



This document constitutes the official meeting record of the May 27, 2009, Portland Development Commission Board of Commissioner's meeting held at 222 NW Fifth Ave., Portland, OR 97209.

I. CALL TO ORDER AND ROLL CALL

Charles A. Wilhoite
Commission Chair

Chair Wilhoite called the meeting to order at approximately 8:02 a.m.

Ms. Renee Castilla, acting as recording secretary for the Board, called the Commission roll:

J. Scott Andrews
Commissioner

Chair Charles Wilhoite	PRESENT
Commissioner Scott Andrews	PRESENT
Commissioner Bertha Ferran	ABSENT (Arrived at 8:09 a.m.)
Commissioner John Mohlis	PRESENT
Commissioner Steven Straus	PRESENT

Bertha Ferrán
Commissioner

John C. Mohlis
Commissioner

Chair Wilhoite requested a summary of key projects occurring at PDC given the increasing number of activities happening at PDC.

Steven Straus
Commissioner

II. MEETING MINUTES

Chair Wilhoite called for a motion to approve the meeting minutes of April 23, 2009 and May 14, 2009 as submitted.

Sam Adams
Mayor

Commissioner Andrews moved and Commissioner Mohlis seconded the motion to adopt the meeting minutes as submitted.

Bruce A. Warner
Executive Director

AYE: Andrews, Mohlis, Straus, Wilhoite
NAY: None

III. EXECUTIVE DIRECTOR'S REPORT



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Mr. Bruce Warner stated the first meeting of the PDC Budget Committee was held last Thursday to review the proposed 2009/10 budget as part of the formal budget adoption process. Staff presented the PDC budget and answered questions posed by the City Council acting as the budget committee. He stated major changes to the proposed budget include adding the Housing staff back into the budget including all resources (federal and state Housing dollars). He stated the meeting seemed to be very constructive with good interaction.

222 Northwest
Fifth Avenue
Portland, OR
97209-3859

Commissioner Andrews stated the Budget Committee posed good questions. He said the new City Commissioners have grasped a broad budget in a very short period of time. He stated the economy will have more to do with what projects move forward, however, it was a good discussion and process.

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Mr. Warner stated there was a formal hearing on the PDC and the City's budget and over 200 people came to testify, however, only 6 people on the PDC budget. They testified they would like to see the 30% Tax Increment Financing (TIF) set-aside remain as is as well as the efforts to create more mix-used market rate housing. He said there was good interaction with the public. He further stated the PDC Budget Committee would be acting to adopt the proposed PDC budget at 2:00 p.m. later in the afternoon at City Hall Council Chambers.



Mr. Warner further stated the budget would be presented to the Commissioners June 10, 2009 in a work-session and then for adoption, June 24, 2009. He also offered individual briefings for any member who felt they may need one.

Chair Wilhoite asked for an update on the Housing Department transition.

Mr. Warner said the Housing Department transition continues. Currently, staff will continue to manage projects as they have done in the past. There will be no change in how projects are produced or operated. However, Housing staff, will be co-located with BHCD staff while the technical needs of the Department continue to be discussed.

Mr. Warner continued his Executive Director's report and said a Solar Company giant based in China has indicated an interest in Portland. He said this is a direct result of the recent trip to China and said he is quite pleased with the result so far. He further said the Solar Company employs over 9,000 people currently and are looking for a U.S. presence. He also directed the Commissioners to a great article written by Wendy Culvervill, highlighting the PDC outreach efforts and M/W/ESB successes. He said the article made reference to the 2007 and 2008 contracts and the increase of 64% of funds going to M/W/ESB businesses.

Chair Wilhoite stated approximately 38% of contracts were awarded to those M/W/ESB businesses. He expressed his thanks to Mr. Warner and Mr. John Jackley for their hard work in these efforts.

Mr. Warner stated last Tuesday evening, May 19, 2009, the Mayor held the First Annual Mayor's International Business Awards. The event recognized local area businesses both big and small doing traded sector work. Peter Cunningham, PDC Urban Development Business & Industry Division Manager was the emcee for the evening. Mr. Warner stated it was an excellent opportunity to recognize companies performing sustainable practices and using green technology.

IV. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

As there were no public comment for items not on the agenda, Chair Wilhoite moved to the consent agenda.

V. CONSENT AGENDA

Commissioner Wilhoite called for a motion to adopt the Consent Agenda:

Resolution No. 6705, titled, "Authorizing Acquisition of Real Property Located at 3620 NE Martin Luther King Jr. Boulevard in the Oregon Convention Center Urban Renewal Area."

Commissioner Ferran moved and Commissioner Mohlis seconded the motion to adopt the consent agenda.

AYES: Andrews, Ferran, Mohlis, Straus, Wilhoite
NAYS: None

VI. Recommendation to City Council for Preliminary and Final Approval of Multifamily Housing Revenue Refunding Bonds, Series 2009 in the Amount of \$15,000,000 for the Village at Lovejoy Fountain

Mr. John Warner presented Report No. 09-61, titled, "Recommendation to City Council for Preliminary and Final Approval of Multifamily Housing Revenue Refunding Bonds, Series 2009 in the Amount of \$15,000,000 for the Village at Lovejoy Fountain."

Mr. Warner stated the Portland Development Commission (PDC) has received a request for approval of economic development revenue bonds in the amount of \$15 million dollars for the refunding of the existing bond issue for the 198-unit apartment project, the Village at Lovejoy Fountain, located at 245 SW Lincoln Street (the Project). The applicant and Project owner is VLF, LLC (VLF). The issuance of the economic development revenue bonds is considered a conduit financing arrangement because, although the bonds are issued by the City of Portland (the City), they are not obligations of the City. The City does not guarantee the bonds and is not subject to liability for their repayment. VLF, through a loan agreement with the City, will be solely responsible for debt service on the bonds.

He further stated pursuant to Chapter 5.72 of the Code of the City of Portland (City Code), PDC staff has reviewed the proposed bond issue and has determined that it conforms with the guidelines contained in Chapter 5.72 of the Code and is making a recommendation to City Council that the City authorize issuance of the bonds. In accordance with City Code, this action will designate K&L Gates LLP as bond counsel for PDC and the City. Through this action, PDC will make a recommendation to the City Council for preliminary and final approval of the bond issue for the Project. If the PDC Board of Commissioners (the Board) approves this action, the City Council will take preliminary and final action on the bond issuance in early June 2009, thereby allowing the bond financing to close on July 1, 2009.

Ms. Ann Sherman, City of Portland Bond Counsel, stated the new financing structure is superior to the existing in at least two ways:

1. The new enhancement will be for the remaining life of the bonds, and will not have to be periodically renewed, as the bank letter of credit did; and
2. Federal Home Loan Mortgage Corporation (Freddie Mac) carries a higher credit rating than does KeyBank.

Together, these factors may decrease credit and operating risk for the Project through lower interest rates on the bonds and corresponding lower debt service payments on the first position mortgage.

Mr. Warner stated there is no adverse financial impact to PDC by this action. The original financing of the project included a subordinate loan from PDC using "Housing Investment Funds." The PDC loan was originated in the amount of \$1,050,000 and has been paid in full. He further stated Staff has confirmed that the Project does not conflict with any newly adopted plans or policies of the City and continues to be an "economic development project" within the meaning of Chapter 5.72.020 of the City Code and ORS 280.140 by providing high density, mixed-income housing close to public transit in central Portland. Staff confirmed that more than 85% of the units are available at rents affordable to households below 150% median family income (MFI) as required under City Code. In addition, there are several housing regulatory agreements associated with the Project. The most restrictive stipulates that 40 units remain affordable at 50% MFI until 2029 and this requirement will survive after refunding. Conformance with the agreements is monitored annually by PDC, and the Project is in compliance.

Chair Wilhoite called for a motion to adopt Resolution No. 6706, titled, "Recommending Preliminary and Final Approval to Portland City Council for Refunding of Multifamily Housing Revenue Bonds (The Village At Lovejoy Fountain Project), Through Issuance of Bonds in an Aggregate Principal Amount not to Exceed \$15,000,000 for the Purpose of Refinancing the Acquisition, Development, and Construction of Multifamily Housing; Authorizing and Ratifying

the Executive Director to Execute a Letter of Intent and Indemnification and Compensation Agreement and Related Matters.”

Commissioner Andrews moved and Commissioner Ferran seconded the motion to adopt Resolution No. 6706.

AYES: Andrews, Ferran, Mohlis, Straus, Wilhoite

NAYS: None

VII. Revised Small Rental Rehabilitation Loan Program Guidelines

Mr. Javier Mena presented Report No. 09-63, titled, “Revised Small Rental Rehabilitation Loan Program Guidelines.”

Mr. Mena stated the action would adopt revised guidelines for the Small Rental Rehabilitation Loan Program (Program); last updated by the Portland Development Commission (PDC) Board of Commissioners (Board) on April 11, 2007 (Resolution No. 6468). He said staff proposes several minor changes to make the program more attractive and marketable to potential PDC customers. The changes maintain the original intent and goals of the Program.

Summary of Program changes:

1. Eligible borrowers may now include non-profit organizations (that otherwise meet all other Program guidelines);
2. The property ownership requirement is reduced from two years to six months to better respond to opportunities (based on inquiries and staff experience);
3. Affordability of the units is changed from 50% Median Family Income (MFI) to 60% MFI to synch the Program with other PDC rental housing programs and goals;
4. Annual Certification Requirements are included that are current with PDC’s Asset Management program; and
5. Income guidelines for eligible buyers (if the property converts to homeownership) are modified to reflect PDC’s current homebuyer program guidelines (80% MFI for units with up to two bedrooms or 100% MFI if the unit has 3 or more bedrooms).

Commissioner Mohlis stated the proposed modifications were good improvements to the program.

Commissioner Andrews stated depending how the program responds to the modifications; he could see reducing the six month requirement even further.

Chair Wilhoite called for a motion to adopt Resolution No. 6707, titled, “Adopt Revised Small Rental Rehabilitation Program Guidelines to Assist Eligible Landlord(S) Renovate and Repair Small Rental Properties in Urban Renewal Areas and Citywide.”

AYES: Andrews, Ferran, Mohlis, Straus, Wilhoite

NAYS: None

VIII. BRIEFING ON NORTH/NORTHEAST ECONOMIC DEVELOPMENT INITIATIVE

Mr. John Jackley presented Report No. 09-64, titled, “Briefing on North/Northeast Economic Development Initiative.”

Mr. Jackley stated the Portland Development Commission (PDC) Board of Commissioners (Board) directed the Executive Director in December 2008 to initiate the North/Northeast Economic Development Initiative (Initiative) to study current and future areas for possible inclusion in the Interstate Corridor (ICURA) and Oregon Convention Center (OCCURA) Urban Renewal Areas. The next phase of the Initiative is about to begin. The Initiative will be led by a citizen committee which will ultimately recommend to the Board required amendments, if any, to ICURA and OCCURA. The purpose of the Initiative is to evaluate the existing urban renewal areas to determine if there are amendments required to achieve PDC Board or Council goals by either adding areas and/or increasing the Maximum Indebtedness.

Mr. Jackley further stated the PDC Board directed the Executive Director in December 2008 to initiate a study of current and future areas for possible inclusion in the Interstate Corridor (ICURA) and Oregon Convention Center (OCCURA) Urban Renewal Areas (URAs). The OCCURA last date to issue debt is 2013 and it is an Option 3 district. On May 23, 2007, the Board approved Resolution 6474 initiating a study of all eleven urban renewal areas over time. This effort is known as the Future of Urban Renewal. To date, studies have been performed on Central Eastside, Downtown Waterfront, South Park Blocks, River District, and Lents Town Center URAs. Amendments have been passed for all five districts. Mr. Jackley said current projects include the North/Northeast Study, as described above, as well as the Central City URA Study which is being led by the Mayor's Central City Evaluation Committee. Their objective is to recommend to City Council and the PDC Board the priorities, key goals, boundaries and maximum indebtedness of a new urban renewal area in the west central city area.

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Mr. Robert Alexander stated the Plan amendment process authorized by you last December is currently underway and has several phases:

- **The first phase:** wrapping up a financial analysis (Hovee) of the Interstate Corridor and Oregon Convention Center urban renewal areas as well as several potential amendment areas and is nearly complete. There were four amendment areas that were studied as part of that first phase – St Johns, south side of Lombard, MLK, Jr. Blvd (part of OCC) and Killingsworth/Alberta. The Mayor appeared at the last Interstate URAC meeting and asked that we review a fifth area – the Rose Quarter (also currently a part of OCC).
- **The financial study** will show tax increment generation for the two URAs as well as the amendment areas through their last date to issue debt. It will also have a range – conservative and aggressive scenarios – both in terms of assumptions of growth of the current AV as well as new investments. We will share that with you as soon as it is available. Tax increment in the report is the amount to retire debt and includes principal and interest. We will be using OMF to help calculate the amount available for projects.

- **The second phase:** (about to begin) - an Advisory Committee will be forming to evaluate the need for amendments – understanding the goals and objectives for each URA and what are the benefits and trade-offs of amendment areas. They will be considering community input from citizens through surveys (that you'll be hearing more about in a moment) as well as testimony concerning various areas and potential projects. The AC will have an understanding of the current financial capacity of both URAs and will be utilizing the financial analysis gathered in the first phase.
- The results of the AC work will be coming to you in the form of a report in Sept/Oct. If amendments are recommended and you direct us to proceed, there is a formal process for the amendments which will be heard in the March, 2010 timeframe. In order to do these amendments – you will need to approve them, with a recommendation on to the Planning Commission and final approval by the City Council.

Capacity and Indebtedness of these two districts:

	Oregon Convention Center	Interstate Corridor
Type of District	Option 3	Standard Plan
Inception	1989	2001
Last Date to Issue Debt	2013	2021
Max Indebtedness	\$167 M	\$335 M
Current Debt (est. 6/30/09)	\$110 M	\$88 M
Available	\$57 M (\$25M=5yrs. Z. C.)	\$247 M

Ms. Sara King stated work that is being done in both the OCC and Interstate URAs are implementing goals of the City Council adopted Albina Community Plan adopted in 1993. That is the overarching policy document in which staff operates. Hence, many of the goals in Interstate and OCC are similar and reflect what they find in the Albina Community Plan, such as:

OCC Goals:

- Improve condition of area;
- Create jobs and businesses which benefit N/NE Portland;
- Expand, improve, support public facilities; and
- Stimulate private investment and economic growth.

OCCURA Priorities

- Establish a HQ Hotel;
- Complete the Rose Quarter;
- Bring streetcar to the east side;
- Complete MLK catalyst projects;
- Support businesses and job creation; and
- Create a redevelopment loan program.

ICURA Goals

- Benefit the existing community;
- Assure stability/sustainability;
- Implement the Albina Community Plan;
- Focus investment along Interstate;
- Distribute resources equitably;
- Maximize return on investment; and

- Create wealth.

ICURA “Gem” List

- Redevelopment (3 projects);
- Parks and open space (6 projects);
- Transportation (5 projects);and
- Programs:
 - Revitalization
 - Employment
 - Affordable housing
 - Community facilities.

Ms. King further stated another policy plan that came from the larger Albina Community Plan was the Martin Luther King Blvd. Action Plan. She said they have had several catalyst projects completed, under construction or in negotiations. She said they have been very successful in getting business loans out the door with over \$1.5 million in prospect loans or loans approved and in the pipeline. She stated in the Interstate URA, they have focused on larger projects such as Interstate and the Columbia Village project. However, they are in the process of making improvements to over twenty parks as well as transportation improvements including safety and streetscape improvements. Examples are Russell Street and Denver Streetscape projects. In addition, the home repair programs in the area have been very successful. Larger affordable housing projects in the area include the Patton Park Project; Shaver Green, which is a workforce housing project, under construction. She said staff has made a lot of progress meeting the goals of the Plan.

Mr. Harold Williams I representing CH2A and Associates, stated as they continue to work to support the Portland Development Commission’s efforts, they are finding that small business remains very important to the area. He said although the City of Portland’s unemployment rate is approximately 12%, the unemployment rates for African Americans are 22%. He said it was important to shape the conversation into a positive one for the community. He said many of the small business owners are concerned about their ability to thrive in the current economic climate. He said community in North/Northeast Portland represents a true culture of diversity where people of all color, class, and education interact with each other. He said PDC is in a positive position to continue its successes in the area. He said the input to the community has a great impact how communication flows to other small businesses.

Ms. Joleen Jensen-Classen, Mr. Lew Fredericks and Ms. Sue Haigmeier stated to date they have conducted 46 Interviews encompassing a wide representation throughout N/NE. Common themes they have heard include:

- Safe, family-friendly, attractive, pedestrian-friendly neighborhoods;
- Access to schools, stores, etc.;
- Family-income producing opportunities; and
- Self-supporting local economy.

Commissioner Mohlis expressed his thanks to staff and to the consultants for their hard work.

Commissioner Straus stated he would be very interested in seeing a program in the district where at risk youths and adults are hired to walk up and down the streets cleaning, painting and helping local home owners and businesses.

Mr. John Jackley stated next steps include:

Summer 2009

- ✓ Community Advisory Committee (CAC) meetings;
- ✓ URAC briefings;
- ✓ Community open house; and
- ✓ CAC gives recommendation on plan amendments.

Fall/Winter 2009/2010

- ✓ Develop URA plan amendments;
- ✓ URAC review;
- ✓ PDC Board approval;
- ✓ Coordinate with taxing jurisdictions;
- ✓ Planning Commission approval; and
- ✓ City Council approval.

IX. ACQUISITION OF SENIOR LOAN FROM ALBINA COMMUNITY BANK FOR THE HERITAGE BUILDING IN THE OREGON CONVENTION CENTER URBAN RENEWAL AREA FOR \$1.836 MILLION

Ms. Rebecca Marsh presented Report No. 09-65, titled, "Acquisition of Senior Loan from Albina Community Bank for The Heritage Building in the Oregon Convention Center Urban Renewal Area For \$1.836 Million."

Ms. Marsh stated the action would authorize the Executive Director to acquire a loan (Albina Loan) from Albina Community Bank (Albina) for \$1,836,375.54. The Albina Loan is secured by property at 3934 NE Martin Luther King, Jr. Blvd. (Property) and is senior to a loan made by the Portland Development Commission (PDC) to the building's owner, The Heritage Building, LLC (Developer), for redevelopment of the Property. PDC's motivation in acquiring the Albina Loan is to further implementation of the Oregon Convention Center (OCC) Urban Renewal Area (URA) goals and allow PDC to protect its own investment in the Property in the event of another loan default or foreclosure proceeding. Ms. Marsh further stated PDC's redevelopment objectives remain incomplete for the Property as the building is only fifty-six percent leased, and PDC holds \$76,387 in loan proceeds that could be used to fund tenant improvements for prospective tenants. Current economic conditions will make further lease-up more challenging.

Ms. Marsh said another default of the Heritage loans is possible within the next six to twelve months based on cash flow concerns, and PDC's acquisition of the senior debt will allow PDC to control the timing and method of any foreclosure action. The risk to recovering the Albina Loan in a near-term loan default or foreclosure proceeding is minimal, but a significant portion of the PDC Loan would probably not be recovered. PDC and Albina have negotiated an Agreement to Transfer Loan and Preliminary Closing Instructions (Agreement) to effect the acquisition of the Albina Loan by PDC and expect to execute it by June 15, 2009. After execution of the Agreement the Developer will be obligated, under the Albina Loan, to pay \$2,049,116.15 plus interest to PDC rather than to Albina. The most recent PDC Board of Commissioners (Board) action related to the Property occurred on July 9, 2008, when the Executive Director was authorized to bid on behalf of PDC to acquire the Property at a foreclosure sale (Resolution No. 6619). The Developer filed for Chapter 11 bankruptcy on July 21, 2008, one day prior to the scheduled foreclosure sale, which was then cancelled. She said the action does not make further changes to the PDC Loan, and will not affect PDC's efforts to assist with locating tenants for the building.

Mr. Eric Wentland expressed his thanks for the opportunity to speak to the Board and Mr. Warner. He stated he was the managing member and one of five members of The Heritage

Building, L.L.C. He stated he was giving his weak but qualified support for this action. However, he said the action requested by staff, if executed as requested, only benefits PDC and Albina Bank. He said the Developers believe that the Board has options that would benefit all of those who have an investment in this building. The proposed modification to the action is specified later in his testimony. Mr. Werner said PDC is not a typical market rate lender and to that end, have a different vested interest and a broader call to action. He said the report painted a decidedly unflattering and negative picture of Heritage and their work, past, present and future which is truly unfortunate, since they have always acted in good faith, proceeding forward and solving problems, problems that often seemed insurmountable.

Mr. Wentlund said the developers offer a different view and a different reason to buy this loan. He said they offer a fresh view of The Heritage Building as a performing asset, a plain old mundane borrower, making payments, leasing space, and providing no drama for either organization. He said they see themselves as being the steward of a high-quality, high-performance green asset that PDC and the taxpayers of Portland have invested in. All cost overruns, the kind that happen in almost every rehabilitation construction project, have been paid out of the developer's pocket. Even the excessive, painful and very unnecessary cost of filing a Chapter 11 Bankruptcy, an action forced upon them in order to protect PDC's investment and theirs, has been borne by the Heritage Team. He said at the end of the filing, no one lost any money except The Heritage Building and its members. The heritage Building, a LEED Gold building was completed on a budget of just \$175 foot for all hard and soft costs, a number they are proud of and will gladly put side-by-side with any other commercial project of this quality that has been built in Portland over the last 5 years. He said they are an experienced, successful and viable small business. They opened The Heritage Building in mid-2007 with gross rents of just \$54,000 annually, increasing last year to \$167,000. For 2009 they have projected revenues in excess of \$300,000 and when they are at full capacity in 2010 they will receive \$441,000 in gross rents.

Mr. Wentlund further stated it was a difficult site, built in troubled economic times. In spite of that, the members of The Heritage Building, LLC have:

- Built an exceptional LEED Gold building that provides the opportunity for neighborhood goods and services;
- Have helped stimulate over \$30 million dollars of additional work within 1 block of this location, most of it begun within the last 12 months or less;
- Have achieved a total of 33% MWESB contractors for construction;
- Have purchased 98% of our construction materials from local vendors;
- Every tenant, as well as most of their employees, can easily walk or bike to the building from their homes;
- Have already exceeded the projected job creation numbers for the entire project, even though we are only about 2/3 leased;
- Have placed ownership of the building in the hands of 5 local residents; and
- Have helped to decrease the crime rate as well as the perception of crime, in the neighborhood.

Mr. Wentlund said countering fear is always difficult. The word default is used 17 times in the Executive Summary, while foreclosure is used 13 times! It is hard for the Heritage team not to be offended by what appears to be a blatant attempt to make Heritage appear to be a fragile and tenuous business, teetering on the brink of insolvency, causing prudent lenders to be fearful. Since it is unimaginable to them that PDC would want to sabotage Heritage in order to take ownership of the building, they do not understand the statements that seem to demean their efforts, undermine their ability to attract new tenants, offer little assistance towards the

success in the project and then claim that it is necessary for PDC to buy the loan to protect its interests from the Heritage teams inevitable failure?

Mr. Wentlund further stated the summary of the Board Report states: "Another default of the Heritage loans is possible within the next six to twelve months based on cash flow concerns..." He said the statement is based on subjective opinion but has no basis in facts relating to The Heritage Building, LLC. He said it does not take into account outside resources that Heritage possesses. It merely helps to feed the flames of fear and belief in an event that has not occurred and is unlikely to ever occur. He said earlier in the year, PDC staff conveyed similar sentiments in group emails to citizen committee members. Any prospective tenant, after reading PDC's description of the Heritage's business and building in this Report, would understandably look for a different location. While it is possible that Heritage might default within the next six to twelve months, it is also possible that it might snow in August. He said the real question should be "What is the probability of a default and foreclosure occurring in the next six to twelve months?"

Mr. Wentlund stated the Heritage Building categorically denies and refutes the allegation that there is "Significant risk" that there will be a default on the Albina and PDC loans. He said the assessment from staff carries with it the intimation that a monetary based default is possible again, which is just plain false since no monetary default has ever occurred. He said the Heritage Team has persevered through 8 years of pushing, pulling, negotiating, challenging, cajoling, fixing, adjusting, solving and resolving every major and minor problem that has come at them. He said the project has been a marathon race, measured in years, not days, weeks or months. He also said there is no reason to believe that now that they are inches from the finish line, they will throw up their hands and say, "This is too hard, we quit, please take our building!"

Mr. Wentlund further stated too few Tenants with the capitalization to fund first time build-out in a new space as been the only real problem that they have had since the building was completed. All of their difficulties have tumbled forward from that one short-coming. What this project needs at this point in time is for PDC to assist Heritage with Tenant Improvements for three tenants who are ready to move in. He said this could be accomplished within the framework of PDC purchasing the Albina Loan. He said with this assistance, the already low likelihood of any default will be reduced to zero. The real timing and method of any default or foreclosure action rests in the hands of The Heritage Building, LLC, not PDC and they have no intention of being anything except a boring Borrower. In between the amount of money that Heritage is obligated to pay and the PDC purchase price of the Albina loan, there is a difference of \$212,740 dollars. He said the Heritage Team is asking the PDC Board to authorize redirecting the amount of this Albina Bank Loan Discount to our tenants. He said Heritage is obligated to pay the entire loan balance, plus interest, which includes that \$212,740. He said it should be an easy decision to make. The most beneficial action for all the parties concerned here, PDC, Portland taxpayers, Albina Bank, The Heritage Building, three new tenants and the surrounding community, would be for the Board to buy the Albina loan and fully fund it to its face value, with the \$212,740 being used for additional Tenant Improvements at The Heritage Building.

Mr. Wentlund said on January 4th of 2008, when Albina Bank gave the default notice to The Heritage Building, one course of action for them to give up and turn the keys over to the lenders. Their decision was to fight for the building one more time, an act that has saved PDC and the taxpayers of Portland several hundred thousand dollars; perhaps even more. When Albina refused to extend a foreclosure action until the Heritage Team could get new financing in place, they again could have given up, costing hundreds of thousands of dollars to PDC and the taxpayers of Portland. Instead, they did what every passionate and dedicated business does when faced with adversity; they went to work and resolved the problems. He said the Heritage

Team is a resourceful group and he is certain that Heritage can find a way to help the tenants. PDC has the ability to assist with the tenants and Albina Bank has given the vehicle to do it with a Loan Discount of over \$212,000. He asked the Board for their assistance in bringing the last three tenants to The Heritage Building now as an added bonus to the purchase of the Albina Loan.

Mr. Wentlund also presented the Commissioners with a letter of testimony (Attached).

Mr. Howard Louts expressed his disappointment with the Board Report and the emphasis placed on the default of the loan to Albina Bank. He said the Developers of the project did not cause the default and have paid all of their payments on time.

Chair Wilhoite expressed his thanks to Mr. Wentlund for stating his comments in a respectful manner. He stated as Chair of the PDC he must take exception to some of the comments stated by Mr. Wentlund. Chair Wilhoite further stated if one was to look at the building; look at the level of effort put into the creation of the building; PDC's, the Heritage team and Albina Bank; it was clearly a partnership effort. In addition, PDC views itself as a funding agency that uses public dollars in the most responsible manner possible to the social benefit of the community they serve. Chair Wilhoite stated when listening to Mr. Wentlund's comments, he would disagree with the comment that the action only benefits PDC and Albina Bank. He said the staff of PDC is very qualified and has done everything feasible to bring about some creative and valuable projects. Further, he hoped Mr. Wentlund would understand the purchase of the loan from Albina Bank is a financially responsible step. Chair Wilhoite said regardless of current circumstances, history is always the best indicator of future action and when the facts are evaluated; PDC loaned a group \$2 million, with a possible \$4 million total investment in the building after the purchase of the Albina Bank loan. Furthermore, the value of the building is equal to the debt. Therefore, the best action for PDC is to insure the funding is paid back.

Mr. Eric Wentland stated he has presented before four separate boards regarding the Heritage Project. Therefore, it is hard not to be emotional attached. He said the Heritage has worked hard to protect the value and the public's investment in the property. He said in doing so, they accumulated several thousand dollars of additional debt that could have been used for tenant improvements.

Commissioner Straus expressed his thanks to the Heritage Team for supporting the action before them. In addition, he expressed his appreciation for their investment, for a great building, and for their willingness to work collaboratively with PDC on programs that are available for tenant improvements. Commissioner Straus said he hoped the conversation could be more positive in nature and lead to the building up and leasing of the building as soon as possible.

Commissioner Andrews stated when PDC has control over the entire investment of the project it will be an easier conversation to have on how best to make sure the project is successful.

Commissioner Ferran stated expressed her thanks to the Heritage Team for their comments, and further, asked them to work with the PDC team to arrive at the leasing up of the project and to make sure the project is successful.

Commissioner Mohlis stated they are collectively trying to do the best they can in a difficult situation. He said he appreciates the passion of the Heritage Team and hopes they can work together to lease the building fully.

Chair Wilhoite asked staff to explain the funding available or not available for tenant improvements.

Ms. Julie Cody, PDC CFO, explained the purchase of the loan from Albina Bank did come with a discount price of approximately \$200,000. However, the money is not real money and cannot be used toward tenant improvements. However, she did state there are several PDC programs available to tenants for tenant improvement loans and suggested they work together with the tenants to help them be successful.

Chair Wilhoite called for a motion to adopt Resolution No. 6708, titled, "Authorizing the Executive Director to Execute an Agreement to Purchase Albina Community Bank's Loan to the Heritage Building, LLC for the Purchase Price of \$1,836,375.54, Which Loan is Secured by Certain Real Property Commonly Known as "The Heritage Building," Located at 3934 NE Martin Luther King, Jr. Boulevard in the Oregon Convention Center Urban Renewal Area."

Commissioner Mohlis moved and Commissioner Straus seconded the motion to adopt Resolution No. 6708.

AYES: Andrews, Ferran, Mohlis, Straus, Wilhoite
NAYS: None

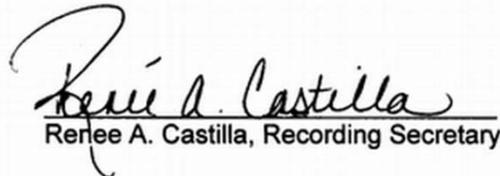
Commissioner Andrews stated while he was supportive of the action; he understood Mr. Wentlund's concern regarding the Board Report and thought it could be written with a more positive voice.

X. ADJOURN

There being no further business, Chair Wilhoite adjourned the meeting at 10:29 a.m.

Respectfully submitted,

Approved by the Portland Development Commission on June 10, 2009.



Renee A. Castilla, Recording Secretary