



METRO

Agenda

MEETING: METRO COUNCIL WORK SESSION
DATE: February 26, 2008
DAY: Tuesday
TIME: 2:00 PM
PLACE: Portland Art Museum

CALL TO ORDER AND ROLL CALL

- | | | | |
|----------------|-----------|--|---------------|
| 2:00 PM | 1. | DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING, FEBRUARY 28, 2008/ADMINISTRATIVE/CHIEF OPERATING OFFICER COMMUNICATIONS | |
| 2:15 PM | 2. | PROPOSED TOD LOAN POLICY | Whitmore/Gibb |
| 2:45 PM | 3. | INTEGRATING HABITAT DESIGN COMMENTS FROM JURY | Triplett |
| 3:45 PM | 4. | COUNCIL BRIEFINGS/COMMUNICATION | |

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PROPOSED TOD LOAN POLICY

Metro Council Work Session
Tuesday, February 26, 2008
Portland Art Museum

METRO COUNCIL

Work Session Worksheet

Presentation Date: February 26, 2008 Time: 2:15 Length: 30 minutes

Presentation Title: TOD Program Proposed Loan Policy

Department: Planning Department

Presenters: Phil Whitmore, Bill Stringer, and Megan Gibb

ISSUE & BACKGROUND

The Transit Oriented Development & Centers Implementation (TOD) Work Plan currently authorizes loans in *Section 6.3 TOD Program Loan or Limited Partner*. However, the TOD Work Plan does not specify the circumstances under which loans are given or provide guidance on loan terms. In order to comply with standard audit practices, the Metro Finance Department has requested the Transit Oriented Development & Centers Implementation (TOD) Program formalize a Loan Policy to guide loan investments made by the TOD Program.

The Loan Policy was developed in conjunction with the Office of Metro Attorney and the Metro Finance Department. On January 10th, 2008, the TOD Steering Committee approved the proposed Loan Policy for the TOD & Centers Implementation Program.

OPTIONS AVAILABLE

The attached Loan Policy is being presented to Metro Council on February 26, 2008 prior to issuance of a 7-Day Notice as it represents a new policy for the TOD Program and is being provided to Metro Council for informational purposes. If Metro Council accepts the Loan Policy, a 7-Day Notice will be issued.

IMPLICATIONS AND SUGGESTIONS

The proposed TOD Program Loan Policy (attached) describes three different types of loans the TOD Program utilizes, as well as loan term parameters. Loans given by the TOD Program are on terms designed to enable TOD development projects to proceed and fulfill the objectives of the TOD Program. Loan documents will continue to be prepared by the Metro Attorney and financial controls will be maintained by the Metro's Chief Finance Officer. Loans will require TOD Steering Committee approval and a 7-day Notice will be issued to the Metro Council in accordance with the TOD Program Work Plan procedures.

QUESTION(S) PRESENTED FOR CONSIDERATION

Is the proposed TOD Loan Policy acceptable to Metro Council?

LEGISLATION WOULD BE REQUIRED FOR COUNCIL ACTION __ Yes No
DRAFT IS ATTACHED Yes __ No

TRANSIT ORIENTED DEVELOPMENT PROGRAM LOAN POLICY

The majority of TOD transactions can be characterized as either land dispositions with value write-down or TOD easements. However, there are certain circumstances that arise related to the specific financial arrangements of a project or a potential project that give rise to the need for the TOD Program to participate financially by utilizing a loan. Loan agreements may be entered into to provide financing for land acquisition, TOD/Centers easements, Urban Living Infrastructure projects, and any other authorized capital expense. Circumstances under which a loan will be utilized include:

- 1) When the TOD Program is assisting a developer in securing a TOD site for future development by way of a purchase money loan. This type of loan will be secured with a first trust deed;
- 2) When the project's financial structure allows for the TOD Program to obtain a TOD Easement and still recoup some of its investment. This type of loan will be provided on terms designed to enable the development to proceed and fulfill the objectives of the TOD Program. This type of loan will typically be secured in a subordinate position and will be structured so as not to negatively impact the project loan-to-value ratio (LTV), debt coverage ratio (DCR), or short-term cash flow requirements of the construction and permanent lenders;
- 3) When a financial gap arises in a TOD Project resulting from market conditions or construction cost increases, and the gap must be closed in order to facilitate completion of the project or to protect an existing TOD investment. This type of loan will be provided on terms designed to enable the development to proceed and fulfill the objectives of the TOD Program. This type of loan will typically be secured in a subordinate position and will be structured so as not to negatively impact the project loan-to-value ratios (LTV), debt coverage ratios (DCR), and short-term cash flow requirements of the construction and permanent lenders.

The TOD Program will obligate the entire loan amount for program budgeting purposes.

TOD loans will be secured by land, typically in a position subordinate to a prime lender's first trust deed. On occasion, institutional lenders (insurance companies) and securitized lending programs (conduit lenders) will not allow a subordinate trust deed. In such situation, the TOD loan will be unsecured, but a TOD Easement must be recorded. The loan amount and terms will depend upon the circumstances of the particular project and project lender restrictions. TOD loans resulting in aggregate LTV ratios above 1.0 on projects are allowed, in order to assist in the creation of higher market comparables. Loans can range from short term (up to 4 years) to long term (up to 50 years). Interest rates may be simple or compounding, will be below market and may range as low as 1%. Terms and rates will be individually negotiated and will be structured so as not to negatively impact the LTV, DCR, or short-term cash flow requirements of the project. The discounted interest rate, gross loan amount and the discounted present value of the repayment obligation shall be disclosed to the TOD Steering Committee and included in the seven day letter to the Metro Council.

In all instances, due diligence will be performed and loan documents will be prepared by the Metro Attorney and financial controls will be maintained by the Metro Finance Officer in accordance with any applicable procedures. TOD Steering Committee approval will be obtained and a 7-day Notice issued to Metro Council in accord with standard Metro TOD Program Workplan procedures.

Agenda Item Number 3.0

INTEGRATING HABITAT DESIGN COMMENTS FROM JURY

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