

IMPACT STATEMENT

Legislation title: * Authorize contingent loan agreement with Home Forward for Lovejoy Station Apartments (Ordinance)
Contact name: Eric Johansen, Debt Manager
Contact phone: x3-4222
Presenter name: Eric Johansen

Purpose of proposed legislation and background information:

The proposed ordinance authorizes the City to enter into a contingent loan agreement (the "Contingent Loan Agreement") with Home Forward (formerly the Housing Authority of Portland) in connection with the proposed issuance of Home Forward's Multifamily Housing Refunding Revenue Bonds, 2016 (Lovejoy Station Apartments) (the "2016 Bonds"). Proceeds of the 2016 Bonds will be used by Home Forward to refinance currently outstanding bonds that were issued in October 2000 to finance a portion of the costs of developing the Lovejoy Station Apartments (the "2000 Bonds"). Home Forward is refinancing the 2000 Bonds in order to take advantage of lower interest rates and reduce debt service costs.

The Lovejoy Station Apartments is a 181-unit affordable housing project located at 1040 NW 10th Avenue, which was built in 2001 by Home Forward (the "Project"). All units of the Project are reserved for low income households, with 76 studios targeted to households at 40-60% of the area's median family income ("MFI"), 66 one bedroom units at 60-80% of MFI, and 39 two bedroom units at 60-80% of MFI.

City Contingent Loan Obligations. The City currently has five contingent loan agreements with Home Forward that provide credit enhancement for Home Forward bonds, including one for the 2000 Bonds. The total outstanding principal amount of Home Forward bonds carrying a contingent loan agreement with the City is \$25.42 million. To date, the City has never been requested to appropriate funds under any of the contingent loan agreements.

Similar to other contingent loan agreements between the City and Home Forward, the proposed Contingent Loan Agreement provides that the City will lend to Home Forward, upon request, amounts to maintain the Reserve Account in the amount of approximately \$730,000 (based on current market rates) for the 2016 Bonds. Home Forward may only request a loan from the City if revenues from the Lovejoy Station Project plus other general revenues of Home Forward are insufficient to maintain the Reserve Account. The obligation of the City to loan money to Home Forward under the Contingent Loan Agreement is subject to future annual appropriation by the City Council. As such, the City Council has no legal obligation to appropriate funds; however, once funds have been appropriated, the City is obligated to transfer required amounts to the Bond trustee to replenish the Reserve Account. If the City provides a loan to Home Forward under the Contingent Loan Agreement, Home Forward will be obligated to repay the City under a repayment plan to be determined at the time the loan is made.

As noted above, the City and Home Forward previously entered into a contingent loan agreement for the 2000 Bonds. The Contingent Loan Agreement authorized by this ordinance will replace the prior contingent loan agreement upon the successful sale and closing of the 2016 Bonds. The terms of the new Contingent Loan Agreement are materially similar to prior and existing contingent loan agreements.

Project Performance. Portland Housing Bureau staff, in coordination with the City's Debt Manager, have reviewed the Project historic financial and pro formas, and believe that the benefits of refunding the 2000 Bonds and entering into a new Contingent Loan Agreement for the 2016 Bonds support the limited risk of the Contingent Loan Agreement.

Debt service coverage for the outstanding 2000 Bonds has ranged between 1.37x to 1.58x over the last five years. Because the refunding of the 2000 Bonds is estimated to reduce annual debt service payments by approximately \$200,000 per year (based on current market rates) and the amount required to be maintained in the Reserve Account is expected to drop by a like amount, the City's annual exposure is reduced relative to the current contingent loan agreement.

Reducing annual debt service requirements on the 2016 Bonds also increases the likelihood that the Project will continue to generate positive net operating income. Additionally, with the lower annual debt service resulting from the refinancing, debt service coverage levels are expected to increase going forward.

Attached to the Ordinance is the form of Contingent Loan Agreement which has been approved by the City Attorney's Office. The Ordinance provides that the Debt Manager, in concurrence with the City Attorney, may negotiate modifications to the Contingent Loan Agreement as reasonable or necessary to carry out the purposes of the Ordinance or facilitate the refinancing of the Project.

Financial and budgetary impacts:

The City may be asked by Home Forward to provide a loan if annual project cash flow, together with Home Forward general funds, is insufficient to pay the 2016 Lovejoy Station Bonds, or if the Reserve Account falls below the required level. The maximum loan amount to replenish the Reserve Account is approximately \$730,000 per year through July 2033; however no loan requests are currently anticipated. The obligation of the City to loan money to Home Forward is subject to annual appropriation by the Council. However, once appropriated, funds must be transferred to the Bond trustee to replenish the Reserve Account.

Community impacts and community involvement:

This is an administrative action taken to authorize the Contingent Loan Agreement for the 2016 Bonds. No community impact or involvement is anticipated.

Budgetary Impact Worksheet

Does this action change appropriations?

☐ **YES:** Please complete the information below.

☒ **NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

Exhibit A

Draft 7/12/2016

CONTINGENT LOAN AGREEMENT

This CONTINGENT LOAN AGREEMENT ("Agreement") is entered into this [] day of [], 2016, by and between the CITY OF PORTLAND, OREGON, a municipal corporation (the "City"), and HOME FORWARD, a public body corporate and politic of the State of Oregon ("Home Forward").

WHEREAS, Home Forward, by its Resolution No. 16-06-02 adopted on June 21, 2016 (the "Resolution"), authorized the issuance of its Multifamily Housing Refunding Revenue Bonds, 2016 (Lovejoy Station Apartments) (the "Bonds"), in an amount not to exceed \$[] for the purpose of providing the funds with which to refinance the costs of the cost of constructing a 181-unit apartment complex in Portland, Oregon, known as the Lovejoy Station Apartments (the "Project") to provide housing for persons or families of lower income; and

WHEREAS, the City desires to support and assist in providing affordable housing units within the City and by Ordinance No. [] passed on [], 2016], approved the form and execution of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto covenant and agree as follows:

Article I

Related Documents: Definitions

Section 1.01 Related Documents. Home Forward has entered into a Trust Indenture (including any amendments or supplements thereto, the "Indenture") between Home Forward and Zions Bank, a division of ZB, National Association, as Trustee and a Trust Deed (the "Trust Deed") relating to the Bonds. The Indenture and the Trust Deed are attached hereto as Exhibits A and B, respectively. Home Forward shall not amend the Indenture or the Trust Deed in any manner that could have an adverse effect on the City's obligations hereunder without the prior written consent of the City so long as this Agreement is in effect.

Section 1.02 Definitions. Unless the context clearly requires otherwise, the following terms shall have the respective meanings set forth below for purposes of this Agreement.

Additional Bonds means any bonds or notes issued pursuant to Section 2.8 of the Indenture.

Adjusted Net Operating Income means Project Revenues less Insurance Proceeds (other than proceeds of business interruption insurance), Condemnation Awards, proceeds resulting from foreclosure of the Trust Deed and interest earnings on the foregoing amounts, and less Operation and Maintenance Costs.

Amounts Available for Contingent Loan Repayment means Net Operating Income less amounts of Project Revenues or General Revenues used to fund or replenish the accounts in the Bond Fund, plus General Revenues.

Bond Fund means the fund of that name created by the Trustee pursuant to Section 4.2 of the Indenture.

Bonds mean the Multifamily Housing Refunding Revenue Bonds, 2016 (Lovejoy Station Apartments), in the original principal amount of \$[] issued by Home Forward for the purpose of refinancing the cost of constructing the Project.

Contingent Loan Amounts means the funds advanced to Home Forward under this Agreement and the interest thereon.

Coverage Ratio means the ratio of Adjusted Net Operating Income to Required Debt Service.

Debt Manager means the Debt Manager of the City, the Director of the Bureau of Revenue and Financial Services, the Chief Administrative Officer of the Office of Management and Finance, or the person designated by the Chief Administrative Officer of the Office of Management and Finance to act as Debt Manager under this Agreement.

Extraordinary Maintenance Expenses means the cost of those unforeseen repairs and improvements, and other expenses, that are necessary, in the opinion of Home Forward (or, if the Trustee has appointed a receiver for the Project, in the opinion of the Trustee, its professional advisors or its agents), for the viability of the Project.

General Revenues means all revenues of Home Forward from any source (other than Project Revenues), except as provided in the next sentence. Revenues shall not be considered "General Revenues" if applicable laws, regulations, contracts, or covenants, existing now or hereafter, prohibit use of those revenues to pay the Bonds or repay advances made by the City under this Agreement.

Investment Earnings means all earnings derived from the investment of money held in any of the Funds held by the Trustee under the Indenture.

Management Plan means Home Forward's plan for stabilizing the Project, including an operating budget. The operating budget may include Home Forward's necessary overhead costs and any other information the City may reasonably require.

Net Operating Income means Project Revenues less Operation and Maintenance Costs.

Operation and Maintenance Costs means all necessary costs to Home Forward of operating and maintaining the Project, including but not limited to administrative and general expenses, costs of insurance (including reasonable contributions for self insurance reserves, if any), consulting and technical services and repairs and replacements (to the extent not properly classifiable as capital costs) and reasonable reserves therefor, but excluding depreciation (or reserves therefor), amortization of intangibles or other bookkeeping entries of a similar nature, operating reserve

contributions and debt service on the Bonds and any other obligations of Home Forward relating to the Project. For purposes of computing the Coverage Ratio, Operation and Maintenance Costs shall not include: Extraordinary Maintenance Expenses, payments in lieu of taxes or costs paid from reserves or Insurance Proceeds (other than business interruption insurance).

Payment Amount means the loan amount described in the notice given by the Trustee on the last Business Day on or before June 15 or December 15 pursuant to Section 4.3(4) or the loan amount described in the notice given by the Trustee on [December 15, ____] pursuant to Section 4.3(5) of the Indenture, as applicable.

Project Revenues means (1) all amounts due to or received by Home Forward or by the Trustee for the account of Home Forward pursuant or with respect to the Project, including without limitation all lease payments, payments on contractors' bonds, Insurance Proceeds and Condemnation Awards and proceeds resulting from foreclosure of the Deed of Trust, but excluding refundable security deposits, and (2) all Investment Earnings other than Investment Earnings to be transferred to the Reserve Account to maintain the balance in the Reserve Account at the Reserve Requirement for the Bonds and any Additional Bonds.

Refunding Bonds means any bonds issued to refund all or a portion of the Bonds.

Required Debt Service means the amount required to pay principal of and interest on the Bonds and any Additional Bonds when due, including amounts required for the mandatory redemption of Bonds pursuant to Section 3.2(2) of the Indenture.

Reserve Account means the account of that name in the Bond Fund.

Reserve Requirement means, with respect to the Bonds, \$[____], and with respect to any Additional Bonds, the amount described in Section 2.8 of the Indenture. The Reserve Requirement may be decreased upon the redemption, open market purchase or defeasance of Bonds or Additional Bonds, all as set forth in the Indenture.

Trustee means Zions Bank, a division of ZB, National Association, or its successor, as trustee under the Indenture.

All other capitalized terms used but not defined in this Agreement shall have the meanings assigned to them in the Indenture.

Article II

Loans to Home Forward

Repayment Terms: Interest Rate: Limitation of Liability

Section 2.01 Loans to Home Forward. The City agrees to request that the City Council appropriate funds necessary to lend Payment Amounts to Home Forward. The City shall lend Payment Amounts to Home Forward pursuant to this Agreement for the purpose of meeting its obligations under the Bonds and the Indenture if Home Forward is otherwise unable to meet those obligations from Net Operating Income or from General Revenues. Notwithstanding the foregoing, the City shall not be required to lend Payment Amounts for the purpose of paying any

accelerated principal of and interest on the Bonds that becomes payable pursuant to an Event of Default or any extraordinary mandatory redemption under the Indenture unless the City consents to the acceleration or extraordinary mandatory redemption in advance and in writing.

The total Payment Amounts shall not exceed the principal amount of the Bonds and any Additional Bonds plus interest due and unpaid by Home Forward, less amounts originally deposited in the Bond Fund from bond proceeds or deposited thereafter from funds other than the proceeds of loans made by the City hereunder. All Payment Amounts lent to Home Forward shall be delivered to the Trustee and used to pay debt service on the Bonds or replenish the Reserve Account. No Payment Amounts shall be requested after all Bonds and Additional Bonds have been retired, defeased or redeemed.

All such loans will be secured by the Trust Deed, as set forth therein, and shall be evidenced by a promissory note from Home Forward.

Section 2.02 Notice to City Regarding Project Status.

(1) Home Forward shall provide to the City copies of all annual audited financial statements of the Project within 10 days of receipt thereof by Home Forward. Such statements shall be prepared at least annually.

(2) If any such annual audited financial statement reveals that the Coverage Ratio for the Project is less than 1.15 to 1, Home Forward shall notify the City.

(3) If any annual audited financial statement reveals that the Coverage Ratio for the Project is less than 1.10 to 1, Home Forward shall so notify the City and shall submit to the City within 30 days, for its approval, a Management Plan to increase the Coverage Ratio to at least 1.10 to 1 within the next 12 months.

(4) If there is a draw on the Reserve Account that is not replenished within 10 days, Home Forward shall submit to the City, within 30 days, for its approval a Management Plan to replenish the Reserve Account to the Reserve Requirement from Project Revenues or General Revenues and to provide a Coverage Ratio of 1.10 to 1 within the next 12 months.

(5) Any Management Plan submitted pursuant to Section 2.02(3) or (4) shall be subject to the following provisions:

(a) At the time the Management Plan is submitted, Home Forward shall also notify the City of the amounts, if any, that it projects it will request to borrow under this Agreement during the next year. If Home Forward projects that it will request a loan under this Agreement, the Management Plan shall also include a repayment schedule for Contingent Loan Amounts.

(b) The City may require Home Forward to raise Project rents to levels necessary to replenish the Reserve Account to the Reserve Requirement and/or to provide a Coverage Ratio of 1.10 to 1, so long as those rent levels do not exceed the levels permitted by law and any restrictive covenants by which the Project is bound.

(c) The City may, but is not required to, appoint a Project manager (which may be the City) as part of the Management Plan.

Failure of Home Forward to deliver the Management Plan within such 30-day period or to make reasonable efforts to comply with the Management Plan shall constitute an event of default under Section 5.01.

(6) If the City staff and Home Forward are unable to reach agreement on a Management Plan, City staff will present a proposed plan to the City Council along with the City Debt Manager's request for appropriation. Home Forward also may present a proposed plan to the City Council at that time. The City Council may approve either plan, with or without modifications. The plan and any modifications approved by the City Council shall constitute the Management Plan hereunder and shall be subject to subsection (5) of this section.

Section 2.03 Timing and Procedures for Loan Requests.

(1) Under the Indenture, the Trustee is required, within two Business Days of any withdrawals from the Reserve Account that cause amounts on deposit to be less than the Reserve Requirement, to give written notice to Home Forward and the City of such withdrawal, which notice shall state the amount of such withdrawal. On the last Business Day on or before January 15 of each year in which the balance in the Reserve Account on that date is less than the Reserve Requirement, the Trustee is required to give written notice to the City and Home Forward (each an "Appropriation Notice") of the amount required to restore the Reserve Account to the Reserve Requirement on that date (the "Appropriation Amount"). On or before January 15, [____], the Trustee is required to give written notice to the City and Home Forward (the "Final Appropriation Notice") of the amount which is required, in addition to the amount then on deposit in the Reserve Account, to pay all Bond principal and interest that is due after January 15, [____] (the "Final Appropriation Amount"). Within 30 days of its receipt of any Appropriation Notice or Final Appropriation Notice from the Trustee, Home Forward shall certify to the City the amount, if any, of General Revenues it expects to be available to replenish the Reserve Account to the Reserve Requirement or pay principal and interest on the Bonds due after January 15, [____], as applicable, but such estimate shall not affect the amount of any loan hereunder.

(2) All loans hereunder shall be evidenced by a promissory note given by Home Forward to the City at the time the first loan is made.

(3) If the City receives an Appropriation Notice or the Final Appropriation Notice from the Trustee pursuant to Section 2.03(1), the City Debt Manager shall present to the City Council a request to appropriate the Appropriation Amount or the Final Appropriation Amount, as applicable, to make a loan to Home Forward, from any funds of the City legally available for that purpose, in an amount equal to the First Loan Amount (defined below), the Second Loan Amount (defined below) or the Final Loan Amount (defined below), as applicable.

(4) The City shall notify the Trustee and Home Forward of the amount of any such appropriation within 15 days of the City Council action effecting such appropriation, and also shall notify Home Forward of an approved Management Plan. If the City Council does not appropriate or otherwise make funds available to make a loan as requested by Home Forward, the obligation

of the City to make the loan shall terminate for the upcoming fiscal year to the extent the City has not appropriated such funds, and such termination shall not constitute an event of default hereunder. The City shall give to Home Forward and the Trustee written notice of such nonavailability of funds as soon as reasonably practicable, but in no event more than 15 days after the City Council approves its budget for the upcoming fiscal year failing to appropriate such funds. If the Trustee has not received notice from the City by June 30 pursuant to this subsection (4), the Trustee shall assume that no funds have been appropriated for the fiscal period.

(5) The City Council shall have no legal obligation to appropriate funds as requested hereunder; however, once funds have been appropriated, the City shall be obligated to the extent the City has appropriated the Appropriation Amount or the Final Appropriation Amount, as applicable, to transfer the First Loan Amount and the Second Loan Amount or the Final Loan Amount to the Trustee, as described in the Trustee's notice provided pursuant to subsection (6) below.

(6) Pursuant to the Indenture, the Trustee is required to notify the City in writing:

(a) on the last Business Day on or before June 15 of each calendar year in which an Appropriation Notice is sent, of the First Loan Amount. The First Loan Amount shall be equal to the lesser of (i) the amount, together with other funds held by the Trustee and available for such purpose under the Indenture on the date the notice of the First Loan Amount is given by the Trustee, that is necessary to pay Required Debt Service on the immediately succeeding July 1; or (ii) the Appropriation Amount;

(b) on the last Business Day on or before December 15 of each calendar year in which an Appropriation Notice is sent, of the Second Loan Amount. The Second Loan Amount shall be equal to the lesser of (i) the amount, together with other funds held by the Trustee and available for such purpose under the Indenture on the date the notice of the Second Loan Amount is given by the Trustee, that is necessary to pay Required Debt Service on the immediately succeeding January 1; or (ii) the Appropriation Amount less the First Loan Amount; and

(c) on or before December 15, [] after sending the Final Appropriation Notice, of the Final Loan Amount. The Final Loan Amount shall be equal to the lesser of (i) the amount, together with other funds held by the Trustee and available for such purpose under the Indenture on the date the notice of the Final Loan Amount is given by the Trustee, that is necessary to pay Required Debt Service on January 1, []; or (ii) the Final Appropriation Amount.

(7) To the extent the Appropriation Amount or the Final Appropriation Amount, as applicable, has been appropriated by the City Council, as provided in Section 2.03(4), the City shall deliver such Payment Amounts to the Trustee on or before 10:00 a.m. prevailing Pacific time on the first Business Day of July and the first Business Day of January of the following year, as applicable.

Section 2.04 Repayment Terms.

(1) Home Forward shall repay the principal of such advance and interest thereon quarterly, on the first business day of each January, April, July and October, from all Amounts Available for Contingent Loan Repayment unless otherwise provided in the approved Management Plan. If no Amounts Available for Contingent Loan Repayment are available to make any quarterly payment, Home Forward shall so certify to the City. Home Forward shall disburse Project Revenues in the following order:

- (a) to pay Operation and Maintenance Costs;
- (b) to make deposits to the Principal and Interest Account in the Bond Fund as required by the Indenture;
- (c) to make deposits to the Reserve Account sufficient to maintain the Reserve Requirement;
- (d) to repay any loans under this Contingent Loan Agreement; and
- (e) [to make debt service payments, if any, to the Portland Housing Bureau ("PHB"), as required under Section 2 of the promissory note(s) evidencing the loan from the PHB to Home Forward].

(2) If, after the Bonds are no longer outstanding, there are outstanding loan amounts owing from Home Forward to the City, unless Home Forward is in material compliance with a Management Plan, the City may foreclose the Trust Deed by the most expeditious method chosen by the City, after giving Home Forward at least 90 days' notice.

Section 2.05 Interest Rate. The rate of interest borne by each advance hereunder shall be the rate being earned from time to time on the City's investment pool as determined and certified by the City Debt Manager. The City shall give notice to Home Forward of the applicable interest rate 15 days before each quarterly payment is due.

Section 2.06 Loans Not a Debt of the City. The obligation of the City to make a loan to Home Forward under Section 2.01 hereof is subject to appropriation of funds by the City for the fiscal period in which payments are requested pursuant hereto and shall not in any way be construed to be a debt of the City in contravention of any applicable charter, constitutional or statutory limitation or requirements concerning the creating of indebtedness by the City.

Article III

Home Forward Covenants and Agreements

Section 3.01 Payments to the City. Home Forward shall reimburse the City for all out-of-pocket costs, including attorneys' fees, incurred by the City in negotiating and entering into this Agreement.

Section 3.02 Insurance and Loss.

(1) Before the City provides any loan funds under this Agreement and until all Contingent Loan Amounts have been repaid, Home Forward shall add the City as an additional insured to all policies of insurance against loss and/or damage to the Project. Home Forward shall provide copies of such policies to the City.

Section 3.03 Insurance Proceeds and Condemnation Award. Upon receipt of Insurance Proceeds or a Condemnation Award in an amount that exceeds 10% of the Bonds then outstanding, Home Forward shall determine whether to repair the Project or redeem Bonds after prior consultation with Bond Counsel and obtaining the prior written consent of the City if electing not to repair the Project.

Section 3.04 Refinancing Plan. On or before the date that is five years before the maturity date of the Bonds, Home Forward shall present to the City a proposal for refinancing the Bonds prior to the maturity date of the Bonds or paying the bonds in full on or before the maturity date of the Bonds. The refinancing plan shall include expectations regarding timing, security, bond structure and repayment schedule and shall provide for the refunding of all then Outstanding Bonds no later than January 15, [____]. Home Forward covenants to use its best efforts to refund all then Outstanding Bonds no later than January 15, [____]. The foregoing applies only to the extent there is a balloon payment due on the maturity date for the Bonds.

Section 3.05 Other Covenants.

(1) Home Forward will comply with all other agreements relating to the Project, the Bonds or any Additional Bonds. It will refrain from any action that will result in rendering the Bonds taxable.

(2) The Project will not be sold or transferred during the term of the Agreement.

(3) Except for the restrictive covenants disclosed in writing to the City on or before the effective date of this Agreement, Home Forward will not enter into any restrictive covenants with respect to the Project without the prior written consent of the City.

Article IV

City Covenants

Section 4.01 Compliance with Continuing Disclosure Requirements. The City will comply with all terms set forth in the continuing disclosure agreement executed by the City for the purpose of meeting the conditions of paragraph (b)(5) of United States Securities and Exchange Commission ("SEC") Rule 15c2-12 (the "Rule"), as applicable to a participating underwriter for the Bonds.

Article V

Rights and Remedies

Section 5.01 Events of Default. Home Forward shall be in default under this Agreement if (1) it fails to make when due any payment on outstanding loan amounts when Net Operating Income or General Revenues are available (after payment of debt service on the Bonds and any Additional Bonds) to make such payment, (2) an Event of Default (as defined in Section 5.01 of the Trust Deed and/or Section 7.1 of the Indenture) has occurred and is continuing, or (3) it fails to deliver or make reasonable efforts to comply with the Management Plan as required by Section 2.02.

However, if by reason of acts of God, strikes, lockouts, acts of public enemies, insurrections, riots, epidemics, civil disturbances, or any other similar cause or event not reasonably within the control of Home Forward, Home Forward is unable in whole or in part to make any such payment on outstanding loan amounts or is in default under the Indenture, Home Forward shall not be deemed in default during the continuance of such inability.

Section 5.02 Rights of City Upon Making Loans. If the City has made any loans to Home Forward hereunder and such loans and interest thereon have not been repaid in full, the City may take any one or more of the following steps:

(1) If the City has made loans under this Agreement in an amount equal to more than twice the Reserve Requirement, and whether or not Home Forward is in default, the City may, but is not required to, direct the Trustee to cause the extraordinary mandatory redemption of all the Outstanding Bonds in accordance with Section 3.2(3)(c) of the Indenture, but only if the City Council has appropriated the amounts necessary to pay all principal and interest due upon that extraordinary mandatory redemption. In addition, the City shall consult with Home Forward before directing such extraordinary mandatory redemption and shall work with Home Forward to reach a mutually agreeable repayment schedule to prevent such extraordinary mandatory redemption.

(2) If Home Forward is in default in its repayment obligations with respect to any loans made to Home Forward by the City hereunder (an "Authority Default") and if, and only if, the Bonds are no longer outstanding the City may (a) declare the entire principal balance of the loan (if not then due and payable) to be due and payable immediately together with all interest accrued thereon to the date of such acceleration, and (b) foreclose its lien on the Project, anything in this Agreement to the contrary notwithstanding. The City may waive such Authority Default and may rescind and annul such declaration and its consequences; but no such waiver, rescission or annulment shall extend to or affect any subsequent Authority Default or impair any right incident thereto.

Section 5.03 Right to Enforce Agreement. Either party may proceed to protect and enforce its rights in equity or at law for mandamus or for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate legal or equitable remedy, as it may deem most effectual to protect and enforce any of its rights or interests hereunder.

Section 5.05 No Implied Waiver. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. For the exercise of any remedy, it shall not be necessary to give any notice, other than such notice as may be expressly required herein.

Section 5.07 City's Consent. The City shall respond promptly to any request from Home Forward for the City to consent hereunder. Or under the Indenture.

Miscellaneous

Section 6.02 Notice. All notices or other communications required hereunder shall be in writing and shall be sufficiently given if addressed and mailed by first-class, certified or registered mail, postage prepaid and return receipt requested, as follows:

To Home Forward: Home Forward
Executive Director
Housing Authority of Portland
135 SW Ash Street
Portland, OR 97204

The City or Home Forward may, by notice given hereunder, designate any further or different address to which subsequent notices, certificates, requests or other communications shall be sent. Notices shall be deemed served upon deposit of such notices in the United States mail in the manner provided above.

Section 6.03 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the City and Home Forward and their successors. This Agreement may not be assigned, except that Home Forward shall have the right to assign to the Trustee its right to obtain funds, if available, from the City hereunder for the benefit of the owners of the Bonds.

Section 6.04 Severability. In the event any provision of this Agreement shall be held to be invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 6.05 Amendments; Refunding Bonds. This Agreement may not be effectively changed, modified or altered, except by an instrument in writing duly executed by the City and Home Forward (or their successors in title). If the Bonds are rated by a rating agency, then no such amendment shall be permitted unless Home Forward, or the Trustee on behalf of Home Forward, has received written confirmation from the rating agency that such amendment will not result in a reduction or withdrawal of the rating on the Bonds. If the Bonds are not rated by a rating agency, then no such amendment will be permitted unless the parties make a determination, after a reasonable investigation, that such amendment will neither (i) adversely affect the owners of the Bonds nor (ii) increase the possibility of Home Forward requesting funding by the City pursuant to this Agreement.

If Home Forward issues Refunding Bonds at any time, all references in this Agreement to "Bonds" shall be deemed to be references to "Refunding Bonds" for all purposes, without further action by the parties hereto, but only with the consent of the City.

Section 6.06 Waiver of Breach. No waiver of any breach of any covenant or agreement contained herein shall operate as a waiver of any subsequent breach of the same covenant or agreement or as a waiver of any breach of any other covenant, agreement, or undertaking, the nondefaulting party may nevertheless accept from the other any payment or payments or performance hereunder without in any way waiving its right to exercise any of its rights and remedies provided for herein or otherwise with respect to any such default or defaults that were in existence at the time such payment or payments or performance were accepted by it.

Section 6.07 No Rights Created in Third Parties. The terms of this Agreement are not intended to establish nor to create any rights in any persons or entities other than the City, Home Forward and the respective successors and assigns of each.

Section 6.08 Time of Essence. Time and all terms and conditions shall be of the essence of this Agreement.

Section 6.09 Termination of Agreement. This Agreement shall terminate upon payment in full of all principal of and interest on the Bonds (or defeasance thereof pursuant to Article IX of the Indenture), and the repayment in full of all Contingent Loan Amounts.

Section 6.10 Execution in Counterparts. This document may be executed in counterparts.

[Signature Page to Follow]

*[Signature Page – Contingent Loan Agreement – Home Forward Multifamily Housing
Refunding Revenue Bonds, 2016 (Lovejoy Station Apartments)]*

IN WITNESS WHEREOF, the City and Authority have caused this Agreement to be
executed in their respective names by their duly authorized officers.

CITY OF PORTLAND, OREGON

By

CHARLIE HALES
Mayor

MARY HULL CABALLERO
Auditor

Approved as to Form:

City Attorney

HOME FORWARD

By

MICHAEL BUONOCORE
Executive Director

**REFERRED TO COMMISSIONER OF
FINANCE AND ADMINISTRATION**

ORDINANCE No.

*Authorize contingent loan agreement with Home Forward for Lovejoy Station Apartments (Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

1. On June 21, 2016, Home Forward adopted a resolution authorizing the issuance of the Home Forward's Multifamily Housing Refunding Revenue Bonds for Lovejoy Station Apartments Resolution 16-06-02 (the "2016 Bonds"), in an amount not to exceed \$10,500,000. Proceeds of the 2016 Bonds will be used to refinance all or of part of Home Forward's (previously known as the Housing Authority of Portland) Multifamily Housing Revenue Bonds, Series 2000 (Lovejoy Station Apartments Project) (the "2000 Bonds"), which were used to finance the construction of the Lovejoy Station Apartments to provide housing for persons or families of lower income; (2) to pay costs associated with acquisition of interests in the Project; and (3) to pay costs related to the 2016 Bonds. Home Forward is refinancing the 2000 Bonds in order to take advantage of lower interest rates and reduce debt service costs.
2. Lovejoy Station Apartments is a 181-unit affordable housing project located at 1040 NW 10th Avenue in Portland, Oregon, with studio, one and two-bedroom units built in 2001 by Home Forward (the "Project"). All units of the Project are reserved for low income households, with 76 studios targeted to households at 40-60% of the area's median family income ("MFI"), 66 one bedroom units at 60-80% of MFI, and 39 two bedroom units at 60-80% of MFI.
3. The City and Home Forward have previously entered into a contingent loan agreement to provide credit enhancement for 2000 Bonds. The contingent loan agreement authorized by this Ordinance (the "Contingent Loan Agreement") will provide credit enhancement for the 2016 Bonds and will replace the existing contingent loan agreement for the 2000 Bonds.
4. The credit enhancement that the Contingent Loan Agreement provides for the 2016 Bonds will allow Home Forward to refinance the 2000 Bonds to achieve debt service savings.
5. The City currently has five contingent loan agreements with Home Forward, including the outstanding contingent loan agreement for the Project, that provide credit enhancement for various Home Forward bonds. The total outstanding principal amount of Home Forward bonds carrying a contingent loan agreement with the City is \$25,420,000. The City's obligation to loan funds under the contingent loan agreements is subject to annual appropriation by the City Council.

NOW, THEREFORE, the Council directs:

- a. The Council hereby approves and the Mayor and Auditor are hereby authorized to execute a Contingent Loan Agreement with Home Forward to refinance the Project, in substantially the form attached as Exhibit A with such changes as are permitted by the next sentence. The City's Debt Manager, the Chief Financial Officer and Director of the Bureau of Revenue and Financial Services, the Chief Administrative Officer, or their designee, with the concurrence of the City Attorney's Office, is authorized to negotiate modifications to the Contingent Loan Agreement, and to take any action, enter into any agreement or execute any document that is desirable to carry out this ordinance or facilitate the refinancing of the Project.

Section 2. The Council declares that an emergency exists because the Contingent Loan Agreement is necessary to take advantage of current favorable interest rates that will reduce debt service costs to the Project; therefore, this ordinance shall be in full force and effect from and after its passage by Council.

Passed by the Council:

Mayor Charlie Hales

Prepared by: Bond Counsel: Eric Johansen

Date Prepared: July 13, 2016

Mary Hull Caballero

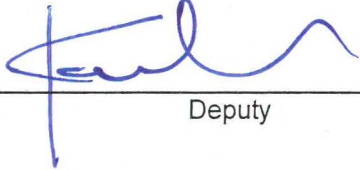
Auditor of the City of Portland

By

Deputy

Agenda No.
ORDINANCE NO.
 Title

* Authorize contingent loan agreement with Home Forward for Lovejoy Station Apartments
 (Ordinance)

<p style="text-align: center;">INTRODUCED BY Commissioner/Auditor: Mayor Charlie Hales</p> <hr/> <p style="text-align: center;">COMMISSIONER APPROVAL</p> <p>Mayor—Finance and Administration - Hales</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Novick</p> <hr/> <p style="text-align: center;">BUREAU APPROVAL</p> <p>Bureau: Revenue & Financial Services Bureau Head: Ken Rust</p> <p>Prepared by: Bond Counsel: Eric Johansen Date Prepared: 7/13/2016</p> <p>Financial Impact & Public Involvement Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>City Auditor Office Approval: required for Code Ordinances</p> <p>City Attorney Approval: required for contract, code, easement, franchise, comp plan, charter</p> <p>Council Meeting Date 7/27/2016</p>	<p>CLERK USE: DATE FILED <u>JUL 19 2016</u></p> <hr/> <p style="text-align: right;">Mary Hull Caballero Auditor of the City of Portland</p> <p>By:  Deputy</p> <p>ACTION TAKEN: JUL 27 2016 <i>REFERRED TO COMMISSIONER OF FINANCE AND ADMINISTRATION</i></p>
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AGENDA
<p>TIME CERTAIN <input type="checkbox"/></p> <p>Start time: _____</p> <p>Total amount of time needed: _____ (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR <input checked="" type="checkbox"/></p> <p>Total amount of time needed: <u>5 minutes</u> (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz		
2. Fish	2. Fish		
3. Saltzman	3. Saltzman		
4. Novick	4. Novick		
Hales	Hales		