

**PORTLAND DEVELOPMENT COMMISSION**

Portland, Oregon

**RESOLUTION NO. 7217**

**APPROVING AMENDED TERMS OF A COMMERCIAL PROPERTY REDEVELOPMENT LOAN TO WGP APARTMENTS LLC FOR REDEVELOPMENT OF A CERTAIN PROPERTY IN THE LENTS TOWN CENTER URBAN RENEWAL AREA IN AN AMOUNT NOT TO EXCEED \$9,090,955**

**WHEREAS**, on November 18, 2015, Portland Development Commission (“PDC”) Board of Commissioners through Resolution No. 7153 authorized the terms of a Predevelopment Loan, Disposition Agreement, and Commercial Property Redevelopment Loan (“Development Loan”) to ROSE Community Development Corporation (“ROSE CDC”) for redevelopment of a certain PDC-owned real property (“Project”) at SE Reedway Street and SE 91<sup>st</sup> Avenue in the Lents Town Center Urban Renewal Area;

**WHEREAS**, since that time, WGP Apartments LLC (“Developer”), a special purpose entity formed by ROSE CDC and Home Forward, has completed additional Project design and due diligence, including identification of an increase in Project costs of approximately \$4,180,000, primarily driven by increased construction costs, and only a limited amount of alternative financing sources of \$1,310,000 to cover the cost increase;

**WHEREAS**, due to Project design changes, the proposal is now a mixed-income development that includes 64 residential rental units rather than 68 units, with 26 units restricted to residents with income levels up to 100 percent median family income (“MFI”), 21 units restricted to 80 percent MFI, 16 restricted to 30 percent MFI, and one unit dedicated to an on-site property manager;

**WHEREAS**, the Developer has identified and PDC has confirmed that the Project is not financially feasible without additional PDC and Portland Housing Bureau (“PHB”) support;

**WHEREAS**, PHB has increased its Reservation of Funds for the Project by \$716,320 for a total anticipated PHB loan amount of \$2,816,320 and PDC staff recommends increasing the Development Loan by \$2,148,691 for a total PDC loan amount of \$9,090,955;

**NOW, THEREFORE, BE IT RESOLVED**, that the Executive Director is hereby authorized to execute a revised Development Loan with Developer substantially in accord with the provisions of Exhibit A;

**BE IT FURTHER RESOLVED**, that the Executive Director may approve changes to the Development Loan, if such changes do not materially increase PDC's obligations or risks, as determined by the Executive Director in consultation with PDC's General Counsel;

**BE IT FURTHER RESOLVED**, that the developer fee included in the terms and conditions that the PDC Board approved on November 18, 2015, through Resolution No. 7153 shall remain applicable to the terms and conditions attached hereto as Exhibit A; and

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

Adopted by the Portland Development Commission on November 9, 2016



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Anne Crispino-Taylor, Recording Secretary

**PROPOSED AMENDED TERMS AND CONDITIONS OF PDC DEVELOPMENT LOAN**

Borrowing Entity:	WGP Apartments LLC																
Loan Program:	Commercial Property Redevelopment Loan – Construction/Permanent																
Loan Amount:	Up to \$9,090,955 consisting of: <ul style="list-style-type: none"> <li>• Construction/Permanent Loan (“Perm Loan”) of approximately \$8,782,059</li> <li>• Short Term Loan (“ST Loan”) of approximately \$308,896 to fund a two-year working capital reserve account. ST Loan to mitigate initial market risk for the Senior Lender and Developer. In the event the working capital reserve account is drawn it will be repaid according to the terms of the Perm Loan. At the end of the two year period all funds permitted by Senior Lender to be released from the working capital reserve account will repay the ST Loan.</li> </ul>																
Uses of Funds:	New construction																
Loan Fee:	1% of the loan amount (\$90,909.55), financed																
Interest Rate:	3.25% annual fixed rate																
Term:	40 year term, 40 year amortization																
Repayment:	Principal and interest payments for 40 years with the balance due at the end of year 40. All payments are cash flow dependent; interest accrues and is paid down first (no interest on the accruals) and unpaid principal is deferred.																
Collateral:	2nd lien position on the property																
Guarantors:	None																
Total Development Sources and Uses:	<p><u>Sources:</u></p> <table> <tr> <td>Senior Loan</td> <td>\$7,830,800</td> </tr> <tr> <td>PDC Permanent Loan</td> <td>\$9,090,955</td> </tr> <tr> <td>Portland Housing Bureau (PHB) Funding</td> <td>\$2,816,320</td> </tr> <tr> <td>Grants (Metro TOD, PGE Solar, PDC DOS)</td> <td>\$747,100</td> </tr> <tr> <td>SDC &amp; CET Waivers, Energy Incentives</td> <td>\$353,885</td> </tr> <tr> <td>Deferred Developer Fee</td> <td>\$475,000</td> </tr> <tr> <td>Developer Equity</td> <td><u>\$250,000</u></td> </tr> <tr> <td><b>Total</b></td> <td><b>\$21,564,060</b></td> </tr> </table>	Senior Loan	\$7,830,800	PDC Permanent Loan	\$9,090,955	Portland Housing Bureau (PHB) Funding	\$2,816,320	Grants (Metro TOD, PGE Solar, PDC DOS)	\$747,100	SDC & CET Waivers, Energy Incentives	\$353,885	Deferred Developer Fee	\$475,000	Developer Equity	<u>\$250,000</u>	<b>Total</b>	<b>\$21,564,060</b>
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<p>Program Guideline Exceptions:</p>	<ul style="list-style-type: none"> <li>• Loan amount exceeds program maximum of \$2,000,000</li> <li>• Interest rate is not based on Prime + 3%</li> <li>• Fee to be financed instead of paid at closing</li> <li>• Loan term exceeds 10 years, amortization exceeds 25 years</li> <li>• Loan payments are cash flow dependent</li> <li>• Program is not intended to be used for development of solely residential projects</li> <li>• Borrower’s equity contribution is less than 10%</li> <li>• Personal/ corporate guarantees not required from the principals/entities</li> <li>• Combined Loan to Value exceeds 100%;</li> <li>• Debt service coverage ratio does not meet minimum 1:1.15</li> </ul>														
<p>Other Conditions:</p>															
<p>Capital Sources Precedent to Closing</p>	<ul style="list-style-type: none"> <li>• Senior Loan (HUD 221d 4 Guaranteed Debt) of not less than \$7,830,800 on terms and conditions acceptable to PDC and PHB; such loan secured by a first lien on the property</li> <li>• Other Funding secured, including Metro TOD Grant and PHB loan, in an amount and terms acceptable to PDC</li> <li>• Project-based rental assistance vouchers (Section 8) secured for 15 of 17 units restricted at 30% Median Family Income (MFI)</li> <li>• MULTE tax exemption secured for a minimum of 10 years applicable to all units up to and including 100% MFI units.</li> <li>• Home Forward tax exemption secured for units that are restricted at or below 80% MFI after 10 years</li> </ul>														
<p>Equity Goals</p>	<p>Pursuant to PDC’s adopted Equity Policy &amp; Procedures, Borrower will comply with PDC’s requirements for participation of minority-owned, women-owned and emerging small businesses and will make good faith efforts to utilize apprentices and women, minorities, and disadvantaged individuals in the construction workforce for the project, as provided by the Business Equity Program Requirements.</p>														

Green Building	Pursuant to PDC’s adopted Green Building Policy, the project will register and certify for the U.S. Green Building Council’s Leadership in Energy and Environmental Design (LEED) at the Gold level.
Prevailing Wage	The project will be considered a “public work” subject to Oregon’s Prevailing Wage Law (ORS 279C.800 to 279C.870 and the administrative rules adopted thereunder.)
Other	Borrower will provide additional information, execute and deliver additional agreements and documents, and comply with additional terms and conditions, in connection with the loans, as PDC may reasonably require.

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PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Chair Tom Kelly	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Mark Edlen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Alisha Moreland-Capuia MD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner William Myers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Gustavo J. Cruz, Jr.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Consent Agenda		<input checked="" type="checkbox"/> Regular Agenda		

**CERTIFICATION**

**The undersigned hereby certifies that:**

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

	<b>Date:</b>  November 10, 2016
<b>Anne Crispino-Taylor, Recording Secretary</b>	