

## SITE DESCRIPTION

The Meier & Frank building, a historic department store in Portland, Oregon listed on the National Register of Historic Places, has been identified by several studies as a lynchpin for downtown redevelopment. Using New Markets Tax Credits (NMTC)-derived financing, Sage Hospitality has purchased the top ten floors of the 15-story building and is renovating them into a 334 room destination hotel called "The Nines." Federated Stores is building out a new Macy's store on the lower five floors.

## LOW INCOME COMMUNITY METRICS

- + Median Family Income: 40 percent of Oregon State MFI
- + Unemployment rate: more than 5 times the national average
- + Federally-designated Empowerment Zone, Enterprise Community, and Renewal Community
- + Small Business Administration designated Hub Zone
- + Urban Renewal Area
- + Targeted Distressed Community

## PROJECT GOALS

- + Preserve and revitalize one of Portland's most renowned historic buildings
- + Provide high quality hotel rooms near mass transit
- + Create jobs
- + Increase retail activity in the downtown retail core
- + Create a highly environmentally efficient mixed use space that benefits workers, shoppers and visitors.

## ECONOMIC IMPACTS SUMMARY

The investment of \$72.5 million in New Markets Tax Credits leveraged a total project cost of \$108.0 million for the hotel portion of the redevelopment. The construction and 10 years of operations of the hotel are predicted to produce a total (direct, indirect and induced) economic impact of \$750.1 million during the 24-month construction period and first 10 years of operations. Investment of these funds are associated with the provision of 1580 FTE temporary jobs during the 24-month construction period, and 620 FTE permanent jobs created and then retained during operations of the new destination hotel. An estimated total of \$292.6 million in direct, indirect and induced wages will be paid during this period. \$116.8 million in Federal, State and Local tax revenues are estimated to be generated over these twelve years, including \$21.7 million during the 24-month construction period, and \$9.5 million annually over ten years when fully operational.

## BENEFIT OF TAX CREDITS

Sage Hospitality Resources was able to use the largest single-project allocation of NMTC's to complete financing to create a new hotel in the historic Meier & Frank Building. A \$72.5 million allocation of New Markets Tax Credits was used to complete the high cost of seismic retrofitting, preserve the building's signature terra cotta facade, and reconfigure the upper floors to include a large light atrium and new hotel rooms. Use of the \$0.39 tax credit effectively allowed \$28.3 million in foregone federal taxes to help generate \$71.5 million in new federal taxes over 12 years and, more importantly, bring \$750.1 million in total economic impact to Multnomah County during that period through the redevelopment of one of its most iconic historic buildings.

**"There are risks and costs to action. But they are far less than the long range risks of comfortable inaction"** — John F. Kennedy

## 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.

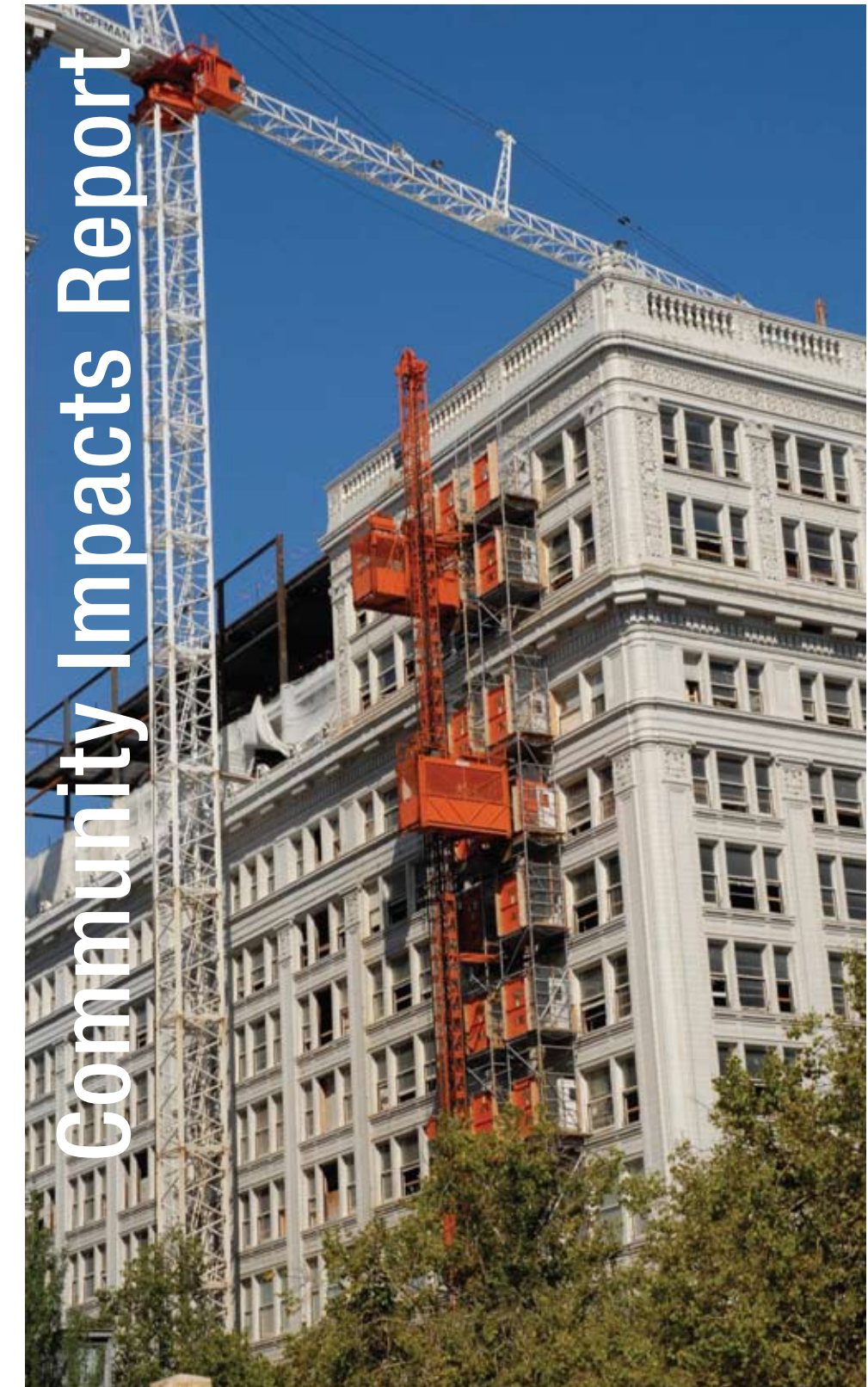
The community impacts contained herein are based on the total project cost. Jobs are measured in hours worked and, using a multiplier, are represented as FTEs (full time equivalents). Construction jobs are temporary and will be spread out over the construction period, depending on the level of construction 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 2007 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, Portland New Markets Fund I, LLC.



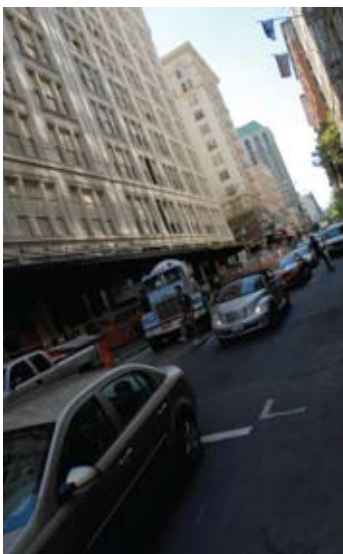
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# THE NINES HOTEL MEIER & FRANK BUILDING



Meier & Frank Building  
621 SW Fifth Avenue, Portland, OR 97204





# 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 wind farm, 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, it is hoped that 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 MEIER & FRANK BUILDING PROJECT:**

- Portland Family of Funds
- Portland Development Commission
- JP Morgan
- Prudential Mortgage
- SERA Architects
- Heritage Consulting
- Hoffman Construction

**NEW MARKETS TAX CREDITS ECONOMIC IMPACTS:**

Location	621 SW Fifth Avenue, Portland, OR
Development Type	Historic Rehabilitation, Luxury Hotel
Size	600,000 SF
Owner / Developer	Sage Hospitality Resources
Total Project Cost	\$108,000,000
Allocation Required	\$72,500,000
CDE	Hospitality Fund I, LLC
Low Income Community	Poverty Rate: 50%
Project Timeline	Median Family Income: 40% of Oregon State MFI
LEED Certification Level	Urban Renewal Area, SBA designated HUB Zone Targeted Distressed Community
	Project Completed: Summer 2008
	Silver

**JOBS\***  


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**+2200**

**WAGES\***  


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**\$292.6M**

**FISCAL IMPACT\***  


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**\$116.8M**

**TOTAL IMPACT\***  


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**\$750.1M**

\* 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**

- + Historic preservation of a nationally significant historic structure in the center of downtown Portland
- + New jobs and wages for local residents
- + Hotel to generate hotel/lodging taxes
- + Visitor spending, economic activity in Portland
- + Transit-oriented development reducing the use of autos and their resultant costs, greenhouse gases, parking stresses and traffic congestion
- + Environmentally sustainable design target: LEED Silver