

**PORTLAND DEVELOPMENT COMMISSION**  
Portland, Oregon

**RESOLUTION NO. 6879**

**AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE  
THE FOURTH AMENDMENT TO AGREEMENT FOR  
DISPOSITION AND DEVELOPMENT OF PROPERTY IN THE  
INTERSTATE CORRIDOR URBAN RENEWAL AREA AT THE  
NORTHEAST CORNER OF NORTH INTERSTATE AVENUE  
AND NORTH KILLINGSWORTH STREET WITH  
KILLINGSWORTH STATION, LLC,**

**WHEREAS**, in furtherance of the objectives of Oregon Revised Statutes, Chapter 457, and Chapter XV of the Charter of the City of Portland, the Portland Development Commission (“PDC”), has undertaken a program for the development and redevelopment of blighted areas in the City and in connection therewith prepared and approved an Urban Renewal Plan for the Interstate Corridor Urban Renewal Area (“ICURA”), which was adopted by the Portland City Council on August 23, 2000 (as amended from time to time, the “Urban Renewal Plan” or the “Plan”);

**WHEREAS**, the Plan stipulates a general principal to optimize light rail investment through the creation of catalyst projects near light rail stations;

**WHEREAS**, the Interstate MAX Station Area Revitalization Strategy projects a demand for 1,700 to 3,400 new housing units in the vicinity of station areas along and near Interstate Avenue in the ICURA serving a variety of income levels;

**WHEREAS**, the PDC Strategic Plan states PDC goals of developing housing; investing resources in home and business ownership for wealth creation, and revitalizing blighted areas through strategic partnerships and property acquisitions;

**WHEREAS**, from 2000 through 2003, PDC purchased certain real property located at the northeast corner of N. Killingsworth Street and NE Interstate Avenue (the “Killingsworth Property”) to redevelop as a transit-supportive, mixed-use housing project (collectively, the “Project”);

**WHEREAS**, on July 9, 2008, the PDC Board of Commissioners (the “Board”) adopted Board Resolution No. 6620 authorizing the Executive Director to enter into a Disposition and Development Agreement (the “DDA”) to develop the Project on the Killingsworth Property with Killingsworth Station, LLC (the “Developer”), which Developer had been selected through a competitive solicitation process;

**WHEREAS**, on May 14, 2009, the Board adopted Board Resolution No. 6702 authorizing the Executive Director to enter into that certain First Amendment to Agreement for Disposition and Development of Property in the Interstate Urban Renewal Area with the Developer;

**WHEREAS**, subsequently, on July 12, 2010, the Board adopted Board Resolution No 6812 authorizing the Executive director to enter into that certain Second Amendment to Agreement for Disposition and Development of Property in the Interstate Urban Renewal Area to extend the schedule of performance;

**WHEREAS**, on August 27, 2010, the Board adopted Board Resolution No. 6819 authorizing the Executive Director to enter into that certain Third Amendment to Agreement for Disposition and Development of Property in the Interstate Urban Renewal Area with the Developer to extend the schedule of performance, reallocate a portion of the PDC permanent subsidy, and increase the amount of the PDC construction loan for the Project; and

**WHEREAS**, PDC and Developer have negotiated further changes to the DDA to be implemented by the Fourth Amendment to Agreement for Disposition and Development of Property in the Interstate Urban Renewal Area substantially in the form attached hereto as Exhibit A (the “Fourth Amendment”) that modifies the PDC construction loan for the Project and authorizes terms and conditions for commercial condominium financial assistance for the Project.

**NOW, THEREFORE, BE IT RESOLVED** that the Executive Director is hereby authorized to execute the Fourth Amendment with Killingsworth Station, LLC;

**BE IT FURTHER RESOLVED** that the Executive Director may approve changes to the Fourth Amendment, if the Executive Director and General Counsel determine that such changes will not materially increase PDC’s obligations or risks; and

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

**Adopted by the Portland Development Commission May 25, 2011.**

  
\_\_\_\_\_  
Recording Secretary

# PDC

PORTLAND DEVELOPMENT COMMISSION

## Resolution Number 6879

Title:

ADOPT FOURTH AMENDMENT TO AGREEMENT FOR  
DISPOSITION AND DEVELOPMENT PROPERTY IN  
INTERSTATE CORRIDOR URBAN RENEWAL AREA WITH  
KILLINGSWORTH STATION, LLC

Adopted by the Portland Development Commission on May 25, 2011.

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

### Certification

The undersigned hereby certifies that:

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

  
\_\_\_\_\_  
Recording Secretary

Date: May 25, 2011

**FOURTH AMENDMENT TO AGREEMENT FOR DISPOSITION AND  
DEVELOPMENT OF PROPERTY IN THE  
INTERSTATE CORRIDOR URBAN RENEWAL AREA**

This FOURTH AMENDMENT TO AGREEMENT FOR DISPOSITION AND DEVELOPMENT OF PROPERTY IN THE INTERSTATE CORRIDOR URBAN RENEWAL AREA (this “Fourth Amendment”) is effective as of this \_\_ day of \_\_\_\_\_, 2011 (the “Effective Date”) 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 KILLINGSWORTH STATION, L.L.C., an Oregon limited liability company (“Developer”). PDC and Developer may be referred to jointly in this Fourth Amendment as the “Parties” or individually as a “Party”.

**RECITALS**

- A. PDC and Developer entered into that certain AGREEMENT FOR DISPOSITION AND DEVELOPMENT OF PROPERTY IN THE INTERSTATE URBAN RENEWAL AREA dated July 9, 2008 (the “Original DDA”).
- B. PDC and Developer entered into that certain FIRST AMENDMENT TO AGREEMENT FOR DISPOSITION AND DEVELOPMENT OF PROPERTY IN THE INTERSTATE URBAN RENEWAL AREA dated April 23, 2009 (the “First Amendment”).
- C. Subsequently, PDC and Developer entered into that certain SECOND AMENDMENT TO AGREEMENT FOR DISPOSITION AND DEVELOPMENT OF PROPERTY IN THE INTERSTATE URBAN RENEWAL AREA dated July 12, 2010 (the “Second Amendment”) to extend the schedule of performance.
- D. Subsequently, PDC and Developer entered into that certain THIRD AMENDMENT TO AGREEMENT FOR DISPOSITION AND DEVELOPMENT OF PROPERTY IN THE INTERSTATE URBAN RENEWAL AREA dated August 27, 2010 (the “Third Amendment”) to extend the schedule of performance, reallocate a portion of the PDC permanent subsidy, and increase the amount of the PDC construction loan for the Project.
- E. The Original DDA, as amended by the First Amendment, the Second Amendment, and the Third Amendment shall be referred to herein as the “DDA.”
- F. PDC and Developer desire to further amend the DDA to, among other things, modify the PDC construction loan for the Project and authorize terms and conditions for commercial condominium financial assistance as set forth herein.

## AGREEMENT

NOW THEREFORE, in consideration of the undertakings and mutual covenants of the Parties, and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, PDC and Developer agree as follows:

1. **Definitions.** Capitalized terms used herein without definition shall have the meaning ascribed to them in the DDA.
  2. **Project Budget.** The Project Budget attached to the DDA as Exhibit B is hereby deleted in its entirety and replaced with the Project Budget attached hereto as Attachment A.
  3. **Real Estate Financing.** The Real Estate Financing as defined in Section 6 of the DDA is hereby modified as follows:
    - 3.1. The Real Estate Loan Terms and Conditions attached to the DDA as Exhibit N is hereby deleted in its entirety and replaced with the Real Estate Loan Terms and Conditions as attached hereto as Attachment B.
    - 3.2. Section 6.3 of the DDA is hereby deleted in its entirety and replaced with the following:

**“Commercial Condominium Financial Assistance.** PDC will make available to Developer and qualified and eligible tenants and/or purchasers of the commercial condominium units financing in an amount not to exceed NINE HUNDRED THOUSAND DOLLARS (\$900,000) (the “Commercial Condominium Financial Assistance”), the terms and conditions of which shall be consistent with the terms and conditions set forth in Exhibit O attached hereto.” Exhibit O is attached hereto as Attachment C.
- In consideration for this Commercial Condominium Financial Assistance, Developer agrees to use a hybrid, sale/lease-purchase, disposition strategy for the commercial condominiums, where under the developer will:
- (a) Sell commercial condominium units to purchasers that are deemed qualified by Developer and approved by PDC in its reasonable discretion, or
  - (b) Retain ownership of the commercial condominium units and lease the units to commercial tenants, with an option to purchase the units, at a purchase price based on a formula established by Developer and approved by PDC in its reasonable discretion, within a period of five (5) years.”
4. **Miscellaneous.** Except as expressly modified hereby, the DDA remains unmodified and in full force and effect. This Fourth Amendment may not be amended except by a writing signed by the Parties. This Fourth Amendment may be executed in counterparts, each of which shall constitute one agreement.

IN WITNESS WHEREOF, the Parties have executed this Third Amendment to be effective on the Effective Date.

**PDC:**

**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:

\_\_\_\_\_  
Lisa Gramp, Assistant General Counsel  
Portland Development Commission

**DEVELOPER:**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**ATTACHMENT A**

**Exhibit A**

**Project Budget**

**Construction Period**

<b>Sources</b>	<b>Total</b>	<b>Uses</b>	<b>Total</b>
Construction Loan	4,607,585	Land	0
Metro TOD Subsidy	250,000	Construction	10,245,055
PDC		Contingency	513,000
Construction Loan	5,826,306	Soft Costs	1,884,888
Construction Subsidy	2,242,714	Construction Loan	
<b>Total PDC Funding</b>	<b>12,926,605</b>	Fee	69,114
Developer Cash	263,808	Interest Reserve	198,357
<b>Total Sources</b>	<b>13,190,413</b>	Lender Reimbursables	30,000
		Project Management Expense	250,000
<b>Construction Funding (Gap)/Surplus</b>	<b>0</b>	<b>Total Uses</b>	<b>13,190,413</b>

**Commercial Condo Lease Period**

<b>Sources</b>	<b>Total</b>	<b>Uses</b>	<b>Total</b>
Residential Sales Revenue	10,011,466	Commercial Tenant Improvements	689,850
PDC		Sales & Leasing Commissions	530,666
Commercial Mini-Perm Loan	1,192,000	Closing Costs	75,000
Commercial Feasibility Subsidy	600,000	HOA Fees	103,738
Commercial TI Loans	300,000	Buyer Closing Costs paid by Seller	325,806
Housing Affordability Assistance	848,734	Commercial Space Financing	1,700,500
<b>Subtotal PDC</b>	<b>2,940,734</b>	Repay Construction Loan	4,500,509
Developer		Repay PDC Construction Loan	4,634,306
New Cash	98,350	Repay Developer Equity	63,808
Prior Cash	200,000	Developer Profit	626,367
<b>Subtotal Developer</b>	<b>298,350</b>	<b>Total Uses</b>	<b>13,250,550</b>
<b>Total Sources</b>	<b>13,250,550</b>		
<b>Lease Period Funding (Gap)/Surplus</b>	<b>0</b>		

**Permanent Period (Post sale of Commercial Condos)**

<b>Sources</b>	<b>Total</b>	<b>Uses</b>	<b>Total</b>
Commercial Sales Revenue	1,490,350	Repay PDC Mini-Perm Loan	1,192,000
<b>Total Sources</b>	<b>1,490,350</b>	Repay Developer Equity	298,350
<b>Permanent Funding (Gap)/Surplus</b>	<b>0</b>	<b>Total Uses</b>	<b>1,490,350</b>

**ATTACHMENT B**

**Exhibit N**

**Real Estate Loan Terms and Conditions**

1. The Construction Feasibility Subsidy shall have the following terms and conditions:

Subsidy Amount: \$2,242,714.

Loan Term: No maturity.

Loan Fee: No fee.

Interest Rate: 0.00%.

Security: None.

Guarantee: None.

Disbursement: Disbursed pursuant to construction draw approval process, after Developer Cash.

Repayment: No repayment, but subject to reduction in an amount equal to 75% of net profit in excess of the Developer Profit as set forth in Section 6.1.1.2 of the DDA.

2. The Real Estate Loan shall have the following terms and conditions:

Loan Amount: \$5,826,306.

Loan Term: 36-months.

Loan Fee: No fee.

Interest Rate: 0.00%.

Security: Second deed of trust, subordinated to the senior construction loan from Wells Fargo Bank (WFB).

**Partial**

**Reconveyance: Partial reconveyances from the lien of the deed of trust will be allowed to facilitate the sale of the condominium units.**

Guarantee: Completion and full repayment guaranty from:

- Killingsworth Station, LLC.

Completion and repayment of \$3,582,415 from:

- Winkler Development Corporation,
- Winkler Family Holdings, Inc., and
- James H. Winkler.

Disbursement: Disbursed up to 90% (\$5,019,404) pursuant to construction draw approval process, after Developer Cash and PDC Construction



Feasibility Subsidy. Final 10% (\$806,902) disbursed at final construction disbursement.

Repayment: Repaid after repayment of WFB construction loan and prior to repayment of Developer cash and profit.

3. Conversion of a Portion of the Real Estate Loan to a Term Loan:

Amount: The lessor of the remaining balance of the \$5,826,306 PDC Real Estate Loan or \$1,192,000 shall be converted to a term loan.

Conversion: Conversion shall occur upon the earlier of:

1. Execution of leases for 50% of the commercial space (approx. 4,500 sq. ft.); or
2. Maturity of the PDC construction loan (September, 2013).

Loan Term: 5 years.

Amortization: 20 years.

Interest Rate: 3.00%.

Loan Fee: 0.00%.

Security: Third deed of trust, subordinate to WFB and PDC Real Estate loans.

First deed of trust, once WFB and balance of the PDC Real Estate loans are repaid.

Partial

Reconveyance: Partial reconveyances from the lien of the deed of trust will be allowed to facilitate the sale of the commercial condominium units.

Guarantee: Completion and full repayment guaranty from:

- Killingsworth Station, LLC.
- Winkler Development Corporation,
- Winkler Family Holdings, Inc., and  
James H. Winkler

Repayment: Subordinated to repayment of WFB and PDC Real Estate loans. Monthly must-pay debt service, with balance due at maturity. 100% of net sales proceeds (as defined in current PDC Real Estate Loan Partial reconveyance for commercial condo sales.

**ATTACHMENT C**

**Exhibit O**

**Commercial Condominium Financial Assistance  
Terms and Conditions**

**1. Commercial Condominium Feasibility and Tenant Improvement Subsidy**

**Grantee:** Killingsworth Station, LLC.  
**Amount:** \$600,000.  
**Loan Term:** No maturity.  
**Loan fee:** No fee.  
**Interest rate:** 0.00%.  
**Security:** None.  
**Guaranty:** None.  
**Repayment:** No repayment, but subject to reduction in an amount equal to 75% of net profit in excess of the Developer Profit as set forth in Section 6.1.1.2 of the DDA.

**2. Business Incentive Loans**

**Borrower(s):** Qualified and eligible tenants and/or purchasers of the commercial condominiums.  
**Amount:** \$300,000.  
**Loan Term:** 10 years.  
**Amortization:** 20 years.  
**Loan Fee:** 0.00%.  
**Interest rate:** 3.00%.  
**Security:** Lease-hold deed of trust, subordinate to WFB construction and PDC Real Estate loans, until WFB and PDC loans repaid; and, thereafter,  
Second deed of trust, subordinated to buyer's senior debt, if tenant exercises purchase option.  
**Repayment:** Monthly must-pay debt service, with balance due at maturity.  
**Other Terms:** Assumable, by qualified purchaser.