

PROSPER PORTLAND

Portland, Oregon

RESOLUTION NO. 7552

**AUTHORIZING A CONSTRUCTION LOAN TO THE FALCON BUILDING LLC
IN AN AMOUNT NOT TO EXCEED \$4,352,000 FOR CONSTRUCTION OF AN
OFFICE-TO-RESIDENTIAL BUILDING CONVERSION PROJECT AT 321 NW
GLISAN STREET**

WHEREAS, in 2014, Prosper Portland, City of Portland (“City”) Bureaus, the Old Town Community Association and other neighborhood stakeholders, and, after extensive public outreach, collaborated to formulate the Old Town/Chinatown Five-Year Action Plan (“2014 Action Plan”), which was adopted by Portland City Council (“City Council”) through Ordinance No. 186744 on August 6, 2014;

WHEREAS, on September 4, 2019, through Resolution No. 37445, the City Council adopted the Old Town/Chinatown Five-Year Action Plan Extension (“Action Plan”), extending the 2014 Action Plan through 2024;

WHEREAS, on August 14, 2019, through Resolution No. 7330, the Prosper Portland Board of Commissioners (“Board”) adopted the Action Plan;

WHEREAS, on April 26, 2023, through Resolution No. 37617, the City Council adopted Advance Portland, a five-year strategic plan for Prosper Portland that calls for the promotion of inclusive economic growth, innovation, and wealth creation;

WHEREAS, the Falcon Building is a seven-story office building located at 321 NW Glisan Street, Portland, in the Old Town/Chinatown district, and is owned by The Falcon Building, LLC (“Borrower”);

WHEREAS, the Borrower has approached Prosper Portland seeking financial assistance with a construction project to convert the Falcon Building into a predominantly market-rate residential apartment building (the “Project”), to consist of approximately 59 dwelling units;

WHEREAS, office-to-residential conversions and the development of middle-income housing are both very high priorities for the City and for the Old Town neighborhood, and align with the Advance Portland plan and the Action Plan; and

WHEREAS, Prosper Portland staff recently recommended approval of a \$250,000 predevelopment loan within the Executive Director’s signature authority to enable the Borrower to complete final design work and other due diligence activities necessary to assess the overall viability of the project.

NOW, THEREFORE, BE IT RESOLVED, that the Executive Director is authorized to oversee the negotiation of, and to execute, a loan agreement and related documents necessary to make a construction loan to Falcon substantially in conformance with the terms attached hereto as Exhibit A;

BE IT FURTHER RESOLVED, that the Executive Director may approve changes to the loan terms so long as such changes do not materially increase Prosper Portland’s obligations or risks, as determined by the Executive Director in consultation with Prosper Portland’s General Counsel; and

BE IT FURTHER RESOLVED, that with the affirmative vote of no fewer than four Commissioners for this resolution, this resolution shall become effective immediately upon its adoption, and otherwise it will take effect thirty days after adoption.

Construction Loan Term Sheet

This Term Sheet does not and will not constitute a binding agreement and does not reflect or create any enforceable obligations. The terms set forth herein and other provisions customary for a transaction of this sort would be incorporated in one or more agreements, including the Loan Documents mentioned below, between Prosper Portland and the Borrower named below. Resolutions approving this Term Sheet will also provide for the execution of all additional documents and instruments necessary to make the loan.

Lender	Prosper Portland
Borrower	The Falcon Building, LLC, an Oregon limited liability company
Eligible Uses of Funds	For Lender-approved hard and soft costs of certain improvements to convert a Borrower-owned building on the real property identified in <u>Schedule A</u> to this Term Sheet from existing commercial/office use to residential use, creating approximately 59 residential dwelling units intended to be held as apartments for rent, all as further specified in the loan documents.
Loan Amount	\$4,352,000.00.
Loan Fee; Disbursement	2% of the Loan Amount. Subject to satisfaction of all applicable conditions precedent, Loan funds will be disbursed in a single advance at closing. Loan funds will be disbursed only into the Controlled Account (defined below).
Controlled Account	A deposit account titled in the name of Borrower held at a commercial bank or similar financial institution, and over which Borrower, the account holding institution, and Lender have entered into an effective account control agreement, which will, among other things, restrict deposits into and withdrawals from the Controlled Account to only those expressly approved by Lender in advance. Financial institution to subordinate or limit its rights of offset to a degree sufficient to adequately protect Prosper Portland's interests. To the extent of any payment Event of Default, or in the event of any material non-payment Event of Default, Prosper Portland may exercise a limited power of attorney (or similar power) to instruct the depository institution to make payment of account funds to Prosper Portland in the amount necessary to resolve the Event of Default or to repay the Loan (upon maturity or acceleration), as the case may be. Deposit account interest income will belong to Borrower but will be subject to all the same use and withdrawal restrictions applicable to Loan funds. Lender will approve requests to pay institutional account-related maintenance fees and approve requests to withdraw funds to pay income tax liabilities of Borrower arising from the account or the interest income, up to the amount of interest income available in the Controlled Account. Such withdrawals will not accrue ordinary interest.
Interest Rate	Loan interest will not accrue on loan funds until they are withdrawn from the Controlled Account. Interest will accrue on withdrawn funds at an ordinary rate of eight percent (8.00%) per annum; provided, however, that if Lender (in Lender's sole and absolute discretion), after the Loan Date, makes a separate loan to Borrower to support the

	<p>construction of the Project, the ordinary interest rate will automatically adjust to the same rate as the separate loan.</p>
Financing Condition	<p>Lender will have no obligation to consider or approve any request to permit withdrawal of funds from the Controlled Account unless the Loan Fee has been paid in full and the Financing Condition has been satisfied, in addition to all other applicable conditions precedent.</p> <p>The "Financing Condition" will be satisfied if, on or before October 1, 2026, Lender determines that Borrower has obtained funds equal to 100% of the estimated budget to complete construction of the Project substantially in accordance with plans approved by Lender.</p>
Maturity Date	<p>If the Financing Condition has NOT been satisfied, the Maturity Date will be the first business day of the next full calendar month after the second anniversary of the loan date.</p> <p>If the Financing Condition has been satisfied, the Maturity Date will be the first business day of the next calendar month after the third anniversary of the date on which construction of the Project commences, or the date on which the Project achieves stabilization (80% lease-up), whichever is sooner.</p> <p>Lender in its sole and absolute discretion may elect to extend the Maturity Date by up to 12 months.</p>
Payment Schedule/ Prepayment	<p>Interest-only payments required monthly during the Loan term.</p> <p>If the Financing Condition is satisfied, Borrower will, prior to requesting to withdraw any other funds from the Controlled Account, transfer to Lender free cash in an amount estimated by Lender to be sufficient to serve as an interest reserve for the remainder of the Term. unless otherwise satisfied by Borrower, Lender will apply reserve funds to Borrower's interest obligations to Lender as they come due.</p> <p>All outstanding indebtedness due at maturity.</p>
Collateral	<p>Prosper Portland to be granted a security interest in the Controlled Account and Loan funds. Borrower may not permit any lien or security interest in the Controlled Account or in the funds derived therefrom except in favor of Prosper Portland.</p> <p>If the Financing Condition is satisfied, Lender will be entitled to record a Deed of Trust against the subject real property.</p>
Guaranties	<p>One or more guaranties will be required, on terms acceptable to Prosper Portland, from financially capable entities/persons related to Borrower to be specified by Prosper Portland.</p>
Assignability	<p>Assignment by Borrower is not permitted without consent of Lender.</p>
Express Condition(s)	<p>Lender's Board of Commissioners must have exercised its discretion to approve the loan in accordance with Lender's policies and with law.</p>

Loan Documents	The loan will be documented by a set of commercially reasonable loan documents mutually acceptable to the Lender and Borrower in their sole discretion that include additional terms describing the parties' rights and obligations.
Compliance with Policies	The loan documents will require Borrower to comply with Prosper Portland business equity and workforce development and green building policies during the construction of the Project.

Schedule A to Construction Loan Term Sheet

Legal Description:

Lots 1, 2, 3 and 4, Block "O", COUCH'S ADDITION TO THE CITY OF PORTLAND, in the City of Portland, County of Multnomah and State of Oregon.

EXCEPTING THEREFROM that portion taken by Ordinance No. 45617 for the widening of NW Glisan Street.

ALSO EXCEPTING THEREFROM that portion take by Ordinance No. 3873 for the widening of NW 3rd Avenue.

Commonly known as: 321 NW Glisan Street, Portland, OR 97209

Tax Account No.: R141456