HOUSING PREDEVELOPMENT LOAN

PURPOSE

Housing Predevelopment Loans (HPL) are designed to fund technical and professional services necessary to explore project feasibility of affordable rental and ownership projects serving Low and/or Moderate Households, or Mixed-Use or Mixed Income housing projects which include housing units meeting PHB affordability requirements, or projects for economic development activities directly related to affordable housing Loan funds are for projects that meet PHB's housing strategy objectives or other public benefits.

DESCRIPTION

The HPL provides short term financing. This loan generally has below market interest rates and more flexible terms which are made available in exchange for public benefits and to increase project feasibility. The HPL is designed to work in conjunction with other public and private financing sources.

The following summary outlines the general characteristics available to Project Sponsors. A more detailed description of loan terms, specific to the HPL, is outlined in the Specific Guidelines section below.

SOURCE OF FUNDS & LEGAL COMPLIANCE

Funding for this loan may be through tax increment financing (TIF), other city or federal funds. Borrower shall comply with any and all requirements related to the funding source. For example, TIF funds must be used for infrastructure and physical improvements (including tenant improvements) of real estate projects within an Urban Renewal Area. Federal and other city funds come with their own fund-specific restrictions and obligations.

Loan Amounts:	Up to $1,000,000 per project as determined by specific project requirements subject to PHB's sole discretion and subject to PHB approval.
Interest Rate:	Up to 3%. The interest rate is determined by specific project requirements and subject to PHB approval. The Housing Investment Committee (HIC) may recommend an interest rate in excess of 3% if market conditions warrant.

Debt Coverage Ratio (DCR):	Not applicable.
Term:	24 months or close of construction, whichever is earlier.
Repayment:	Loan is repaid at construction loan closing typically with proceeds from PHB's construction loan, however, other sources may be used instead of or in addition to PHB sources.

MINIMUM QUALIFICATIONS

1. The Project Sponsor may be either for profit or nonprofit

2. The project sponsor must own the subject property or have site control.

3. Proposed projects include rental housing affordable to Low and/or Moderate Income Households, For-Sale Housing affordable to households earning less than 100% MFI, or Mixed-Use or Mixed-Income projects which include units that meet the above affordability requirements.

4. Proposed project must commit to meeting threshold criteria in applicable Federal, City and PHB policies and regulations.[4]

SPECIFIC GUIDELINES

Eligible Project Sponsors: A For Profit or Eligible Non-Profit with ownership or site control of land or a rental property may apply for an HPL

Eligible Projects: A project providing rental housing or community facility directly related to housing that furthers the goals and objectives in Portland's Comprehensive Housing Plan, Consolidated Plan, Urban Renewal Area plans or other applicable policy directives is eligible for an HPL.

The Project Sponsor must have title to the property, site control in the form of an executed purchase and sale agreement, or other evidence of site control acceptable to PHB, with a period of time sufficient to complete purchase financing,

[4] These policies are subject to change. Projects will be expected to meet threshold criteria in all subsequent versions of such policies.

Loan Amount: Up to $1,000,000 per project, at PHB's sole discretion and approval.

Interest Rate: Up to 3%. The interest rate is determined by specific project requirements and subject to PHB approval.

Repayment: The HPL is due and payable at the earlier of the closing of a PHB or other construction loan or 24 months from the date of the loan.

Security: PHB funds may be secured. If the Project Sponsor has title to the property, the HPL is secured with a first deed of trust or other collateral. Assignment of an existing option agreement may also be viewed as security. PHB will require assignment of ownership rights to all predevelopment work products.

If a Project Does Not Proceed: If the proposed project does not proceed, the HPL will be due and payable to PHB. In some circumstances PHB may consider writing off a HPL in whole or in part, however, this is at PHB's sole discretion and should not be assumed by any Project Sponsor. In cases where a project does not proceed and where a HPL is forgiven in whole or in part, Project Sponsors will be required to deliver to PHB all documents, studies, working papers or other elements of work product developed, in whole or in part, with the use of HPL funds.

Eligible Costs: Eligible costs include, but are not limited to, the following:

1. Obtaining site control[5]
2. Geo-technical studies
3. Phase I environmental
4. Topographical site survey
5. Architectural services
6. Land division
7. Appraisal
8. An approved portion of development consultant services[6]
9. Other project-specific costs approved by PHB

[5] Funds may not be used for the initial acquisition of land, but may be used for an option extension.
[6] Third party consultants may be funded through a predevelopment loan. However, early release of the developer fee is not allowed.

Benchmarks and Reporting Requirements: During the period in which any amount of HPL remains outstanding, a Project Sponsor must prepare and submit status reports detailing the progression of the project to the designated PHB Finance Coordinator. PHB may also require demonstration of project benchmark achievement during the term of the loan.

Documentation: PHB and the Project Sponsor must execute a Predevelopment Loan Agreement. The Project Sponsor must also submit all due diligence documents.