

# PDC

## PORTLAND DEVELOPMENT COMMISSION

**DATE:** August 27, 2010

**TO:** Board of Commissioners

**FROM:** Bruce A. Warner, Executive Director

**SUBJECT:** Third Amendment to Agreement for Disposition and Development of Property in the Interstate Corridor Urban Renewal Area with Killingsworth Station, LLC.

### EXECUTIVE SUMMARY

#### BOARD ACTION REQUESTED

Adopt Resolution No. 6819

#### ACTION SUMMARY

This Action will authorize the Portland Development Commission (PDC) Executive Director to execute the Third Amendment to Agreement for Disposition and Development of Property in the Interstate Corridor Urban Renewal Area (ICURA) with Killingsworth Station, LLC (the Third Amendment).

This catalytic, mixed-use development on PDC-owned property is a four-story, 62,500 sq. ft. residential and commercial condominium development with 57 ownership housing units, 34 of which will be sold at prices affordable to households earning 80 percent of median family income (MFI), and approximately 9,000 square feet of neighborhood-serving retail / commercial space (the Project). The development program for the Project is more fully described in Attachment C.

The PDC Board of Commissioners (Board) approved the original Disposition and Development Agreement (DDA) with Killingsworth Station, LLC in July 2008. Winkler Development Corporation (WDC) is Killingsworth Station, LLC's sole member and the developer of the Project. The PDC Board approved the First Amendment to the DDA in May 2009. The PDC Executive Director approved the Second Amendment to the DDA in July 2010.

The Third Amendment to the DDA:

- Extends the schedule of performance by approximately seven months to align with the planned October 2010 construction start for the Project;
- Amends the Project budget (changes are shown in Attachment D);
- Reallocates \$418,006 of the PDC permanent subsidy for the Project;
- Increases the amount of the PDC construction loan for the Project by \$2.565 million, from \$3.261 million to \$5.826 million; and

- Increases PDC's participation in excess net profit to reduce the PDC Construction subsidy for the Project.

The PDC permanent subsidy for the Project remains unchanged from the \$5.111 million that was approved in the DDA. This subsidy includes the value of the property.

## **PUBLIC BENEFIT**

The Project is anticipated to achieve the following objectives:

- Provide 57 new ownership housing units, 34 of which will be sold at prices affordable to households earning 80 percent of MFI;
- Activate the ground floor of a major transit node by providing approximately 9,000 square feet of neighborhood serving retail / commercial space;
- Provide wealth creation opportunities to neighborhood residents, as well as local small businesses and entrepreneurs through for-sale commercial condominiums;
- Utilize innovative green design and construction techniques;
- Provide approximately 80 FTE construction jobs and multiple opportunities for Minority, Women, and Emerging Small Business (MWESB) participation in the Project. Good faith effort to meet and/or exceed the 20 percent of total Project cost goal for MWESB participation. The Project will pay prevailing wages; and
- Move closer to completion one of the projects deemed a priority by the Interstate Corridor Urban Renewal Advisory Committee (ICURAC), as outlined in its "Gem" list. As part of the North/Northeast Economic Development Initiative (NNEDI), the NNEDI Citizens Advisory Committee recommended that Gem list projects receive priority funding from PDC.

### **This action will support the following PDC goals:**

- Strong Economic Growth and Competitiveness
- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Effective Stewardship over our Resources and Operations, and Employee Investment

## **PUBLIC PARTICIPATION AND FEEDBACK**

As part of the development of this DDA, PDC staff and WDC met numerous times with the ICURAC and the Overlook Neighborhood Association. PDC staff briefed the ICURAC regarding the Tax Increment Financing (TIF) requirement for the Project during the PDC FY 2010-2011 budget development and adoption process. Most recently, PDC staff and WDC briefed the Overlook Neighborhood Association regarding the status of the Project on June 15, 2010, receiving its support for the Second Amendment to the DDA (see Attachment F). PDC and Portland Housing Bureau (PHB) staff met with the ICURAC on June 21, 2010, for a comprehensive discussion of housing policy and financing issues in the ICURA and

provided a briefing on the status of the Project. A few ICURAC members remain opposed to the Project, believing that it should incorporate more family-sized units and deeper affordability.

## **COMPLIANCE WITH ADOPTED PLANS AND POLICIES**

Redevelopment of the Property at this Interstate transit node supports the following plans and strategies:

*Interstate Corridor Urban Renewal Area Plan:* The adopted ICURA Plan stipulates as a general principle the goal of optimizing light rail investment through the creation of catalyst projects near light rail stations. The plan also supports increasing the number of ownership opportunities for current and future residents and supporting expanded services, business and employment opportunities.

*Interstate Housing Implementation Strategy:* The Interstate Corridor Urban Renewal Housing Strategy established six 20-year goals for housing in the ICURA.

- Goal #1: Preserve and maintain existing sound housing stock;
- Goal #2: Increase the total housing stock by at least 4,000 housing units by the Year 2020 to increase the availability of rental and ownership housing opportunities for current and future residents, and to support expanded services, businesses and employment opportunities;
- Goal #3: Ensure an adequate supply of housing is available and affordable to people of all income levels living in the ICURA in the Year 2000;
- Goal #4: Ensure housing options for households of different sizes and needs;
- Goal #5: Increase opportunities for homeownership, prioritizing opportunities for existing residents; and
- Goal #6: Increase the housing stability of existing residents and protect them from involuntary displacement caused by gentrification, increases in housing costs and loss of housing choices.

*Interstate MAX Station Area Revitalization Strategy:* The strategy identifies the Killingsworth Station site as a key transit-supportive redevelopment site to support the light rail investment.

*Metro's 2040 Growth Concept:* The long-range plan encourages policies that produce compact development, housing for people of all incomes, a balanced transportation system, and a healthy economy that generates jobs and business opportunities.

*PDC Strategic Plan:* Achieves PDC goals of retaining and developing housing and diverse neighborhoods; investing resources in home and business ownership to provide opportunities for wealth creation; revitalizing blighted areas through strategic partnerships and property acquisitions; and implementing a mechanism to ensure that PDC and the public share in the financial success of PDC's investments.

## **FINANCIAL IMPACT**

This action increases the amount of the PDC construction financing for the Project by \$2.565 million from \$3.261 million to a total of \$5.826 million. The PDC permanent subsidy for the Project of \$5.111 million remains unchanged from the previously adopted Board Resolution No. 6702, approving a First Amendment to the DDA with Killingsworth Station, LLC (Board Report 09-56). A comparison of the PDC financing for the Project under the approved DDA and proposed Third Amendment is attached as Attachment E.

PDC has budgeted \$7.329 million for the Project, consisting of \$5.013 million in the FY 2010-2011 Approved Budget and \$2.316 million in the FY 2011-2012 Budget Forecast. See Attachment A, ICURA Funding Summary. A supplemental allocation of \$2.489 million from the ICURA budget contingency is needed to fully fund the \$9.818 million in total PDC construction and permanent financing for the Project. \$6.276 million in revenue from repayment of the PDC predevelopment and construction loans for the Project will maintain the total PDC permanent subsidy for the Project at the previously approved \$5.111 million.

## **RISK ASSESSMENT**

The Third Amendment to the DDA extends the schedule of performance, reallocates a portion of the PDC permanent subsidy, and increases the amount of the PDC construction period financing for the Project. These changes are needed for the Project to achieve financial feasibility and to proceed with construction in fall 2010. But for these changes, the Project will not proceed.

The recommended seven-month extension of the schedule of performance would, correspondingly, delay PDC's ability to pursue alternative development strategies for the Property. This risk is mitigated by the fact that the Project has been appraised as the highest and best use of the Property and that all significant financing and development risks associated with the Project have been identified and, through the changes authorized under the Third Amendment, managed and the Project is ready to begin construction in fall 2010.

Given that this is a mixed-use project with residential condominiums, there is a risk that the residential and commercial units will face slow absorption and that repayment of PDC's construction loan would be delayed. In March, 2010, PDC commissioned a market study from Johnson Reid to review proposed unit prices and estimate market absorption for both residential and commercial units. Johnson Reid's study concluded that the standing inventory of attached for-sale units in North Portland was 6.5 months, which is, in its estimation, a relatively stable level. Also, the proposed residential program is consistent with expected buyer preferences based on the area's demographic profile. Lastly, residential absorption was expected at roughly 2.5-3.5 units per month on average, resulting in a maximum of 24 months for project sell-out. Commercial inventory supply in North Portland is at roughly two years. However, absorption, largely due to PDC financial assistance, is expected to perform relatively well. The recommended reallocation of \$418,006 of the previously approved \$5.111 million PDC permanent subsidy and \$2.565 million increase in the amount of the PDC construction loan for the Project would offset the difference between the Project's development cost and current market value, and facilitate WDC's securing a \$4.607 million conventional construction loan for the Project. The increased PDC construction loan would subject PDC to increased market risk. This market

risk is mitigated by the fact that WDC's cash equity and profit potential are subordinated to PDC's construction loan and WDC's loan repayment guaranty. In addition, the developer will provide a personal guaranty for repayment of up to \$3.58 million of the PDC construction loan for the Project. An updated review of the developer's financials will be conducted prior to the signing of this amendment.

## **WORK LOAD IMPACT**

The Project has been incorporated into corresponding staff work plans at both PDC and PHB. PDC will manage the DDA, with assistance by PHB staff.

## **ALTERNATIVE ACTIONS**

The Board could elect not to authorize the amended DDA and provide for the DDA to expire on October 27, 2010; or the Board could direct revisions to the proposed DDA amendment. A decision to let the DDA expire would have several impacts. First, it would indeterminately delay the development of the Property, because of anticipated financial obligations for projects currently in Oregon Convention Center URA which are proposed to be moved to the ICURA as part of the N/NE Economic Development Initiative. Second, it would mean the loss of a \$13 million construction project and its corresponding 80 FTE construction jobs, at least 20 percent of which would go to MWESB firms.

## **CONCURRENCE**

The Third Amendment to the DDA was recommended to go forward by PDC's joint Executive/Urban Leadership Team held on July 14, 2010, following an extensive discussion of the projects risks and benefits. The PDC Loan Review Committee recommended approval of the PDC financial assistance for the Project on July 27, 2010. The Project has also received design review and building permit approval from the City's Bureau of Development Services.

## **BACKGROUND**

In 2003, PDC assembled the 32,000 square feet Killingsworth Station Site at the northeast corner of N. Interstate Avenue and N. Killingsworth Street in the ICURA (the Killingsworth Property) for the development of catalytic mixed-use, transit-oriented housing project. PDC purchased the properties from 2000 to 2003 for a total of \$1,100,000 and razed houses located on the site.

In May 2003, PDC issued a Request for Proposals (RFP #02-21) for development of the Killingsworth Property as a mixed-use, mixed-income, mixed-tenure housing project.

In January 2004, a project development team that included KemperCo, Innovative Housing Inc., and Peninsula Community Development, was selected to develop 56 affordable rental units, 52 homeownership units, and 12,800 sq. ft. of ground floor commercial space. In November 2005, the lead developer on the team, KemperCo, citing rising construction costs and market risks, withdrew from the project.

In early 2006, PDC modified the development objectives for the Killingsworth Property, retaining the mixed-use, mixed-income ownership components for the Killingsworth Property and transferring the affordable rental housing component to the TriMet-owned, Crown Motel property, located two blocks south of the Property on N. Interstate Avenue.

In March 2006, TriMet issued a Request for Qualification for development of the Crown Motel property as an affordable rental housing project. In May 2006, TriMet selected REACH Community Development to develop a 54-unit affordable rental housing project (Patton Square Apartments).

In April 2006, PDC issued a second RFP (#05-40) for development of the Killingsworth Property as a mixed-use, mixed-income ownership housing project.

In August 2006, pursuant to a public participation and selection advisory process that included stakeholders from the ICURAC and adjacent neighborhood associations, PDC selected WDC to develop 56 homeownership units and 9,000 sq. ft. of ground floor commercial space. On August 23, 2006, the PDC Board authorized the Executive Director to enter into exclusive negotiations with WDC for the development and disposition of the Killingsworth Property (Resolution No. 6386).

In November 2007, the PDC Board was briefed on the status of the Project (Report 07-137). The PDC Board directed staff to conduct further financial analysis and due diligence on the Project and to return to the Board with that analysis prior to its consideration of the Killingsworth Station DDA in early January 2008.

On January 23, 2008, the PDC Board authorized the Executive Director to execute a DDA with Killingsworth Station, LLC (Resolution No. 6553). However, the DDA remained unexecuted, as it became apparent, based on higher than expected preliminary sub-contractor bids, that the planned PDC permanent subsidy for the Project of \$3,340,000 would be insufficient to make the Project financially feasible.

On July 9, 2008, the PDC Board authorized the Executive Director to execute a revised DDA with Killingsworth Station, LLC, providing permanent subsidy for the Project of \$5,120,000 (Resolution No. 6620).

WDC advanced the Project to a “shovel-ready” condition, completing construction documents and securing building permits. But by early 2009, the evolving domestic and international financial crisis and concomitant downturn in the real estate market effectively shut down construction lending by commercial banks. WDC was unable to secure construction financing for the Project.

On May 14, 2009, the PDC Board approved the First Amendment to DDA with Killingsworth Station, LLC. The amendment changed the Project’s unit mix – six more one-bedroom units, three fewer two-bedroom units, three more total units (57), and one more affordable unit (34) – and extended the schedule of performance by one year (final determination date moved out from July 27, 2009, to July 27, 2010). The level of permanent PDC subsidy for the Project remained unchanged at \$5.12 million.

On July 12, 2010, the PDC Executive Director approved the Second Amendment to DDA with Killingsworth Station, LLC, which extended the schedule of performance by 90 days until October 27, 2010.

The first half of 2010 has seen a stabilization of the financial and real estate markets. WDC has reduced the aggregate sales price for the Project by 6.25 percent, to mark the Project's pricing to current market conditions and manage absorption risk for the Project. Wells Fargo Bank has committed to provide a conservatively underwritten (35 percent loan-to-cost) construction loan for the Project, which is approximately \$3.644 million less than was anticipated could be secured from a construction lender at the time the original DDA was approved. The Project is "shovel-ready," with complete construction documents and approved building permits and planned start of construction in October 2010.

**ATTACHMENTS:**

- A. URA Financial Summary
- B. Project Summary
- C. Project Development Program
- D. Project Sources and Uses of Funding
- E. PDC Project Financing Analysis
- F. Support Letter from Overlook Neighborhood Association

**URA FUND SUMMARY**

**Financial Summary**

**Fund Summary - Five-Year Budget Projections**

	Revised FY 2009-10	Approved FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14	Forecast FY 2014-15
<b>Interstate Corridor URA</b>						
<b>Resources</b>						
Beginning Fund Balance	1,281,835	601,588	3,455,452	1,585,858	132,170	115,296
Fees and Charges	0	0	0	0	0	0
Interest on Investments	20,000	20,000	20,000	20,000	20,000	20,000
Loan Collections	148,797	1,403,998	3,511,334	127,305	106,216	100,000
Miscellaneous	0	0	0	0	0	0
Property Income	0	2,440,000	600,000	0	0	0
Reimbursements	0	0	0	0	0	0
TIF Proceeds	22,409,391	27,182,955	11,119,951	11,212,045	21,069,949	11,672,776
<b>Total Resources</b>	<b>23,860,023</b>	<b>31,648,541</b>	<b>18,706,737</b>	<b>12,945,208</b>	<b>21,328,335</b>	<b>11,908,072</b>
<b>Requirements</b>						
<b>Program Expenditures</b>						
<b>Business and Industry</b>						
<b>Community Economic Development</b>						
H61008 Killingsworth Station Commercial	0	0	900,000	0	0	0
H72030 Community Econ Development	50,000	50,000	50,000	50,000	50,000	50,000
H79020 Business Finance	287,500	625,000	500,000	500,000	500,000	500,000
H79025 Green Business Grants	0	200,000	200,000	200,000	200,000	200,000
<b>High Growth</b>						
H79020 Business Finance	505,652	425,000	300,000	300,000	300,000	300,000
<b>Industry Cluster</b>						
H72026 Cluster Development	0	380,000	220,000	200,000	200,000	200,000
H79020 Business Finance	575,000	775,000	800,000	800,000	800,000	800,000
<b>Business and Industry Total</b>	<b>1,418,152</b>	<b>2,455,000</b>	<b>2,970,000</b>	<b>2,050,000</b>	<b>2,050,000</b>	<b>2,050,000</b>
<b>Housing</b>						
<b>Multi-Family - For Sale</b>						
H34606 Killingsworth Block	0	5,013,047	1,415,940	0	0	0
H38712 Woolsey Corner Homeownership Dev	870,000	200,000	0	0	0	0
H89035 Homeownership Development	0	0	0	500,000	500,000	500,000
H89046 PCRI Home Ownership Development	800,000	300,000	0	0	0	0
<b>Multi-Family - Rental Housing</b>						
H89030 Affordable Rental Housing	100,000	650,000	0	0	3,000,000	1,500,000
H89047 Bridge Meadows	1,500,000	250,000	0	0	0	0
H89048 Ainsworth Court	0	1,400,000	0	0	0	0
<b>Plans and Strategies - Housing</b>						
H37914 Housing Policy/Planning	5,000	5,000	5,000	5,000	5,000	5,000
<b>Single-Family - Home Repair</b>						
H89010 Home Repair Projects	500,000	500,000	500,000	500,000	500,000	500,000
H89045 Home Rehab and Retention	100,000	100,000	100,000	100,000	100,000	0
<b>Single-Family - Homebuyer Assistance</b>						
H37932 HAP Afford Ownership/Rehab	0	2,634,000	150,000	0	0	0
H89020 Home Buyer Assistance	500,000	500,000	500,000	500,000	500,000	500,000
<b>Housing Total</b>	<b>4,375,000</b>	<b>11,552,047</b>	<b>2,670,940</b>	<b>1,605,000</b>	<b>4,605,000</b>	<b>3,005,000</b>
<b>Infrastructure</b>						
<b>Parks</b>						
H19038 Interstate Parks	305,000	1,370,000	1,930,000	700,000	3,500,000	1,200,000



## Financial Summary

### Fund Summary - Five-Year Budget Projections

	Revised FY 2009-10	Approved FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14	Forecast FY 2014-15
<b>Transportation</b>						
H19020 Interstate Streetscape Improvements	3,531,000	124,000	1,600,000	2,900,000	2,200,000	0
H19021 Interstate Trans Improvements	791,000	550,000	200,000	200,000	200,000	200,000
<b>Infrastructure Total</b>	<b>4,627,000</b>	<b>2,044,000</b>	<b>3,730,000</b>	<b>3,800,000</b>	<b>5,900,000</b>	<b>1,400,000</b>
<b>Revitalization</b>						
<b>Plans and Strategies - Revitalization</b>						
H19018 Interstate Redevelopment	250,000	150,000	525,000	500,000	500,000	500,000
H60041 Eastside Central City Plan	209,559	0	0	0	0	0
H60042 N/NE Economic Dev Initiative	160,000	54,000	0	0	0	0
<b>Redevelopment</b>						
H19023 Community Livability Projects	600,000	400,000	400,000	400,000	400,000	400,000
H19048 Kenton Redev Downtown	4,000,000	500,000	750,000	0	1,900,000	0
H27001 Storefront Grants	900,000	600,000	600,000	600,000	600,000	600,000
H27050 DOS Grants	300,000	300,000	300,000	300,000	300,000	300,000
H28030 Redevelopment Loan Projects	2,000,000	2,000,000	1,400,000	1,400,000	1,400,000	1,400,000
H28031 Clean Energy Program	0	2,500,000	0	0	0	0
H61010 Jefferson Plaza	100,000	100,000	800,000	0	0	0
H70712 Brownfields Redevel	0	100,000	100,000	0	0	0
<b>Revitalization Total</b>	<b>8,519,559</b>	<b>6,704,000</b>	<b>4,875,000</b>	<b>3,200,000</b>	<b>5,100,000</b>	<b>3,200,000</b>
<b>Administration</b>						
<b>Executive</b>						
H60041 Eastside Central City Plan	0	36,000	0	0	0	0
<b>Administration Total</b>	<b>0</b>	<b>36,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Debt Service</b>						
<b>Debt Service</b>						
H98001 Debt Management	19,464	20,438	21,459	22,532	22,532	22,532
<b>Debt Service Total</b>	<b>19,464</b>	<b>20,438</b>	<b>21,459</b>	<b>22,532</b>	<b>22,532</b>	<b>22,532</b>
<b>Total Program Expenditures</b>	<b>18,959,175</b>	<b>22,811,485</b>	<b>14,267,399</b>	<b>10,677,532</b>	<b>17,677,532</b>	<b>9,677,532</b>
Personal Services	1,086,228	920,009	513,626	384,391	636,391	348,391
Transfers - Indirect	3,284,717	3,219,252	1,968,901	1,473,499	2,439,499	1,335,499
PHB Staff/Admin	193,825	1,242,343	370,952	277,616	459,616	251,616
<b>Total Fund Expenditures</b>	<b>23,523,945</b>	<b>28,193,089</b>	<b>17,120,878</b>	<b>12,813,038</b>	<b>21,213,038</b>	<b>11,613,038</b>
Contingency	336,078	3,455,452	1,585,859	132,170	115,297	295,034
Ending Fund Balance	0	0	0	0	0	0
<b>Total Requirements</b>	<b>23,860,023</b>	<b>31,648,541</b>	<b>18,706,737</b>	<b>12,945,208</b>	<b>21,328,335</b>	<b>11,908,072</b>

## PROJECT SUMMARY

- Project Name:** Killingsworth Station
- Description:** New construction, transit-oriented, residential mixed-use development with ground floor neighborhood-serving commercial space
- Location:** Northeast corner of North Interstate Avenue and North Killingsworth Street
- URA:** Interstate Corridor URA
- Current Phase:** Complete of construction documents and approved building permits
- Next Milestone:** Start of construction
- Completion Target:** Summer 2011

**Site/Project Map:**



**PROJECT DEVELOPMENT PROGRAM**

The Project includes 57 residential condominium units, 54 one-bedroom units, and three two-bedroom units. Sixty percent of the Project (34 units) will be affordable to individuals earning no more than 80 percent of MFI. The remaining 23 units will be sold at market rates. Approximately 9,000 square feet of ground floor retail space will be marketed as commercial condominiums to promote wealth creation and entrepreneurship opportunities for local and other small business owners. The Project includes sixteen one-car garages and 34 on-site surface parking spaces for a total of approximately 50 parking spaces.

Component	# of	Average		Unit	First	Down	PDC	Total	Affordability
Unit Type	Units	NSF	\$/NSF	Sales Price	Mortgage	Payment	DPAL	Financing	% MFI
<b>Commercial</b>		8,950	190.00						
<b>Interstate</b>									
1-Br	3	564	289.54	163,300	137,889	5,716	19,696	163,300	80.00%
	3	574	286.24	164,300	137,889	5,751	20,661	164,300	80.00%
	18	597	279.06	166,600	137,889	5,831	22,880	166,600	80.00%
	3	621	289.86	180,000	137,889	6,300	35,811	180,000	80.00%
	1	670	280.90	188,200	178,790	9,410	0	188,200	106.31%
	2	670	282.09	189,000	179,550	9,450	0	189,000	106.69%
	3	736	286.41	210,800	200,260	10,540	0	210,800	105.05%
	3	733	287.18	210,500	199,975	10,525	0	210,500	116.97%
<b>Killingsworth</b>									
1-Br	6	597	289.11	172,600	137,889	6,041	28,670	172,600	80.00%
	1	623	293.74	183,000	140,230	6,405	36,365	183,000	80.00%
	3	623	303.37	189,000	179,550	9,450	0	189,000	106.69%
	1	623	304.17	189,500	180,025	9,475	0	189,500	106.93%
	1	0	285.15	195,900	186,105	9,795	0	195,900	109.99%
	3	653	310.11	202,500	192,375	10,125	0	202,500	113.15%
	3	678	302.36	205,000	194,750	10,250	0	205,000	114.34%
2-Br	3	1,062	263.65	280,000	266,000	14,000	0	280,000	149.21%
<b>Total/Average</b>									
Affordable	34	595	283.78	168,829	137,958	5,909	24,963	168,829	80.00%
Market	23	699	291.03	210,652	200,120	10,533	0	210,652	115.34%
Overall	57	637	286.70	185,705					94.26%

**PROJECT SOURCES AND USES OF FUNDING**

**Executed DDA**

<b>Construction Sources</b>		Total	<b>Uses</b>		Total
Construction Loan		8,251,571	Land		0
Metro TOD Subsidy		250,000	Construction		10,523,916
PDC			Contingency		526,196
Construction Loan		3,484,280	Soft Costs		1,864,790
Construction Subsidy		1,824,708	Construction Loan		
Total PDC Funding		5,308,988	Fee		92,952
Developer Cash		277,295	Interest Reserve		800,000
Total Sources		14,087,854	Lender Reimbursables		30,000
			Project Management Expense		250,000
Construction Funding (Gap)/Surplus		0	Total Uses		14,087,854
<b>Permanent Sources</b>		Total	<b>Uses</b>		Total
Sales Revenue		12,310,234	Commercial Tenant Improvements		900,000
PDC			Sales Commissions		553,961
Commercial TI Assistance		900,000	Closing Costs		75,000
Housing Affordability Assistance		1,043,639	Housing Affordability Assistance		1,043,639
Total Sources		14,253,873	Repay Construction Loan		8,251,571
			Repay PDC Construction Loan		2,217,540
			Repay Developer Equity		277,295
			Developer Profit		934,867
Permanent Funding (Gap)/Surplus		0	Total Uses		14,253,873

**Third Amendment to DDA**

<b>Construction Sources</b>		Total	<b>Uses</b>		Total
Construction Loan		4,607,585	Land		0
Metro TOD Subsidy		250,000	Construction		10,265,445
PDC			Contingency		513,000
Construction Loan		5,826,306	Soft Costs		1,864,498
Construction Subsidy		2,242,714	Construction Loan		
Total PDC Funding		8,069,020	Fee		69,114
Developer Cash		263,808	Interest Reserve		198,357
Total Sources		13,190,413	Lender Reimbursables		30,000
			Project Management Expense		250,000
Construction Funding (Gap)/Surplus		0	Total Uses		13,190,413
<b>Permanent Sources</b>		Total	<b>Uses</b>		Total
Sales Revenue		11,201,816	Commercial Tenant Improvements		389,850
PDC			Sales Commissions		530,666
Commercial Equity Gap		510,150	Closing Costs		75,000
Commercial TI Assistance		389,850	HOA Fees		103,738
Housing Affordability Assistance		848,734	Buyer Closing Costs paid by Seller		325,806
Subtotal PDC		1,748,735	Repay Construction Loan		4,500,509
Total Sources		12,950,550	Repay PDC Construction Loan		5,826,306
			Repay Developer Equity		263,808
			Developer Profit		934,867
Permanent Funding (Gap)/Surplus		0	Total Uses		12,950,550

**Variance**

<b>Construction Sources</b>		Total	<b>Uses</b>		Total
Construction Loan		(3,643,986)	Land		0
Metro TOD Subsidy		0	Construction		(258,471)
PDC			Contingency		(13,196)
Construction Loan		2,342,026	Soft Costs		(293)
Construction Subsidy		418,006	Construction Loan		
Total PDC Funding		2,760,032	Fee		(23,838)
Developer Cash		(13,487)	Interest Reserve		(601,643)
Total Sources		(897,441)	Lender Reimbursables		0
			Project Management Expense		0
Construction Funding (Gap)/Surplus		0	Total Uses		(897,441)
<b>Permanent Sources</b>		Total	<b>Uses</b>		Total
Sales Revenue		(1,108,418)	Commercial Tenant Improvements		(510,150)
PDC			Sales Commissions		(23,295)
Commercial Equity Gap		510,150	Closing Costs		0
Commercial TI Assistance		(510,150)	HOA Fees		103,738
Housing Affordability Assistance		(194,905)	Buyer Closing Costs paid by Seller		325,806
Subtotal PDC		(194,904)	Repay Construction Loan		(3,751,062)
Total Sources		(1,303,323)	Repay PDC Construction Loan		3,608,766
			Repay Developer Equity		(13,487)
			Developer Profit		0
Permanent Funding (Gap)/Surplus		0	Total Uses		(1,303,323)

**PDC PROJECT FINANCING**

<b>Executed DDA</b> <b>(7/9/08)</b>	<b>Required Budget</b>		
	<b>Construction</b>	<b>Permanent</b>	<b>Total</b>
<b>Expenditure</b>			
Construction Loan	3,261,179		3,261,179
Construction Grant	1,824,708		1,824,708
Contingent Interest Reserve Grant	223,101		223,101
Commercial Assistance		900,000	900,000
Down Payment Assistance Loans		1,043,639	1,043,639
<b>Total Expenditures</b>	<b>5,308,988</b>	<b>1,943,639</b>	<b>7,252,627</b>
<b>Revenue</b>			
Property Sale			0
Construction Loan Repayment		3,261,179	3,261,179
<b>Total Revenues</b>	<b>0</b>	<b>3,261,179</b>	<b>3,261,179</b>
Project Subsidy	5,308,988	(1,317,540)	3,991,448
Land Value			1,120,000
<b>Total Permanent Subsidy</b>			<b>5,111,448</b>

<b>3rd Amendment to DDA</b> <b>(8/25/10)</b>	<b>Required Budget</b>		
	<b>Construction</b>	<b>Permanent</b>	<b>Total</b>
<b>Expenditure</b>			
Construction Loan	5,826,306		5,826,306
Construction Grant	2,242,714		2,242,714
Contingent Interest Reserve Grant			0
Commercial Assistance		900,000	900,000
Down Payment Assistance Loans		848,734	848,734
<b>Total Expenditures</b>	<b>8,069,020</b>	<b>1,748,734</b>	<b>9,817,754</b>
<b>Revenue</b>			
Property Sale			0
Construction Loan Repayment		5,826,306	5,826,306
<b>Total Revenues</b>	<b>0</b>	<b>5,826,306</b>	<b>5,826,306</b>
Project Subsidy	8,069,020	(4,077,572)	3,991,448
Land Value			1,120,000
<b>Total Permanent Subsidy</b>			<b>5,111,448</b>

<b>Variance</b>	<b>Required Budget</b>		
	<b>Construction</b>	<b>Permanent</b>	<b>Total</b>
<b>Expenditure</b>			
Construction Loan	2,565,127		2,565,127
Construction Grant	418,006		418,006
Contingent Interest Reserve Grant	(223,101)		(223,101)
Commercial Assistance	0	0	0
Down Payment Assistance Loans	0	(194,905)	(194,905)
<b>Total Expenditures</b>	<b>2,760,032</b>	<b>(194,905)</b>	<b>2,565,127</b>
<b>Revenue</b>			
Property Sale			0
Construction Loan Repayment		2,565,127	2,565,127
<b>Total Revenues</b>	<b>0</b>	<b>2,565,127</b>	<b>2,565,127</b>
Project Subsidy	2,760,032	(2,760,032)	0
Land Value			0
<b>Total Permanent Subsidy</b>			<b>0</b>

## SUPPORT LETTER FROM OVERLOOK NEIGHBORHOOD ASSOCIATION



Overlook Neighborhood Association  
OKNA  
2209 N. Scholfield  
Portland, OR 97217  
[www.OverlookNeighborhood.org](http://www.OverlookNeighborhood.org)

July 1, 2010

Portland Development Commission  
222 NW 5th Ave.  
Portland, OR 97209

Attn: Mr. Scott Andrews, Chair & PDC Commissioners

Subj: Killingsworth Station

Mr. Andrews,

The Overlook Neighborhood Association has been following the status of the Killingsworth Station development for many years. During this time, we've had many presentations from developers and PDC staffers. So far, nothing that any of them have told us has come to pass.

This project was supposed to be a catalyst for development along N. Interstate Ave. It remains a vacant lot more than six years after the houses on the site were torn down.

The redevelopment of the Crown Motel site, managed by Tri-Met, was started years after the Killingsworth Station project began and was completed before the Killingsworth Station even broke ground.

Clearly, the appropriate focus and attention has not been brought to bear on this project.

We understand that PDC's chosen developer for the project, Jim Winkler, has received a commitment for construction financing. The Overlook Neighborhood Association strongly supports the granting of an extension to the existing development agreement with Mr. Winkler to allow him to get this project off the ground.

We look forward to seeing some action on this site.

Sincerely,

David Chott  
Land Use Chair, Overlook Neighborhood Association