



## SITE DESCRIPTION

Chicago's "Hotel of Presidents", the elegant Blackstone, was completed in 1910. It was frequented by Woodrow Wilson, Franklin D. Roosevelt and John F. Kennedy, among others. The building became a Chicago Landmark in 1998, but was closed in 2000 after an unfavorable OSHA inspection cited disrepair and safety issues. In 2005, Marriott International/Renaissance Hotels and Sage Hospitality announced plans to acquire and renovate the shuttered building. After a lengthy exterior and interior rehabilitation, the Blackstone Hotel re-opened in March of 2008.

The approximately \$125.0 million renovation project sourced New Markets Tax Credits, Historic Tax Credits and tax increment financing ("TIF") from the City of Chicago to close the financing gap and make the restoration of this historic landmark a reality.

## LOW INCOME COMMUNITY METRICS

- + Unemployment Rate: 2.04 times the national average
- + Poverty Rate: 26.3%
- + City of Chicago - Near South TIF District

## PROJECT GOALS

- + Rehabilitate a significant historical landmark building in a depressed urban core and return it to service
- + Realize the long-term goal of the City of Chicago to renovate this property to serve as a source for new jobs and a catalyst for development in the area
- + Bring to bear the financial tools and resources available, and structure the transaction in such a way as to meet the capital goals and allow the project to proceed
- + Work with the City of Chicago to provide prevailing wage hotel, restaurant and construction jobs to members of local low-income and minority communities

## ECONOMIC IMPACTS SUMMARY

The allocation of \$40.0 million in New Markets Tax Credits is anticipated to leverage a total project cost of approximately \$125.0 million and complete financing for a project that, but for the tax credits, could not move forward. An analysis of the direct, indirect and induced economic impacts resulting from construction investment and first ten years of operations shows that the Blackstone Hotel project is anticipated to create \$608.6 million in total economic impact, and \$131.5 million in federal and state fiscal impacts.

## BENEFIT OF TAX CREDITS

The New Markets Tax Credits program has provided vital economic stimulus to underserved communities nationwide. With the allocation of \$40.0 million in New Markets Tax Credits on the Blackstone Hotel project, the federal government has effectively foregone the collection of \$15.6 million in federal taxes over seven years. In return, this powerful investment opportunity is estimated to generate 2,368 construction and permanent jobs, \$249.9 million in wages, and \$45.9 million in new federal taxes during construction and the first ten years of operations.

**“A bold architectural statement turns a building into a landmark, but it is in the details where the architect becomes the real storyteller ”**

— Curtis W. Fentress

## NEW MARKETS TAX CREDITS PROGRAM

The New Markets Tax Credit (NMTC) program, established by Congress in 2000 (Omnibus H.R. 4577), was created to encourage private investment in underserved communities in the United States. The NMTC program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities.

The credit provided to the investor totals 39% of the cost of the investment and is claimed over a seven-year credit allowance period. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

The appeal of the NMTC program is financing availability for projects in underserved geographic areas, with extremely favorable terms, for businesses and real estate developers or owners. The result of these investments is to enable non-financeable projects to be completed, and often to allow projects to be enhanced with community-oriented components, both of which generate measurable community impacts as described in this report.

## METHODOLOGY

The economic, employment and fiscal impacts shown in this Community Impacts Report were generated using IMPLAN® Professional, the industry standard econometric software used by over 1,000 companies, organizations and government agencies to estimate the impacts of an economic event. IMPLAN® uses "input-output accounting" and closely follows the accounting conventions used in the "Input-Output Study of the U.S. Economy" by the Bureau of Economic Analysis (1980) and the rectangular format recommended by the United Nations. Results shown in this report are based on total construction costs and a New Markets Tax Credits allocation amount that are not final. Actual results will vary according to local economic conditions, wages, materials costs, tax rates, and more.

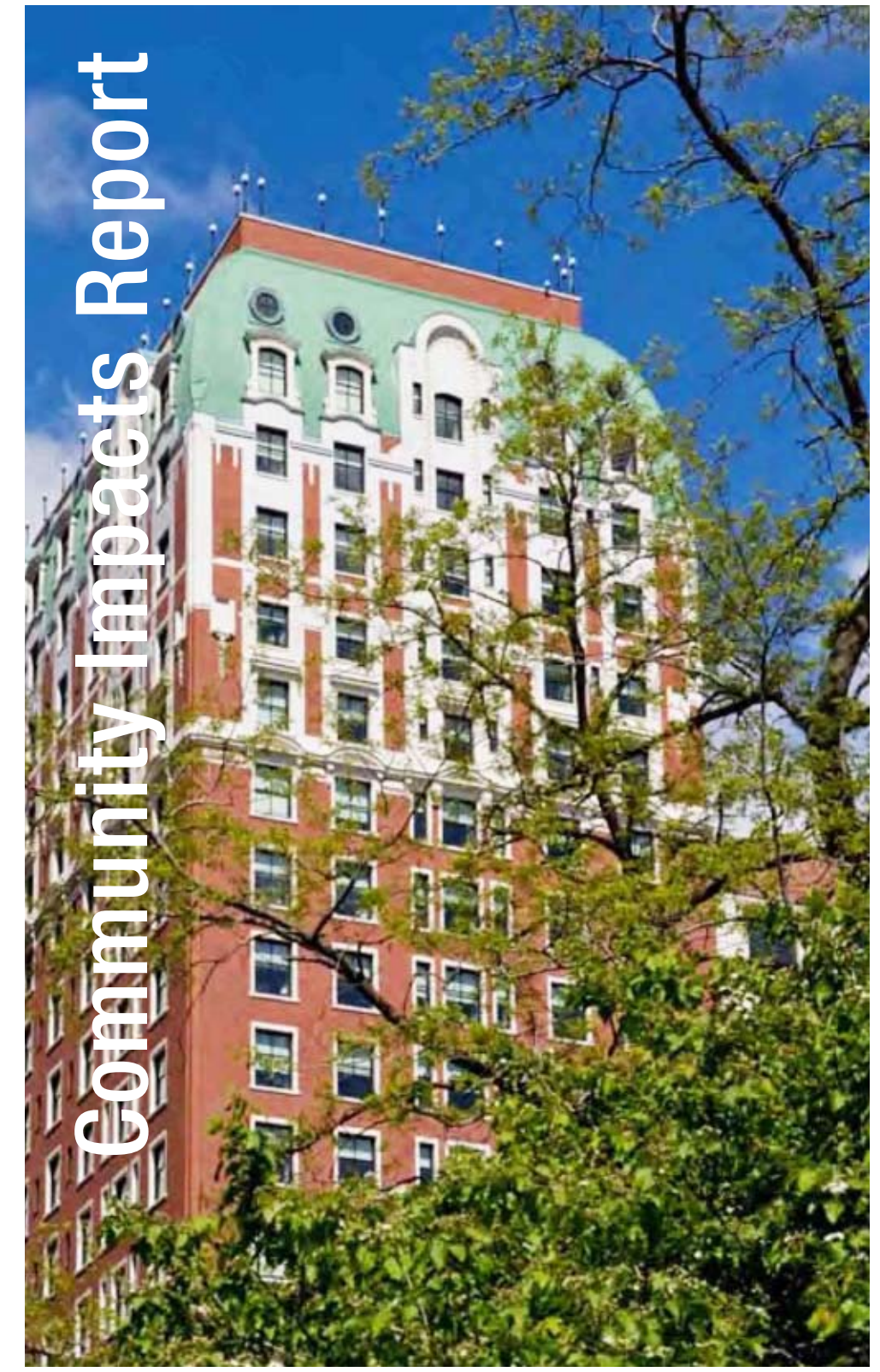
The community impacts contained herein are based on the total project cost. Jobs are measured in hours worked and, using a multiplier, are represented as FTEs (full time equivalents). Construction jobs are temporary and will be spread out over the construction period, depending on the level of construction spending in each year. Operations jobs are permanent. The fiscal impact figures represent the Federal and State/Local tax revenue resulting from the direct, indirect and induced economic activity during the discrete construction period and the first ten years of facility operations. The total impact figure represents the direct, indirect and induced economic impacts of the discrete construction period plus the first ten years of operations. The total impacts figure does not include the fiscal impact, which is considered separately. All output is in 2009 dollars.

United Fund Advisors serves as the financial consultant for Portland Family of Funds Holdings, Inc. ("PFF"). PFF is the controlling entity for the New Markets Tax Credits allocatee, National Community Fund I, LLC.



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# HISTORIC REHABILITATION PROJECT THE BLACKSTONE HOTEL



The Blackstone Hotel  
636 South Michigan Ave., Chicago, IL 60605



# HISTORIC REHABILITATION PROJECT THE BLACKSTONE HOTEL

UFA

# 3BL<sup>SM</sup>

United Fund Advisors<sup>SM</sup> is a financial services firm that provides triple bottom line returns to partners, projects, and communities nationwide.

## TRIPLE BOTTOM LINE RETURNS

**FINANCIAL** UFA transactions are structured to deliver appropriate yields to all types of investors, lenders and project developers. Whether it's a green building or a small business, a strong financial foundation allows UFA and its partners to be financially rewarded for building projects that deliver more deeply to the community and the natural environment.

**SOCIAL** While a single UFA project cannot change the fortunes of a city or the world, strong focus on what's best for the people who live there can be a magnet for ideas, improvements and investment. UFA projects create jobs and job training, build wealth and property ownership, deliver healthy buildings and clean energy, provide access to transit, enable historic preservation, and support education and culture.

**ENVIRONMENTAL** Buildings are responsible for approximately 48% of the energy use and emission of greenhouse gases in the United States, and the demand for clean, renewable energy is increasing rapidly. UFA is making change by creating tax-advantaged investment opportunities which result in financing for projects with reduced energy costs and enhanced property values.

### PARTNERS IN THE BLACKSTONE HOTEL PROJECT:

- Sage Hospitality
- Marriott International/Renaissance Hotels
- Prudential Mortgage
- United Fund Advisors, LLC
- Hospitality Fund II, LLC
- Chicago Community Development Commission

### NEW MARKETS TAX CREDITS ECONOMIC IMPACTS:

Location	636 South Michigan Avenue, Chicago, IL
Development Type	Landmark Hotel Rehabilitation
Size	335,000 SF
Developer	Sage Hospitality
Total Project Cost	\$125,000,000
Allocation Required	\$40,000,000
CDE	Hospitality Fund II, LLC
Low Income Community	Unemployment Rate: 2.04 times the national average
Project Timeline	Poverty Rate: 26.3%
LEED Certification Level	Near South TIF District, City of Chicago
	Project Completed: March, 2008
	N/A

### JOBS\*

+2368

### WAGES\*

\$249.9M

### FISCAL IMPACT\*

\$131.5M

### TOTAL IMPACT\*

\$608.6M

\* Figures shown are direct, indirect, and induced impacts of construction and first 10 years of operations. Please see [www.unitedfundadvisors.com](http://www.unitedfundadvisors.com) for more information.



### ADDITIONAL COMMUNITY IMPACTS

+ Agree with the City of Chicago to use hiring practices that commit 50% of new construction and hotel jobs to local low-income and minority residents with a 20%+ poverty rate

+ Issue \$12 million of project related development and construction contracts to minority, women, and emerging small businesses

+ Work with the Chicago Mayor's Office of Workforce Development and Service Works to provide prospective job applicants to the Blackstone's HR department, resulting in an applicant pool of 600 people sourced through over 10 community based organizations including the Chinese American League and Catholic Charities

