



**PORTLAND, Oregon**, 1 April, 2006. Sage Hospitality Resources of Denver, Colorado (Ken Geist, Executive Vice President) has announced that it has closed financing to rehabilitate the top 10 floors of the historic 15-story, 600,000-sf Meier & Frank Building to create a 331-room Luxury Collection hotel, a Starwood brand. The building, which is recognizable for its intricate terra cotta façade, was built in three stages from 1908 to 1932, and is listed on the National Register of Historic Places. The lower five floors will house a department store that the seller, Federated Department Stores, is busy renovating into a Macy's.

Redevelopment of the Meier & Frank Building, which is located in the Portland Development Commission's Downtown Urban Renewal Area, a Federally-designated Enterprise Community, a Small Business Administration (SBA) Hub Zone and a CDFI Hot Zone, had been noted in numerous city planning projects as a lynchpin of redevelopment of the downtown retail core. "This is a magnificent historic building, and we are looking forward to making it a focal point of downtown Portland once again," Geist said.

The project received a \$72.5 million allocation of New Markets Tax Credits in 2004- the largest single NMTC allocation in the US- which delivered approximately \$23 million to the project. Prudential is the tax credit investor and the Senior Lender in the \$118 million transaction. The total project cost to rehabilitate the entire building into a hotel and renovated retail space is estimated at \$137.5 million. The city's Portland Development Commission is assisting in the project, providing \$14 million through its seismic loan program.

In addition to rehabilitating one of Portland's iconic historic buildings, the economic impacts of building the new hotel in the Meier & Frank building are anticipated to be profound in the Portland market. These economic impacts have been analyzed using IMPLAN, the industry standard software package used by more than 1,000 governments, companies and organizations to predict the direct, indirect and induced effects of an economic event.

During the construction period and first ten years of operations, the project is anticipated to create 1,790 new jobs, which are measured in hours worked and translated into Full Time Equivalent (FTE) jobs. During the recent recession in 2004, Oregon led the nation in unemployment. The employment impacts of the Macy's construction and operations have not yet been released by Federated.

As the direct, indirect and induced wages and income created by the hotel project flow through the community, the estimated total economic impact is anticipated to be \$698,547,800 over the two year construction period and first ten years of operations. Additionally, the Federal, state and local Fiscal Impact of the hotel project are anticipated to be \$110,420,200, including \$67.2 million in Federal taxes, and \$9,781,500 in annual fiscal impacts.

Sage estimates the hotel will reach 75% occupancy in Year Three of operations, which will generate an estimated \$2,046,880 in lodging taxes per year which are included in the total fiscal impacts figure. Also, by estimating that visitors will spend an estimated \$100 per day on retail, dining, entertainment and other activities while staying at the hotel, the visitors to the new hotel will generate \$11,886,200 per year in additional economic activity in Portland.

Use of the \$0.39 tax credit effectively allowed \$28.2 million in foregone federal taxes to help generate \$67.2 million in new federal taxes and, more importantly, bring jobs, state and local tax revenues, visitor spending, a revitalized retail store, and \$698.5 million in total economic impact to Portland through the redevelopment of one of its most iconic historic buildings.

The restoration is anticipated to become LEED Certified, an aggressive target for a large, historic building with single-pane windows making up over 50 percent of its exterior wall space. LEED stands for Leadership in Energy and Environmental Design, a program created by the US Green Building Council which includes four levels of achievement: Platinum, Gold, Silver and Certified. Portland Development Commission requires a LEED Certified level of sustainable design and environmental efficiency for projects it helps finance.

Elements of a LEED project include efficient use of water, power and lighting, air conditioning, recycled and natural materials, all of which have been shown in numerous studies to reduce operations costs and negative environmental effects while improving worker productivity, retail sales, school test scores and indoor air quality. Preserving the building, rather than rebuilding it, saves precious landfill and resources. Meier & Frank is also a Transit Oriented Development; its location on the Tri-Met transit mall, as well as the MAX light rail line which will deliver hotel visitors directly to and from the airport; will allow tenants and visitors to create less impact while commuting.

There are currently eight Luxury Collection hotels in the US. The hotel will feature a lobby with glass covered atrium, restaurant and lounge on the eighth floor; a ballroom and meeting facilities on the sixth and seventh floors, and 331 hotel rooms on the top 10 floors. A new elevator lobby will provide guests dedicated access up to the main hotel lobby. Sage also is adding a roof-top restaurant and lounge with an outdoor patio. The department store will remain open throughout its own renovation and Sage's hotel conversion. The new hotel in the Meier & Frank building is scheduled to open in summer 2008.

Sage Hospitality Resources is one of the nation's leading hotel management companies, specializing in management of full service and limited service hotels nationwide. Sage is recognized as an innovative leader in the industry as an operator, employer, developer, and investor. Sage has managed over 300 properties in 39 states and the District of Columbia, including major brands such as Hilton (Hilton Garden Inn, Hampton Inn), Marriott (Renaissance, Courtyard, Residence Inn, TownePlace Suites, Fairfield Inn), Sheraton, Holiday Inn, Choice (Clarion, Comfort Inn, Quality Inn), and independent hotels and resorts. Sage represents hotel owners including insurance companies, pension funds, and individual investors.