

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 6980

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

WHEREAS, as authorized by Resolution 6898, adopted by the Portland Development Commission (“PDC”) Board on July 27, 2011, PDC entered into an Agreement for the Disposition and Development of Property (the “DDA”) on August 18, 2011, with Grove Hostel Property, LLC (“GHP”), for renovation of the property located at W Burnside Street between NW Fourth and NW Fifth Avenues (the “Property”) in the River District Urban Renewal Area (the “Project”);

WHEREAS, to finance a portion of the costs of the Project, the DDA contemplates, on certain terms and conditions, a Commercial Property Redevelopment Loan from PDC to GHP in an amount not to exceed Two Million Four Hundred Sixty-Five Thousand and NO/100 Dollars (\$2,465,000) (the “Loan”);

WHEREAS, as a result of unanticipated increases in the projected costs of the Project, neither the conveyance of the Property nor the Loan to GHP have closed;

WHEREAS, in order to provide time for PDC and GHP to explore options for eliminating the budget gap, the Executive Director executed the First Amendment to the DDA, pursuant to Section 15.8.3 thereof, which extended the Final Termination Date of the DDA by 180 days, to September 30, 2012;

WHEREAS, in order to provide additional time for PDC and GHP to explore options for eliminating the budget gap, the PDC Board adopted Resolution 6962 on September 12, 2012, which authorized the Executive Director to execute the Second Amendment to the DDA, extending the Final Termination Date of the DDA by an additional 90 days, to December 30, 2012;

WHEREAS, PDC and GHP have reached tentative agreement on a revised Project budget that includes new GHP investors and \$400,000 of additional equity to the Project, a revision of the Loan terms originally proposed by PDC and an additional PDC loan of \$180,000; and

WHEREAS, the Project will will rehabilitate a highly visible blighted parcel that has suffered from decades of neglect and disrepair, activate the site through operation of a youth hostel with commercial space on the ground floor, and provide an iconic symbol of the neighborhood’s revitalization.

NOW, THEREFORE, BE IT RESOLVED, that the Executive Director is hereby authorized to enter into a Third Amendment to Agreement for the Disposition and Development of Property for the property located at W Burnside Street between NW Fourth and NW Fifth Avenues in the River District

Urban Renewal Area with Grove Hostel Property, LLC, substantially in the form attached hereto as Exhibit A (the "Third Amendment");

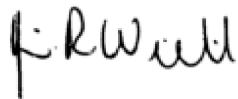
BE IT FURTHER RESOLVED, that the Executive Director may revise the Third Amendment, either before or after execution, if the modifications do not, in the opinion of the Executive Director and the General Counsel, materially increase PDC's obligations or risks;

BE IT FURTHER RESOLVED that the Executive Director is hereby authorized to prepare and execute such loan documents and agreements, subject to approval by the PDC General Counsel, as are necessary or desirable to evidence and implement a PDC loan to GHP, for the Project, in an amount not to exceed Two Million Four Hundred Sixty-Five Thousand and NO/100 Dollars (\$2,465,000) and on terms and conditions consistent with those set forth in the Third Amendment;

BE IT FURTHER RESOLVED that the Executive Director is hereby authorized to prepare and execute such loan documents and agreements, subject to approval by the PDC General Counsel, as are necessary or desirable to evidence and implement a PDC loan to GHP, for the Project, in an amount not to exceed One Hundred Eighty Thousand and NO/100 Dollars (\$180,000) and on terms and conditions consistent with those set forth in the Third Amendment; and

BE IT FURTHER RESOLVED that this Resolution shall become effective 30 days after its adoption.

Adopted by Portland Development Commission on November 14, 2012



Gina Wiedrick, Recording Secretary

THIRD AMENDMENT TO AGREEMENT FOR DISPOSITION AND DEVELOPMENT OF PROPERTY

This Third Amendment to Agreement for Disposition and Development of Property is made as of _____, 2012 (“Third 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, and again on September 19, 2012, to modify the Schedule of Performance and make certain other changes (the Original DDA as amended, the “Revised DDA”).
3. PDC and Developer now desire to amend the Revised DDA to modify the Purchase Price, the Project Budget, certain terms of the Proposed Redevelopment Loan, the Schedule of Performance, and certain other provisions.

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. Purchase Price. The first sentence of Section 2.4 of the Revised DDA hereby deleted in its entirety and replaced with the following:

The Purchase Price for the Property is FIVE HUNDRED FIFTY FIVE THOUSAND DOLLARS (\$555,000).

2. Assignment. Section 12.1.2 of the Revised DDA is hereby deleted in its entirety and replaced with the following:

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

3. Definitions. The definitions of “Redevelopment Loan” and “Redevelopment Loan Documents” set forth in Sections 70 and 71 of Exhibit A of the Revised DDA are hereby deleted in their entirety and replaced with the following:

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. The financing may take the form of one or more loans, as described in Exhibit H.

71. “Redevelopment Loan Documents” means one or more promissory notes, loan agreements, trust deeds, and financing statements and any other documents required by PDC to evidence the Redevelopment Loan.

4. Project Budget. The Project Budget set forth in Exhibit D of the Revised DDA is hereby deleted in its entirety and replaced with the Project Budget set forth in Exhibit D, attached hereto and incorporated herein by this reference.
5. 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.
6. Redevelopment Loan Term Summary. The Redevelopment Loan Term Summary set forth in Exhibit H of the Revised DDA is deleted in its entirety and replaced with the Redevelopment Loan Term Summary set forth in Exhibit H, attached hereto and incorporated herein by this reference.
7. Except as expressly modified by this Third Amendment, the Parties agree and acknowledge that the Revised DDA is and remains in full force and effect and binding on the Parties.
8. This Third 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 Third Amendment so executed shall constitute an original. This Third Amendment may not be modified except by a writing signed by the Parties.
9. 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 Third 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 D

PROJECT BUDGET

Project Sources

Developer equity	1,104,635
Advantis Credit Union senior loan	1,000,000
PDC loan #1	2,465,000
PDC loan #2	180,000
Total project sources	4,749,635

Project Uses

Land acquisition	555,000
Soft costs	705,907
Construction costs--building improvements	2,137,409
Construction costs-- restaurant build-out	251,172
Furniture fixtures & equipment	532,774
Pre-opening expenses	286,057
Project contingency	281,316
Total project uses	4,749,635

EXHIBIT E

SCHEDULE OF PERFORMANCE PRE - CLOSING

TASK	DUE DATE
1. PDC records Memorandum of DDA	Complete
2. PDC records Memorandum of DDA	Complete
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	March 15, 2013
13. Developer to provide Final Construction Drawings and Technical Specifications & Project Budget - Section 7.2.3 (e)	March 31, 2013
14. PDC to complete review of Final Construction Drawings and Technical Specifications & Project Budget	April 15, 2013
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)	April 30, 2013
17. Developer to secure building permits from BDS - Section 4.1.2 (i); 4.1.4 (i)	April 30, 2013
18. Developer to provide documentation of required financing - Section 4.1.4 (ii)	April 30, 2013
19. PDC to provide final form of Deed - Section 5.4	April 30, 2013
20. Developer to provide Organizational Documents, Certificate of Existence, and Authorizing Resolution - Section 4.1.4 (ii)	March 31, 2013
21. Developer to submit Final Project Budget - Section 4.1.4 (iii)	March 31, 2013
22. PDC to complete review of Final Project Budget - Section 4.1.4 (iii)	April 30, 2013
23. Developer to provide LEED documentation - Section 4.1.4	April 30, 2013
24. Closing/Conveyance of Property to Developer - Section 5	May 30, 2013
25. Final Termination Date (if Closing does not occur by September 30, 2013) – Section 4.3	June 30, 2013

POST - CLOSING

TASK	DUE DATE
1. Developer to commence construction	July 31, 2013
2. Developer to complete construction and secure Certificate of Occupancy for the Project - Section 7.9 iii	December 31, 2013
3. Developer to request PDC Certificate of Completion from PDC – Section 7.9	July 31, 2014
4. PDC to issue PDC Certificate of Completion (assuming compliance with DDA) - Section 7.9.1	August 31, 2015

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 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 H

REDEVELOPMENT LOAN TERM SUMMARY

PDC proposes to provide two loans to Grove Hostel Property, LLC, for the Project. The loans (1) are subject to approval by the PDC Board of Commissioners and satisfaction of PDC's customary underwriting criteria, (2) 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 (3) 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:	Loan #1: Construction and conditional permanent, \$2,465,000. Loan #2: Term, \$180,000.
Security:	Trust deed on the subject property, junior to the \$1,000,000 senior loan from Advantis Credit Union (or a lender acceptable to PDC).
Loan Term:	Loan #1: 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 December 2022). Loan #2: A term loan period ending on the earlier of the fifth anniversary of the date of loan or the date the interest rate of the senior loan adjusts from its initial rate..
Payments:	Loan #1: 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 #2: Principal and interest payments, based on a 10-year amortization period
Loan Fee:	Loan #1 & #2: 1.00% of the loan amount. For Loan #1 , an additional \$5,000 loan fee for underwriting the revised terms of the proposed loan
Interest Rate:	Loan #1: Construction loan: 4.25% Permanent loan: first 12 months 4.25%, next 24 months 5.50%, all later months 7.00% Loan #2: 10.00%
Guarantors:	None for the PDC loans. For the senior loan, a conditional guaranty will be provided to PDC by 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 Requirements:	Furniture, Fixtures and Equipment Reserve: Borrower will be required to deposit at least 1% of revenues annually into 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 from operations beginning in 2013. If certain conditions are met, the reserve balance may be released after June 30, 2018. Both reserves are required so long as the PDC loans are 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 loans 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.

RESOLUTION NO. 6980

RESOLUTION TITLE:

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

Adopted by the Portland Development Commission on November 14, 2012

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
☒	Chair Scott Andrews	☒	☐	☐
☒	Commissioner Aneshka Dickson	☒	☐	☐
☐	Commissioner John Mohlis	☐	☐	☐
☐	Commissioner Steven Straus	☐	☐	☐
☒	Commissioner Charles Wilhoite	☒	☐	☐
☐ Consent Agenda ☒ Regular Agenda				

CERTIFICATION

The undersigned hereby certifies that:

The attached resolution is a true and correct copy of the resolution as finally adopted at a Board Meeting of the Portland Development Commission and as duly recorded in the official minutes of the meeting.

	Date:
	December 3, 2012
Gina Wiedrick, Recording Secretary	