

March 6, 2024

To: Mayor and Members of City Council

202400729

From: Sheryl M.M. Long, City Manager

Subject: Emergency Ordinance – Amended and Restated Lease for real property at 21 East Fifth Street (Westin Hotel)

Attached is an Emergency Ordinance captioned:

AUTHORIZING the City Manager to execute an Amended and Restated Lease Agreement with Host Cincinnati Hotel LLC, the lessee under an existing lease concerning property commonly known as the Westin Hotel Cincinnati located at the southeast corner of Vine and Fifth Streets in the Central Business District, to extend the lease term, reallocate real property tax liabilities, modify certain rent obligations, and to grant the lessee a right of first offer to purchase the City’s interest in the real property.

STATEMENT

The continuous operation of Westin Hotel in downtown Cincinnati is essential to maintain a healthy hotel room supply and support the city’s many entertainment assets. Additionally, a high-quality hotel in the heart of our business district benefits residents by increasing tourist’s spending within city-limits instead of regional alternatives.

BACKGROUND/CURRENT CONDITIONS

The property located at 21 E. Fifth Street has operated as the Westin Hotel Cincinnati since 1981. The City of Cincinnati (the “City”) has an existing lease dated May 19, 1978, by and between the City of Cincinnati and Fountain Square Hotel Corporation, for the real property, building improvements and appurtenances. The agreement has since been amended, modified, supplemented, and restated. The purpose of the new Amended and Restated Lease is to extend the term and update various terms of the existing lease.

The existing lease between the City and Fountain Square Hotel Corporation had an initial lease term of 65-years with three 10-year renewal options. As of 2024 the lease had 19 years remaining in the initial lease, or 49 years overall with the three extensions. The lease was also structured as a gross lease, with the City paying the annual tax liability for the property.

The Amended and Restated Lease was approved by the Cincinnati Planning Commission during their regularly scheduled meeting on March 21, 2023.

LEASE UPDATES

There is no project associated with this item. The purpose of this item is to update the terms of the existing lease.

Under the proposed Amended and Restated Lease, the City of Cincinnati and Fountain Square Hotel Corporation will enter an initial term of 70 years and three 10-year renewal options – potential expiration date is 2124. This new term creates an effective 50-year extension. This updated lease allows for cost savings to be realized by the City by reallocating the real property tax liabilities and ensures the continuous operation of an industry-rated upper-upscale hotel during the extended term.

The lease will change to a Net lease, with the tenant paying their portion of the real estate taxes. The City will also collect a base rent starting at \$0.00 for the first fiscal year after the effective date, \$25,000 annually for the second and third years, \$50,000 annually for the third and fourth years, and \$100,000 annually thereafter. Commencing the seventh fiscal year, base rent will be increased annually as it is indexed to the Consumer Price Index commencing. In addition to the base rent, the lease also includes Additional Rent that is equal to ten percent (10%) of the Adjusted Net Operating Profit in excess of the Adjusted Net Operating Profit Hurdle of \$9,000,000.

DEVELOPER INFORMATION

Host Cincinnati Hotel, LLC, formerly Starwood Cincinnati, CMBS I, LLC, is the current lessee and operator of the Westin Hotel Cincinnati. Host Cincinnati Hotel, LLC is a subsidiary of Host Hotels & Resorts, Inc. Host Hotels & Resorts, Inc. is the largest lodging real estate investment trust (REIT) and one of the largest owners of luxury and upper-upscale hotels. Host was incorporated as a Maryland corporation in 1998 and operates as a self-managed and self-administered REIT.

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance.

Attachment: Project Image and Site Map

Copy: Markiea L. Carter, Director, Department of Community & Economic Development

Project Image and Site Map

