

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7047

**AUTHORIZING A LOAN MODIFICATION FOR HERITAGE BUILDING, LLC,
SECURED BY THE REAL PROPERTY COMMONLY KNOWN AS THE
HERITAGE BUILDING, LOCATED AT 3934 NE MARTIN LUTHER KING, JR.
BOULEVARD IN THE INTERSTATE CORRIDOR URBAN RENEWAL AREA**

WHEREAS, on January 8, 2003, the Portland Development Commission (“PDC”) Board of Commissioners (“Board”) approved Resolution No. 5964, authorizing the Executive Director to enter into a Disposition and Development Agreement with Heritage Building, LLC, for property redevelopment and job creation at 3934 NE Martin Luther King, Jr. Boulevard;

WHEREAS, Heritage Building, LLC, constructed a 30,123 square foot commercial office building (“Heritage Building”);

WHEREAS, Heritage Building was the catalyst for other new construction projects and new businesses along the NE Martin Luther King, Jr. Boulevard corridor;

WHEREAS, other PDC-sponsored projects have attracted Heritage Building tenants, which has resulted in a decrease in occupancy and subsequent difficulty in meeting debt service obligations;

WHEREAS, Heritage Building, LLC, is currently indebted to PDC pursuant to three loans that reflect a combined outstanding obligation of approximately \$4,530,000;

WHEREAS, PDC intends to consolidate the three loans into one and modify the terms;

WHEREAS, a loan modification will allow Heritage Building, LLC, to lease-up and stabilize the Heritage Building, which is anticipated to improve the current cash flow of the property and the ability to meet debt service obligations; and

WHEREAS, attracting new tenants to the Heritage Building is anticipated to create additional jobs in the Interstate Corridor Urban Renewal Area (“ICURA”), and the modified loan is anticipated to increase PDC revenues in the ICURA during the next five years.

NOW, THEREFORE, BE IT RESOLVED, that the PDC Board authorizes the Executive Director to approve a modification of loan terms and conditions for Heritage Building, LLC, substantially in accord with the terms set forth under Exhibit A to this resolution.

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

Adopted by Portland Development Commission on April 16, 2014

A handwritten signature in black ink, appearing to read "Gina Wiedrick". The signature is written in a cursive, flowing style.

Gina Wiedrick, Recording Secretary

Current Heritage Building Financing

Loan	PDC Note A	PDC Note B	PDC Note C (Albina Loan)
Loan Amount:	Original amount \$1,250,000; current balance of \$1,337,221 including capitalized interest	Original amount \$1,200,000; current balance of \$1,287,477 including capitalized interest	Original amount of \$2,049,116.15; current balance \$1,901,865.06
Urban Renewal Area:	ICURA	ICURA	ICURA
Loan Number:	1926-01-01	1926-03-01	1926-04-01
Loan Fee:	0	0	0
Interest Rate:	3%	1%	6.5%
Loan Term:	1 year interest-only payments, then full principal and interest payments. 30-year term, 30 - year amortization.	5 years deferred payments, then 5 years interest-only payments, then full principal and interest. 40-year term, 40-year amortization year term.	1 year interest-only payments, then full principal and interest payments. 5-year term, 25 year amortization.
Monthly Payments:	\$3,625.18 interest-only, then \$6,113.55 principal and interest	\$1,122.83 interest-only (Years 6-10), then \$4,350.77 principal and interest	\$11,099.38 interest-only (Year 1), then \$13,835.78 principal and interest
First Payment:	August 1, 2009	August 1, 2014	February 1, 2009
Maturity:	September 1, 2036	September 1, 2046	January 1, 2014
Other Payments:	None	Based on Excess Cash Flow	None
Collateral:	Subject real estate		
Guarantors:	None		LLC Members

Proposed Heritage Building Financing

Loan Amount	\$4,521,074 or current balance at time of Board approval
Urban Renewal Area:	Interstate Corridor Urban Renewal Area
Purpose	Modification of PDC Loan #1926-01-01, 1926-03-01 and 1926-04-01
Loan Fee	\$5,000 (maximum), paid at closing
Interest Rate	4% interest for first five years, 6.00% interest for second five year period
Term	10 year term, 30 year amortization
Payments	Payments deferred for six months (interest capitalized to loan balance), followed by one year of interest only payments. Regular principal and interest payments for remaining 3.5 years of first period; loan re-prices at 6% for second five year period.
Maturity	March 2024
Collateral	1st Trust deed on the subject property
Guarantors	Howard M. Loucks, Dennis S. Hadley, Barry Pappenheim, John Eric Wentland

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RESOLUTION TITLE:

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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 Tom Kelly	<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 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 as duly recorded in the official minutes of the meeting.

	<p>Date:</p> <p>April 17, 2014</p>
<p>Gina Wiedrick, Recording Secretary</p>	