

PROSPER PORTLAND

Portland, Oregon

RESOLUTION NO. 7321

**APPROVING THE TERMS OF THE HALSEY 106 TRANSACTION INVOLVING
THE DEVELOPMENT OF PROSPER PORTLAND-OWNED REAL PROPERTY
AT NE HALSEY STREET AND NE 106TH AVENUE IN THE GATEWAY
REGIONAL CENTER**

WHEREAS, in 2001, the Prosper Portland Board of Commissioners approved, and the Portland City Council adopted, the Gateway Regional Center Urban Renewal Plan (the “Gateway UR Plan”);

WHEREAS, pursuant to an Intergovernmental Agreement authorized by the Prosper Portland Board of Commissioners (“Board”) through Resolution No. 6641 on November 12, 2008, Prosper Portland and the City of Portland Bureau of Parks and Recreation (“PP&R”) jointly acquired approximately 4.2 acres of property at NE Halsey Street and NE 106th Avenue (the “Property”);

WHEREAS, pursuant to an Intergovernmental Agreement authorized by the Prosper Portland Board through Resolution No. 7077 on October 29, 2014 and through Resolution No. 7254 on November 8, 2017, Prosper Portland contributed \$1,200,000 to PP&R to facilitate the development of three acres of the Property into Gateway Discovery Park, which opened in summer 2018;

WHEREAS, Prosper Portland staff partnered with community stakeholders and City bureau partners to create the Gateway Action Plan, presented to the Prosper Portland Board in July 2016 and approved by City Council by Resolution No. 37228 on August 10, 2016 (the “Gateway Action Plan”), which, among other things, contemplates a mixed-income, mixed-use project at NE 106th Avenue and NE Halsey Street on the remaining approximately one-acre portion of the Property (the “Project Site”);

WHEREAS, the City of Portland Housing Bureau (“PHB”), in collaboration with Prosper Portland, sought private development partners for the Project Site pursuant to its fall 2015 Notice of Funding Availability and selected Human Solutions, Inc.’s (“HSI”) redevelopment proposal for the Project Site;

WHEREAS, after a community engagement process conducted by HSI in collaboration with Prosper Portland, PHB, and HSI’s development partner Gerding Edlen, HSI has proposed redeveloping the Project Site into the following (collectively, the “Halsey 106”):

- 52 affordable residential units (of which 45 are anticipated to be affordable at 60 percent median family income and seven are anticipated to be affordable at 30 percent median family income);
- 23 residential units (of which 18 are anticipated to be market rate and five are anticipated to be subject to 80 percent median family income affordability requirements for a seven-year period);

- Approximately 11,000 square feet of office space; and
- Approximately 11,000 square feet of affordable ground floor commercial/retail space.

WHEREAS, Prosper Portland staff has determined that Halsey 106 is not financially feasible without Prosper Portland's support;

WHEREAS, Prosper Portland staff has negotiated with HSI and Gerding Edlen on major terms of financial and other support for Halsey 106, including:

- Two Commercial Property Redevelopment Loans with an aggregate principal amount of approximately \$5,636,800 in total, the proceeds of which would be used by HSI to make a leverage loan as a part of a New Markets Tax Credit financing structure, namely:
 - An approximately \$3,963,496 loan with cash-flow based repayment terms, as described in Exhibit A;
 - An approximately \$1,673,304 loan with scheduled payments of principal and interest, as described in Exhibit B;
- One Commercial Property Redevelopment Loan to an HSI affiliate entity, in a principal amount of approximately \$256,734 in total, as described in Exhibit C;
- Construction funding support for costs and expenses allocable to the core and shell construction of retail space within the Project, in an amount of approximately \$3,500,000, which will be owned and operated by Prosper Portland as part of its Affordable Commercial Tenanting Program, as described in Exhibit D;
- 99-year absolute net leases of land and air rights on the Project Site by Prosper Portland to HSI affiliate entities to enable construction and operation of the Project, together with related subleases and real estate instruments, as described in Exhibit E;

WHEREAS, Prosper Portland and PP&R currently own the Property as tenants in common; to facilitate Halsey 106, it is anticipated that PP&R and Prosper Portland will convey deeds to each other such that Prosper Portland will be the sole owner of the Project Site, and PP&R will be the sole owner of the remainder of the Property;

WHEREAS, it is anticipated that Prosper Portland will execute a Condominium Declaration and related documents to impose the condominium form of ownership upon the Project Site; and

WHEREAS, Halsey 106 aligns with the Prosper Portland's Strategic Plan and the Gateway Action Plan.

NOW, THEREFORE, BE IT RESOLVED, that in connection with Halsey 106, the Executive Director is hereby authorized to enter into and execute legal agreements and instruments, create encumbrances or other obligations, convey and accept real property interests, and take any other actions deemed necessary or appropriate by the Executive Director in consultation with Prosper Portland's General Counsel to implement the transaction terms described in Exhibits A, B, C, D, and E to this Resolution so long as the same are substantially consistent with the terms described in such Exhibits;

BE IT FURTHER RESOLVED, that in connection with Halsey 106, the Executive Director is hereby authorized to execute any amendments, change orders, or other modifications to agreements, instruments or other documents, so long as the terms of the same do not materially increase Prosper

Portland's obligations or risks, as determined by the Executive Director in consultation with Prosper Portland's General Counsel;

BE IT FURTHER RESOLVED, that the authority delegated to the Executive Director pursuant to this Resolution is delegated notwithstanding that the terms of the financing arrangements described in the Exhibits are inconsistent in certain material respects from the Commercial Property Redevelopment Loan program guidelines adopted by the Prosper Portland Board through Resolution No. 6763 on April 13, 2011; and

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

Adopted by the Prosper Portland Commission on July 10, 2019

A handwritten signature in blue ink that reads "Pam Feigenbutz". The signature is written in a cursive, flowing style.

Pam Feigenbutz, Recording Secretary

**Proposed Terms and Conditions of Prosper Portland Cash Flow Market Rate Residential
 Commercial Property Redevelopment Loan (CPRL)**

Borrowing Entity:	Human Solutions Inc. (HSI)														
Loan Program:	Commercial Property Redevelopment Loan – Construction/Permanent														
Loan Amount:	Up to \$3,963,496														
Uses of Funds:	New construction of 23 residential units and related common areas														
Loan Fee:	1.0% of the loan amount (\$39,634.96), financed														
Interest Rate:	2.5% annual fixed rate														
Term:	40 year term														
Repayment:	Interest accrual but no payments during the initial seven year New Markets Tax Credit (NMTC) compliance period (all excess cash to fund refinance reserve, with any unused balance to be applied to loan repayment.) Principal and interest payments thereafter with the balance due at the end of year 40. All payments are cash flow dependent at 80% of annual excess cash flow; interest accrues and is paid down first (no interest on accruals) and unpaid principal is deferred.														
Collateral:	Assignment of HSI’s collateral and other interests/rights relating to the leverage loan (including its pledge of sub-CDE interest) during the NMTC compliance period, subordinate to Prosper Portland’s Senior Loan; thereafter second priority Deed of Trust on the condo leasehold, subordinate to a senior lender														
Guarantors:	None														
Development Sources and Uses:	<p><u>Sources for the Market Rate Residential condo:</u></p> <table> <tr> <td>Prosper Portland Senior Loan</td> <td align="right">\$ 1,673,304</td> </tr> <tr> <td>Prosper Portland Cash Flow Loan</td> <td align="right">\$ 3,963,496</td> </tr> <tr> <td>Prosper Portland Direct Loan</td> <td align="right">\$ 256,734</td> </tr> <tr> <td>Deferred Developer Fee</td> <td align="right">\$ 197,502</td> </tr> <tr> <td>Grants</td> <td align="right"><u>\$ 158,209</u></td> </tr> <tr> <td>Total</td> <td align="right">\$ 6,249,245</td> </tr> </table> <p><u>Uses for the Market Rate Residential condo:</u></p> <table> <tr> <td>Land (Ground Lease Payment)</td> <td align="right">\$ 23,061</td> </tr> </table>	Prosper Portland Senior Loan	\$ 1,673,304	Prosper Portland Cash Flow Loan	\$ 3,963,496	Prosper Portland Direct Loan	\$ 256,734	Deferred Developer Fee	\$ 197,502	Grants	<u>\$ 158,209</u>	Total	\$ 6,249,245	Land (Ground Lease Payment)	\$ 23,061
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Land (Ground Lease Payment)	\$ 23,061														

	Construction Costs \$ 4,525,388 Soft Costs \$ 891,252 Contingency \$ 273,185 Development Fee \$ 0 Deferred Developer Fee \$ 197,502 Financing Costs <u>\$ 338,857</u> Total \$ 6,249,245
Program Guideline Exceptions:	<ul style="list-style-type: none"> • Loan amount exceeds program maximum of \$2,000,000 • Interest rate is not based on Prime + 3% • Loan term exceeds 10 years • Loan payments are cash flow dependent • Personal/ corporate guarantees not required from the principals/ entities • Combined Loan to Value exceeds 100%; no direct leasehold deed of trust on the property • Debt service coverage ratio does not meet minimum 1:1.15
Other Conditions:	
Equity Goals	Pursuant to Prosper Portland’s adopted Equity Policy & Procedures, Borrower would comply with Prosper Portland’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 and Workforce Equity Program Requirements.
Green Building	Pursuant to Prosper Portland’s adopted Green Building Policy, the project would 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 would 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 would provide additional information, execute and deliver additional agreements and documents, and comply with additional terms and conditions, in connection with the loans, as Prosper Portland may reasonably require.

**Proposed Terms and Conditions of Prosper Portland Senior Market Rate Residential
 Commercial Property Redevelopment Loan (CPRL)**

Borrowing Entity:	Human Solutions Inc.																								
Loan Program:	Commercial Property Redevelopment Loan – Construction/Permanent																								
Loan Amount:	Up to \$1,673,304																								
Uses of Funds:	New construction of 23 residential units and related common areas																								
Loan Fee:	1.0% of the loan amount (\$16,733.04), financed																								
Interest Rate:	4.0% annual fixed rate																								
Term / Amortization:	7-year term, 35 year amortization																								
Repayment:	No interest accrual or payments during the 26-month construction and lease-up period. Quarterly principal and interest payments thereafter until maturity, when the outstanding balance is due.																								
Collateral:	Assignment of HSI’s collateral and other interests/rights relating to the subordinate leverage loan (including its pledge of sub-CDE interest) during the NMTC compliance period																								
Guarantors:	None, but with recourse to Human Solutions, Inc.																								
Development Sources and Uses:	<p><u>Sources for the Market Rate Residential condo:</u></p> <table> <tr> <td>Prosper Portland Senior Loan</td> <td align="right">\$ 1,673,304</td> </tr> <tr> <td>Prosper Portland Cash Flow Loan</td> <td align="right">\$ 3,963,496</td> </tr> <tr> <td>Prosper Portland Direct Loan</td> <td align="right">\$ 256,734</td> </tr> <tr> <td>Deferred Developer Fee</td> <td align="right">\$ 197,502</td> </tr> <tr> <td>Grants</td> <td align="right">\$ <u>158,209</u></td> </tr> <tr> <td>Total</td> <td align="right">\$ 6,249,245</td> </tr> </table> <p><u>Uses for the Market Rate Residential condo:</u></p> <table> <tr> <td>Land (Ground Lease Payment)</td> <td align="right">\$ 23,061</td> </tr> <tr> <td>Construction Costs</td> <td align="right">\$ 4,525,388</td> </tr> <tr> <td>Soft Costs</td> <td align="right">\$ 891,252</td> </tr> <tr> <td>Contingency</td> <td align="right">\$ 273,185</td> </tr> <tr> <td>Development Fee</td> <td align="right">\$ 0</td> </tr> <tr> <td>Deferred Developer Fee</td> <td align="right">\$ 197,502</td> </tr> </table>	Prosper Portland Senior Loan	\$ 1,673,304	Prosper Portland Cash Flow Loan	\$ 3,963,496	Prosper Portland Direct Loan	\$ 256,734	Deferred Developer Fee	\$ 197,502	Grants	\$ <u>158,209</u>	Total	\$ 6,249,245	Land (Ground Lease Payment)	\$ 23,061	Construction Costs	\$ 4,525,388	Soft Costs	\$ 891,252	Contingency	\$ 273,185	Development Fee	\$ 0	Deferred Developer Fee	\$ 197,502
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	Financing Costs	<u>\$ 338,857</u>
	Total	\$ 6,249,245
Program Guideline Exceptions:	<ul style="list-style-type: none"> • Interest rate is not based on Prime + 3% • Personal guaranties not required from the principals • No direct deed of trust on the property 	
Other Conditions:		
Equity Goals	Pursuant to Prosper Portland’s adopted Equity Policy & Procedures, Borrower would comply with Prosper Portland’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 and Workforce Equity Program Requirements.	
Green Building	Pursuant to Prosper Portland’s adopted Green Building Policy, the project would 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 would 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 would provide additional information, execute and deliver additional agreements and documents, and comply with additional terms and conditions, in connection with the loans, as Prosper Portland may reasonably require.	

**Proposed Terms and Conditions of Prosper Portland Direct Market Rate Residential
 Commercial Property Redevelopment Loan (CPRL)**

Borrowing Entity:	Gateway QALICB Inc.																								
Loan Program:	Commercial Property Redevelopment Loan – Construction/Permanent																								
Loan Amount:	Up to \$256,734																								
Uses of Funds:	New construction of 23 residential units and related common areas																								
Loan Fee:	1.0% of the loan amount (\$2,567.34), financed																								
Interest Rate:	4.0% annual fixed rate																								
Term / Amortization:	7-year term, 35 year amortization																								
Repayment:	Capitalized interest fee of \$73,350 at closing, with no additional interest accrual or payments during the 26-month construction and lease-up period. Monthly principal and interest payments thereafter until maturity, when the outstanding balance is due.																								
Collateral:	First priority leasehold deed of trust on the Market Rate Residential condo (once constructed)																								
Guarantors:	Human Solutions, Inc.																								
Development Sources and Uses:	<p><u>Sources for the Market Rate Residential condo:</u></p> <table> <tr> <td>Prosper Portland Senior Loan</td> <td align="right">\$ 1,673,304</td> </tr> <tr> <td>Prosper Portland Cash Flow Loan</td> <td align="right">\$ 3,963,496</td> </tr> <tr> <td>Prosper Portland Direct Loan</td> <td align="right">\$ 256,734</td> </tr> <tr> <td>Deferred Developer Fee</td> <td align="right">\$ 197,502</td> </tr> <tr> <td>Grants</td> <td align="right">\$ <u>158,209</u></td> </tr> <tr> <td>Total</td> <td align="right">\$ 6,249,245</td> </tr> </table> <p><u>Uses for the Market Rate Residential condo:</u></p> <table> <tr> <td>Land (Ground Lease Payment)</td> <td align="right">\$ 23,061</td> </tr> <tr> <td>Construction Costs</td> <td align="right">\$ 4,525,388</td> </tr> <tr> <td>Soft Costs</td> <td align="right">\$ 891,252</td> </tr> <tr> <td>Contingency</td> <td align="right">\$ 273,185</td> </tr> <tr> <td>Development Fee</td> <td align="right">\$ 0</td> </tr> <tr> <td>Deferred Developer Fee</td> <td align="right">\$ 197,502</td> </tr> </table>	Prosper Portland Senior Loan	\$ 1,673,304	Prosper Portland Cash Flow Loan	\$ 3,963,496	Prosper Portland Direct Loan	\$ 256,734	Deferred Developer Fee	\$ 197,502	Grants	\$ <u>158,209</u>	Total	\$ 6,249,245	Land (Ground Lease Payment)	\$ 23,061	Construction Costs	\$ 4,525,388	Soft Costs	\$ 891,252	Contingency	\$ 273,185	Development Fee	\$ 0	Deferred Developer Fee	\$ 197,502
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	Financing Costs	<u>\$ 338,857</u>
	Total	\$ 6,249,245
Program Guideline Exceptions:	<ul style="list-style-type: none"> • Interest rate is not based on Prime + 3% • Personal guaranties not required from the principals 	
Other Conditions:		
Equity Goals	Pursuant to Prosper Portland’s adopted Equity Policy & Procedures, Borrower would comply with Prosper Portland’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 and Workforce Equity Program Requirements.	
Green Building	Pursuant to Prosper Portland’s adopted Green Building Policy, the project would 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 would 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 would provide additional information, execute and deliver additional agreements and documents, and comply with additional terms and conditions, in connection with the loans, as Prosper Portland may reasonably require.	

Exhibit D

Proposed Terms and Conditions of Retail Construction Funding Agreement

Parties:	Prosper Portland, as funder, and Gateway QALICB, Inc., as obligee; Gateway Halsey Limited Partnership is anticipated to be a beneficiary of construction access rights
Estimated Cost:	Prosper Portland will be responsible for paying all Project costs allocable to the retail unit in accordance with the approved development budget and schedule of values. Costs are not anticipated to exceed \$3,500,000
Change Orders / Overruns:	Prosper Portland anticipates being responsible for legitimate cost overruns and change orders, subject to specific negotiation in the Retail Unit Construction Funding Agreement
Payments:	Payments will be made on a monthly basis per work completed with inspection and verification for work performed and other customary protections.
Delivery Conditions:	The retail unit will be delivered to Prosper Portland in “cold dark shell” conditions (i.e. with no interior finishes or other tenant improvements, permanent HVAC, or installation of permanent ventilation equipment and duct work)
Prosper Portland Policies; Prevailing Wage:	All work on the Project will be required to comply with Prosper Portland’s Business Equity Policy, Workforce Equity Policy, and Green Building Policy and Oregon’s Prevailing Wage Law consistent with the other Prosper funding sources

Exhibit E

Proposed Terms and Conditions of Leases

Initial Tenant:	Gateway Halsey Limited Partnership, an Oregon non-profit corporation (“LIHTC Borrower”) will lease certain land and air rights and will receive general construction access to the Project Site (the “Initial Lease”).
Lease and Sublease Arrangement:	<p>LIHTC Borrower will sublease certain air rights corresponding to future Units 2 (Office Unit) and 3 (Market-Rate Residential Unit) (the “QALICB Sublease”) to Gateway QALICB, Inc., an Oregon non-profit corporation (“QALICB”).</p> <p>Upon the imposition of the condominium form of ownership by Prosper Portland, the Initial Lease will be amended and restated such that LIHTC Borrower will be the lessee of Unit 4 of the Halsey 106 Condominiums (the Affordable Residential Unit). The QALICB Sublease will also be amended and restated so as to make QALICB the direct lessee (rather than the sublessee) of Units 2 (Office Unit) and 3 (Market-Rate Residential Unit).</p> <p>The terms and conditions of the amended and restated leases described above are anticipated to be substantially consistent with those of the Initial Lease.</p> <p>Prosper Portland will retain and operate Unit 1 (Retail Unit).</p>
Land Value:	\$1,590,000 (based on January 2019 appraisal); however, less than the entire Project Site is anticipated to be subject to the leases described in this Exhibit
Payment:	<p>Initial annual amount due is \$55,268. This amount is calculated based on 4.0% of land value per year, but “land value” used in this calculation takes into account the approximately 13% of gross square footage in the Project being retained by Prosper Portland.</p> <p>Rent is anticipated to be paid over 12 months in equal installments. Subsequent payments will be increased by annual escalation rates.</p>
Escalation:	<p>2.0% annual escalation for the Affordable Residential Unit.</p> <p>3.0% annual escalation for the Market-Rate Residential Unit and the Office Unit.</p>
Term:	99 years
Maintenance, Taxes, Other Costs:	Absolute net lease; however, the condominium documents will impose certain costs and other obligations relating to maintenance, repairs, reserves and replacements on Prosper Portland as the owner of Unit 1 (Retail Unit).

Termination Right:	If project construction is not timely commenced, Prosper Portland has the ability to terminate the ground lease without penalty.
Prosper Portland Policies:	All work on the Project will be required to comply with Prosper Portland's Business Equity Policy, Workforce Equity Policy, and Green Building Policy



PROSPER PORTLAND

Building an Equitable Economy

RESOLUTION NO. 7321

RESOLUTION TITLE:

APPROVING THE TERMS OF THE HALSEY 106 TRANSACTION INVOLVING THE DEVELOPMENT OF PROSPER PORTLAND-OWNED REAL PROPERTY AT NE HALSEY STREET AND NE 106TH AVENUE IN THE GATEWAY REGIONAL CENTER

Adopted by the Prosper Portland Commission on July 10, 2019

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Chair Gustavo J. Cruz, Jr.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Alisha Moreland-Capua MD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Francesca Gambetti	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Peter Platt	<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"/>

Consent Agenda 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 Prosper Portland Commission and as duly recorded in the official minutes of the meeting.

Pam Feigenbutz, Recording Secretary

Date:

July 12, 2019