

STATE OF ILLINOIS)
)SS
COUNTY OF COOK)

CERTIFICATE

I, Jennifer Rampke, the duly authorized, qualified and Executive Secretary of the **Community Development Commission of the City of Chicago**, and the custodian of the records thereof, do hereby certify that I have compared the attached copy of a Resolution adopted by the **Community Development Commission of the City of Chicago** at a Regular Meeting Held on the 14th Day of May 2005 with the original resolution adopted at said meeting and recorded in the minutes of the Commission, and do hereby certify that said copy is a true, correct and complete transcript of said Resolution.

Dated this 14th Day of June 2005

Jennifer Rampke
EXECUTIVE SECRETARY
Jennifer Rampke

05-CDC-66

**COMMUNITY DEVELOPMENT COMMISSION
OF THE
CITY OF CHICAGO**

RESOLUTION NO. 05 -CDC -66

**AUTHORITY TO NEGOTIATE A
REDEVELOPMENT AGREEMENT WITH
SAGE HOSPITALITY RESOURCES, L.L.C.**

AND/OR

A RELATED ENTITY TO BE FORMED

**WITHIN THE
NEAR SOUTH
T.I.F. REDEVELOPMENT PROJECT AREA,**

AND

**TO RECOMMEND TO
THE CITY COUNCIL OF THE CITY OF CHICAGO
THE DESIGNATION OF
SAGE HOSPITALITY RESOURCES, L.L.C.
AS THE DEVELOPER**

WHEREAS, the Community Development Commission (the "Commission") of the City of Chicago (the "City") has heretofore been appointed by the Mayor of the City with the approval of its City Council (the City Council referred to herein collectively with the Mayor as the "Corporate Authorities") as codified in Section 2-124 of the City's Municipal Code; and

WHEREAS, the Commission is empowered by the Corporate Authorities to exercise certain powers enumerated in Section 5/11-74.4-4(k) of the Illinois Tax Increment Allocation Redevelopment Act, as amended (65 ILCS 5/11-74.4-1 et seq.), (as amended from time to time, the "Act"); and

WHEREAS, the City Council, upon the Commission's recommendation pursuant to the Act, enacted three ordinances on November 28, 1990 pursuant to which the City approved and adopted a certain redevelopment plan and project for the Central Station Redevelopment Project Area (the "Original Area"), designated the Original Area as a redevelopment project area and adopted tax increment allocation financing for the Original Area (collectively, the "Central Station Ordinances"); and

WHEREAS, the City Council, upon the Commission's recommendation pursuant to the Act, expanded the Original Area into the Near South Redevelopment Project Area (the "Near South Area") and amended the Central Station Ordinances by enacting three ordinances on August 3, 1994, pursuant to which the City approved and adopted a certain redevelopment plan and project for the Near South Area (the "Plan"), designated the Near South Area as a redevelopment project area and adopted tax increment allocation financing for the Near South Area; the street boundaries of the Near South Area are described on Exhibit A hereto; and

WHEREAS, Sage Hospitality Resources, LLC (the "Developer"), has presented to the City's Department of Planning and Development ("DPD") a proposal for redevelopment of the Near South Area or a portion thereof that is in compliance with the Plan, consisting of the rehabilitation of the Blackstone Hotel located at 636 S. Michigan Avenue (the "Project"); and

WHEREAS, DPD requests that the Commission recommend to City Council that the Developer be designated as the developer for the Project, that DPD be authorized to negotiate, execute and deliver a redevelopment agreement with the Developer for the Project; now, therefore,

BE IT RESOLVED BY THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF CHICAGO:

- Section 1. The above recitals are incorporated herein and made a part hereof.
- Section 2. The Commission hereby recommends to City Council that the Developer be designated as the developer for the Project and that DPD be authorized to negotiate, execute and deliver on the City's behalf a redevelopment agreement with the Developer for the Project providing for tax increment financing assistance.
- Section 3. If any provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this resolution.
- Section 4. All resolutions, motions or orders in conflict with this resolution are hereby repealed to the extent of such conflict.
- Section 5. This resolution shall be effective as of the date of its adoption.
- Section 6. A certified copy of this resolution shall be transmitted to the City Council.

ADOPTED: June 14, 2005

6

CITY OF CHICAGO
Community Development Commission
Department of Planning & Development
June 14, 2005

SUMMARY SHEET
Blackstone Hotel
(Sage Hospitality Resources, LLC)

Actions Requested:

- 1) Request authority to negotiate a Redevelopment Agreement with Sage Hospitality Resources, LLC and/or a related entity to be formed (the "Developer") for the redevelopment of the property located within the boundaries of the Near South Tax Increment Financing ("TIF") Redevelopment Project Area at 636 S. Michigan Avenue (the "Project" and the "Property"); and
- 2) Recommend to the City Council of the City of Chicago the designation of Sage Hospitality Resources, LLC and/or a related entity to be formed as the developer of the Project located within the boundaries of the Area.

Project:

The Developer has proposed the rehabilitation of the historic Blackstone Hotel

Location:

The Property is located at 636 S. Michigan Avenue in the Near South TIF District

Developer:

Sage Hospitality Resources, LLC

Assistance:

A TIF grant in an amount not to exceed \$18,000,00. The total assistance will depend on the amount of New Market Tax Credits the developer receives.

Zoning:

The Property is zoned DX-16.

Ward:

2nd Ward, Alderman Madeline Haithcock

Public Benefits:

- Restoration of a Historic Property
- Creation of 160 new jobs
- Job Training
- Prevailing Wage, MBE/WBE, City Residency

MBE/WBE:

The Developer will comply with the City's MBE/WBE requirements. The certified mail receipts are attached as evidence that the Developer has provided the MBE/WBE contractor associations with the required notifications.

**Community
Outreach:**

Alderman Haithcock is supportive of the Project and a letter is attached.

Issues:

N/A

CITY OF CHICAGO
Community Development Commission
Department of Planning & Development
June 14, 2005

STAFF REPORT
Sage Hospitality Resources, LLC

CHAIRMAN RICHARDSON-LOWRY AND MEMBERS OF THE COMMISSION:

The Resolution before you requests that the Community Development Commission take the following actions:

- 1) Request authority to negotiate a Redevelopment Agreement with Sage Hospitality Resources, LLC and/or a related entity to be formed (the "Developer") for the redevelopment of the property located within the boundaries of the Near South Tax Increment Financing ("TIF") Redevelopment Project Area at 636 S. Michigan Avenue (the "Project" and the "Property"); and
- 2) Recommend to the City Council of the City of Chicago the designation of Sage Hospitality Resources, LLC and/or a related entity to be formed as the developer of the Project located within the boundaries of the Area.

Purpose of Resolution

To provide Tax Increment Financing assistance for the rehabilitation of the historically significant Blackstone Hotel to be used for an active hotel use.

Background

The Property is located within the Near South Tax Increment Financing Redevelopment Project Area (the "Area"), which was established by the City Council on August 3, 1994. The Property is located in the South Loop at 636 S. Michigan Avenue between Harrison Street and Balbo Avenue.

The Blackstone Hotel was developed in 1908 by the Drake Brothers. For many decades, the Blackstone was considered to be Chicago's premiere luxury hotel and was fondly referred to as the "Hotel of the Presidents". However the Blackstone's current status in the city does not pay homage to its grand past.

Vacant since 1999, the Blackstone's famous facade sits prominently on Chicago's street wall in severe disrepair. The Blackstone's unique 22-story Beaux-Arts Classicism facade features extensive use of terra cotta (much of the terra cotta has been removed as temporary repairs have been made to the building) which has not been maintained during its history and currently requires an estimated \$20 million to stabilize and repair. The Blackstone will require a significant investment in order to be restored to its rightful place as one of Chicago's most beloved hotels. The importance of the Blackstone to the city of Chicago is evidenced by the Blackstone being the only hotel to have received the top rating in the Chicago Historic Resources Survey conducted in 1998.

Development Project

Proposed Developer

Sage Hospitality Resources, LLC (the "Developer")

The redevelopment of the Blackstone is a joint venture between Sage Hospitality Resources, LLC (Sage) and Kimberly Clark Corporation.

Sage, based in Denver, Colorado, is a 20 year old privately held company. With 60 hotels under management in 30 states Sage is one of the largest management companies in the country. Since 1998, Sage has invested over \$500 million in hotel development projects and has an additional \$500 million currently in the development process.

Kimberly Clark Corporation is the consumer products giant, owning brands including Kleenex, Huggies Diapers, and Scott Paper Towels. Based in Neenah, Wisconsin, Kimberly Clark has completed 5 historic hotel redevelopments, including the Renaissance Pierre Marquette and Renaissance Arts in New Orleans, the Renaissance St. Louis, and the Courtyard by Marriott and Residence Inn in Houston.

Proposed Project

The Developer plans to redevelop the Blackstone as a 327-room Marriott Renaissance Hotel. The redevelopment would utilize all 321,516 square feet of the original building, but would internally demolish the guestroom levels to allow for guestrooms that meet today's luxury standards. The rest of the property would be maintained, with the historic elements of the property being utilized and enhanced, including the barbershop at the Art Hall. The Developer's redevelopment plan also includes the reuse of the Crystal Ballroom as the hotel's main ballroom and the development of an additional 12,000 square feet of meeting space. The hotel will feature a street-level entrance restaurant and bar, adding to the revitalization of retail life on South Michigan Avenue.

Because the Blackstone currently has no on-site parking and given the site constraints of the property, the Developer will utilize valet parking to handle the hotel's parking requirements. With the close proximity of parking garages, including the expansion of the East Monroe Street garage, this is not expected to pose a significant problem.

The hotel entrance will replicate the historic entrance on the property. The retail entrance will focus on the reuse of the marble-lined corridor between South Michigan Avenue and the main lobby.

The Developer has agreed to achieve LEED certification for the building, which would designate this hotel as the first hotel in Chicago to be LEED certified.

Deal Structure

Project Cost and Financing

The City, through the Department of Planning and Development (DPD), is planning to reimburse the Developer for the TIF eligible costs in an amount not to exceed \$18,000,000. The total project costs are estimated to be \$112,248,813 and the TIF reimbursement will not exceed 16% of the total project costs.

This amount will be determined by the amount of New Market Tax Credits (NMTC) received by the Developer. The Developer expects to receive NMTC in an amount no less than \$14,000,000. In the circumstance the Developer receives the minimum \$14 million allocation, TIF assistance will be the maximum of \$18 million. There will be a dollar for dollar reduction in the \$18,000,000 in TIF assistance for every dollar over \$14,000,000 in NMTC received by the Developer.

The assistance will be provided to the Developer in two forms: 1) a taxable TIF Developer Note to be repaid from the Developer's own PINs, and which will not be issued until the completion of the Project, and (2) a cash payment, a portion of which will be provided at closing, and a portion of which will be provided at completion of the Project, and which will be paid from existing area-wide Near South TIF funds.

Given the property's severe state of disrepair, the property will require significantly more capital investment than can be supported by normal development return thresholds. As is common to historic hotel redevelopment projects, the appraised value upon completion will be significantly less than the cost of redevelopment. This is due to the value of the completed project being based upon the anticipated profits generated by the operations of the hotel. These operating profit projections will be determined by independent experts in the hotel field, using the operations of other luxury hotels in the Chicago area for comparison.

The impact of an appraised value being less than project costs is twofold. A lender will only lend based upon appraised value. With the industry norm being 60% of value, the debt amount will translate to only 40% of cost. The second issue is one of investor return expectations. In most real estate transactions, an investor expects appreciation on the asset and a profit upon sale. In this case, the sales price will be based upon performance of the hotel, and will be considerably less than the cost. While unusual to the real estate industry, this is the underlying basis for the need for federal and local assistance in adaptively reusing historic buildings.

Sources and Uses of Funds:

Sources

	Amount	% of total
Project Equity	\$ 8,802,680	8%
New Market Tax Credits	14,000,000 ¹	12%
Marriot	1,500,000	1%
Depreciation Loss Investor	1,804,083	2%
Historic Tax Credits	14,142,050	13%
TIF Assistance (Construction Phase)	13,800,000 ²	12%
First Mortgage	58,200,000	52%
TOTAL	\$112,248,813	100%

Uses

	Amount	\$/sf of Building ³
Land Acquisition	\$ 22,300,000	\$69.36 psf
Design and Development (4.5% of total costs)	5,075,000	\$15.79 psf
Construction	44,093,500	\$137.14 psf
Exterior Facade/Roof Restoration	12,000,000	\$37.32 psf
Furniture, Fixtures, Equipment (7% of total costs)	8,299,500	
Financing (6% of total costs)	6,753,670	
Pre-opening Expenses (4% of total costs)	4,830,000	
Development Fee (2.4% of total costs)	2,737,216	
General Contingency (5.5% of total costs)	6,159,927	
TOTAL	\$112,248,813	\$349.12 psf

¹ assuming lowest amount of New Market Tax Credit (NMTC) funding

² Identifies TIF assistance provided during the construction phase only. TIF assistance will be no greater than \$18 million. There will be a dollar for dollar reduction in the \$18,000,000 in TIF assistance for every dollar over \$14,000,000 in NMTC received by the Developer.

³ Gross building area is 321,516 square feet

Conformance with Plan

The proposed redevelopment is in conformance with the land use goals and objectives of the Near South Tax Increment Financing Redevelopment Project Area Plan.

Community Outreach

Alderman Haithcock is supportive of the Project and a letter is attached.

Public BenefitsRestoration of a Historic Property

The most significant public benefit of this proposed project is the preservation of the historically significant structure and the reactivation of the property as a hotel as was originally intended.

Jobs

The Project will create approximately 160 new full-time and part-time positions.

Job Training

The Developer will work with the City of Chicago's Mayor's Office of Workforce Development (MOWD) in the recruitment, hiring and training of City residents for available positions.

LEED Certification

The Developer has agreed to achieve LEED certification for the building, which would designate this hotel as the first hotel in Chicago to be LEED certified.

Prevailing Wage, MBE/WBE, City Residency

The Developer has agreed to comply with all City ordinances regarding Prevailing Wage, MBE/WBE and City Residency.

MBE / WBE

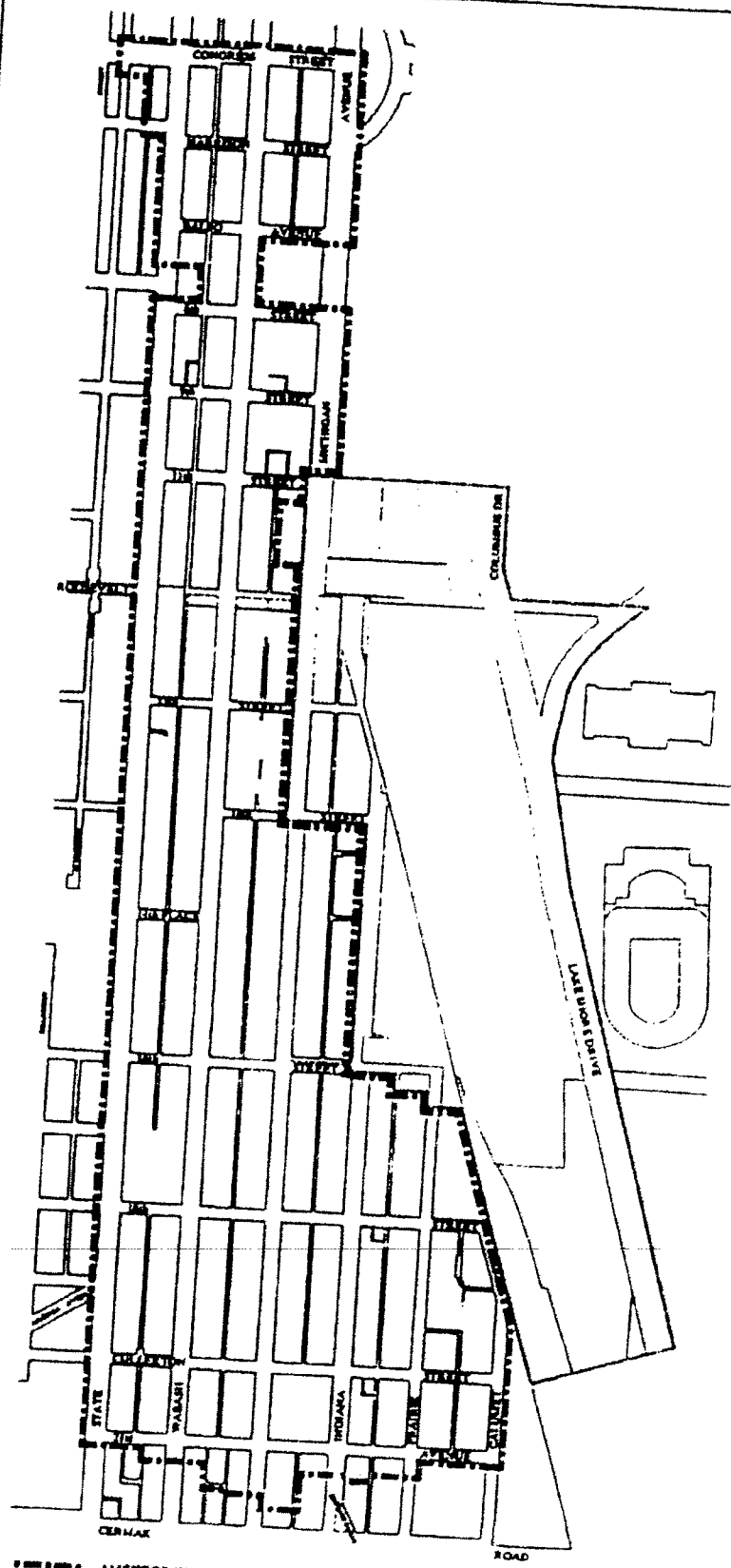
The Developer will comply with all requirements regarding the use of minority and women-owned business contractors for the construction and build-out of the Project. In February of 2005, the Developer notified eight minority and women-owned business associations, by certified mail of their intent to develop this Project. The Developer met with the Monitoring and Compliance staff in February of 2005 to discuss the monitoring and reporting requirements related to MBE / WBE compliance.

MOWD

The Developer will work with the City of Chicago's Mayor's Office of Workforce Development (MOWD) in the recruitment, hiring and training of City residents for these positions. The Developer will be expected to interview qualified candidates referred to them by MOWD for job openings, but will not be required to hire any specified number of candidates.

Recommendations

- 1) Request authority to negotiate a Redevelopment Agreement with Sage Hospitality Resources, LLC and/or a related entity to be formed (the "Developer") for the redevelopment of the property located within the boundaries of the Near South Tax Increment Financing ("TIF") Redevelopment Project Area at 636 S. Michigan Avenue (the "Project" and the "Property"); and
- 2) Recommend to the City Council of the City of Chicago the designation of Sage Hospitality Resources, LLC and/or a related entity to be formed as the developer of the Project located within the boundaries of the Area.



AMENDED REDEVELOPMENT PROJECT AREA
 ORIGINAL REDEVELOPMENT PROJECT AREA

Figure 1
 PROJECT BOUNDARY
 NEAR SOUTH
 TAX INCREMENT FINANCING
 REDEVELOPMENT PROJECT
 City of Chicago, Illinois

7004 2510 0004 0917 9520

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OFFICIAL USE

Postage	\$.37
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Post	\$4.42

Kway

Postmark: FEB 15 2005

Sent To: Black Contractors United
 400 W. 76th Street
 Attn: Edward T. McKinnic
 Chicago, Illinois 60620

PS Form 3800, July 2004

7004 2510 0004 0917 9506

U.S. Postal Service™
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OFFICIAL USE

Postage	\$.37
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$4.42

Kway

Postmark: FEB 15 2005

Sent To: MBE/WBE Contractor's Association
 Mexican American Chamber of Commerce
 Attn: Mr. Juan Ochoa
 33 N. LaSalle, Suite 1720
 Chicago, Illinois 60602

PS Form 3800, July 2004

7004 2510 0004 0917 9582

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OFFICIAL USE

Postage	\$.37
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Post	\$4.42

Kway

Postmark: FEB 15 2005

Sent To: Illinois Association of Minority Contractors
 Attn: Babette Payton
 1643 East 71st Street
 Chicago, Illinois 60649

PS Form 3800, July 2004

7004 2510 0004 0917 9575

U.S. Postal Service™
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OFFICIAL USE

Postage	\$.37
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$4.42

Kway

Postmark: FEB 15 2005

Sent To: Hispanic American Construction Industry
 Association
 Attn: Cesar Santoy
 901 West Jackson, Suite 205
 Chicago, Illinois 60607

PS Form 3800, July 2004

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OFFICIAL USE

Postage	\$.37
Certified Fee		2.30
Return Receipt Fee (Endorsement Required)		1.75
Restricted Delivery Fee (Endorsement Required)		
Total Post		\$4.42

K Way

Postmark Here

Sent To: African American Contractors Association
 3706 South Indiana Avenue, 1st Floor
 Attn: Omar Sharceef / Crystal Overton
 Chicago, Illinois 60653

PS Form 3849

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$.37
Certified Fee		2.30
Return Receipt Fee (Endorsement Required)		1.75
Restricted Delivery Fee (Endorsement Required)		
Total Post		\$4.42

K Way

Postmark Here

Sent To: Federation of Women Contractors
 Attn: Beth Doria
 5650 S. Archer
 Chicago, Illinois 60638

PS Form 3849

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$.37
Certified Fee		2.30
Return Receipt Fee (Endorsement Required)		1.75
Restricted Delivery Fee (Endorsement Required)		
Total Post		\$4.42

K Way

Postmark Here

Sent To: Women Business Development Center
 Attn: Hedy Ratner
 8 South Michigan Avenue Suite 400
 Chicago, Illinois 60603

PS Form 3849

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

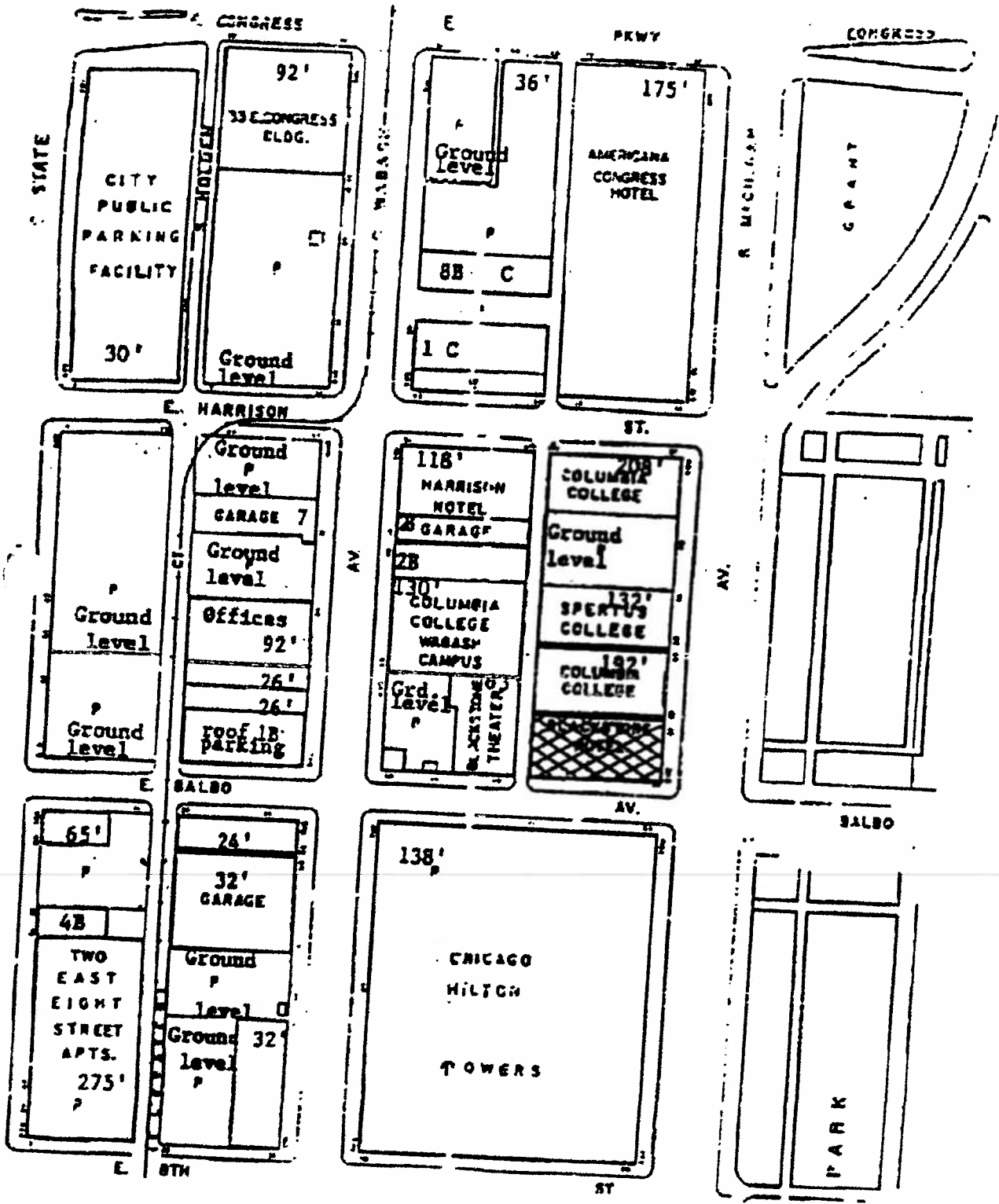
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Certified Fee		2.30
Return Receipt Fee (Endorsement Required)		1.75
Restricted Delivery Fee (Endorsement Required)		
Total Post		\$4.42

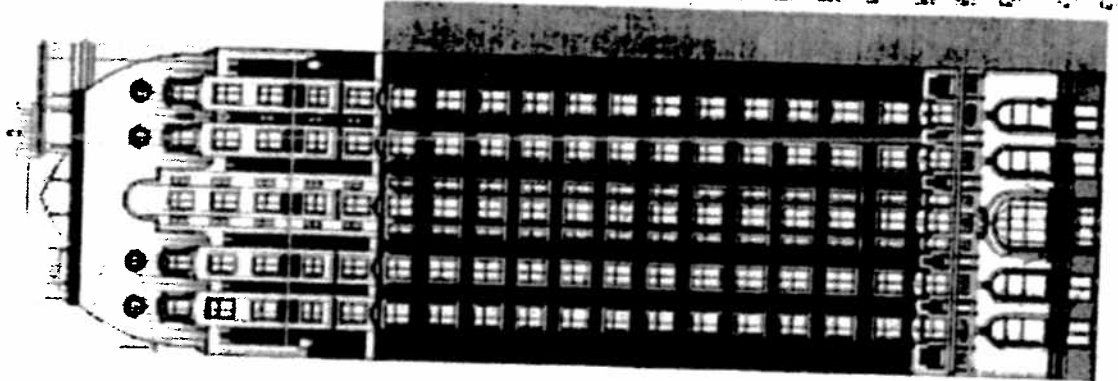
KWAY

Postmark Here

Sent To: Association of Asian Construction Enterprises
 Attn: Perry Nackachi
 333 N. Ogden Avenue
 Chicago, Illinois 60607

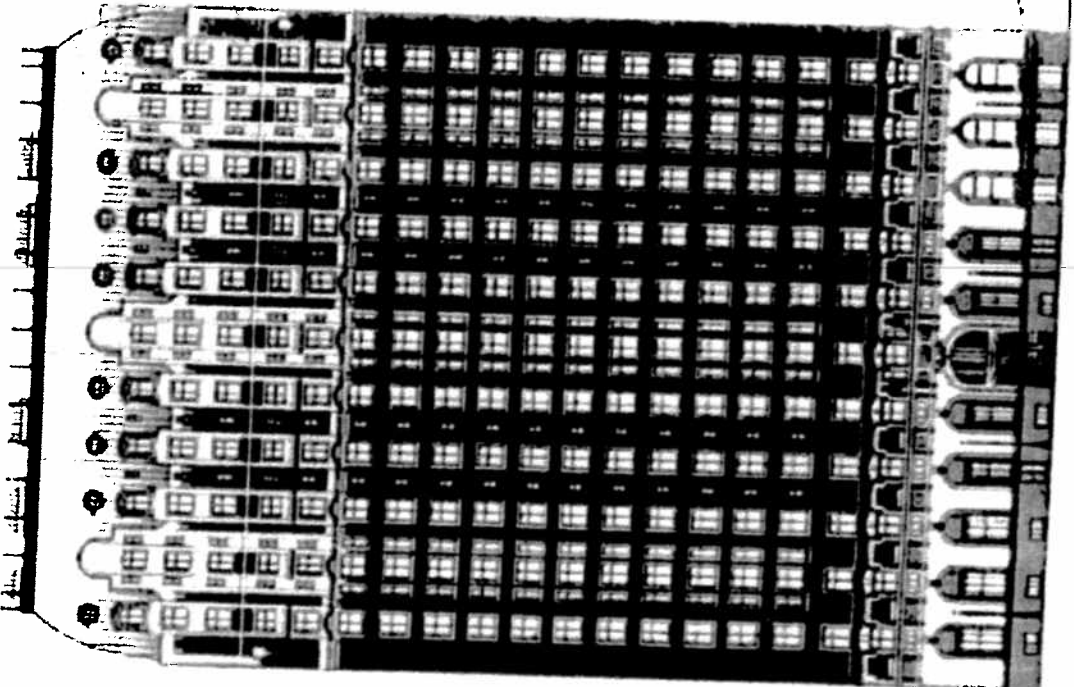
PS Form 3849





Architectural notes and specifications, including dimensions and material details, written in a cursive or handwritten style.

Additional architectural notes and specifications, continuing the details of the building plan.



Final architectural notes and specifications, including a signature or date.

Blackstone Hotel, Chicago.

BLACKSTONE





Blackstone Hotel
(Sage Hospitality Resources, LLC)
Term Sheet

Project Description:

The Developer plans to redevelop the Blackstone as a 327-room Marriott Renaissance Hotel. The redevelopment would utilize all 321,516 square feet of the original building, but would internally demolish the guestroom levels to allow for guestrooms that meet today's luxury standards. The rest of the property would be maintained, with the historic elements of the property being utilized and enhanced, including the barbershop at the Art Hall. The Developer's redevelopment plan also includes the reuse of the Crystal Ballroom as the hotel's main ballroom and the development of an additional 12,000 square feet of meeting space. The hotel will feature a street-level entrance restaurant and bar, adding to the revitalization of retail life on South Michigan Avenue.

City Funding Commitment to Sage Hospitality Resources, LLC:

The City, through the Department of Planning and Development (DPD), is planning to reimburse the Developer for the TIF eligible costs in an amount not to exceed \$18,000,000. The total project costs are estimated to be \$112,248,813 and the TIF reimbursement will not exceed 16% of the total project costs.

This amount will be determined by the amount of New Market Tax Credits (NMTC) received by the Developer. The Developer expects to receive NMTC in an amount no less than \$14,000,000. In the circumstance the Developer receives the minimum \$14 million allocation, TIF assistance will be the maximum of \$18 million. There will be a dollar for dollar reduction in the \$18,000,000 in TIF assistance for every dollar over \$14,000,000 in NMTC received by the Developer.

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Project Budget:

Sources

	<u>Amount</u>	<u>% of total</u>
Project Equity	\$ 8,802,680	8%
New Market Tax Credits	14,000,000	12%
Marriot	1,500,000	1%
Depreciation Loss Investor	1,804,083	2%
Historic Tax Credits	14,142,050	13%
TIF Assistance (Construction Phase)	13,800,000	12%
First Mortgage	<u>58,200,000</u>	<u>52%</u>
TOTAL	\$112,248,813	100%

Uses

	<u>Amount</u>	<u>\$/sf of Building</u>
Land Acquisition	\$ 22,300,000	\$69.36 psf
Design and Development (4.5% of total costs)	5,075,000	\$15.79 psf
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General Contingency (5.5% of total costs)	<u>6,159,927</u>	
TOTAL	\$112,248,813	



**CITY COUNCIL
CITY OF CHICAGO**

COUNCIL CHAMBER
ROOM 300
121 NORTH LA SALLE STREET
CHICAGO, ILLINOIS 60602
TELEPHONE 312-744-6836
FAX 312-744-2022

COMMITTEE MEMBERSHIPS

- SPECIAL EVENTS AND CULTURAL AFFAIRS (CHAIRMAN)
- EDUCATION (VICE CHAIRMAN)
- LICENSE AND CONSUMER PROTECTION (VICE CHAIRMAN)
- AVIATION
- BUDGET AND GOVERNMENT OPERATIONS
- FINANCE
- POLICE AND FIRE
- RULES AND ETHICS

MADLINE L. HAITHCOCK
 ALDERMAN, 2ND WARD
 WARD OFFICE:
 440 EAST 38TH STREET
 CHICAGO, ILLINOIS 60616
 TELEPHONE: (773) 824-0014
 FAX: (773) 824-8850

701 SOUTH WESTERN AVENUE
 CHICAGO, ILLINOIS 60612
 TELEPHONE: (312) 732-8169

June 1st, 2005

Ms. Denise M. Casalino, P.E.
 Commissioner
 Department of Planning and Development
 121 North LaSalle Street
 Room 1000
 Chicago, Illinois 60602

RE: Blackstone Hotel TIF Assistance Sage Hospitality Resources, LLC

Dear Commissioner Casalino:

I would like to express my support for the Blackstone Hotel project between the City of Chicago and Sage Hospitality Resources, LLC. This will provide financial assistance to the developer to redevelop and restore this hotel into a modern full-service hotel as well as bring this landmark building back to productive use. For this reason I strongly support the use of TIF funds to redevelop the building.

Sincerely,

Madeline L. Haithcock
 Alderman, 2nd Ward

Attachment: Exhibit A, Street Boundary Description

EXHIBIT A

Street Boundaries of the Near South Area

The Near South Area is generally bounded by Congress Parkway on the north, South Michigan Avenue and South Lake Shore Drive on the east, East 21st Street on the south, and South State Street on the west.