

# Louisiana Waldorf Astoria Hotel

## The Project

On August 29, 2005, Hurricane Katrina made landfall in Louisiana. The storm tore through New Orleans, breaching its levees and flooding 80% of the city, causing an estimated \$108 billion of damage and over 1800 fatalities. It was the costliest natural disaster in United States history.

New Orleans, rich with architectural history, suffered the loss or damage of hundreds of historical structures, including the Roosevelt Hotel. Opened in 1893 and originally named "The Grunewald" for its original owner, the hotel has for over a century stood as a beacon of luxury in the south. Renamed "The Roosevelt," for President Theodore Roosevelt, in 1923, the opulent, 505-room hotel spans an entire city block. It has hosted legendary characters famous and infamous, including Marlene Dietrich, Audrey Hepburn, Grace Kelly, Louis Armstrong, Cab Calloway, Ray Charles, Jack Benny, Bob Hope, and populist Louisiana Governor Huey P. Long, who used his 12th floor suite at the hotel as his base of operations when he was in the city.

In 1965, the hotel was sold and renamed The Fairmont, and remained so until Katrina damaged the building and caused its closing in 2005. The Fairmont's owners attempted a renovation after the hurricane, but when the renovation costs continued to rise exponentially, they decided to suspend the project and sell the hotel. After Fairmont abandoned the project in 2007, it was sold for \$17 million to a group of investors, First Class Hotels, headed by Neil Freeman, Chairman and CEO of Aries Capital, LLC and Sam Friedman, CEO of Natchitoches, Louisiana-based Dimension Development Company. First Class Hotels announced the hotel would be restored and reopened as The Roosevelt New Orleans, a Waldorf Astoria Collection Hotel.

## The Challenge

The project commenced in 2008 in the midst of the market collapse. Commercial real estate finance options had dried up for even spotless properties in core markets, and the First Class Hotels group was attempting the complete renovation of a severely damaged property in a ravaged market. The project was not economically feasible based on a traditional capital structure featuring 70% bank debt and 30% borrower equity. In the Roosevelt's case, the project could only secure about 50% debt and required 50% equity, but that would not have provided a reasonable rate of return for traditional investors. In addition, the structure was a designated landmark, requiring any renovation to restore it to period-specific quality of materials and workmanship. The renovation was projected to cost upwards of \$100 million to complete.



- \$150 Million Total Capitalization
- New Orleans, LA
- Senior Construction Debt
- Federal & State Historic and New Markets Tax Credits

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## The Capital Structure

Aries Capital Chairman and CEO Neil Freeman initiated the project based on his superior knowledge of creative financing and substantial available development subsidies. Freeman, in his capacity as CEO of Urban Development Fund (UDF), was already working on the financing of the restoration of the Hilton St. Charles, another historic hotel shuttered by Katrina, and recognized the opportunity to revive The Roosevelt as well. Using his extensive network of relationships in the hospitality and investment industries, Freeman brought together a group of investors to buy the asset.

He enlisted Sam Friedman, his development client in the Hilton St. Charles Hotel project, to shepherd the redevelopment, and brought in well-capitalized equity partners, including AVR Realty, to secure an \$85 million construction loan for the project.

Aries Capital's affiliate Urban Development Fund had received a round of Gulf Opportunity Zone New Markets funding to finance the construction and rehabilitation of properties located in the Katrina disaster zone, and as a result could secure additional tax credits to deploy in the region. In all, the group used five tax credit structures to bridge the equity gap: Louisiana Historic Tax Credits, Federal Historic Tax Credits, Federal New Markets Tax Credits, Increased Qualified Rehabilitation Credits for Historic Structures, and Gulf Opportunity Zone Enterprise Zone Employment credits. The tax credits comprised over \$50 million of the project's funding.

## The Outcome

The renovation of The Roosevelt New Orleans ultimately cost over \$150 million, the largest private investment in downtown New Orleans after Hurricane Katrina. The restoration required the work of dozens of skilled craftsmen as well as local laborers, and created or returned 1000 construction and 500 permanent jobs to the local economy. Renovation was completed in 18 months, and the hotel was reopened with much fanfare on July 1, 2009. Since the grand reopening, the hotel has thrived, quickly resuming its prominent place as a society fixture in the city, and was able to go back to market for permanent debt as a stabilized hotel just 18 months after reopening.



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