- (iii) the City of Portland has issued a temporary or permanent Certificate(s) of Occupancy with respect to the Project,
- (iv) Developer has submitted all materials to the United States Green Building Council necessary to obtain the applicable level of LEED certification required by the Green Building Policy, and
- (v) any other improvements required by the DDA have been completed in all material respects.

This PDC Certificate of Completion constitutes a conclusive determination of the satisfaction of all of the agreements, covenants and conditions contained in the DDA with respect to the obligations of Developer, its successors and assigns, as to the construction of the Project, and such obligations shall automatically cease and become of no further effect, except as otherwise provided in this PDC Certificate of Completion. This PDC Certificate of Completion represents and determines the completion of Developer's construction obligations described herein as to PDC only.

Further,

- (1) Any party acquiring or leasing any portion of the Project shall not (because of such purchase or lease) have any obligation under the DDA with respect to the construction of the Project, and

- (2) The following Sections of the DDA shall survive and remain in effect for the periods identified in the DDA notwithstanding issuance of this PDC Certificate of Completion ("Surviving Sections"): Section 7.6.2 (INDEMNITY FROM LIABILITY CLAIMS), Section 7.6.3 (INDEMNITY FROM LIENS), Section 7.4 (COVENANTS RUNNING WITH THE LAND), Section 8.5 (INDEMNIFICATION), and, to the extent such obligations are intended to continue as provided therein, Section 10 (COMPLIANCE WITH PDC POLICIES) and Section 11 (OTHER OBLIGATIONS).

Other than its right to enforce the Surviving Sections, PDC shall hereafter have, or be entitled to exercise, no rights or remedies or controls that it may otherwise have been entitled to exercise under the DDA with respect to the construction of the Project, or as a result of a breach of any provisions of the DDA relating to construction by the Developer, or by any successors in interest or assigns of Developer. Without limitation, PDC confirms that PDC no longer has any right of entry to the Property or power to terminate Developer's title to the Property and revest such title in PDC.

IN WITNESS WHEREOF, PDC has caused this instrument to be executed this ____ day of _____, 20__.

CITY OF PORTLAND, a municipal corporation of the State of Oregon, acting by and through the PORTLAND DEVELOPMENT COMMISSION, the duly designated urban renewal agency of the City of Portland

By: _____
Name: _____
Executive Director

STATE OF OREGON)
) ss.
County of Multnomah)

This instrument was acknowledged before me on _____, 20__, by _____, Executive Director of the PORTLAND DEVELOPMENT COMMISSION, the duly designated urban renewal agency of the City of Portland, on its behalf.

Notary Public for Oregon
My commission expires: _____

EXHIBIT H

REDEVELOPMENT LOAN TERM SUMMARY

The loan to Grove Hostel Property, LLC is subject to approval by the PDC Board of Commissioners and satisfaction of PDC's customary underwriting criteria and will be conditioned upon Borrower's execution of definitive loan documents that are in a form and substance acceptable to PDC and its legal counsel and will have the following terms and conditions, among others as will be set forth in the loan documents:

Borrower:	Grove Hostel Property, LLC
Loan Amount:	Redevelopment loan (construction and conditional permanent): \$2,465,000
Loan Term:	Construction loan with a construction period of 6 months with two potential 3-month extensions, followed by a stabilization period of 24 months. Subject to satisfaction of the conversion conditions, the permanent loan period will begin at the end of the stabilization period and end on the due date of the Advantis senior loan (projected October 2021).
Payments:	Construction loan: during the construction period, the payments are deferred. During the stabilization period, payments during the first 12 months are deferred, and for the remaining 12 months, payments are interest-only. Interest accrued during the deferral periods will be capitalized to the loan balance at the end of the deferral period. Among other conditions, debt service coverage of at least 1.15 is required for conversion of the loan from construction to permanent. Permanent loan: principal and interest payments, based on a 20 year amortization period.
Loan Fee:	1.00% of the loan amount
Interest Rate:	Construction loan: 4.25% Permanent loan: first 12 months 4.25%, next 24 months 5.50%, all later months 7.00%
Security:	Trust deed on the subject property, junior to the \$1,000,000 senior loan.
Guarantors:	David & Katherine Gold, Howard & Linda Davis
Disbursement:	Disbursed for capital improvement costs incurred after loan approval, pursuant to construction draw approval process. In addition, at closing, PDC loan proceeds may be drawn to fund property acquisition and repayment of existing predevelopment loan.
Repayment:	Repaid at loan maturity (construction or permanent, as the case may be) or when project is sold or refinanced.
Reserve Requirement:	Furniture, Fixtures and Equipment Reserve: Borrower will be required to deposit at least 1% of revenues annually in to a Furniture, Fixtures and Equipment Reserve Debt Service Reserve: Borrower will be required to fund a Debt Service Reserve of \$165,000 either with project savings or from annual deposits made in 2013 through 2017. If certain conditions are met, the reserve balance may be released after June 30, 2018. Both reserves are required so long as the PDC loan is outstanding, although the debt service reserve may be released if certain conditions are met. A Reserve Agreement will specify how the reserve funds may be drawn.
PDC Programs:	Compliance with Business and Workforce Equity Policy Compliance with the Green Building Policy
Loan Closing requirements	Closing of PDC loan to occur simultaneously with the senior loan. Borrower will have provided evidence of compliance with Business and Workforce Equity Policy. Borrower has registered the project for Leadership in Energy & Environmental Design (LEED) certification and has provided documentation that qualifies the

project for at least a LEED Commercial Interiors Silver Certification
Borrower will have provided evidence of adequate current insurance coverage.
Construction advisor for the project will have reviewed final construction
documents (including contracts, permits and schedules) and is satisfied the
project can be constructed as planned and budgeted.
The Loan to Value does not exceed 100%, calculated on the total indebtedness
and the prospective value upon stabilization from the appraisal on order.

EXHIBIT I

FORM OF QUITCLAIM DEED AND ESCROW INSTRUCTIONS

After recording return to and,
until a changes is requested,
all tax statements shall be sent to:

Portland Development Commission
222 NW 5th Avenue
Portland, OR 97209
Attn: General Counsel

QUITCLAIM DEED

Grove Hostel Property, LLC, an Oregon limited liability company ("Grantor"), releases and quitclaims to the CITY OF PORTLAND, a municipal corporation of the State of Oregon, acting by and through the PORTLAND DEVELOPMENT COMMISSION, the duly designated Urban Renewal Agency of the City of Portland (together with any successor public agency designated by or pursuant to law, "Grantee"), all right, title and interest in and to the following described real property:

Other property or value was either part or the whole consideration.

It is intended that the delivery of this Deed shall not effect a merger of the provisions of that certain Disposition and Development Agreement for the Project, dated _____, a memorandum of which was recorded on _____ as Document No. ____, Records of Multnomah County, Oregon (the "DDA"), including, without limitation, Section 15.4 of the DDA, that are intended to continue after delivery of this Deed.

BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, AND SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, AND SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009.

Dated this ___ day of _____, 20__.

GROVE HOSTEL PROPERTY, LLC,
an Oregon limited liability company,

By: _____

Name: _____

Title: _____

Accepted this ___ day of _____, 20__.

CITY OF PORTLAND, a municipal corporation of the State of Oregon, acting by and through the
PORTLAND DEVELOPMENT COMMISSION, the duly designated Urban Renewal Agency of the City
of Portland.

By: _____
Name: _____
Title: Executive Director

STATE OF OREGON)
) ss.
County of Multnomah)

This instrument was acknowledged before me on _____, 20__, by
_____, as _____ of _____, a
_____, on its behalf.

Notary Public for
My commission expires: _____

STATE OF OREGON)
) ss.
County of Multnomah)

This instrument was acknowledged before me on _____, 20__, by
_____, Executive Director of the PORTLAND DEVELOPMENT COMMISSION, the duly
designated urban renewal agency of the City of Portland, on its behalf.

Notary Public for
My commission expires: _____

EXHIBIT I (Continued)

ESCROW INSTRUCTIONS FOR QUITCLAIM DEED

_____ Title Insurance Company

Attention: [INSERT TITLE OFFICER]

Re: Escrow No. _____

Grove Hostel Property, LLC, an Oregon limited liability company ("Developer"), has entered into that certain Agreement for Disposition and Development of Property (Grove Hotel) in the River District Urban Renewal Area (the "DDA") with the City of Portland, Oregon, acting by and through the Portland Development Commission ("PDC") dated as of _____, 20__, a Memorandum of which was recorded _____, 20__ as Document No. _____, Records of Multnomah County, Oregon, whereby PDC will convey to the Developer or its assignees certain real property (the "Property"). The Property is the subject of this escrow and is described in the accompanying quitclaim deed ("Quitclaim Deed").

Section 15.3 of the DDA provides that, under certain circumstances, PDC is entitled to reconveyance of the Property pursuant to a Quitclaim Deed and Escrow Instructions. This document constitutes those escrow instructions and is for the purpose of irrevocably instructing you as to the disposition of the accompanying Quitclaim Deed.

In the event that you receive from PDC a notice signed by PDC's Executive Director certifying that a copy of said notice has been delivered concurrently to Developer and certifying that a termination of all rights, title and interest of Developer in the Property has occurred, and that rights to the Property described in the Quitclaim Deed have reverted in PDC pursuant to the DDA ("Notice of Termination"), you shall at the end of thirty (30) days after receipt of said instructions record the subject Quitclaim Deed unless within said thirty (30) day period, you are notified by PDC that PDC has withdrawn the Notice of Termination.

In the event that you receive a copy of a PDC Certificate of Completion issued by PDC with respect to the Project (either an original or one certified by Developer as being a duplicate of the original), you will promptly return the Quitclaim Deed to Developer. In the event that there still remains an undisposed Quitclaim Deed in your possession on January 31, 2014, you shall contact PDC and Developer as to its disposition.

These instructions may not be withdrawn or in any way amended, modified or waived without the prior written consent of both of the parties hereto.

Please indicate your acceptance of and agreement to carry out these instructions as indicated below.

Very truly yours,

GROVE HOSTEL PROPERTY, LLC,
an Oregon limited liability company

By: _____
Name: _____
Title: _____

Very truly yours,

CITY OF PORTLAND, a municipal corporation of the State of Oregon, acting by and through the
PORTLAND DEVELOPMENT COMMISSION, the duly designated Urban Renewal Agency of the City
of Portland.

By: _____
Name: _____
Title: _____

Accepted and agreed to this
__ day of _____, 20__

_____, Title Insurance Company

By: _____
Name: _____
Title: _____

EXHIBIT J

BUSINESS AND WORKFORCE EQUITY POLICY

Business and Workforce Equity Policy (Amended April 28, 2010)

A. OBJECTIVES OF THE POLICY

The objective of the **Business and Workforce Equity Policy** (the "Policy") is to:

- Ensure that the Portland Development Commission's ("PDC's) work provides professional, supplier and construction contracting opportunities to small businesses that have been historically under utilized including businesses owned by People of Color, Women and Emerging Small Businesses (collectively, "M/W/ESBs") and to encourage the participation of businesses owned by veterans on Direct Contracting, Land Transactions and on work utilizing PDC Resources including Interagency and Intergovernmental Agreements; and
- Maximize apprenticeship opportunities in the construction trades and ensure employment opportunities for People of Color and Women and encourage the employment of people with disabilities and veterans on Direct Contracting, Land Transactions and on work utilizing PDC Resources.

In this way, it is PDC's aim to ensure fair and equitable opportunities to Portland's diverse populations, promote prosperity in all segments of Portland's diverse communities, foster economic growth, and expand competition in the market.

The Policy replaces the existing policy adopted by the Board on December 18, 1997 (Resolution No. 5066) that authorized implementation of the Disparity Study Implementation Plan and policies concerning fair contracting and workforce training, including the Good Faith Effort Program and Workforce Training and Hiring Program.

The Policy objectives are pursued through the establishment of two separate and distinct programs.

- **The Business Equity Program;** and
- **The Workforce Equity Program.**

B. DEFINITIONS

1. **"Board"** means the PDC Board of Commissioners.
2. **"Business Financial Resource Tools"** means certain PDC business financial assistance programs including, but not limited to, the Quality Jobs Program, the Economic Opportunity Fund, the Direct Tax Increment Loan, and the EDA Revolving Loan and Real Estate Fund.
3. **"Certified Firms"** include M/W/ESB firms that have been certified by the State of Oregon as a Minority-owned business, a Women-owned business or an emerging small business.
4. **"DA" or "DDA"** means, respectively, a Development Agreement or a Disposition and Development Agreement that is typically entered into by and between a developer and PDC that sets forth the terms and conditions of property conveyance, if any, and the requirements for redevelopment of the property.
5. **"Direct Contracting"** included all professional, supplier and construction services purchased directly by PDC.

6. **“Enterprise Zone”** is a 5-year, 100% tax abatement program designed to encourage existing and new industrial firms to invest in new capital outlays in certain designated areas. Participating firms are required to create or retain quality jobs while maximizing the economic benefits for residents of Portland who are currently earning at or below 80% Median Family Income.
7. **“Flexible Service Contract”** is a contract for services that has repetitive requirements on an as-needed basis and may include Personal Services Contracts that have such repetitive requirements.
8. **“Hard Construction Costs”** is the cost to build improvements on a property, including all related construction labor and materials, including fixed and built-in equipment costs. Costs not directly related to the construction of an improvement, such as entity overhead, administration or taxes, or other professional services including architectural or engineering, shall not be considered a part of the Hard Construction Costs.
9. **“Intergovernmental Agreement”** is an agreement between PDC and another government entity, including the City of Portland.
10. **“Land Transactions”** is the sale of real property by PDC at any price for the purpose of a private or public project through a DDA.
11. **“PDC-Owned Construction Contracts”** include contracts where PDC has a direct contractual relationship with the contractor and where PDC is the owner of the project.
12. **“PDC Resources”** include:
 - (i) PDC funds in the form of grants, loans or payments. For purposes of calculating PDC Resources, any PDC funds used by a single entity for a single project in the form of grants, loans or payments shall be combined to determine the total amount of PDC Resources; and
 - (ii) The value of a Land Transaction. For purposes of calculating the value of a Land Transaction the value shall be that specified in the DDA.
13. **“PDC Sponsored Projects”** include all projects that are privately owned and constructed involving a Disposition and Development Agreement, Development Agreement, loan agreement, or other type of financial assistance agreement with PDC.
14. **“People of Color”** as used in this Policy includes persons who self identify as being other than Caucasian.
15. **“Personal Services Contract”** is a contract for specialized skills, knowledge or unique resources in the application of highly-technical or scientific expertise, or the exercise of professional, artistic or management discretion or judgment. Such services include, but are not limited to the services of architects, engineers, surveyors, attorneys, auditors and other licensed professionals, artists, designers, computer programmers, performers, consultants and property managers.
16. **“Utilization Goal”** shall mean the percentage goals set for Certified Firms and workforce utilization on contracts and projects subject to the Policy.
17. **“Workforce Goals”** means the goals covering construction trades to utilize People of Color and Women as a percentage of total construction hours worked in a PDC Project.
18. **“Workforce Training and Hiring Program”** means the Workforce Training and Hiring Program originally authorized by the Board on December 18, 1997 (Resolution No. 5066) and further amended on September 16, 1998 (Resolution No. 5171) and reauthorized on February 27, 2008 (Resolution No. 6561) that pertains to apprentice utilization.

C. THE BUSINESS EQUITY PROGRAM

1. **Purpose of the Business Equity Program.** To ensure PDC provides professional, supplier and construction contracting opportunities to Certified Firms and to encourage the participation of businesses owned by veterans on Direct Contracting, Land Transactions and on work utilizing PDC Resources.
2. **Applicability.** Direct Contracting entities, entities involved in a Land Transaction or entities receiving PDC Resources shall be obligated to comply with the Business Equity Program, upon meeting any one of the following criteria:
 - a) A PDC Personal Services Contract for any amount;
 - b) A PDC-Owned Construction Contract greater than \$200,000;
 - c) A PDC Sponsored Project receiving more than \$300,000 of PDC Resources to finance a project with Hard Construction Costs greater than \$300,000; or
 - d) Intergovernmental Agreement with Hard Construction Costs greater than \$200,000 and more than \$100,000 in PDC Resources, whether performed by PDC or another agency. The Executive Director or the Executive Director's designee may defer to the other agency's program if its program is similar to PDC's program. If PDC defers to the other agency's program, utilization reports shall be provided to PDC by the other agency on a monthly basis.
3. **Utilization Goals for Certified Firms.** The following Utilization Goals are established upon the initial adoption of the Policy. The Executive Director is responsible thereafter for annually reviewing the Utilization Goals, and is authorized to modify them based on such annual analysis:
 - a) Personal Services Contracts: 25 percent of the payments made under such contracts;
 - b) PDC-Owned Construction Contracts: 20 percent of Hard Construction Costs;
 - c) PDC Sponsored Projects: 20 percent of Hard Construction Costs for residential low-rise construction and 20 percent of the Hard Construction Costs for commercial high-rise construction as calculated by an analysis of availability and capacity of Certified Firms for the specific project;
 - d) Interagency and Intergovernmental Agreements: the PDC program shall apply. However, PDC may defer to the other agency's program if their program is similar to PDC's program with monthly reporting provided to PDC; and
 - e) Flexible Service Contracts:
 - (i) 30 percent of the total number of contracts in any fiscal year; AND
 - (ii) 25 percent of the payments made under such contracts.
4. **Notice and Timing.** Should a party receive PDC Resources after it has expended funds on a project, started construction, or taken other action that would impair its ability to comply with the Business Equity Program, PDC (the project manager, with assistance from the M/W/ESB Coordinator) may negotiate a Certified Firm participation level that is reasonable and may provide technical assistance to achieve that negotiated Utilization Goal.
5. **Prompt Payment.** The Contractor and/or Developer shall pay all subcontractors and suppliers within ten calendar days after receiving payment from PDC on all PDC-owned and sponsored construction projects.

D. THE PDC WORKFORCE EQUITY PROGRAM

1. Purpose of the Workforce Equity Program.

- a) To maximize apprenticeship opportunities in the construction trades and ensure employment opportunities for People of Color and Women on Direct Contracting, Land Transactions and on work utilizing PDC Resources; and
 - b) To encourage the employment of people with disabilities and veterans on Direct Contracting, Land Transactions and on work utilizing PDC Resources.
2. **Applicability.** Direct Contracting entities, entities entering into a DA or DDA or entities receiving PDC Resources shall be obligated to comply with the Workforce Equity Program upon meeting any one of the following criteria:
- a) On a PDC-Owned Construction Contract or an Intergovernmental Agreement greater than \$200,000, the Workforce Equity Program shall apply to:
 - (i) The prime contract; and
 - (ii) Any subcontract greater than \$100,000.
 - (iii) The Executive Director or the Executive Director's designee may defer to the other agency's program if its program is similar to PDC's program. If PDC defers to the other agency's program, utilization reports shall be provided to PDC by the other agency on a monthly basis.
 - b) On a PDC Sponsored Project the Workforce Equity Program shall apply if the project receives \$300,000 or more of PDC Resources to finance a project with a Hard Construction Cost greater than \$1,000,000 and shall apply to:
 - (i) The prime contract; and
 - (ii) Any subcontract greater than \$100,000.

3. **Requirements.**

- a) Projects subject to the Workforce Equity Program shall:
 - (i) Comply with the Workforce Training and Hiring Program to, among other things, ensure that a minimum of twenty percent (20%) of labor hours in each apprenticeable trade performed by the contractor and subcontractors are worked by state-registered apprentices, as such requirements are further described therein; and
 - (ii) Work toward achieving the Workforce Goals phased over a ten-year period as outlined in the table below. The percentage of hours set forth below includes both apprenticeship hours and journey level hours.

Workforce Goals

Fiscal Year	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Female	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
People of Color	25.5%	26%	26.5%	27%	27.5%	28%	28.5%	29%	29.5%	30%

- (iii) Make all reasonable and necessary efforts to employ a workforce that reflects the diversity of the City of Portland, including recruitment of a

diverse workforce through the unions, the apprenticeship programs and other community resources.

- b) Projects subject to the Workforce Equity Program are encouraged to employ people with disabilities and veterans.
- 4. **Notice and Timing.** Should a party receive PDC Resources after it has expended funds on a project, started construction, or taken other action that would impair its ability to comply with the Workforce Equity Program, PDC (the Project Manager, with assistance from the M/W/ESB Coordinator) may negotiate a level of compliance that is reasonable and may provide technical assistance to achieve that negotiated Workforce Goal.
- E. **Equal Employment Opportunity Certification.** Contractors and subcontractors subject to the Policy must be certified by the City of Portland as an Equal Employment Opportunity Employer.
- F. **Damages.** The procedural requirements of the Policy are contractual obligations. In the event that PDC determines, in its sole and absolute discretion, that the procedural requirements of the Policy have not been complied with, then PDC's finding may result in one or more of the following:
 - 1. A finding of breach of contract.
 - 2. Disqualification of the developer, contractor or subcontractor to receive future PDC Resources or bid on future PDC solicitations.
 - 3. A claim for liquidated damages.
 - 4. Withholding of progress payments.
- G. **Administration.** The Executive Director shall develop and administer administrative procedures and/or guidelines, and make any determinations necessary, to implement and manage the Policy.
- H. **Exemptions.**
 - 1. The Policy shall not apply to projects within an Enterprise Zone or PDC Resources derived from Business Financial Resource Tools that are intended to be used for working capital or property acquisition.
 - 2. Any exemption or waiver of requirements of the Policy other than those stated in the Policy shall require approval of the Board.

EXHIBIT K

FORM OF MEMORANDUM OF AGREEMENT

After recording return to:

Portland Development Commission
222 NW Fifth Avenue
Portland, OR 97209
Attn: _____

Memorandum of Agreement

THIS MEMORANDUM OF AGREEMENT FOR DISPOSITION AND DEVELOPMENT OF PROPERTY (GROVE HOTEL) ("Memorandum") shall serve as notice to all persons that the CITY OF PORTLAND (the "City"), a municipal corporation of the State of Oregon, acting by and through the PORTLAND DEVELOPMENT COMMISSION, the duly designated urban renewal agency of the City of Portland ("PDC"), with an address of Portland Development Commission, 222 NW Fifth Avenue, Portland, Oregon 97209-3859 and Grove Hostel, LLC, an Oregon limited liability company ("Developer"), with an address of _____, entered into an Agreement for Disposition and Development of Property (Grove Hotel) in the River District Urban Renewal Area, dated as of _____, 20__ ("Agreement") relating to the real property located in Multnomah County, Oregon, as more particularly described in Exhibit A attached hereto (the "Property").

Among other things, the Agreement requires PDC to convey the Property to Developer upon the satisfaction of certain conditions precedent, and requires Developer to construct and complete certain infrastructure and project improvements on the Property, all as more particularly set forth in the Agreement.

The Agreement also imposes several covenants running with the land. Developer covenants and agrees to use the Property only for purposes substantially consistent with this Agreement, including the Scope of Development and the Construction Drawings and Technical Specifications, until the issuance of the PDC Certificate of Completion. Developer also covenants and agrees to use the Property solely for the operation of a youth hostel with ground floor commercial space, for a period of ten years after issuance of the PDC Certificate of Completion, unless PDC consents to an alternate use, which consent will not be unreasonably withheld. PDC and Developer also declare and agree that these covenants described in this paragraph are covenants running with the land and shall pass to and be binding on Developer's successors in title, including, without limitation, any Mortgagee, purchaser, grantee, or lessee of any portion of the Property and any other person or entity having any right, title, or interest in the Property and upon the respective heirs, executors, administrators, devisees, designees, successors, and assigns of any Mortgagee, purchaser, grantee, or lessee of any portion of the Property and any other person or entity having any right, title, or interest in the Property.

As a condition subsequent to the Property conveyance, in the event of a default by Developer before PDC issues a PDC Certificate of Completion, PDC shall have the option, upon 30 days written notice ("Notice of Termination") to Developer and Escrow Agent, to declare a termination in favor of the PDC of all the title, rights and interests of Developer in the Property. After delivery of such Notice of Termination and in the event Developer fails to remedy, end or abrogate such default within the 30-day period in the manner stated in the Notice of Termination, Developer shall reconvey the Property to PDC by

quitclaim deed, pursuant to the Escrow Instructions in Exhibit I attached to the Agreement. After a PDC Certificate of Completion is recorded as to the Project, PDC shall thereafter have, or be entitled to exercise, no rights or remedies or controls that it may otherwise have been entitled to exercise under the Agreement with respect to the construction of the Project, or as a result of a default in or breach of any provisions of the Agreement by Developer, or by any successors in interest or assigns of Developer, except for those surviving sections described in the PDC Certificate of Completion. PDC shall thereafter have no further right of entry to the Property or power to terminate the title, rights and interests of Developer in the Property as described above.

PDC and Developer execute this Memorandum to acknowledge being bound by the Agreement and to give notice of the Agreement to third parties.

CITY OF PORTLAND, a municipal corporation of the State of Oregon, acting by and through the PORTLAND DEVELOPMENT COMMISSION, the duly designated urban renewal agency of the City of Portland.

By: _____
Name: _____
Title: Executive Director

GROVE HOSTEL, LLC, an Oregon limited liability company

By: _____
Name: _____
Title: _____

STATE OF OREGON)
) ss.
County of Multnomah)

This instrument was acknowledged before me on _____, 20__, by _____, Executive Director of the PORTLAND DEVELOPMENT COMMISSION, the duly designated urban renewal agency of the City of Portland, on its behalf.

Notary Public for
My commission expires: _____

STATE OF OREGON)
) ss.
County of Multnomah)

This instrument was acknowledged before me on _____, 200__, by _____, _____ of _____, a _____, on its behalf.

Notary Public for
My commission expires: _____

EXHIBIT A TO MEMORANDUM OF AGREEMENT

Description of Property

Lots 1 and 2, except the Southerly 20 feet in Burnside Street, and Lot 4, Block 32, COUCH'S ADDITION TO THE CITY OF PORTLAND, in the City of Portland, Multnomah County, Oregon.

EXHIBIT L

ENVIRONMENTAL DUE DILIGENCE REPORTS

Phase I Environmental Site Assessment – Grove Hotel Landau Associates, June 25, 2008.

Phase I Environmental Site Assessment for the Grove Hotel Property. -Evergreen Environmental Management (EEM), October 25, 2007.

Asbestos Survey Report, The Grove Hotel - PBS Engineering and Environmental, January 31, 2008.

Asbestos Survey Report Addendum - R&H Construction, May 21, 2008.

Grove Hotel Hazardous Materials Removal – Portland Development Commission, November 19, 2010.

EXHIBIT M

GREEN BUILDING POLICY

Investing in Portland's Future



Green Building Policy

To support the intent and application of the Green Building Policy of the City through advocating and incorporating sustainable and green building practices in all projects to the maximum extent practicable, and as a condition of receiving financial assistance from the Commission as applicable.

.....Adopted by the PDC Board of Commissioners on June 22, 2005 - Resolution #6262



Green Building Program Guidelines

A. Description

The PDC Green Building Program ("Program") requires developers receiving financial assistance from the Commission and direct Commission funded construction projects to integrate green building practices into construction projects and meet the established U.S. Green Building Council Leadership in Energy and Environmental Design ("LEED") or Earth Advantage Small Commercial rating system standards.

B. Authority

1. Resolution Number 36310 adopted by the Portland City Council on April 27, 2005, amending the Green Building Policy adopted by the Portland City Council on January 10, 2001, requires the Portland Development Commission to enforce certain development standards when providing financial assistance to various projects.
 - a. These Program Guidelines ("Guidelines") are intended to implement the responsibilities assigned to the Commission by the City Council in these actions.
 - b. Definitions contained in the City Green Building Policy (BCP-ENB-9.01) are hereby included by reference in these Guidelines.
2. The PDC Board of Commissioners adopted Resolution 6262 on June 22, 2005 authorizing the Green Building Program Guidelines.

C. 3. The Executive Director approved these Guidelines based on the authority granted him in Section J.2 in these Guidelines on June 17, 2010, for implementation on July 1, 2010. Development Projects Subject to These Guidelines

1. A project receiving PDC financial assistance in an amount:
 - a. > 10% of the total project cost; AND
 - b. > \$300,000

NOTE: "PDC financial assistance" shall include any:

- Loan or grant of funds directly provided by PDC.
- Indirect financial benefit provided by PDC as the result of writing down the value of land.

2. These Guidelines further apply only to the construction or rehabilitation of a building or structure that is > 10,000 square feet in total area and is part of a project meeting the criteria in Section C-1.

D. Types of Construction Within a Qualifying Project Subject to These Guidelines

1. **New Construction** - new buildings or structures for the following uses:
 - a. Commercial / Mixed-Use
 - b. Residential

2. **Rehabilitation Construction** - an existing building or structure that is modified, renovated or remodeled; including tenant improvements, and intended for the following uses:
- a. Commercial / Mixed-Use
 - b. Residential
 - c. City-Owned Buildings

E. Individual Project Requirements

NEW CONSTRUCTION	
Development Type	Green Building Standard Required
• Commercial / Mixed Use for buildings > 70,000 square feet	LEED™ NC (New Construction) Silver Certification
• Commercial / Mixed Use for buildings 10,000 to 70,000 square feet	LEED™ NC (New Construction) Silver Certification OR Earth Advantage Small Commercial
• Residential	Greening Portland's Affordable Housing (ALL)
< 5 stories of the structure	Earth Advantage Green Certification
= 5 stories	Earth Advantage Green or LEED NC Silver based on the particular configuration of entire building
> 5 stories	LEED NC Silver Certification
• City-owned Buildings	- LEED™ NC Gold Certification - Eco-roof or Energy Star approved roofing materials - Operations & maintenance according to guidelines established by the Bureau of General Services

REHABILITATION	
Development Type	Green Building Standard Required
• Commercial / Mixed Use	
Full Building Commercial / Mixed Use for buildings > 70,000 square feet	LEED™ NC (New Construction) Silver Certification
Full Building Commercial / Mixed Use for buildings	LEED™ NC (New Construction) Silver Certification OR

10,000 to 70,000 square feet	Earth Advantage Small Commercial
<ul style="list-style-type: none"> o Partial-building o Tenant Improvements 	LEED™ CI (Commercial Interiors) Silver and/or G-Rated Tenant Improvement Guide Certification
<ul style="list-style-type: none"> • Residential 	Greening Portland's Affordable Housing (ALL)
< 5 stories of the structure	Earth Advantage Green Certification
= 5 stories	Earth Advantage Green or LEED NC Silver based on the particular configuration of entire building
> 5 stories	LEED NC Silver Certification
<ul style="list-style-type: none"> • City-owned Buildings 	LEED™ CI (Commercial Interiors) Silver and/or G-Rated Tenant Improvement Guide Certification

F. Good Faith Deposit

In all financial assistance agreements where compliance with these Guidelines is required and not otherwise exempted, the developer will be required to provide PDC with a deposit in the amount of \$10,000 and in the form of either a cashier's check or promissory note, as determined by the project manager, as security that the developer will make a good faith effort to comply with these Guidelines ("Good Faith Deposit").

1. The Good Faith Deposit will be returned if and when PDC has determined the developer has "complied" with these Guidelines.
2. The Good Faith Deposit will be forfeited to PDC if the developer is determined to be "non-compliant" with these Guidelines

G. Compliance

1. **Progress Reports.** According to a schedule agreed to by both parties in the financial assistance agreement, the developer shall submit an up-dated *LEED or Earth Advantage Checklist* and any additional supporting documentation to PDC indicating:
 - a. The progress towards meeting requirements of these Guidelines.
 - b. The likelihood that requirements will be met or exceeded.
 - c. Any issues or circumstances that may prevent the developer from meeting Requirements.
2. **Final Report.** Within five (5) business days of receiving notification of LEED or Earth Advantage certification approval or denial, the developer shall notify and submit to PDC evidence of,
 - a. LEED or Earth Advantage Certification approval; OR
 - b. LEED or Earth Advantage Certification denial.
3. **Determination**

- a. If the developer's required certification is approved, the developer will be deemed to have "complied" with these Guidelines and the Good Faith Deposit will be returned.
- b. If the developer's required certification is denied, the developer will be deemed to be "non-compliant" with these Guidelines.

H. Non-Compliance Request for Waiver

If a developer's request for certification is denied by LEED or Earth Advantage, the developer may, within 10 (ten) business days of receiving such notice, submit to PDC a "Request for Waiver" from required compliance with these Guidelines based on the "good faith effort" made by the developer to comply.

1. A *Request for Waiver* must contain:
 - a. The following documentation appropriate to the type of construction.
 - i. Commercial: Final LEED or Earth Advantage certification application, documentation and response from U.S. Green Building Council.
 - ii. Residential: Final LEED or Earth Advantage certification application, documentation and response from certification agency(s).
 - b. An explanation of the efforts and accomplishments made by the developer to achieve compliance with these Guidelines.
 - c. An explanation of the practical or economic infeasibility of implementing certain green building design or construction techniques that if implemented would otherwise have likely resulted in certification.
 - d. Any other supporting documentation or information the developer wishes to submit.
2. Within 30 (thirty) days of receiving the *Request for Waiver*, the PDC Executive Director shall make a determination as to whether a Waiver should be approved or denied based on the good faith effort the developer made to comply with these Guidelines.

In order to establish the developer's good faith efforts, the documentation and information submitted by the developer with the *Request for Waiver*, and any other information obtained by PDC from the developer during design and construction, must establish that the developer:

- a. Complied with the LEED or Earth Advantage certification application process;
 - b. Submitted timely progress reports to PDC;
 - c. Undertook reasonable, appropriate and on-going efforts to obtain certification;
AND
 - d. That compliance would otherwise have been obtained but for the practical or economic infeasibility of implementing certain green building design or construction techniques.
3. If a *Request for Waiver* is approved by the PDC Executive Director, the developer will be relieved from meeting the requirements of these Guidelines, and the Good Faith Deposit returned to the developer.

4. If a *Request for Waiver* is denied by the PDC Executive Director, the developer will be deemed to have not made a "good faith effort" to meet requirements of these Guidelines and shall forfeit the Good Faith Deposit to PDC

I. **Exemptions**

1. **Programs.** The following programs are categorically exempt from these guidelines due to the generally small amount of financial assistance provided by the Commission.
 - a. Storefront Improvement Program
 - b. Neighborhood Housing Program will be exempt from meeting Green Building Standards otherwise required in Section E of these Guidelines, except Greening Portland's Affordable Housing
2. **Affordable Housing Project.** A project otherwise required to follow these Guidelines, but where at least 51% of housing units are either:
 - a. rental housing affordable to households at 60% area Median Family Income and have a regulatory agreement with PDC; and/or
 - b. ownership housing in which sales prices are no greater than 95% of the Multnomah County average sales price and homebuyer incomes are no greater than 100% of the area median income.
 - c. **Definitions.**
 - i. **Median Family Income:** Area median income is established annually by the U.S. Department of Housing and Urban Development, or its successor agency, and applies to the year of sale for ownership units, and applies annually during the period of the PDC affordability agreement for rental units.
 - ii. **Sales Price:** a price which does not exceed 95 percent of the Federal Housing Administration mortgage maximum for a single unit in the Portland Metropolitan area as established annually will be exempt from meeting all Green Building Standards otherwise required in Section E of these Guidelines, except Greening Portland's Affordable Housing
3. **Individual Projects.** A project otherwise required to follow these Guidelines may be exempted from program requirements subject to the following.
 - a. **Exemption Criteria.** The project developer must demonstrate that complying with these Guidelines,
 - i. would burden the project with extraordinary costs affecting the economic feasibility of the project; OR
 - ii. is not reasonably feasible due to unique construction or reconstruction circumstances of the project.
 - b. **Exemption Process.**
 - i. The developer must request an exemption in writing, and provide an explanation and provide any supporting documents necessary to demonstrate the need for an exemption.

- ii. The request is reviewed by PDC staff in consultation with the Portland Office of Sustainable Development to assess the request for exemption and make a recommendation to the PDC Board of Commissioners.
- iii. The exemption must be approved or denied by the PDC Board of Commissioners.
- iv. If an exemption is granted, the developer must agree to:
 - Integrate green building practices into the design and construction of the project to the maximum extent possible and feasible.
 - Provide PDC with reports during construction on the effort to incorporate green building practices into the project.

J. Administration of Guidelines

1. **Administrator.** The PDC Executive Director, or designee, shall be responsible for the administration of these Guidelines.
2. **Changes.** The PDC Executive Director is authorized to change or revise these Guidelines as necessary to remain current with City of Portland Green Building Policy, or implement changes to improve the administration, effectiveness or practical application of the PDC Green Building Policy.
3. **Disputes.** The Executive Director is authorized to resolve any dispute arising from the application, administration or enforcement of these Guidelines, with the exception of the PDC Board of Commissioner's decisions regarding the issuance of an exemption.

FIRST AMENDMENT TO AGREEMENT FOR DISPOSITION AND DEVELOPMENT OF PROPERTY

This First Amendment to Agreement for Disposition and Development of Property is made as of March 27, 2012 ("First Amendment") between the City of Portland, a municipal corporation of the State of Oregon, acting by and through the Portland Development Commission, the duly designated urban renewal agency of the City of Portland ("PDC"), and Grove Hostel Property, LLC, an Oregon limited liability company ("Developer"). PDC and Developer are referred to jointly in this First Amendment as "Parties" and individually as a "Party."

RECITALS

1. PDC and Developer entered into that certain Agreement for Disposition and Development of Property dated August 18, 2011 (the "Original DDA") pursuant to which PDC agreed, under certain terms and conditions, to sell certain real property to Developer, and Developer agreed, under certain terms and conditions, to purchase the property from PDC, and to renovate it to make it suitable for operation as a youth hostel (the "Original DDA"). A memorandum of the Original DDA was recorded on August 19, 2011 as Recording No. 2011-092309 in the real property records of Multnomah County.
2. PDC and Developer desire to amend the Original DDA to modify the Schedule of Performance and provide for early termination.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

1. Schedule of Performance. The Schedule of Performance set forth in Exhibit E of the Original DDA is hereby deleted in its entirety and replaced with the Schedule of Performance set forth in Exhibit E, attached hereto and incorporated herein by this reference.
2. Early Termination. Section 4 of the Original DDA is hereby amended to add the following new Subsection 4.5:

4.5 . Early Termination. At its discretion, PDC may terminate this Agreement, at any time prior to the Closing, upon 60 days advance

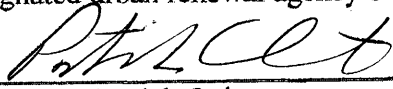
written notice to Developer and this Agreement shall automatically terminate at the end of said 60 day period if the Closing has not occurred. If this Agreement terminates under this Section 4.5 and neither Party is in default under this Agreement, then all rights and obligations of the Parties under this Agreement shall end upon termination of this Agreement other than the obligation to cooperate in preparing, executing and recording such documents as may be necessary or desirable to reflect the termination of this Agreement in the real property records of Multnomah County. If a Party is in default under this Agreement on the date this Agreement terminates under this Section 4.5, then the rights and remedies accruing to the other party under this Agreement as a result of such default shall survive termination of this Agreement.

3. Except as expressly modified by this First Amendment, the Parties agree and acknowledge that the Original DDA is and remains in full force and effect and binding on the Parties.
4. This First Amendment may be executed in several counterparts, all of which when taken together shall constitute one agreement binding on all Parties, notwithstanding that all parties are not signatories to the same counterpart. Each copy of this First Amendment so executed shall constitute an original. This First Amendment may not be modified except by a writing signed by the Parties.
5. Capitalized terms used but not defined in this First Amendment shall have the meanings ascribed thereto in the Original DDA.


IN WITNESS WHEREOF, the Parties hereto execute this First Amendment effective as of the date first set forth above.

PDC:

CITY OF PORTLAND, a municipal corporation of the State of Oregon, acting by and through the PORTLAND DEVELOPMENT COMMISSION, the duly designated urban renewal agency of the City of Portland

By: 
Patrick Quinton,
Executive Director

APPROVED AS TO FORM:


PDC Attorney

DEVELOPER:

GROVE HOSTEL PROPERTY, LLC, an Oregon limited liability company

By: 
David Gold, Manager

EXHIBIT E

SCHEDULE OF PERFORMANCE

PRE-CLOSING

TASK	DUE DATE
1. PDC records Memorandum of DDA	Complete
2. PDC records Memorandum of DDA Amendment	Within ten days after Effective Date
3. PDC to provide Preliminary Title Report to Developer – Section 2.6.1	Complete
4. Developer to submit to the City of Portland Bureau of Development Services, an application for Design Review Approval	Complete
5. Developer to provide 50% Design Development Drawings & Project Budget - Section 7.2.3(a)	Complete
6. PDC to complete review of 50% Design Development Drawings & Project Budget	Complete
7. Developer to provide final Design Development Drawings & Project Budget - Section 7.2.3(b)	Complete
8. PDC to complete review of final Design Development Drawings & Project Budget	Complete
9. Developer to provide 50% Construction Drawings and Technical Specifications & Project Budget - Section 7.2.3(c)	Complete
10. PDC to complete review of 50% Construction Drawings and Technical Specifications & Project Budget	Complete
11. Developer to provide 90% Construction Drawings and Technical Specifications & Project Budget - Section 7.2.3(d)	Complete
12. PDC to complete review of 90% Construction Drawings and Technical Specifications & Project Budget	July 15, 2012
13. Developer to provide Final Construction Drawings and Technical Specifications & Project Budget - Section 7.2.3(e)	July 31, 2012
14. PDC to complete review of Final Construction Drawings and Technical Specifications & Project Budget	August 15, 2012
15. PDC to complete Phase I Environmental Site Assessment – Section 8.2	Complete
16. Developer to secure land use approvals and permits - Section 4.1.2(ii); 4.1.4(i)	August 31, 2012
17. Developer to secure building permits from BDS - Section 4.1.2(i); 4.1.4(i)	August 31, 2012
18. Developer to provide documentation of required financing - Section 4.1.4(ii).	August 31, 2012
19. PDC to provide final form of Deed - Section 5.4	August 31, 2012
20. Developer to provide Organizational Documents, Certificate of Existence, and Authorizing Resolution - Section 4.1.4(ii)	July 31, 2012
21. Developer to submit Final Project Budget - Section 4.1.4(iii)	July 31, 2012
22. PDC to complete review of Final Project Budget - Section 4.1.4(iii)	August 31, 2012
23. Developer to provide LEED documentation – Section 4.1.4	August 31, 2012
24. Closing/Conveyance of Property to Developer - Section 5	August 31, 2012
25. Final Termination Date (if Closing does not occur by December 31, 2011) - Section 4.3	September 30 2012

POST - CLOSING

TASK	DUE DATE
1. Developer to commence construction	October 1, 2012
2. Developer to complete construction and secure Certificate of Occupancy for the Project - Section 7.9 iii	March 31, 2013
3. Developer to request PDC Certificate of Completion from PDC – Section 7.9	December 31, 2013
4. PDC to issue PDC Certificate of Completion (assuming compliance with DDA) - Section 7.9.1	January 31, 2013

SECOND AMENDMENT TO AGREEMENT FOR DISPOSITION AND DEVELOPMENT OF PROPERTY

This Second Amendment to Agreement for Disposition and Development of Property is made as of Sept. 19, 2012 (“Second Amendment”) between the City of Portland, a municipal corporation of the State of Oregon, acting by and through the Portland Development Commission, the duly designated urban renewal agency of the City of Portland (“PDC”), and Grove Hostel Property, LLC, an Oregon limited liability company (“Developer”). PDC and Developer are referred to jointly in this Second Amendment as “Parties” and individually as a “Party.”

RECITALS

1. PDC and Developer entered into that certain Agreement for Disposition and Development of Property dated August 18, 2011 (the “Original DDA”) pursuant to which PDC agreed, under certain terms and conditions, to sell certain real property to Developer, and Developer agreed, under certain terms and conditions, to purchase the property from PDC, and to renovate it to make it suitable for operation as a youth hostel (the “Original DDA”). A memorandum of the Original DDA was recorded on August 19, 2011 as Recording No. 2011-092309 in the real property records of Multnomah County.
2. PDC and Developer amended the Original DDA on March 27, 2012 to modify the Schedule of Performance and provide for early termination (the Original DDA as amended, the “Revised DDA”).
3. PDC and Developer now desire to amend the Revised DDA to extend the Schedule of Performance.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

1. Schedule of Performance. The Schedule of Performance set forth in Exhibit E of the Revised DDA is hereby deleted in its entirety and replaced with the Schedule of Performance set forth in Exhibit E, attached hereto and incorporated herein by this reference.

2. Final Termination Date. Section 4.3 of the Revised DDA is hereby deleted in its entirety and replaced with the following new Section 4.3:


4.3. Final Termination Date. If all of the conditions precedent to the Closing set forth in this Section 4 have not been satisfied or waived by the later of (a) the date scheduled for Closing as set forth in the Schedule of Performance or (b) such later date, if any, designated pursuant to Section 4.2(c) or determined in accordance with Section 15.8, then this Agreement shall automatically terminate thirty (30) days after the later of the foregoing dates.

3. Except as expressly modified by this Second Amendment, the Parties agree and acknowledge that the Revised DDA is and remains in full force and effect and binding on the Parties.
4. This Second Amendment may be executed in several counterparts, all of which when taken together shall constitute one agreement binding on all Parties, notwithstanding that all parties are not signatories to the same counterpart. Each copy of this Second Amendment so executed shall constitute an original. This Second Amendment may not be modified except by a writing signed by the Parties.
5. Capitalized terms used but not defined in this Second Amendment shall have the meanings ascribed thereto in the Revised DDA.

IN WITNESS WHEREOF, the Parties hereto execute this Second Amendment effective as of the date first set forth above.

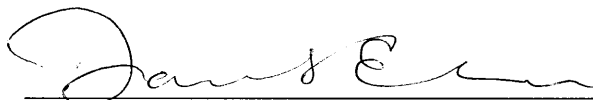
PDC:

CITY OF PORTLAND, a municipal corporation of the State of Oregon, acting by and through the PORTLAND DEVELOPMENT COMMISSION, the duly designated urban renewal agency of the City of Portland

By: 

Patrick Quinton,
Executive Director

APPROVED AS TO FORM:



PDC Attorney

DEVELOPER:

GROVE HOSTEL PROPERTY, LLC, an Oregon limited liability company

By: 

David Gold, Manager

EXHIBIT E

SCHEDULE OF PERFORMANCE

PRE - CLOSING

TASK	DUE DATE
1. PDC records Memorandum of DDA	Complete
2. PDC records Memorandum of DDA Amendment	Within ten days after Effective Date
3. PDC to provide Preliminary Title Report to Developer - Section 2.6.1	Complete
4. Developer to submit to the City of Portland Bureau of Development Services, an application for Design Review Approval	Complete
5. Developer to provide 50% Design Development Drawings & Project Budget - Section 7.2.3 (a)	Complete
6. PDC to complete review of 50% Design Development Drawings & Project Budget	Complete
7. Developer to provide final Design Development Drawings & Project Budget - Section 7.2.3 (b)	Complete
8. PDC to complete review of final Design Development Drawings & Project Budget	Complete
9. Developer to provide 50% Construction Drawings and Technical Specifications & Project Budget - Section 7.2.3 (c)	Complete
10. PDC to complete review of 50% Construction Drawings and Technical Specifications & Project Budget	Complete
11. Developer to provide 90% Construction Drawings and Technical Specifications & Project Budget - Section 7.2.3 (d)	Complete
12. PDC to complete review of 90% Construction Drawings and Technical Specifications & Project Budget	October 15, 2012
13. Developer to provide Final Construction Drawings and Technical Specifications & Project Budget - Section 7.2.3 (e)	October 31, 2012
14. PDC to complete review of Final Construction Drawings and Technical Specifications & Project Budget	November 15, 2012
15. PDC to complete Phase I Environmental Site Assessment – Section 8.2	Complete
16. Developer to secure land use approvals and permits - Section 4.1.2 (ii); 4.1.4 (i)	November 30, 2012
17. Developer to secure building permits from BDS - Section 4.1.2 (i); 4.1.4 (i)	November 30, 2012
18. Developer to provide documentation of required financing - Section 4.1.4 (ii)	November 30, 2012
19. PDC to provide final form of Deed - Section 5.4	November 30, 2012
20. Developer to provide Organizational Documents, Certificate of Existence, and Authorizing Resolution - Section 4.1.4 (ii)	October 31, 2012
21. Developer to submit Final Project Budget - Section 4.1.4 (iii)	October 31, 2012
22. PDC to complete review of Final Project Budget - Section 4.1.4 (iii)	November 30, 2012

TASK	DUE DATE
23. Developer to provide LEED documentation - Section 4.1.4	November 30, 2012
24. Closing/Conveyance of Property to Developer - Section 5	November 30, 2012
25. Final Termination Date (if Closing does not occur by November 30, 2012) – Section 4.3	December 30, 2012

POST - CLOSING

TASK	DUE DATE
1. Developer to commence construction	January 1, 2013
2. Developer to complete construction and secure Certificate of Occupancy for the Project - Section 7.9 iii	June 30, 2013
3. Developer to request PDC Certificate of Completion from PDC – Section 7.9	September 30, 2013
4. PDC to issue PDC Certificate of Completion (assuming compliance with DDA) - Section 7.9.1	October 31, 2013