



# Witness Investment

Worthington Gateway Development  
Discussion Document

# The Witness Group – Background and History



8 Hotels with 4 in the pipeline



20 Hotels with 2 in the pipeline



**WITNESS**  
INVEST. BUILD. MANAGE.

34 Hotels with 8 in the pipeline



**Naresh Patel**  
Chairman Emeritus  
Co-Founder of Alliance  
Hospitality



**Kirit Patel**  
Chairman of the Board  
Founder of KB Hotel Group



**Nitin Patel**  
Board Member  
Co-Founder of Alliance  
Hospitality



**Chm Patel**  
Chief Executive Officer  
Son of Naresh Patel  
Ohio State University, BS  
Ashland University, MBA



**Sachin Patel**  
Chief Administrative  
Officer  
Nephew of Naresh Patel  
University of Alabama, BS



**Aakash Patel**  
Chief Development  
Officer  
Son of Kirit Patel  
New York University, BBA

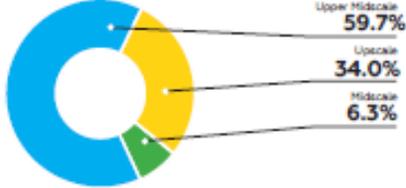


**Sagar Patel**  
Chief Investment Officer  
Son of Nitin Patel  
University of Michigan, BBA  
Georgetown University,  
MBA

# The Witness Group – Our Portfolio

		 <p><b>18</b> Hotels</p>  <p><b>1,944</b> Rooms</p>
		 <p><b>11</b> Hotels</p>  <p><b>1,032</b> Rooms</p>
		 <p><b>9</b> Hotels</p>  <p><b>873</b> Rooms</p>

### Chain Scale



Upper Midscale	59.7%
Upscale	34.0%
Midscale	6.3%

### Franchise



Hilton	45.9%
Marriott	24.4%
IHG	20.6%
Hyatt	2.6%
Other	6.5%

### Statistics

<b>33</b>	<b>9</b>	<b>4100+</b>	<b>1000+</b>
Assets Under Management	Assets Under Development	Total Hotel Room Keys	Total Associates



**WITNESS**  
INVESTMENT

Local Market Expertise.  
High Yield Returns.



**WITNESS**  
CONSTRUCTION

Progressive Designs.  
On Time, On Budget.



**WITNESS**  
MANAGEMENT

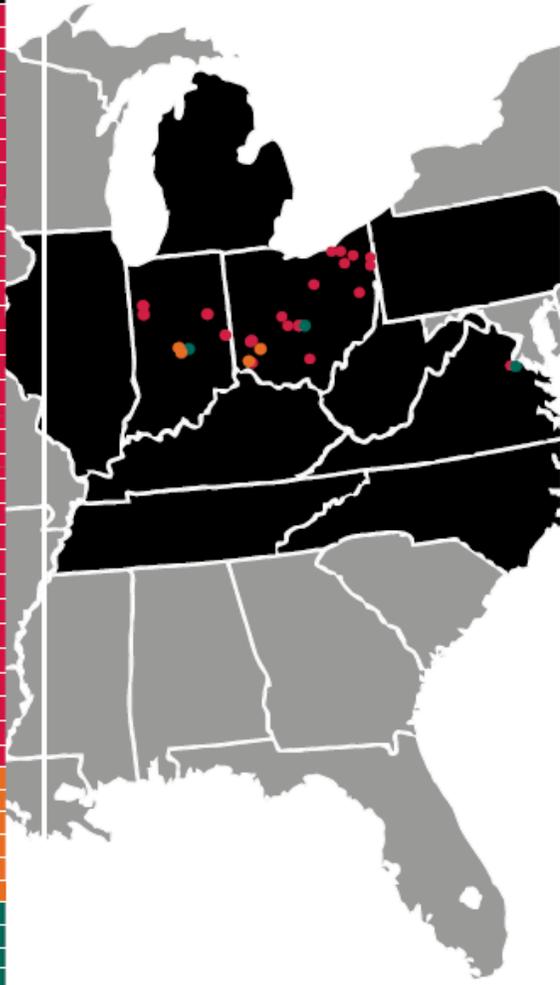
Trusted Talent.  
Excellence In Service.

# The Witness Group – Our Portfolio

## Brand Portfolio

KEY: Management Construction Investment

Brand	Franchise	Location	Keys
Hampton Inn - Akron	Hilton	Akron, OH	90
Hampton Inn & Suites - Ashland	Hilton	Ashland, OH	81
Home2 Suites - Columbus	Hilton	Columbus, OH	106
Hampton Inn - Dayton Mall	Hilton	Dayton, OH	95
Hampton Inn & Suites - Dayton/Vandalia	Hilton	Dayton, OH	79
Home2 Suites - Dayton	Hilton	Dayton, OH	106
Hampton Inn - Kent	Hilton	Kent, OH	76
Home2 Suites - Lafayette	Hilton	Lafayette, IN	93
Hampton Inn - Middletown	Hilton	Middletown, OH	87
Hampton Inn & Suites - Muncie	Hilton	Muncie, IN	88
Homewood Suites - Polarís - Columbus	Hilton	Polarís, OH	92
Hampton Inn & Suites - Richmond	Hilton	Richmond, IN	93
Hilton Garden Inn - West Chester	Hilton	West Chester, OH	123
Aloft - West Chester	Marriott	West Chester, OH	108
Residence Inn - Akron South	Marriott	Akron, OH	80
Fairfield Inn & Suites - Austintown	Marriott	Austintown, OH	73
Springhill Suites - Dayton South	Marriott	Dayton, OH	84
Springhill Suites - Dayton/Vandalia	Marriott	Dayton, OH	91
Courtyard - Kokomo	Marriott	Kokomo, IN	90
Residence Inn - Lafayette	Marriott	Lafayette, IN	108
Residence Inn - Middleburg Heights	Marriott	Middleburg Heights, OH	116
Holiday Inn Express - Akron	IHG	Akron, OH	91
Holiday Inn Express - Chillicothe	IHG	Chillicothe, OH	58
Crowne Plaza - Dublin	IHG	Dublin, OH	215
Holiday Inn Express - Middletown	IHG	Middletown, OH	64
Holiday Inn Express - New Philadelphia	IHG	New Philadelphia, OH	83
Holiday Inn Express Polarís - Columbus	IHG	Polarís, OH	104
Holiday Inn - Richmond	IHG	Richmond, IN	99
Holiday Inn Express - Streetsboro	IHG	Streetsboro, OH	68
Holiday Inn Express Westlake	IHG	Westlake, OH	91
LaQuinta Inn & Suites - Hilliard	Other	Hilliard, OH	60
Best Western Dutch Valley - New Philadelphia	Other	New Philadelphia, OH	66
Red Lion - Rosslyn/No Jima	Other	Rosslyn, VA	141
Home2 Suites - Carmel	Hilton	Carmel, IN	88
Home2 Suites - Richmond	Hilton	Richmond, IN	100
Residence Inn - Indianapolis (Dual-Brand)	Marriott	Indianapolis, IN	98
Springhill Suites - Indianapolis (Dual-Brand)	Marriott	Indianapolis, IN	84
Fairfield Inn & Suites - Dayton/Vandalia	Marriott	Dayton, OH	100
DoubleTree - Columbus/Dublin	Hilton	Dublin, OH	173
Home2 Suites - Muncie	Hilton	Muncie, IN	100
Hampton Inn & Suites - Rosslyn	Hilton	Rosslyn, VA	160
Hyatt Place - Columbus/Polarís	Hyatt	Columbus/Polarís, OH	111



Statistics

# Executive Summary

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## Discussion Overview

### Hampton Inn & Suites Brand Hilton Application Denial

1. Market Performance
2. Deviation from Brand Design and Development Cost

### Brand Options for Hospitality Use

1. Overview of Options and Brand Response
2. Tru by Hilton Introduction
3. December 12 - ARB Review of both the High Street Parcel and Tru Hotel Elevations

### Construction Timeline

1. Wilson Bridge Buildings Construction
2. Hotel Construction
3. High Street Building Construction

# 1. Market Performance: Worthington Hotel Market

Submarket	Statistics	2019 YTD	2018	2017	2016
Worthington	Average Daily Rate	\$96.58	\$93.11	\$93.78	\$93.09
	Occupancy	49.7%	57.3%	66.7%	68.7%
Polaris	Average Daily Rate	\$127.17	\$126.81	\$131.43	\$130.94
	Occupancy	70.1%	67.3%	67.6%	72.0%
Dublin	Average Daily Rate	\$118.52	\$116.65	\$119.64	\$121.93
	Occupancy	70.2%	71.5%	72.6%	71.3%

## Data Insights

### Worthington Data includes all premium product:

- Hyatt Place
- Doubletree Tree
- Sheraton Hotel Suites
- Courtyard

\* Homewood Suites is leaving Hilton in April 2020 and Residence Inn just underwent auction sale

- ▶ The **Worthington hotel market is \$25-\$30 below the average room rates for the neighboring Polaris and Dublin submarkets** of Columbus
- ▶ Due to stronger demand in the surrounding submarkets, Worthington's **occupancy rates have dropped 19% absolute points and 30% from 2016 number over the last four years** while room rates have stayed relatively flat during the same period
- ▶ The Hampton Inn & Suites brand averages **74% at \$129.75** which is well above the Worthington Submarket performance and a major reason the application was denied
- ▶ The market performance is why the **Towneplace Suites by Marriott and the Homewood Suites licenses are not being renewed and the Hyatt Place is currently on auction and Residence Inn by Marriott recently completed an auction**

# 1. Market Performance: Worthington Hotel Market

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- ▶ *The market deterioration in the last three years with respect to this market was a crucial decision factor in Hilton's concern over the Hampton Inn brand performing to its peer group average*
- ▶ *Aside from market performance, the development cost for a Hampton Inn is higher than other comparable brands which makes the concern on project feasibility extremely high. This concern came from Hilton and not Witness as the developer. It boiled down to whether this market could support the higher development and operating costs of a Hampton. Although Witness believed that it could and used its leverage with Hilton to convince them, Hilton disagreed.*
- ▶ *The Window that Witness had to develop a Hampton Product was breaking ground in 2016 or 2017. Please note, that we began this process with the City in 2015. That Holiday Inn Express across the Highway could have been a Worthington property along with a Hampton Inn & Suites, all on one site. The longer the project got pushed out, opportunities kept dropping off due to market conditions.*



## Project Details:

- 105 projected rooms and suites
- 83,000 square feet due to design and site grade
- Hard materials for 80% of the exterior
- Peaked roof architecture

## Cost Drivers

- + Site development to address grade – **\$525,000**
- + Building requirements (exterior materials, roof line design, etc.) – **\$500,000**
- + Additional square footage - **\$2,750,000**

## 2. Detailed Summary: Deviation from Brand Design and Development Cost

### Prototype: Hampton Inn & Suites



#### Prototype Details:

- 101 rooms and suites
- 61,689 square feet
- \$157 per square foot hard cost
- Limited to no hard material exterior requirement
- Flat roof design

### Hampton Inn & Suites – Worthington, Ohio

#### Project Details:

- 105 projected rooms and suites
- 83,000 square feet due to design and site grade
- Hard materials for 80% of the exterior
- Peaked roof architecture

#### Cost Drivers

- + Site development to address grade – **\$525,000**
- + Building requirements (exterior materials, roof line design, etc.) – **\$500,000**
- + Additional square footage - **\$2,750,000**

# Overview of Brand Options and Response

				
<ul style="list-style-type: none"> <li>▶ Denied Hampton Inn &amp; Suites Application</li> <li>▶ Committee is opposed to a Home2 Suites by Hilton</li> <li>▶ Committee is against Homewood Suites replacement</li> <li>▶ Only financially feasible option is Tru by Hilton since Homewood Suites is leaving the system</li> </ul>	<ul style="list-style-type: none"> <li>▶ Towneplace Suites just left Worthington</li> <li>▶ Residence Inn just completed an auction at a low bid</li> <li>▶ Courtyard performance is well below brand average</li> <li>▶ <b>Marriott will not look at anything in this market at this time due to performance of its current assets</b></li> </ul>	<ul style="list-style-type: none"> <li>▶ <b>Cambria Suites is the only brand that us upscale within their portfolio and their committee did not approve this market</b></li> </ul>	<ul style="list-style-type: none"> <li>▶ <b>Will not look at this market due to overall performance and current performance of their Hyatt Place</b></li> </ul>	<ul style="list-style-type: none"> <li>▶ <b>Currently adding a Holiday Inn Express in Crosswoods which would be the only brand that would fit this development within their portfolio</b></li> </ul>

# Tru by Hilton Introduction



**Tru by Hilton**  
Raleigh Durham Airport, NC



**Tru by Hilton**  
Middleburg Heights, Ohio

## Brand Overview

- ▶ Tru by Hilton is Hilton's newest select service brand and was launched in 2016
- ▶ Tru by Hilton targets a wide consumer base being a destination hotel for the leisure, corporate or group traveler
- ▶ Hilton Honors is a global loyalty program that has over 100 million members that are loyal to Hilton's family of brands
- ▶ Similar to Hampton Inn & Suites, Tru offers free breakfast, guest internet and fitness center
- ▶ 53 hotels open and 302 new development deals signed by end of 2018; expected to add 100 more to this pipeline in 2019

# Why Tru by Hilton or Worthington Gateway?

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## 1. Development Cost

- ▶ Building footprint is ~45,000 square feet for 104 rooms (compared to 80,000+ for the proposed Hampton) which would drastically reduce hard construction costs and site grading due to placement of building on the site to minimize impact of the slope on the southwest corner
- ▶ Room footprint is smaller reducing the overall budget for furniture and equipment in addition to the reduction in hard material costs

## 2. Brand Affiliation

- ▶ Part of the Hilton family of brands which has a loyal customer base of over 100 million reward members which would drastically help the performance of this hotel
- ▶ Hilton is losing their only select service representation within the market in the Homewood Suites in Q1/Q2 2020

## 3. Feasibility

- ▶ Smaller scope and design will reduce construction time upon municipality and brand approval on the design
- ▶ Premium to current market performance will support financing and financial feasibility of this project due to reduced development costs

## 4. Spur Future Development

- ▶ Success of this first hotel project in Worthington in many years can help revitalize the hospitality market for this submarket that has only deteriorated in the last 5 years which might eventually lead to all of the brands coming back for new development over the next 5-10 years
- ▶ There are very few hotel development sites in Worthington and if the City is every going to change the hotel perception in the market, this is the only shot because Hilton is only offering this brand to Worthington because of Witness and our conviction.

# Construction Timeline

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## Engineering Submittals

Intersection Plans Submittal - September 21, 2019

- First response from Engineering Department on 9/15/2019  
OnSite Civil Plan Submittal on - October 4, 2019
- Received some minor comments on October 31, 2020 but still needed more time to review.

**We understand that the City will need to depend on consultants to assist in the Civil Plan approvals. We ask for expeditious review by City staff and consultants to meet the revised construction timeline.**

## Civil Start Date

- Site Work - January 6th.

## Retail Building Construction Timelines \*\*\*

- Construction on R1 - Feb 17th 2020 - June 19th 2020 (single story)
- Construction on R2 - March 9th 2020 - July 10th 2020 (single story)
- Construction on R3 - March 30th 2020 - July 31 2020 (two story)
- Construction on R4 - April 20th 2020 - August 21th 2020 (two story)
- Construction on R6 - May 11th 2020 - September 11th 2020 (High Street)

## Hotel Timeline\*\*\*

- ARB - December 12/January 9/January 23
- Architectural Drawings - February - May 18th 2020
- Submit for Permit - May 21 2020
- Receive Permit - July 16 2020
- Hotel Construction - August 3 2020 - October 2021

## Intersection Construction Timeline (Wilson Bridge & Caren Ave)

- Construction April 2020 - September 2020 w/ Temporary Traffic Signals
- Permanent Traffic Signals - November 2020

\*\*\* Timelines are subject to a 6 week duration from submittal to receipt of permit with the building department