

**The Nines Hotel Fact Sheet  
August 2013**

With the goal of avoiding a vacated Meier and Frank Building in the heart of Downtown Portland’s retail core and enabling the renovation of the entire historic building, PDC loaned approximately \$16.9 million to borrowing entities associated with Sage Hospitality to construct a hotel on the upper floors of the building. This represented approximately 13 percent of total project costs of \$133 million. The financing structure included both New Market and Historic Tax Credits:

- CDE Loan \$46.5 million
- JP Morgan Mezzanine Loan \$30.8 million
- PDC Loans \$16.9 million
- Developer Funds (including tax credits) \$38.7 million
- TOTAL \$132.9 million**

The Nines Hotel opened in October 2008. The loan and hotel development were part of a larger development project whereby the entire landmark historic building was renovated and Macys retained as the anchor tenant in the lower floors.

**Original Loan Terms Through 2009**

| Loan #       | Principal Amount    | Interest Rate  | Loan Terms   | Maturity Date | Interest Payments |
|--------------|---------------------|--|--|---------------|-------------------|
| 2175-02-01   | \$2,600,000         | 3.00%  | - Interest only payments beginning 5/1/06<br>- Annual principal payments of \$100,000 beginning 4/1/09<br>- All principal and interest due upon maturity   | 4/1/2015      | \$227,500         |
| 2175-01-01   | \$3,000,000         | 5.00%  | - Interest only payments beginning 7/1/09<br>- All principal and interest due upon maturity  | 11/1/2015     | \$0               |
| 2175-04-01   | \$2,700,000         | 0% for 36 months (3/31/06 – 4/1/09)<br><br>3% beginning 4/1/09 | - Deferred principal and interest payments through 3/31/16<br>- Interest only payments 4/1/16-4/1/21<br>- \$500,000 forgivable based on meeting job requirements over three year period (forgiven effective 2/13/12) | 4/1/2021      | \$0               |
| 2175-04-03   | \$8,625,000         | 3.00%  | - Interest only payments beginning 5/1/06<br>- Amortized principal and interest payments beginning 5/1/09 for 32 years through maturity  | 4/1/2031      | \$754,672         |
| <b>Total</b> | <b>\$16,925,000</b> |  |  |               | <b>\$982,172</b>  |

All four loans were considered current through March 2009 when the terms of the loans were modified.

**2009 Loan Modifications and Current Status**

The hotel opened during a global financial crisis known as the Great Recession and just one month after Lehman Brothers filed for Chapter 11 bankruptcy. In March 2009, the repayment structure for three of the four loans was modified to cash flow dependent status<sup>1</sup> until March 31, 2015, which is when the New Market Tax Credit compliance period expires. These modifications were made to provide relief during a difficult economic climate but requires debt service payments as soon as the property would be able to make those payments.

At the same time, the \$3 million loan (Loan 2175-01-01) was replaced with a new loan for the same amount plus accrued interest to satisfy the New Market Tax Credit structure. The terms of this replacement loan were otherwise not modified. The original loan was considered paid in full by the proceeds of the new loan (Loan 2175-03-01).

| Loan #       | Principal Amount    | Interest Rate | Loan Terms   | Maturity Date | Interest Payments to Date | Accrued Interest (as of 6/30/13) |
|--------------|---------------------|---------------|--|---------------|---------------------------|----------------------------------|
| 2175-02-01   | \$2,600,000         | 3.00%         | - Interest only payments beginning 5/1/06<br>- Annual principal payments of \$100,000 beginning 4/1/09<br>- All principal and interest payments cash flow dependent through maturity                                 | 4/1/2015      | \$227,500                 | \$339,142                        |
| 2175-03-01   | \$3,111,023         | 5.00%         | - Interest only payments beginning 7/1/09<br>- All principal and interest due upon maturity  | 11/1/2015     | \$0                       | \$661,842                        |
| 2175-04-01   | \$2,200,000         | 3%            | - Deferred principal and interest payments through 3/31/16<br>- Interest only payments 4/1/16-4/1/21<br>- All principal and interest payments cash flow dependent through maturity                                   | 4/1/2021      | \$0                       | \$280,633                        |
| 2175-04-03   | \$8,625,000         | 3.00%         | - Interest only payments beginning 5/1/06<br>- Amortized principal and interest payments beginning 5/1/09 for 32 years through maturity<br>- All principal and interest payments cash flow dependent through 3/31/15 | 4/1/2031      | \$754,672                 | \$1,125,341                      |
| <b>Total</b> | <b>\$16,536,000</b> |               |  |               | <b>\$982,172</b>          | <b>\$2,406,958</b>               |

<sup>1</sup> PDC's priority on the "cash flow waterfall" is junior to:

- a. Hotel operating expenses
- b. Senior debt
- c. Mezzanine debt
- d. Operating reserve accounts
- e. Shortfall investor loans

No payments have been made since the 2009 modifications. An additional \$2.4 million in interest has accrued. The loans are considered current in accordance with the loan terms.

**The Nines in Comparison to the Portland Hotel Market**

There were no conditions to the PDC loan terms establishing a minimum room rate to be charged by The Nines. Three months after opening and beginning on January 9, 2009, The Nines offered a “\$99 for 99 days” special that was a trial rate limited to inside standard rooms. Higher rates were charged for larger and exterior rooms during this brief period.

According to data from 2011 and 2012, The Nines is the market leader in Portland as determined by standard lodging industry metrics including Occupancy, Average Daily Rate (ADR), and Revenue Per Available Room (RevPar).

| Occupancy %         |          |          |          |           |
|---------------------|----------|----------|----------|-----------|
|                     | July-11  | July-12  | % Change |           |
| <b>The Nines</b>    | 86.8%    | 86.4%    | -0.4%    |           |
| <b>PDX Market</b>   | 63.0%    | 65.3%    | 2.3%     |           |
| <b>PDX Downtown</b> | 74.7%    | 77.5%    | 2.8%     |           |
| <b>Comp Set*</b>    | 77.7%    | 79.3%    | 1.6%     |           |
| ADR                 |          |          |          |           |
|                     | July-11  | July-12  | % Change | \$ Change |
| <b>The Nines</b>    | \$153.29 | \$171.99 | 12.2%    | \$18.70   |
| <b>PDX Market</b>   | \$91.47  | \$96.23  | 5.2%     | \$4.76    |
| <b>PDX Downtown</b> | \$119.32 | \$126.24 | 5.8%     | \$6.92    |
| <b>Comp Set*</b>    | \$132.03 | \$144.97 | 9.8%     | \$12.94   |
| RevPar              |          |          |          |           |
|                     | July-11  | July-12  | % Change | \$ Change |
| <b>The Nines</b>    | \$133.11 | \$148.68 | 11.7%    | \$15.57   |
| <b>PDX Market</b>   | \$57.66  | \$62.88  | 9.1%     | \$5.22    |
| <b>PDX Downtown</b> | \$89.17  | \$94.53  | 6.0%     | \$5.36    |
| <b>Comp Set*</b>    | \$102.65 | \$115.02 | 12.1%    | \$12.37   |

*\*Includes: The Benson, The Heathman, Hotel Monaco, The Westin, Marriott City Center*

**The Nines Financial Impact**

Since opening in the fall of 2008, the Nines has become a 24/7 anchor tenant in the heart of downtown Portland’s retail core. In addition to revitalizing a strategic block, the Nines has:

- Maintained a permanent staff of approximately 400 employees;

- Paid annual wages averaging \$11 million per year, with the wages circulating through the local economy and close to \$1 million per year paid in state income taxes;
- Paid an average of nearly \$2 million in annual occupancy taxes, with nearly half of these revenues directed into the City of Portland’s General Fund; and
- Paid approximately \$130,000 per year in property taxes. Annual property tax payments are anticipated to increase to approximately \$1.5 million beginning in 2022 when the historic property tax exemption expires.

| Year | # Employees | Total Wages  | Est. OR Income Tax |
|------|-------------|--------------|--------------------|
| 2012 | 381         | \$10,994,711 | \$934,550          |
| 2011 | 411         | \$11,522,071 | \$921,766          |
| 2010 | 408         | \$10,039,700 | \$803,176          |
| 2009 | 420         | \$10,023,248 | \$801,860          |

73 percent of the hires are Portland residents, and 33 percent are minorities. The Development Agreement between PDC and Sage Hospitality required compliance with PDC’s Minority/Women/Emerging Small Business (M/W/ESB) goals and a Workforce Hiring and Training Agreement with the City of Portland.

| Occupancy Taxes Paid |                 |             |             |               |              |          |
|----------------------|-----------------|-------------|-------------|---------------|--------------|----------|
| Year                 | Taxable Revenue | Total 11.5% | Gen Fund 5% | Travel PDX 1% | Mult Co 5.5% | TID 2%*  |
| 2012                 | \$19,397,199    | \$2,230,678 | \$969,860   | \$193,972     | \$1,066,846  | \$96,986 |
| 2011                 | \$17,651,948    | \$2,029,974 | \$882,597   | \$176,519     | \$970,857    | \$0      |
| 2010                 | \$16,017,682    | \$1,842,033 | \$800,884   | \$160,177     | \$880,973    | \$0      |
| 2009                 | \$13,975,868    | \$1,607,225 | \$698,793   | \$139,759     | \$768,673    | \$0      |

| Property Taxes |               |                   |             |
|----------------|---------------|-------------------|-------------|
| Year           | Real Property | Personal Property | Total       |
| 2012 (actual)  | \$57,102      | \$76,584          | \$133,686   |
| 2013           | \$58,815      | \$78,882          | \$137,697   |
| 2014           | \$60,580      | \$81,248          | \$141,827   |
| 2015           | \$62,397      | \$83,685          | \$146,082   |
| 2016           | \$64,269      | \$86,196          | \$150,465   |
| 2017           | \$66,197      | \$88,782          | \$154,979   |
| 2018           | \$68,183      | \$91,445          | \$159,628   |
| 2019           | \$70,228      | \$94,189          | \$164,417   |
| 2020           | \$72,335      | \$97,014          | \$169,349   |
| 2021           | \$74,505      | \$99,925          | \$174,430   |
| 2022*          | \$1,384,904   | \$102,922         | \$1,487,826 |

The entire transaction resulted in a historic renovation of the entire building to LEED Silver status, an improved downtown department store, and a new 5-star boutique hotel in the heart of downtown.