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# HOUSING DEVELOPMENT SUBORDINATE LOAN

## PURPOSE

The Housing Development Subordinate Loan (HDSL) is a subordinate loan that provides public financing to fund development costs for new or existing affordable rental and mixed-use projects, or projects for economic development activities directly related to affordable housing. The HDSL is intended to fund the difference between the projected project costs and available sources of construction or permanent financing to the extent the HDSL is supportable from operating revenues.

## DESCRIPTION

The HDSL provides construction and/or bridge financing, that either partially or fully converts to 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 HDSL is designed to work in conjunction with other public and private financing sources when projects will predictably generate sufficient cash flow (after payment of operating expenses, required reserve contributions and required senior debt service) to allow regular periodic payments on the HDSL.

The following summary outlines the general product characteristics available to Project Sponsors within the construction, bridge and permanent loan period. A more detailed description of loan terms, specific to the HDSL, is outlined in the Product Specific Guidelines section below.

## SOURCE OF FUNDS AND LEGAL COMPLIANCE

Funding for this loan may be through tax increment financing (TIF), 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.

## CONSTRUCTION/BRIDGE PERIOD

**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.

**Term:** Maximum of up to 24 months

**Repayment:** Deferred payment until end of construction period, interest accrues.

**Other Terms:** See Permanent Loan Period

## PERMANENT LOAN PERIOD

**Maximum Amount:** No maximum amount. Based on Ordinance No. 183826 passed by City Council on May 26, 2010, PHB Director may approve up to $2 million; Commissioner in Charge approval is required up to $3 million; City Council must approve amounts in excess of $3 million.

**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.

**Term:** Up to 30 years

**Repayment:** Amortization period is 30 years, with some flexible options available, subject to PHB approval

**Debt Coverage Ratio (DCR):** Minimum 1.25[1] in Year 1

**Loan to Value (LTV):** Total secured amortizing debt may not exceed 100% LTV

[1] May increase depending on project specific risk factors

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## MINIMUM QUALIFICATIONS

Project Sponsors who meet the following criteria may be eligible to receive an HDSL:

1. The Project Sponsor may be either for profit or non-profit.
2. The Project Sponsor must own the subject property or have site control.
3. Other financing sources for the project, including primary debt, must be maximized.
4. Designated Affordable Units must be affordable for 60 years (as required by Title 30 of the City Code).

**PHB funds are limited. The PHB may not be able to provide loans to all eligible projects.**

## PRODUCT SPECIFIC GUIDELINES

**Eligible Project Sponsors:** A For Profit or Eligible Non-Profit with ownership or site control[2] of land or a rental property may apply for an HDSL.

**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 HDSL.

**Interest Rates:** Interest rates during the construction and permanent loan periods are set up to 3%. In cases where PHB is providing a portion of the loan funds through a credit facility with a private lender or other government entity, the Project Sponsor may receive an interest rate based on PHB's cost of funds and/or the ability of the project to repay debt.

**Loan Term:**

1. **Construction Loans** carry a maximum 24-month term or until the permanent loan funds are available, whichever period is shorter. Construction interest may be paid monthly or at the end of the construction loan period, subject to underwriting.
2. **Permanent Loans** carry a maximum 30-year term or the length of the amortization period, whichever period is shorter.

[2] An agreement with the City of Portland is acceptable if the City is an owner of land for the proposed development.

**Repayment Terms:** HDSL repayment terms are structured to balance the goals of (1) maximizing participating financing; (2) assuring that the project is sustainable; and (3) providing for timely repayment of public funds.

HDSL loans are structured as fully amortized 30-year loans unless there is mutual determination that an alternative schedule is more appropriate for the project. Alternatives may include, but are not limited to, a longer or shorter term, a deferred payment period, or a balloon as part of the structure.

**Participating Financing:** Project Sponsors must seek maximum participating financing on the best terms available. Interest rates for superior loans should be at the current market rate or better for the financing type. Generally, the combined debt coverage ratio for all participating financing (other than PHB financing) should be no greater than 1.25 to 1.00 in Year 1 for superior loans. The combined loan to value ratio (LTV) for all senior financing will be evaluated by PHB in order to determine that leverage has been maximized for the project. PHB evaluates bond-financed projects against current bond underwriting requirements.

**Security/Collateral:** An HDSL is secured by the subject property. Security may take the form of a mortgage, a deed of trust or a participation agreement with another public or private lender.

# CASH FLOW SHARE LOAN

## PURPOSE

A Cash Flow Share Loan (CFS) provides public funding to fund development costs for new or existing affordable rental or mixed-use projects, or projects for economic development activities directly related to affordable housing. A CFS is intended to fund the difference between the projected project costs and available sources of construction and permanent financing, including Housing Development Subordinate Loans (HDSL).

## DESCRIPTION

A CFS provides construction and/or bridge financing, that either partially or fully converts to permanent financing and is designed to work in conjunction with other public and private financing sources. A CFS is a financing product used only when other financing has been maximized and the housing project does not generate sufficient cash flow (after operating expenses including required replacement reserves and required senior debt service) to allow regular amortized payments to PHB.

The following summary outlines the general product characteristics available to Project Sponsors. For the CFS, the same general financing terms apply to the construction, bridge and permanent phases of financing. A more detailed description of terms specific to the CFS is outlined in the Product Specific Guidelines section below.

## SOURCES 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.

## CONSTRUCTION/BRIDGE AND PERMANENT LOAN PERIOD

| | |
|---|---|
| **Maximum Amount:** | No maximum amount. Based on Ordinance No. 183826 passed by City Council on May 26, 2010, PHB Director may approve up to $2 million; Commissioner in Charge approval is required up to $3 million; City Council must approve amounts in excess of $3 million. |
| **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. |
| **Term:** | Construction/Bridge Period: up to 24 months<br><br>Permanent Financing Period:<br>Set term up to 60 years based on underwriting; due on unapproved sale, transfer, change of use or refinance. |
| **Repayment:** | Scheduled payments based on cash flow until repaid as per term. Project Sponsor pays PHB 50% of Excess Cash Flow (see below). |
| **Debt Coverage Ratio (DCR):** | Minimum 1.25[3] in Year 1 |

## MINIMUM QUALIFICATIONS

Project Sponsors who meet all of the following criteria may be eligible to receive a CFS:

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. Other financing sources for the project, including primary debt and an HDSL, must be maximized.

[3] May increase depending on project specific risk factors

4. Designated Affordable Units must be affordable for 60 years (as required by Title 30 of the City Code).

**PHB funds are limited. PHB may not be able to provide loans to all eligible projects.**

## 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 a CFS.

**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 a CFS.

**Interest Rate**: Interest rates during the construction and permanent loan periods are set up to 3%. In cases where PHB is providing a portion of the loan funds through a credit facility with a private lender or other government entity, the Project Sponsor may receive an interest rate based on PHB's cost of funds and/or the ability of the project to repay debt.

**Participating Financing:** Project Sponsors must seek maximum participating financing on the best terms available. Interest rates for superior loans should be at the current market rate or better for the financing type. Generally, the combined debt coverage ratio for all participating financing (other than PHB financing) should be no greater than 1.25 to 1.00 in Year 1 for superior loans. The combined loan to value ratio (LTV) for all senior financing will be evaluated by PHB in order to determine that leverage has been maximized for the project. PHB reserves the right to condition its funding upon the terms of the external debt to prevent overleveraging. PHB evaluates bond-financed projects against current bond underwriting requirements. In addition, projects must utilize the maximum HDSL supportable by the project prior to qualifying for a CFS.

**CFS Recapture Provisions:** The provisions for recapture in the CFS Note include the following two methods of repayment:

1. Unapproved sale, Transfer, Refinance, Exchange or Change of Use

2. Cash Flow Payment Requirement as described in loan documents.

**Security/Collateral:** A Cash Flow Share note is subject to a recorded Trust Deed and does constitute a lien against the property.

# EQUITY GAP CONTRIBUTION

## PURPOSE

An Equity Gap Contribution (EGC) provides public funding to fund development costs for new or existing affordable rental or mixed-use project, or projects for economic development activities directly related to affordable housing An EGC is intended to fund the difference between the projected project costs and available sources of construction and permanent financing, including Housing Development Subordinate Loans (HDSL) and Cash Flow Share Loans (CFS).

## DESCRIPTION

An EGC provides construction and/or bridge financing, that either partially or fully converts to permanent financing and is designed to work in conjunction with other public and private financing sources. Assuming regulatory compliance, an EGC accrues no interest, requires no payments, and converts to a grant after sixty years. An EGC is a "last resort" financing product used only when (i) other financing has been maximized, (ii) the housing project does not generate sufficient cash flow (after operating expenses including required replacement reserves and required senior debt service) to allow amortized or cash flow payments to PHB, and (iii) the project provides an exceptional and tangible public benefit beyond the typical affordable housing project. The definition of an exceptional public benefit will reflect then-current City and Bureau priorities and may be described in PHB's Notices of Funding Availability. PHB will determine if the exceptional public benefit test is met.

If a project uses Low Income Housing Tax Credits (LIHTC), an EGC cannot be used, as legal requirements dictate that project financing have a term and an interest rate. An EGC does not have an interest rate or term and becomes a grant after 60 years provided all terms of the agreement have been met.

The following summary outlines the general product characteristics available to Project Sponsors. For the EGC, the same general financing terms apply to the construction, bridge and permanent phases of financing. A more detailed description of terms specific to the EGC is outlined in the Product Specific Guidelines section below.

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## SOURCES 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.

## CONSTRUCTION/BRIDGE AND PERMANENT LOAN PERIOD

| | |
|---|---|
| **Maximum Amount:** | For new funding:<br>PHB Director may approve up to $500,000;<br>Commissioner in Charge approval is required up to $1 million;<br>City Council must approve amounts in excess of $1 million. |
| **Interest Rate:** | 0%. |
| **Term/Recapture:** | Construction/Bridge Period: up to 24 months<br><br>Permanent Financing Period:<br>Years 1 – 60: Outstanding until repaid, due on unapproved sale, transfer, change of use or refinance.<br>Year 60: EGC becomes a grant. |
| **Debt Coverage Ratio (DCR):** | Not applicable |

## MINIMUM QUALIFICATIONS

Project Sponsors who meet all of the following criteria may be eligible to receive an EGC:

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. Other financing sources for the project, including primary debt an HDSL or/and a CFS, must be maximized.

4. Designated Affordable Units must be affordable for 60 years (as required by Title 30 of the City Code).

**PHB funds are limited. PHB may not be able to provide loans to all eligible projects.**

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## 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 EGC.

**Eligible Projects:** A project providing rental housing or community facility directly related to housing that exceptionally furthers the goals and objectives in Portland's Comprehensive Housing Plan, Consolidated Plan, Urban Renewal Area plans or other applicable policy directives may be eligible for an EGC upon approval by PHB.

**Interest Rate**: There is no interest charged on an EGC.

**Participating Financing:** Project Sponsors must seek maximum participating financing on the best terms available. Interest rates for superior loans should be at the current market rate or better for the financing type. Generally, the combined debt coverage ratio for all participating financing (other than PHB financing) should be no greater than 1.25 to 1.00 in Year 1 for superior loans. The combined loan to value ratio (LTV) for all senior financing will be evaluated by PHB in order to determine that leverage has been maximized for the project. PHB reserves the right to condition its funding upon the terms of the external debt to prevent overleveraging. PHB evaluates bond-financed projects against current bond underwriting requirements. In addition, projects must utilize the maximum HDSL supportable by the project prior to qualifying for an EGC.

**EGC Recapture Provisions:** The provisions for recapture in the Equity Gap Contribution Agreement include the following method of repayment:

1. Sale, Transfer, Refinance, Exchange or Change of Use

**Security/Collateral:** The PHB ensures security through a recorded instrument, an Equity Gap Contribution Agreement. The Agreement describes the amount, the conditions and the provisions of the EGC. Also, the Agreement describes the conditions under which the EGC may be recaptured in full by the PHB. The Equity Gap Contribution Agreement is recorded to evidence the project sponsor's obligation, although no Trust Deed is recorded and therefore it is not a lien against the property. If a Project Sponsor receives an EGC only from the PHB, the PHB reserves the right to record liens against the property upon default.

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# HOUSING DEVELOPMENT SUBORDINATE LOAN - FOR SALE PROJECTS

## PURPOSE

The For Sale Housing Development Subordinate Loan (FSHDSL) is a subordinate loan that provides public financing to fund development costs for new for sale Residential and Mixed-Use Projects that provide public benefits. The FSHDSL is intended to fund the difference between the projected project costs and available sources of construction financing to the extent the loan is supportable from residential unit sales and other project revenue.

## DESCRIPTION

The FSHDSL provides construction and/or bridge 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 FSHDSL is designed to work in conjunction with other public and private financing sources.

The following summary outlines the general characteristics available to Project Sponsors within the construction, bridge and permanent loan period. A more detailed description of loan terms, specific to the FSHDSL, is outlined in the Specific Guidelines section below.

## SOURCES 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.

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## CONSTRUCTION PERIOD

| | |
|---|---|
| **Maximum Amount:** | No maximum amount. Based on Ordinance No. 183826 passed by City Council on May 26, 2010, PHB Director may approve up to \$2 million; Commissioner in Charge approval is required up to \$3 million; City Council must approve amounts in excess of \$3 million. |
| **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 project/market conditions warrant. |
| **Term:** | **Maximum** of 24 months to build and sell housing to qualifying buyer with one extension, up to 12 months, available |
| **Repayment:** | Refer to Repayment Terms below |

## MINIMUM QUALIFICATIONS

Project Sponsors who meet the following criteria may be eligible to receive an FSHDSL:

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. Other financing sources for the project, including primary debt, must be maximized, and
4. The Project Sponsor must provide affordability either through a subsidy retention or recapture model.

**PHB funds are limited. The PHB may not be able to provide loans to all eligible projects.**

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## 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 FSHDSL.

**Eligible Projects:** A project providing for sale 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 FSHDSL.

**Interest Rates:** Interest rate during the construction or bridge loan periods is up to 3%

**Loan Term:**

1. **Construction Loans** carry a maximum 24-month term, with one extension up to 12 months available. Construction interest may be paid concurrently with unit sales or at the end of the construction loan period, subject to underwriting.

2. **Bridge Loans** carry a maximum 24-month term, which is not renewable. Interest repayment schedule may be either according to agreed upon terms, or at the maturity date.

**Repayment Terms**: FSHDSL repayment terms are structured to achieve the desired level of affordability for the project.

If the project Sponsor is able to secure affordable financing terms for the homebuyer, in the form of low interest rates (below market) and favorable fees, a portion of the PHB loan (in the amount proportional to the subsidy to the homebuyer) may be converted to another product (e.g., a homebuyer assistance tool) or a grant, in PHB's sole discretion.

**Participating Financing**: Project Sponsors must seek maximum participating financing on the best terms available. Interest rates for superior loans should be at the current market rate or better for the financing type. The combined loan to value ratio (LTV) for all senior financing should be maximized wherever possible. The PHB evaluates bond-financed projects against current bond underwriting requirements.

**Security/Collateral**: An FSHDSL is secured by the subject property. Security may take the form of a mortgage, a deed of trust or a participation agreement with another public or private lender.

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# HOUSING DEVELOPMENT BRIDGE LOAN

## PURPOSE

The Housing Development Bridge Loan (HDBL) is an interim subordinate loan that provides public financing to fund immediate costs for new or existing affordable rental and mixed-use projects, or projects for economic development activities directly related to affordable housing The HDBL is intended to fund the short term projected project costs that may be needed to enable a project to develop a feasible development/rehab budget, resolve short term financial obligations, cure immediate repairs/turnover costs, and other essential financial needs including satisfying debt service obligations on a short term basis. The funds are not intended to be used to bridge construction or lease up periods prior to the conversion of standard permanent financing.

## DESCRIPTION

The HDBL provides short term bridge financing that converts to term financing. The loan has an up to 3% interest rate in order to make projects that provide public benefits feasible and developable.

The following summary outlines the general characteristics available to Project Sponsors within the bridge loan period. A more detailed description of loan terms, specific to the HDBL, 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.

## BRIDGE PERIOD

**Loan Maximum:** No maximum amount. Based on Ordinance No. 183826 passed by City Council on May 26, 2010, PHB Director may approve up to $2 million; Commissioner in Charge approval is required up to $3 million; City Council must approve amounts in excess of $3 million.

**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 apply.

**Term:** Maximum of 18 months

**Repayment:** Varies, interest if any accrues. Outstanding balance including accrued interest due at maturity.

**Debt Coverage Ratio (DCR):** Minimum 1.25, if applicable.

## MINIMUM QUALIFICATIONS

Project Sponsors who meet the following criteria may be eligible to receive an HDBL:

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. The Project must be located in the City of Portland.

**PHB funds are limited. The PHB may not be able to provide loans to all eligible projects.**

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## 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 HDBL.

**Eligible Projects**: A project including 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 HDBL.

**Interest Rates:** Interest rates during the bridge loan period are set up to 3%. In cases where the PHB is providing a portion of the loan funds through a credit facility with a private lender or other government entity, the Project Sponsor may receive an interest rate based on PHB's cost of funds and/or the ability of the project to repay debt.

**Loan Term:** Bridge loans carry a maximum 18-month term or until the permanent loan funds are available, whichever period is shorter. Bridge interest if applicable may be paid monthly or at the end of the bridge loan period, subject to underwriting.

**Repayment Terms:** HDBL repayment terms are structured to balance the goals of maximizing participating financing, assuring that the project is sustainable, and providing for timely repayment of public funds.

**Documentation:** PHB and the Project Sponsor must execute a Bridge Loan Agreement. The project Sponsor must submit all due diligence documents.

**Security:** PHB funds may be secured. If the Project Sponsor has title to the property, the bridge loan 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 work products during the term of the bridge loan.

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# 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. |

**Loan To Value (LTV):** Security is required in the form of PHB ownership of work product, assignment of option agreement, guarantee, and/or secured by the land under development.

**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.

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

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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,

**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]

[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.

9. Other project-specific costs approved by PHB

**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.

| Product | Current | Proposed Change | Reason |
|---|---|---|---|
| **General Changes to All Loan Products** | | | |
| Eligible Borrowers | Included individual | Eligible borrowers to include for profit and non profit, not individuals | Individual borrowers do not have the capacity to comply with ongoing regulatory requirements |
| Interest Rate | 0-3% | up to 3%, HIC could recommend higher rate | Ability to have higher rate should market conditions warrant |
| Maximum Amount | Up to $3M | No Maximum | More flexible to react to market conditions |
| Debt Coverage Ratio (DCR) | Minimum 1.10 | Minimum 1.25 in year one | This provides for better chances for project sustainability |
| **Housing Development Subordinate Loan (HDSL)** | | | |
| Construction Period | Up to 18 Months | Up to 24 months | Projects have taken longer to complete construction |
| Other Repayments | 50% excess cash flow | Eliminated excess cash flow requirements | Loan is amortized with hard debt |
| **Cash Flow and Equity Gap Contribution** | Combined product | Separated products | Provides clarification as to when to use a product |
| **Cash Flow Share (CSF)** | | | |
| Amounts (costs) Per Unit | No set maximums but must compare favorably with PHB published averages | Eliminated language | Provides flexibility. Costs/amounts per unit can be address at funding via the NOFA |

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| Product | Current | Proposed Change | Reason |
|---|---|---|---|
| **Equity Gap Contribution (EGC)** | | | |
| Interest Rate | Generally 0% | No interest | Projects obtaining an EGC will have no ability to repay |
| Debt Forgiveness | No debt forgiveness | Turns into a grant after 60 years | Consistent with other funding and concurrent with City affordability provided, provides a termination period should borrower meet investment requirements |
| Approval Authority | PHB Director - $2M; Commissioner in Charge - up to $3M; City Council - over $3M | PHB Director - $500,000; Commissioner in Charge - up to $1M; City Council - over $1M | As a grant product, lowering approval requirements |
| Other Repayments | 50% excess cash flow | Eliminated excess cash flow requirements | Should a project be able to afford cash flow payments it should be structured as a CFS |
| **Housing Development Bridge Loan (HDBL)** | | | |
| Minimum Qualifications | Reporting Requirements | Eliminated language | No other loan product included reporting language, reporting is addressed in loan documentation |
| **Housing Predevelopment Loan (HPL)** | | | |
| Minimum Qualifications | 150% MFI for homeownership | 100% MFI for homeownership | In line with other PHB products and funding requirements |
| Minimum Qualifications | N/A | Reference to benchmarks added | Borrower must prepare and submit status reports detailing progress, this allows PHB to assess progress toward project feasibility |
| **Non-Profit Facility Grants** | Up to $100,000 | Eliminated product | Not used, funding amount is insufficient, EGC would replace |

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