

October __, 2015

Human Solutions
124 NE 181st Avenue
Gresham, Oregon 97236
Att: Andrea Sanchez, Director of Housing

Subject: Loan 16015 SE Stark, Portland, Oregon

Dear Ms. Sanchez:

HDC-CF Community Fund ("HDC-CF") is pleased to advise Human Solutions ("Borrower") that it has approved a loan for the 16015 SE Stark, Portland, Oregon ("Property"), which is to be developed into a family shelter.

1. **Borrower:** The borrower shall be Human Solutions, an Oregon nonprofit corporation. Borrower shall provide evidence to HDC-CF that it is properly organized and authorized to enter into the loan and related transactions set forth in this loan commitment letter.
2. **Loan Amount:** The loan amount shall be \$700,000.
3. **Interest Rate:** The unpaid balance of principal and interest will bear interest at 4.5 percent per annum. In the event the loan is in default, the interest rate will increase to 10 percent per annum. The loan interest rate will be simple interest such that no interest will accrue on accrued but unpaid interest.
4. **Loan Term:** The loan term will commence on acquisition. The loan term will end on the earlier of:
 - a. November 1, 2020;
 - b. Two years after the end of the term of the term of an approved operating contract for the Property with Multnomah County for use as a family shelter; and
 - c. The last day of the term of the subordinate loan on the Property with Multnomah County.
5. **Loan Amortization:** The loan shall be amortized as follows:
 - a. **Rehabilitation Period.** From closing of the loan until the earlier of i) February 1, 2016 or ii) the first day of the month in which the shelter has opened for operations ("Rehabilitation Period"), Borrower shall pay interest only payments

on the outstanding balance of principal. Payments may be made from the reserve account established in paragraph 18.

- b. **Shelter Operations Period.** Beginning after the Rehabilitation Period and during the term of an approved operating contract for the Property with Multnomah County ("Shelter Operations Period"), Borrower shall pay payments of \$5,000 per month.
 - c. **Redevelopment Period.** Beginning after the Shelter Operating Period and through the end of the loan term ("Redevelopment Period"), interest shall accrue on the unpaid balance of the loan principal, but no payments of principal or interest shall be due.
 - d. **End of Loan Term.** At the end of the loan term, the entire unpaid balance of principal and interest shall be due and payable.
 - e. **Application.** All loan payments shall first be applied to pay all costs and expense due to HDC-CF under the loan documents, next to interest, and any remaining amount shall be applied to loan principal.
6. **Loan Fees and Expenses:** HDC-CF shall receive a loan fee of \$7,000 which shall be due in full at loan closing. Borrower shall pay to HDC-CF all of its costs relating to the loan including without limitation HDC-CF's legal fees for outside counsel, title insurance, appraisal fees, surveyor fees, and recording costs.
7. **Prepayment:** The loan may be prepaid at any time without penalty. No prepayment shall reduce the \$5,000 per month payments required during the Shelter Operations Period.
8. **Security:** The Loan shall be secured by the Property and shall be documented with various legal documents including without limitation:
- a. Loan Agreement
 - b. Promissory Note
 - c. Deed of Trust
 - d. Collateral Assignment of construction contract
 - e. Multnomah County \$300,000 loan subordination agreement
 - f. Multnomah County \$372,000 grant subordination agreement (if needed)
 - g. Metro Homeless Grant \$25,000 subordination agreement (if needed)

- h. UCC-1 Financing Statement
 - i. Control Agreement re reserve account
9. **Title Insurance:** Borrower will provide HDC-CF with an ALTA Extended Coverage Lender's Title Insurance Policy with any endorsements required by HDC-CF issued by a title company designated by HDC-CF, insuring HDC-CF and showing that Borrower is in title with no encumbrances except taxes which are not yet due and payable and showing that HDC-CF's loan is in first position and that the loan of Multnomah County are subordinate to HDC-CF's security interest in the Property. The title policy shall show no exceptions other than those accepted by HDC-CF in writing, and any purchase option in favor of Multnomah County or land use restrictive covenants with respect to the grant from Multnomah County or any other source are subordinate to HDC-CF's security interest in the Property.
10. **Closing in Escrow:** The purchase of the Property and this loan shall be closed in escrow with the title company issuing title insurance.
11. **Insurance:** As a condition of closing, Borrower must provide insurance to HDC-CF as is required by HDC-CF's trust deed on the Property.
12. **Other Financing:** As a condition of closing, Borrower must have closed on the following:
- a. **Multnomah County Loan:** Loan from Multnomah County in the amount of not less than \$300,000. The terms of such loan and the loan documents must meet the approval of HDC-CF. The loan shall have no payments due to Multnomah County during the term of the HDC-CF loan.
 - b. **Grant from Multnomah Count:** Grant from Multnomah Count in the amount of not less than \$372,000. The terms of the grant and the grant documents must meet the approval of HDC-CF.
 - c. **Homeless Grant from Metro:** Contract with Multnomah County to allocate proceeds of Metro Homeless Grant in the amount of not less than \$25,000 to be used for the Property. The terms of the Multnomah County contract, grant and the grant documents must meet the approval of HDC-CF.
 - d. **Other Funds:** Such other funds must be provided on terms acceptable to HDC-CF such that the total funds are equal to or greater than the amount needed to acquire and rehabilitate the Property for its intended use as a family shelter AND the Property's projected operating cash receipts are sufficient to meet its operating expenses including all payments required on any loan or grant.
13. **Operating Contract with Multnomah County.** As a condition of closing, Borrower must have entered into a contract with Multnomah County to operate the Property_

through June, 2016 which meets with the approval of HDC-CF. In addition, Multnomah County, must demonstrate, to the satisfaction of HDC-CF, that for the period of the HDC-CF loan, or through the option period of the Multnomah County, whichever is shorter, that all future RFPs and awards to operate an east county family shelter will be required a) to lease the shelter from Borrower (if the awardee is not Borrower), and b) include sufficient operating funds to fund the HDC-CF loan payments during the Shelter Operations Period.

14. **Option in favor of Multnomah County:** As a condition of closing, HDC-CF must have approved the terms of the option agreement for Multnomah County to purchase the Property from HDC-CF. No approval will be provided unless the option price is sufficient to pay off all unpaid principal and interest due to HDC-CF and that Multnomah County must provide notice of exercise of the option, without conditions, to both HDC-CF and Borrower, not later than earlier of i) November 1, 2019, and ii) one year prior to the term of the term of an approved operating contract for the Property with Multnomah County.
15. **Environmental Assessment:** As a condition of closing, Borrower must have provided HDC-CF with a phase I environmental site assessment on the Property provided by a qualified environmental engineer with findings satisfactory to HDC-CF. HDC-CF must have also received a reliance letter from the environmental engineer.
16. **Rehabilitation Scope and Budget:** As a condition of closing, the rehabilitation budget must be approved by HDC-CF. The budget must ensure that the roof will be viable for five years and interior scope is adequate to secure final permits for use as a family shelter, while allowing a ten percent contingency. The rehabilitation must also cover the acquisition cost of the Property of \$950,000, closing costs, soft costs and the \$30,500 reserve.
17. **Construction Contract:** As a condition of closing, Borrower shall provide HDC-CF with a construction contract to rehabilitate the property in accordance with plans and specifications. Both the contract and the plans and specifications must meet with the approval of HDC-CF. The construction contract at closing shall be collaterally assigned to HDC-CF.
18. **Reserve:** As a condition of closing, Borrower shall establish a reserve in the amount of \$30,500 at a commercial bank. The account shall provide that no funds can be withdrawn from the account without the written approval of both Borrower and HDC-CF. During the Rehabilitation Period, interest only payments shall be paid from the reserve account. At HDC-CF's discretion, the funds in the reserve account may be used to pay for unfunded construction costs, replacements of existing fixtures, appliances, carpeting and similar items, and to fund operating deficits. The reserve account shall be pledged to HDC-CF as security for the loan.

19. **Draws:** Prior to any draw being made by Multnomah County, METRO or any other lender or grant maker, HDC-CF must approve the draw.
20. **Assignment:** Borrower's rights under this loan commitment are not assignable without the prior written approval of HDC-CF.
21. **Commitment Term:** Time is of the essence of this commitment. This commitment shall expire if all of the terms are not satisfied on or before sixty days after the date of this letter.

We are very pleased to be partnering with you to further the loan fund's mission to support the creation and preservation of affordable housing opportunities and access to community facilities for low-income families and individuals in Oregon and Washington.

Sincerely,

Robin Boyce
Executive Director, HDC-CF Community Fund

AGREED TO AND ACCEPTED ON THE TERMS AND CONDITIONS SET FORTH ABOVE:

Human Solutions, Inc.

Andrea Sanchez
Director of Housing