

EMERGENCY

CHM

- 2024

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.

WHEREAS, the City of Cincinnati owns the land and other interests in certain real property located at the southeast corner of Vine and Fifth Streets in the Central Business District of Cincinnati ("Property"), which Property is under the management of the Department of Community and Economic Development ("DCED"); and

WHEREAS, the City and Host Cincinnati Hotel LLC, a Delaware limited liability company ("Lessee"), are parties to a Lease Agreement dated May 19, 1978, authorized by Ordinance No. 03-1978 ("Existing Lease"), according to which the City has granted a leasehold interest and other appurtenant rights in and to airspace above an approximately 54,473 square-foot portion of the Property ("Leased Premises") for an initial 65-year term, with three successive 10-year renewal options; and

WHEREAS, the City and Lessee desire to amend and restate the terms of the Existing Lease as more particularly described in the Amended and Restated Lease Agreement attached as Attachment A to this ordinance and incorporated herein by reference ("Amended and Restated Lease"), including (i) modifications to the lease term, resulting in an extension of Lessee's leasehold interest for up to an additional 50 years, (ii) the transfer of liability for the payment of real property taxes levied against the land under the Leased Premises from the City to Lessee, (iii) modify rent obligations, as more particularly described in the Amended and Restated Lease, and, (iv) a grant to Lessee of a right of first offer to purchase the City's interest in the Leased Premises; and

WHEREAS, the City Manager, in consultation with DCED, has determined that (i) the Leased Premises is not needed for any municipal purpose for the duration of the Amended and Restated Lease, and (ii) leasing the Leased Premises to Lessee is not adverse to the City's retained interest in the Leased Premises or the Property; and

WHEREAS, the City's Real Estate Services Division has determined by an appraisal by a professional appraisal that the fair market rental value of the Leased Premises is approximately \$400,000 per year; however, following an arms-length negotiation between the City and Lessee, the City is agreeable to lease the Leased Premises to Lessee for less than the estimated fair market rental value for the base rent and additional rent provisions, subject to annual escalation, as more particularly detailed in Amended and Restated Lease, because the City will receive benefits that equal or exceed the estimated fair market value of the Leased Premises through the cost savings to be realized by the City by shifting liability for the payment of real property taxes

levied against the land under the Leased Premises from the City to Lessee, and the inclusion of an operating covenant ensuring the continuous operation of an industry-rated upper-upscale hotel at the Leased Premises for the duration of the Amended and Restated Lease, securing employment opportunities and economic activity in the vicinity of the Leased Premises for the term of the Amended and Restated Lease; and

WHEREAS, pursuant to Section 331-5 of the Cincinnati Municipal Code, Council may authorize the lease of City-owned property without competitive bidding in those cases in which it determines that it is in the best interest of the City, and leasing the Leased Premises to Lessee without competitive bidding is in the best interest of the City because (i) Lessee is the current tenant of the Leased Premises under the Existing Lease, (ii) Lessee owns the hotel building constructed thereon for the duration of the Existing Lease, and (iii) the City desires to retain Lessee as a tenant because Lessee has committed to the continuous operation of an industry-rated upper-upscale hotel at the Leased Premises for the term of the Amended and Restated Lease; and

WHEREAS, the City Planning Commission, having the authority to approve the change in the use of City-owned property, approved the lease of the Leased Premises at its meeting on April 21, 2023; now, therefore,

BE IT ORDAINED by the Council of the City of Cincinnati, State of Ohio:

Section 1. That the City Manager is hereby authorized to execute an Amended and Restated Lease Agreement (“Amended and Restated Lease”) with Host Cincinnati Hotel LLC, a Delaware limited liability company (“Lessee”), in substantially the form attached as Attachment A to this ordinance and incorporated herein by reference, pursuant to which the City of Cincinnati and Lessee will amend and restate the terms and provisions of that certain Lease Agreement dated May 19, 1978, authorized by Ordinance No. 03-1978, concerning the lease of City-owned real property located at the southeast corner of Vine and Fifth Streets in the Central Business District of Cincinnati containing the hotel building commonly known as the Westin Hotel Cincinnati (“Leased Premises”), as more particularly described in the Amended and Restated Lease.

Section 2. That (i) the Leased Premises is not needed for any municipal purpose for the duration of the Amended and Restated Lease, and (ii) leasing the Leased Premises to Lessee is not adverse to the City’s retained interest in the Leased Premises or the City-owned real property.

Section 3. That eliminating competitive bidding in connection with the City's lease of the Leased Premises is in the best interest of the City because (i) Lessee is the City's current tenant under the existing lease, (ii) Lessee owns the hotel building for the duration of the existing lease, and (iii) the City desires to retain Lessee as a tenant because Lessee has committed to the continuous operation of an industry-rated upper-upscale hotel at the Leased Premises for the term of the Amended and Restated Lease.

Section 4. That the fair market value of the lease, as determined by an appraisal by a professional appraisal that the fair market rental value of the Leased Premises is approximately \$400,000 per year; however, following an arms-length negotiation between the City and Lessee, the City is agreeable to lease the Leased Premises to Lessee for less than the estimated fair market rental value for the base rent and additional rent provisions, subject to annual escalation, as more particularly detailed in Amended and Restated Lease, because the City will receive benefits that equal or exceed the estimated fair market value of the Leased Premises through the cost savings to be realized by the City by shifting liability for the payment of real property taxes levied against the land under the Leased Premises from the City to Lessee, and the inclusion of an operating covenant ensuring the continuous operation of an industry-rated upper-upscale hotel at the Leased Premises for the duration of the Amended and Restated Lease, securing employment opportunities and economic activity in the vicinity of the Leased Premises for the term of the Amended and Restated Lease.

Section 5. That the proper City officials are hereby authorized to take all necessary and proper actions to carry out the provisions of this ordinance and to fulfill the terms of the Amended and Restated Lease, including executing any and all ancillary documents associated with the lease, such as amendments or supplements to the Amended and Restated Lease deemed by the City Manager to be in the vital and best interests of the City.

Section 6. That this ordinance shall be an emergency measure necessary for the preservation of the public peace, health, safety, and general welfare and shall, subject to the terms of Article II, Section 6 of the Charter, be effective immediately. The reason for the emergency is the immediate need to allow the City Manager and other proper City officials to take all necessary and proper actions to carry out the provisions of this ordinance to amend and restate the terms and conditions of the existing lease without delay to allow the City to realize the corresponding cost savings and economic and non-economic benefits of the Amended and Restated Lease at the earliest possible time.

Passed: _____, 2024

Aftab Pureval, Mayor

Attest: _____
Clerk