

PORTLAND DEVELOPMENT COMMISSION

**LOAN POLICY
AND
PROCEDURE MANUAL**

April 9, 1996

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1 INTRODUCTION

1.1 Overview

The Portland Development Commission (PDC) is the City of Portland's agency for urban renewal, housing and economic development. PDC was created in 1958 and is governed by a five-member board (the Commission) of local citizens appointed by the Mayor and approved by the City Council.

PDC's purpose is to create partnerships with community and business leaders to bring entrepreneurial opportunities, jobs and housing to revitalize focused target areas of the City. Partnerships are formed by assisting individuals and businesses in various ways with projects that strengthen Portland as a principal economic center, maintain or expand housing, or redevelop areas of unique need or opportunity. The assistance may be given in the form of land assembly, construction of infrastructure, recommendation for tax abatement, assistance with obtaining permits and approvals, technical assistance to small businesses, or direct financial assistance. Direct financial assistance is often given in the form of a loan. This manual covers policies and procedures related to PDC's multi-faceted loan program.

The manual summarizes PDC's stated purposes in providing financial assistance. It also describes the roles and responsibilities of loan officers, department directors, the executive director, the Loan Sub-Committee, the Loan Committee, and the Commission. It describes the various approval processes for loans that are not referred to the Loan Committee. The manual lists the standard conditions that apply to all PDC loans. It is meant to give new loan officers and committee members an overview of PDC's loan policies and procedures and to serve as a reference manual.

This manual summarizes the existing loan programs which support PDC's Five Year Business Plan. The focus is on programs rather than departments and on goals rather than underwriting guidelines. The Five Year Plan is the yardstick for measuring whether a particular loan addresses PDC's public purpose. The five Year Plan is also the basis for review and refinement of loan guidelines and underwriting standards. Each loan program supports one of the following five major business lines as identified in the Five Year Plan:

1.1.1 Redevelopment Area Planning

Planning for comprehensive downtown and neighborhood revitalization programs and projects to redevelop project areas which reflect the public interest through programs such as: market analysis, project feasibility, urban renewal district plans, development opportunity strategies, and site planning.

1.1.2 Project Finance and Development

Developing housing, retail, office, industrial and infrastructure projects that involve public/private partnerships to achieve City objectives through programs such as: multi-family housing, infrastructure, office and commercial facilities and construction management.

1.1.3 Neighborhood Revitalization

Working with community residents, business owner and non-profits to develop and implement strategies for affordable housing, increased employment, community ownership of business and neighborhood livability to build healthy neighborhoods and business districts through programs such as: housing, development, workforce and economic development input on community plans, single family housing loans and small business loans.

1.1.4 Business Retention, Expansion and Recruitment

Providing a full range of direct assistance to businesses looking to locate or expand in the Portland area and to create jobs for City residents and build a strong economic base of key industries through program such as: marketing of sites, hiring strategies for businesses, incentive packaging and enterprise zone management.

1.1.5 Workforce Development

Providing workforce planning strategies and employment services to businesses locating or expanding in the Portland area. PDC promotes customized workforce training and links employees with employers to provide employment opportunities for City residents to increase community wealth through such programs as JobNet system to supply applicants, target industry training strategies and systems to eliminate barriers for job openings to employment, i.e. child care, transportation.

1.2 Approval and Revision of Loan Policy and Procedure Manual

By resolution the Commission directed the Loan Committee to create and adopt a Loan Policy and Procedure Manual within certain guidelines (Resolution No. 4642). The manual may be revised by the Loan Committee after periodic review to comply with changes in federal, state, and local policies, and changes in market conditions. The Executive Director will determine upon recommendation by the Loan Committee when changes will require Commission approval.

1.3 Organization of the Manual

Section two of the manual is a summary of the financial principles and policies to be considered in determining what type and amount of financial assistance is appropriate, relative to PDC's goals.

Section three describes the lending process. It identifies the role of staff members and describes the approval process. The responsibilities and approval authority of loan officers, department directors, executive director, Loan Sub-Committee, Loan Committee, and Commission are explained.

Section four of the manual lists the standard conditions that apply to all loans, regardless of strategic purpose or originating department, to minimize losses from uncollectible loans. Although it is not PDC's intent to realize financial gain from its lending activities, nevertheless, PDC strives to preserve its revolving loan funds by being a prudent lender.

The last section, titled Program Goals and Objectives describes specific loan programs by summarizing information from numerous other documents, including PDC's Five Year Plan. This section classifies loan programs into categories. To achieve greatest impact, PDC's

financial resources are concentrated on specific target areas throughout the city. The loan programs are part of a coordinated effort to deliver jobs and housing in the targeted areas.

A private lender, motivated by profit from its lending activities, would classify loan programs differently. The traditional private sector classification scheme depends upon the primary source of loan repayment. If income from real estate leases and rents is the primary resource for debt service, the loan would be underwritten by the bank's Real Estate department. On the other hand, if loan repayment depended primarily on the net income from business operations, the loan would be underwritten and monitored by a Commercial Loan department. A major purpose of this manual is to re-focus the reader away from the profit-oriented lender categories and toward the strategic public purposes for which PDC makes loans.

2 FINANCIAL PRINCIPLES AND POLICIES

2.1 Principles

- 2.1.1 Offer financial assistance to private businesses, non-profit organizations, public institutions and individuals to encourage them to undertake projects which further the City's public purposes.
- 2.1.2 Leverage public resources to maximum extent by increasing private funding and participation.

2.2 Policies

- 2.2.1 Provide financial assistance in the form of loans, in preference to grants.
- 2.2.2 Match interest rate to PDC's cost of funds, and require loan repayment in accordance with normal amortization for projects that can afford the resulting debt service. Use reduced interest rates and deferred payment terms, or equity participation, only when the project would not go forward without them, or when more favorable terms increase the project's feasibility and chances for success.
- 2.2.3 Use a variety of loan sources maximizing use of private financing and federal or state subsidies.
- 2.2.4 When local public subsidy is required, offer no more than necessary to make the project economically feasible for the borrower, or affordable to the homeowner unless a specific loan program identifies an alternative basis or goal for providing a loan.
- 2.2.5 Construct loan terms that recapture the public subsidy in full before the borrower is permitted to retain profit in excess of a reasonable and agreed upon return.
- 2.2.6 Evaluate risk, including the risk related to environmental contamination, and total level of public subsidy, in the context of how well the project meets the public objective.
- 2.2.7 Ensure maximum public benefit and responsible stewardship of public funds by not extending financial assistance in the form of loans to projects which have minimal contribution to the five year business plan goals, do not conform to loan program goals, where the recovery of the investment of public funds is unlikely, or where economically feasible and affordable financing is available from the private sector, unless a specific loan program identifies an alternative basis or goal for providing a loan.

3 THE LENDING PROCESS

3.1 Overview

- 3.1.1 Applications are accepted and packaged by a loan officer, who must verify that the use of the loan proceeds conforms to the source agreement between the City/PDC and the funding agency. The loan officer also certifies that the proposed loan is in conformance with the specific loan program or identifies any required waiver of the loan program policies.
- 3.1.2 The department director is ultimately responsible for decisions regarding eligible use of loan proceeds and, when in question, is advised to secure an opinion from legal counsel. The department director determines when and whether a loan package will be forwarded for review and approval.
- 3.1.3 Loans are approved by the Commission. The Commission has adopted guidelines for loan programs, and has delegated its authority to approve loans up to and including \$200,000 which conform to those guidelines, to a Loan Committee.
 - a. Loans for amounts up to and including \$15,000, and which conform to Commission-approved program guidelines, may be approved by appropriate Department Directors. Loans which do not conform to Commission-approved program guidelines are referred directly to the Loan Committee for review.
 - b. Neighborhood Housing Preservation loans are limited to amounts up to and including \$65,000. If they conform to Commission-approved program guidelines, these loans are exempt from review by the Loan Sub-Committee and may be approved by the Housing Department Director (Resolution 4476). Loans which do not conform to Commission-approved program guidelines are referred directly to the Loan Committee for review.
 - c. Loans up to and including \$100,000, and which conform to Commission-approved program guidelines, are reviewed by a Loan Sub-Committee; and may be recommended to the Executive Director for approval. Loans which do not conform to Commission-approved program guidelines are referred directly to the Loan Committee for review.
 - d. Loans greater than \$100,000 are reviewed by the Loan Committee. The Loan Committee may make its approval subject to special loan conditions. Loans up to and including \$200,000 may be approved by the Loan Committee if the loans conform to Commission approved program guidelines.
 - e. Loans greater than \$200,000, or involving a waiver of program guidelines, require action by the Commission upon recommendation of the Loan Committee.

3.1.4 The following table illustrates the levels of loan approval authority:

LOAN APPROVAL AUTHORITY TABLE

LOAN PROGRAM NAME	DEPT DIRECTOR ≤ \$15,000	EXEC DIR AND SUB- COMMITTEE	LOAN COMMITTEE	COMMISSION
Neighborhood Housing Preservation (limited to ≤ \$65,000)	≤ \$65,000	NA	only if program waiver required	only if program waiver required
All other Loan Programs (e.g. RHD, Business Development Loan Fund, TIP, Real Estate Development Loan Fund, etc.)	≤ \$15,000	>\$15,000 and ≤ \$100,000	> \$100,000 and ≤ \$200,000 or if program waiver required	> \$200,000 or if program waiver required

3.2 Roles and Responsibilities

3.2.1 Loan Officers

Each loan program is staffed by one or more loan officers. The loan officer is the primary contact for a loan applicant. The main duty of the loan officer is to process and evaluate applications and proposals for funding and program compliance. Loans recommended by the loan officer are presented to the proper authority level for approval as determined by the department director. The report of the loan officer is the instrument for project analysis, recommendation, documentation of loan committee approval, and authorization for loan closing.

The business and housing lending team includes support staff from other Commission departments for specialized tasks. Legal review, appraisals, environmental review, closing, collection, accounting and monitoring are provided to the loan officer on a project by project basis. The loan officer's role is summarized as follows:

- a. Receive and process loan applications with the objective of evaluating the facts and circumstances regarding the applicant's ability to meet the program's conditions and criteria. Determine financial feasibility of application.
- b. Submit recommended loans with a supporting report to the proper authority level for approval.
- c. For approved projects, coordinate the use of support staff to close and administer the loan, and follow up over life of the loan to insure public benefits are received.
- d. Participate in the loan program evaluation and review process to improve programs and procedures, including preparation of the initial workup of new loan program guidelines, standard conditions, and criteria.

3.2.2 Department Directors

The department director reviews and approves loans in conformance with program guidelines up to and including \$15,000. For loans of a greater amount, the department director determines when a loan package is ready to go forward for approval. The Housing Department Director has authority to approve NHP loans, up to \$65,000.

3.2.3 Loan Committee

A Loan Committee was established in April 1989 by Resolution No. 3769 and subsequently revised by Resolution No. 4642 on November 16, 1994. The Committee is responsible for reviewing all applications for PDC loans as may be required by the guidelines of each loan program. The Committee, shall approve or recommend Commission approval, of those applications that satisfy the loan program requirements.

The Loan Committee consists of a minimum of five members: a PDC Commissioner who is appointed by the Commission Chair, the Executive Director, and three staff committee members designated by the Executive Director (currently the Director of Professional Services, Property Transactions Manager and Financial Services Analyst). The Executive Director may also invite staff or officers of other public agencies having an interest in Loan Committee agenda items to attend and participate in Committee meetings in an advisory capacity.

It is recommended that the Commission Chair also appoint an alternate PDC Commissioner to serve on the Committee in the absence of the appointed Commissioner Loan Committee member.

The Executive Director designates one of the staff committee members to serve as the Loan Committee Chair. A PDC staff attorney is an advisory member to the Loan Committee. On advice of legal counsel, the proceedings of the Loan Committee are not recorded.

A minimum of three committee members, one of which must be a Commissioner, constitute a quorum of the Loan Committee for conducting committee business. A majority vote of the Loan Committee members in attendance at a Loan Committee Meeting, is required for approval or recommendation to the Commission. In an emergency, a Commissioner may participate and vote on Committee business by telephone conference call at a Committee meeting.

3.2.4 Loan Sub-Committee

A loan sub-committee established by the Loan Committee reviews loans of \$100,000 or less. The Loan Sub-Committee consists of a minimum of three staff members who are appointed by the Executive Director. The Sub-Committee staff members should be the same as those appointed to the Loan Committee. The chair of the Loan Committee serves as the chair of the Loan Sub-Committee. Current members of the loan sub-committee are the Director of Professional Services, Property Transactions Manager, and Financial Services Analyst. The sub-committee is authorized to review and recommend action to the Executive Director on loans for amounts up to and including \$100,000.

3.2.5 Executive Director

The Executive Director approves loans up to and including \$100,000 upon recommendation of the Loan Sub-Committee.

3.2.6 Commission

All loans for amounts greater than \$200,000 are approved by Commission resolution. The Commission has delegated its authority to approve loans up to and including \$200,000 to the Loan Committee. All loans, regardless of amount, require Commission action if the aggregate amount of previous loans to the borrower or affiliated entities exceeds 5% of PDC's outstanding loans, or if a program waiver is requested.

3.3 Attendance at Committee Meetings

Prospective borrowers or their representatives will not attend or make presentations at Committee meetings. All material should be submitted through the respective Loan Officer. If a committee member is unable to attend a committee meeting, the committee member may not designate a replacement or acting status person as a substitute for the committee member.

4 STANDARD LOAN CONDITIONS

The following conditions apply to all loans that are approved by the Commission, directly or through delegated authority, unless the conditions are specifically waived, such as for equity gap financing. However, conditions and procedures may differ for Neighborhood Housing Preservation loans. Single Family and Homestead procedure manuals contain Commission approved procedures for those programs.

4.1 Eligible Borrowers

The residential building, non-residential building or commercial property that benefits from the loan must be located within a five mile radius from the City boundaries or within areas designated by the funding source or contract.

Regardless of the loan amount, a loan must be approved by the Commission whenever the aggregate amount of this and previous loans to the borrower, or affiliated entities, exceeds 5% of PDC's outstanding loans. ("Affiliated entities" means a corporation in which the borrower is an officer, a partnership in which the borrower is a partner, and all other forms of ownership in which the borrower has an economic interest in the property for which the loan was made.) Adopted by Resolution No. 4061.

No loan will be approved for a borrower who is in default on an existing PDC loan, unless a loan restructure has been approved. Borrowers will also be considered in default if any affiliated entities are in default on an existing PDC loan.

4.2 Site Control

Borrowers must provide evidence of site control of the subject property. For loan programs requiring ownership control, a valid option or an earnest money purchase agreement that allows sufficient time to obtain financial commitments will be accepted as evidence of ownership control.

4.3 Environmental Matters

Commission guidelines for the review of environmental matters in connection with PDC acquiring an interest in real property must be met. Environmental review at an appropriate level will be conducted on all real property in which PDC may acquire an interest and an assessment of PDC's potential risk must be considered.

4.4 Collateral

Sufficient and appropriate collateral will be required of all loans.

4.5 Appraisals

Loan approvals are subject to an appraisal to estimate the fair market value of the collateral. In the case of PDC-owned property, the value may be estimated by qualified PDC staff based on its fair re-use value.

When collateral is real estate, an appraisal is to be conducted by a fee appraiser licensed or certified, by the State of Oregon. At the option of the Property Transactions Manager, and for loans up to and including \$200,000, qualified PDC staff may conduct and prepare the appraisal. The appraisal is to be conducted according to professional standards established by the Appraisal Institute and FIRREA, and presented in a form that complies with the uniform standards of professional practice.

The cost of the appraisal is payable by the borrower and may be an eligible expense from loan proceeds.

Administrative procedures for real property appraisals are:

- 4.5.1 Cases involving borrower, seller or private lender acquisition financing will require an "as is" appraisal and an "after value" appraisal when applicable.
- 4.5.2 If the County Assessor's value exceeds all proposed debt, this value may be accepted subject to review and analysis by PDC staff.
- 4.5.3 Cases involving no purchase financing, or only refinance of existing debt, in addition to the proposed improvement financing, will require an "after value" appraisal if the real property is a determining factor in loan underwriting.
- 4.5.4 Cases involving rental income property will require a rent survey based on comparable properties to determine the probable rents after improvement.
- 4.5.5 When collateral is other than real estate, such as business equipment, furniture, or fixtures, an estimate of the liquidation value is to be conducted by the loan officer.
- 4.5.6 In all cases in which real estate is being proposed as collateral, the environmental contamination risk is to be identified and quantified to determine the impact, if any, on market value.
- 4.5.7 When collateral is accounts receivable, a financial statement is the starting point for estimating value.

4.6 Perfected Interests

PDC will hold a legally enforceable and properly perfected security interest for all collateral held as loan security, e.g., trust deeds for real property and security agreements for personal property. Security agreements may require UCC filings or possession of the collateral.

4.7 Title Insurance

When the loan collateral is real estate, borrowers will provide PDC with acceptable title insurance coverage. This coverage may be secured through a title insurance policy issued jointly to a participating lender and PDC, or through a title insurance policy issued solely to PDC.

Whenever financing is being provided for projects to be constructed, or when loan amounts exceed \$1 million, borrowers will provide PDC with an ALTA policy as protection for easements and boundaries, and against construction liens.

4.8 Property Tax Reserves

Unless maintained by the senior lien holder, PDC may require property tax reserves. If a property tax reserve is established, an interest bearing account will be established at loan settlement. The borrower will be required to contribute, each month, an amount sufficient to enable PDC to make the annual property tax payment on behalf of the borrower for the subject property.

4.9 Casualty Insurance

For loans secured by real estate, the borrower will maintain current adjusted replacement value insurance up to the amount of all indebtedness or full replacement value, whichever is less. Minimum insurance required is fire and extended coverage. The policy must contain a loss payable clause in favor of the PDC throughout the term of the loan. A copy of the policy in force is to be filed with PDC.

For loans secured by other than real estate, the collateral must be insured for an amount sufficient to cover the balance of the financing.

4.10 Subordinate Debt

Decisions to subordinate an existing PDC loan to a subsequent lender are made on a case-by-case basis by PDC's Loan Review Committee. (Guidelines are contained in PDC's Loan Servicing Manual.)

4.11 Performance Guarantees

Upon credit review of an application for funding a particular person or project, PDC may require personal guarantees, a performance bond, an irrevocable letter of credit or other adequate security to ensure project completion.

4.12 Commitment Letters

Upon loan approval, a commitment letter will be prepared by the Loan Officer outlining standard loan terms and conditions as well as special conditions prescribed by the Loan Committee. Before being signed by the Executive Director, or designee, letters are reviewed by Legal Counsel and staff responsible for loan closing.

Commitment letters shall specify that acceptance, satisfaction of loan conditions, and loan closing must occur within 180 days from the date of the commitment letter. Any commitment for which the loan has not closed within 180 days is no longer valid without a written extension.

4.13 Amendments and Modifications

Administrative procedures governing modifications of loan conditions before closing are as follows (requests for modifications to Loans after closing are subject to procedure in the Loan Servicing Manual) :

- 4.13.1 Minor adjustments to loan terms and conditions may be made by the Executive Director. Minor adjustments are those which do not affect the basic security of the loan and are procedural in nature such as: substitution of lenders, extension of closing date, acceptance of substitute loan terms which improve the project's cash flow or loan-to-value ratio.
- 4.13.2 Major adjustments to loan terms and conditions require the same review and approval process as for the original loan, except that the Loan Committee will determine, for loans greater than \$200,000, if the changes proposed are so substantial as to require Commission approval. Major adjustments are substantial changes to the special conditions stipulated by the Loan Committee, or the Commission, any change which reduces loan security, net cash flow, balloon payments and the like.
- 4.13.3 Requests for amendments or modifications, increasing the dollar amount for the same loan or for an additional loan to the same borrower involving the same security interest are subject to the approval authority level of the new total loan or loans. However, a new loan at a different time (minimum one year separation since closing of previous loan) and involving new underwriting criteria will be considered a new loan and not cumulative.

4.14 Loan Closing

Loan closing procedures are established by the Property Transactions Manager in coordination with the originating Loan Officer and Commission Legal Counsel. Loan closings are authorized by the Property Transactions Manager upon request of the initiating Department Director.

4.15 Non-Assumability

Loans are generally not assumable. Upon the sale, change of use, or other transfer by any means of all or part of the subject property, or all or any part of the property used as additional loan security, loans will become due and payable in full. On a case-by-case basis loans may be assumed through a process provided by PDC's Loan Servicing Manual. However, a borrower assuming a loan must be an eligible borrower as defined by the loan program guidelines.

If the loan is personally guaranteed, the loan documents may provide that PDC may give the Guarantor a copy of any notice of default and grant the Guarantor the right to cure the default.

Note: Assumptions are reviewed and approved by PDC's Loan Review Committee which is currently composed of: Director of Professional Services, Property Transactions Manager, Financial Services Analyst, and the respective Department Director initiating the loan.

4.16 Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act

If applicable, acquisition procedures by borrowers must comply with the provisions of this Act. Relocation of occupants will be minimized. If subject to the Act the loan documents must include a relocation plan and provision for financing of this cost including an agreement to pay for and provide all benefits to eligible tenants as required by the Act.

4.17 Loan Guaranties

Same considerations and limits for approval authority apply as for loans.

4.18 First Source Employment Agreement

A First Source Employment Agreement will be required as a condition of a loan, in accordance with Portland Development Commission's First Source policy, where the loan is primarily for economic development purposes, or if as a result of the loan, the borrower or a principal project operator known by the borrower at the time of loan commitment, will be creating new jobs.

This program applies to economic development projects where, as a result of Commission financial assistance, it is anticipated that at least five new long term jobs will be created over a period of three years. It applies when financial assistance is provided by the Commission in redevelopment agreements and through bonds. A loan requiring a First Source Employment Agreement must have the Agreement executed prior to closing of the loan. A First Source Employment Agreement is not required as a condition of loans whose primary purpose is not economic development, such as low income housing projects where the intended occupancy includes families with incomes 80% of median or below. SEARF loans are exempt from First Source Agreements.

4.19 Other Standard Terms

Each loan requires borrowers to agree to specific terms and conditions as set forth in the loan security instrument and promissory note. In addition, borrowers must also agree to the following standard terms as a condition of receiving financial assistance from PDC.

4.19.1 Civil Rights. Borrowers shall not discriminate upon the basis of race, color, sex, age, familial status, disability, religion, national origin, sexual preference or veteran status in the sale, lease, rental, use or occupancy of the subject property.

4.19.2 Equal Employment Opportunity. As required, the borrower shall comply with all applicable provisions of federal statutes and regulations and City ordinances concerning equal employment opportunities for persons engaged in rehabilitation work undertaken in connection with PDC assistance.

4.19.3 Records. Borrowers shall keep such records as may be required by PDC.

4.19.4 Interest of Public Body. Borrowers shall allow no employee or member of the governing body of the City of Portland or the Portland Development Commission to have any interest, direct or indirect, in the proceeds of any loan or in any contract

entered into by the borrower for the performance of work financed, in whole or in part, with the proceeds of the PDC loan.

- 4.19.5 Bonus or Commission. Borrowers shall not pay any bonus or commission, or make any other payment for the purpose of obtaining approval of the loan application or any other approval or concurrence required to complete the project, other than fees connected with recovering the cost of processing the loan.
- 4.19.6 Regulations Governing Certain Sources of Funds. In providing financial assistance, PDC may draw on several sources of funds depending upon the nature of the proposed project, its location, and funds availability. The borrower must acknowledge that specific sources of funding may include requirements in addition to those specified here and that such requirements are subject to revision by federal, state or local governmental action.
- 4.19.7 Emerging Small Business Opportunity Program. Borrowers agree to comply with the PDC Administrative Rules for loans directly administered and monitored by the PDC if the total value of PDC-funded new construction or rehabilitation is greater than \$100,000.
- 4.19.8 Fire Insurance Proceeds. In cases involving the rehab of fire damaged property, the borrower is required to account for the disposition of insurance proceeds. The amount attributable to the replacement cost of real property should be treated as a cash investment to the proposed rehab project when determining the PDC loan amount.
- 4.19.9 Project Signs. Borrower must acknowledge that PDC may display a project sign during construction which identifies PDC as a lender.

5 SUMMARY OF PROGRAM GOALS AND OBJECTIVES

5.1 Introduction

Three programs are offered to preserve and expand housing affordable to no-, low-, moderate- and middle-income households. They are Neighborhood Housing Preservation (NHP); Rental Housing Development Loan Program (RHDL); and Housing Development.

NHP loans are not reviewed by the Loan Committee unless a program waiver is required, but rather are approved by the Director of Housing. These are home acquisition or repair loans to owner-occupants who meet strict income eligibility guidelines. The maximum loan amount is \$65,000 ., funded primarily by grants from the Department of Housing and Urban Development (HUD) to the City of Portland, and Private Lender Participation Agreements (PLPA).

Rental Housing Development loans for \$15,000 or less are also approved by the Director of Housing.

A number of financial resources are used by PDC to support projects to enhance Portland's economic base or create or retain jobs. Two revolving loan funds originated from grants from the federal Economic Development Department (EDA). They are the Real Estate Development Loan Fund, and the Business Development Loan Fund. An additional Urban Development Action Grant (UDAG)-funded revolving fund is managed by PDC and can be used as needed for loans to create jobs or enhance the City's economic base. The Target Investment Program (TIP) links job providers with the City's work force through First Source Employment Agreements with PDC's JobNet.

The City of Portland receives an annual entitlement grant from the federal department of Housing and Urban Development (HUD). A portion of this Community Development Block Grant (CDBG) is allocated to economic development through an annual contract between with the City Bureau of Housing and Community Development (BHCD) and PDC.

HUD funded Technical Assistance, Training Development and Business Development Loan funds also advance economic strategies in inner North/Northeast Portland

PDC is authorized to use City of Portland Industrial Development Revenue Bonds (IDRBs) for projects that meet the Internal Revenue Service guidelines for tax exempt financing. Special Public Works Funds are available from the State of Oregon for public improvement projects.

Several loan programs are offered to revitalize key geographic areas of the City and strengthen the city's role as the region's governmental, financial, commercial, cultural and entertainment center.

Goals, objectives and guidelines follow for each of the loan programs.

5.2 Home Repair Loan Program

PROGRAM:	Home Repair Loan Program
PURPOSE:	This program relates to the Neighborhood Revitalization line of business in support of City goals. The program provides financial assistance to individual low-income home owners to rehabilitate their homes.
LOAN TYPES:	<ul style="list-style-type: none">● Emergency Repair Loans● Home Rehabilitation Loans● Home Rehabilitation/Refinance Loans● Neighborhood Improvement Incentives● LID Subsidies
ELIGIBILITY:	Low-income owner-occupants of homes in need of rehabilitation located in designated areas of the City.
USES OF FUNDS:	Loans to existing homeowners are primarily used to correct sub-standard housing conditions.
FUND SOURCE:	CDBG funds, both directly and leveraged with private resources through participation agreements with local lenders.
LOAN TERMS:	<ul style="list-style-type: none">● Emergency Repair Loan maximum is \$5,000, interest rate is 0% or 3%, maximum term is 5 years.● Home Repair Loan maximum amount is determined by applying a set of criteria, interest rate is 0% or 3%, maximum term is 20 years.● Rehab/Refinance Loan maximum amount is determined by applying a set of criteria, interest rate is not less than 5% and is based on PDC's cost of funds, maximum term is 25 years.
COMMENTS:	Please refer to the Home Repair Loan Programs Policy and Procedures Manual for specific criteria related to this program.

5.3 Portland Home Ownership Program

PROGRAM: Portland Home Ownership Program

PURPOSE: This program relates to the Neighborhood Revitalization and Project Finance and Development lines of business in support of City goals. The program provides financial assistance to housing developers providing home ownership opportunities to low-income households and to low-income first-time home buyers.

LOAN TYPES:

- Acquisition Loans
- Construction Loans
- Permanent Mortgage Loans

ELIGIBILITY: Housing developers with site control of land planned for housing development located in designated areas of the City and first-time home buyers at or below 80% of area median income.

USES OF FUNDS: Loans to developers will be used to acquire and develop (through rehabilitation or new construction) home ownership units affordable to low-income persons. Loans to first-time home buyers will be used to purchase new or existing homes.

FUND SOURCE: Public funding sources, including CDBG and HOME, are leveraged with private resources through participation agreements with local lenders.

LOAN TERMS:

- Acquisition Loan maximum is 97% LTV (as-is value), interest rate is 3% below PDC's cost of funds, maximum term is 12 months.
- Construction Loan maximum is 97% LTV (after-value), interest rate is PDC's cost of funds, maximum term is 12 months.
- Permanent Mortgage Loan maximum is 100% of appraised after-value of the home, interest rate is 6%, maximum term is 25 years.

COMMENTS: Please refer to the Portland Home Ownership Program Guidelines for specific criteria related to this program.

5.4 Rental Housing Development Program

PROGRAM:	Rental Housing Development Program
PURPOSE:	This program relates to the following PDC lines of business in support of City goals: Project Finance and Development and Neighborhood Revitalization. The program provides a variety of financial and technical assistance tools to qualified sponsors to acquire, refinance, rehabilitate or construct new housing or mixed-use development including housing.
LOAN TYPES:	<ul style="list-style-type: none">● Pre-Development Loan (PDL)● Rental Housing development Loan (RHDL)● Equity Gap Investment (EGI)● Direct Development (DDP)
ELIGIBILITY:	Owners and/or buyers of rental property in need of rehabilitation or developers with site control of land planned for housing development which is located in designated areas of the city.
USES OF FUNDS:	Funds can be used in part to acquire, refinance, rehabilitate or construct rental housing affordable primarily to low-moderate income persons. Particular fund sources impose additional restrictions. Mixed-use and mixed income housing development is eligible.
FUND SOURCE:	Program serves as a conduit mechanism through which PDC delivers a variety of public funding sources including CDBG, HOME, RRP and TIF.
LOAN TERMS:	PDL maximum is \$35,000, interest rate is 0%, maximum term is 12 months. RHDL maximum amount determined by applying set of criteria, interest rate generally 3%, term generally 25 years. EGI maximum amount is \$10,000 per affordable unit and is subject to an Equity Gap Investment Agreement.
COMMENTS:	See RHDL Program Guidelines for specific criteria related to this program.

5.5 Housing Development

PROGRAM: Housing Development

PURPOSE: Preserve and expand the amount of housing available to a wide range of households and income levels in designated City Urban Renewal Areas; provide financial assistance to private for-profit developers to construct new and renovate existing rental housing units; to compliment other activities being implemented by PDC in accordance with an urban renewal or tax-increment area; provide financial assistance to non-profit developers for the assemblage of land for residential development; and provide financial assistance to non-profit developers for pre-development project feasibility analysis.

LOAN TYPES: Housing Development Projects.

ELIGIBILITY: The applicant must be an investor/owner who has a marketable interest in a site located in a designated redevelopment area. Eligibility may also be granted through a competitive or negotiated developer selection process authorized by PDC.

USES OF FUNDS: Generally, funds may be used for the acquisition or construction of improvements upon real property.

FUND SOURCE: Tax Increment, program income.

LOAN TERMS: Subject to negotiation. Limited loan deferral and interest only provisions allowed. Additional interest from net cash flow and residuals may be negotiated.

COMMENTS: Loans have special conditions incorporated in redevelopment agreements including staff design review, development schedules, the provision of public facilities and participation in employment and training programs.

5.6 Non-profit Facilities Loan Program

PROGRAM:	Non-Profit Facilities Loan Program
PURPOSE:	This program supports the following lines of business and City goals: Project Finance and Development and Neighborhood Revitalization. The program provides financial assistance for the rehabilitation of facilities operated by qualified non-profit organizations.
LOAN TYPES:	Low interest, amortizing
ELIGIBILITY:	Non-profit sponsors and their proposed projects must be initially reviewed and recommended for consideration by the Bureau of Housing and Community Development. Organizations must be an operating 501(c)3 corporation in good financial condition and have a marketable interest in the property. Churches are not qualified. The project must benefit principally low and moderate income individuals and families.
USES OF FUNDS:	Funds can be used to finance the rehabilitation and its related costs in order to improve a structure's health and safety standards, bring the facility into compliance with city codes, provide energy efficiency, or enable the sponsor to offer its services more effectively. New construction is generally not eligible, and building additions may be considered on an individual basis.
FUND SOURCE:	CDBG
LOAN TERMS:	The maximum loan amount is \$50,000. Interest rate is 3% with a maximum term and amortization period of 20 years. Loans secured by a lease may not be amortized over a period greater than the term of the lease.
COMMENTS:	Underwriting will be consistent with the RHDL guidelines where applicable and appropriate. It is acknowledged that such guidelines were designed for residential rental properties and not non-residential facilities.

5.7 Small Business Assistance Program

PROGRAM:	Small Business Assistance Program
PURPOSE:	Provide financial assistance to businesses in order to achieve City goals, especially the creation of new jobs, the retention of existing jobs, increase of per capita income, diversification of existing industry, and/or development of targeted industries. The program primarily supports PDC's <i>Business Retention, Expansion and Recruitment</i> Line of Business, and secondarily the <i>Neighborhood Revitalization</i> Line of Business.
LOAN TYPES:	<ul style="list-style-type: none">• Business Development Loan Fund (EDA)• Real Estate Development Loan Fund (EDA)• Targeted Investment Loan Fund (City General Fund)
ELIGIBILITY:	<p>In addition to normal lending criteria, projects are evaluated on economic and business criteria. These include:</p> <ul style="list-style-type: none">• Number and quality of jobs created or retained• Diversify or complement existing industry, especially of targeted industries
USES OF FUNDS:	Generally, the funds may be used for the acquisition/expansion of buildings, equipment, inventory, working capital, or to make improvements to real property.
FUND SOURCE:	PDC administers several loan funds sourced from a variety of public funding sources (see Loan Types above)
LOAN TERMS:	The term is consistent with the term of the participating private lender (if any) or the useful life of the loan security/collateral. The rate is generally market or below, depending upon the specific conditions of the project and business.
COMMENTS:	See individual loan fund guidelines for specific criteria related to this program

5.8 Community Economic Development Program

PROGRAM: Community Economic Development Program

PURPOSE: Provide financial assistance to businesses in targeted neighborhoods in order to achieve City goals, especially support of community business ownership by community residents, provision of goods and services currently lacking within the community, the improvement of the physical characteristics of target areas, the creation of new jobs, the retention of existing jobs, and/or application of environmentally sustainable business practices. The program primarily supports PDC's *Neighborhood Revitalization* Line of Business, and secondarily the *Business Retention, Expansion and Recruitment* Line of Business.

LOAN TYPES:

- N/NE Enterprise Zone Loan Fund (HCD/CDBG)
- Outer Southeast Loan Fund (HCD/CDBG)
- Sustainable Economic Dev Fund (HCD/CDBG)
- N/NE Business Assistance Fund (Special HUD grant)

ELIGIBILITY: In addition to normal lending criteria, projects are evaluated on economic and business criteria. These include:

- Number and quality of jobs created or retained
- Community business ownership by community residents
- Provision of goods and services currently lacking within the community
- Elimination of slum and blight conditions in target areas
- Application of environmentally sustainable business practices

USES OF FUNDS: Generally, the funds may be used for the acquisition/expansion of buildings, equipment, inventory, working capital, or to make improvements to real property.

FUND SOURCE: PDC administers several loan funds sourced from a variety of public funding sources (see Loan Types above)

LOAN TERMS: The term is consistent with the term of the participating private lender (if any) or the useful life of the loan security/collateral. The rate is generally market or below, depending upon the specific conditions of the project and business.

COMMENTS: See individual loan fund guidelines for specific criteria related to this program

5.9 Central City Targeted Redevelopment - Housing

PROGRAM:	Central City Targeted Redevelopment - Housing
PURPOSE:	Redevelopment Area Planning, Project Finance and Development and Neighborhood Revitalization. Preserve and expand the amount of housing available to a wide range of households and income levels in designated City Urban Renewal Areas.
LOAN TYPES:	Provide construction and permanent financing to private for-profit developers to construct/convert buildings to new housing and renovate existing rental housing units; to compliment other activities being implemented by PDC in accordance with an urban renewal or tax-increment area; provide financial assistance to non-profit developers for 1) assemblage of land for residential development; 2) pre-development project feasibility analysis; and/or 3) construction and permanent financing.
ELIGIBILITY:	The applicant must be an investor/owner who has a marketable interest in a site located in a designated redevelopment area. Eligibility may also be granted through a competitive or negotiated developer selection process authorized by PDC.
USES OF FUNDS:	Funds may be used for the acquisition or construction of improvements upon real property.
FUND SOURCE:	Tax Increment, program income.
LOAN TERMS:	Subject to negotiation. Limited loan deferral and interest only provisions allowed. Additional interest from net cash flow and residuals may be negotiated.
COMMENTS:	Loans have special conditions incorporated in redevelopment agreements including staff design review, development schedules, the provision of public facilities and participation in employment and training programs.

5.10 Central City Targeted Redevelopment - Commercial/Industrial Mixed Use

PROGRAM:	Central City Targeted Redevelopment - Commercial/Industrial Mixed Use
PURPOSE:	Central City Target Redevelopment projects related to Redevelopment Area Planning and Project Finance and Development.
LOAN TYPES:	Stimulate and facilitate the location construction and/or expansion of facilities which promote the achievement of the City's' broad regional center goals; provide assistance through site acquisition financing to private or governmental developers of approved projects; and provide financial assistance to private business and property owners for the construction, rehabilitation or expansion of commercial and industrial facilities.
ELIGIBILITY:	Recipient of assistance must own or control property in a designated area of the City. Eligibility may also be granted through competitive or negotiated developer selection process authorized by PDC.
USES OF FUNDS:	Generally, funds may be used for the acquisition or construction of improvements upon real property.
FUND SOURCE:	Tax Increment, program income.
LOAN TERMS:	Subject to negotiation. Loans have special conditions incorporated in redevelopment agreements including staff design review, development schedules, the provision of public facilities and participation in employment and training programs.
COMMENTS:	

5.11 Urban Conservation Fund Program

PROGRAM:	Urban Conservation Fund Program
PURPOSE:	This program provides financial assistance to owners of historic properties or properties which reinforce the qualities of a historic district to preserve and enhance historically and architecturally important buildings and places.
LOAN TYPES:	Urban Conservation Fund (UCF)
ELIGIBILITY:	The applicant must be an investor/owner who has a marketable interest in a City-designated Landmark (an individually designated property or a property which is classified as being of primary or secondary significance within a City-designated Historic District) and who can provide adequate security. A leasehold may be considered a marketable interest.
USES OF FUNDS:	Loan proceeds must be used for work directly related to restoration of the exterior facade or distinctive interior public space where this work is vital to the preservation of the integrity of the landmark.
FUND SOURCE:	Tax Increment.
LOAN TERMS:	Generally loan maximum is \$100,000 with 3% interest rate and straight amortization; the length of term varies. The scope of work to be funded by the loan must be reviewed and recommended for approval by the Portland Landmarks Commission.
COMMENTS:	Program currently inactive due to lack of Tax Increment funds.

6 APPENDICES

6.1 Glossary of Terms

Affordability	Gross housing costs, including utility costs, do not exceed 30% of monthly income.
ALTA	A title insurance policy from American Land Title Association.
Assumability	Borrower has right to be relieved of the liability for debt, along with the assignment of property or an interest in property, to another person.
BHCD	The City of Portland Bureau of Housing and Community Development (formerly BCD).
CDBG	The City of Portland's Community Development Block Grant, a HUD entitlement grant (Federal).
CHAS	The County-Wide Housing Affordability Strategy, required by HUD and prepared on December 2, 1991 by The City of Portland, The City of Gresham, and Multnomah County.
CLC	City Loan Corporation (duties transferred to PDC June, 1995).
DCR	Debt Coverage Ratio. The proportion of project cash flow to total debt service.
DHP	Downtown Housing Preservation.
DHPP	Downtown Housing Preservation Partnership.
EDA	Economic Development Administration, a department of the Federal government.
EDRB	Economic Development Revenue Bonds - see IDRB.
EGI	Equity Gap Investment.
HOME	Home Investment Partnership Fund, a City of Portland entitlement grant.
HUD	Housing and Urban Development, a department of the Federal government.
IDRB	Industrial Development Revenue Bonds, also known as Economic Development Revenue Bonds. The City of Portland and the Portland Development Commission participate in financing projects by enabling developers to use a provision of the US Internal Revenue Code. Procedures and Standards are described in the City Code Chapter 5.72. Economic Development Project applications are reviewed by Commission staff and approved by the City Council upon recommendation by Commission Resolution. These applications are reviewed by the Loan Committee or Loan Sub-Committee.

IRCO	International Refugee Center of Oregon. (Inactive)
IRL	Investor Rehabilitation Loan. This program has been revised and included in the RHDL.
Loan Officer	As used in this document not a job title, but any staff person who assists a prospective borrower in obtaining financing for a project.
LTV	Loan to Value. The proportion of debt compared with market value of the collateral property.
NHP	Neighborhood Housing Preservation Section.
PDC	Portland Development Commission.
PDL	Pre-Development Loan.
PLIP	Private Lender Investment Program (Loan program for first time home buyers at or below 80% of area median income).
PLPA	Private Lender Participation Agreement.
RHD	Rental Housing Development Section.
RHDL	Rental Housing Development Loan.
RLF	Revolving Loan Fund. Originally funded by an EDA grant. Loans from this fund are exceptional in that historically they were approved by CLC.
REF-CORP	Refugee Loan Fund Corporation. The non-profit corporation which approves Ford Foundation-funded IRCO loans. (Inactive)
RRP	Rental Rehabilitation Program, a City of Portland entitlement grant (Federal).
SEARF	Southeast Asian Refugee Federation. (Inactive)
TIP	Targeted Investment Program.
UCC	Uniform Commercial Code.
UDAG	Urban Development Action Grant. A HUD program. (Inactive)

6.2 Program Resolutions

Resolution No. 4637	Rental Housing Development Program
Resolution No. 4476	Neighborhood Housing Preservation, Housing Director approval for loans not to exceed \$65,000
Resolution No. 4061	Sum of all loans to any entity should not exceed 5% of loan portfolio
Report No. 89-52	July 12, 1989; Commercial Rehabilitation
Report No. 76-60	November 8, 1976; Historic Preservation
City Ordinance	#142323 August 11, 1976; Historic Preservation
Various Resolutions	Individual Urban Renewal Plans
Resolution No. 3868	Portland Homestead Program
Resolution No. 4642	Established \$200,000 approval authority of Loan Committee and directed Loan Committee to establish Loan Policy and Procedure Manual