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First Hotel In Cuba To Use Hermés Toiletries

Why Only Two (Soon Three) International Standard Luxury Hotels In Cuba?

First SLH-Affiliated Hotel In Cuba Is Not Owned By Government Of Cuba

It's A 10-Room Casa Particular

US\$2 Million Investment

An Italian Husband And Cuban Wife

Current Owners Met With Previous Owners

U.S. Credit Cards Valid For Use

The Type Of Property The Trump Administration Supports

The foremost challenge for hotel management companies in the Republic of Cuba is navigating the impact upon morale that results from the distance between what a guest pays for a room, meals and services and what an employee who is a Republic of Cuba national receives as wages- and can purchase with those wages.

According to a senior-level executive from a non-Republic of Cuba-based hotel management company, *“For the properties self-identifying as luxury, they remain outliers rather than examples; isolated rather than imitated; orphans rather than part of a growing family. There is a tragic sense of ‘economic apartheid’ in Cuba that must be addressed.”*

There are two international standard luxury-level properties operating in the Republic of Cuba, with a third scheduled to open in September 2019.

The Independent (And Smallest)

When asked for a unique aspect to *Paseo 206* (<http://www.paseo206.com>), Mr. Andrea Gallina, who owns the property, shared: *“The level of service and amenities offered. The décor. The location. The fact that my wife and I are always there to meet the guests.”* His wife is Diana Sainz, a Republic of Cuba national.

Small Luxury Hotels [SLH] of the World Management Limited (www.slh.com) was established in 1989. The company has 520 properties in more than eighty countries. According to the company, there are more than 1,000 applications submitted each year and 5% are accepted. LINK: <https://www.slh.com/paseo-206-boutique-hotel/?l>

The first SLH-affiliated property in the Republic of Cuba is not a Republic of Cuba government-owned property and not a Republic of Cuba government-operated property. It is a privately-owned residence and the pre-1959 revolution owners have made no claim on the residence.

Properties affiliated with SLH make an annual payment and pay a commission per reservation made through the SLH Internet site. According to SLH, the annual payment for the smallest properties (less than twelve rooms) range from US\$8,000.00 to US\$12,000.00.

From SLH: *“Paseo 206 Boutique Hotel is not currently available to book online. To book Havana’s first luxury boutique hotel, please contact the hotel directly on +53 78313423 or +53 55517894 or via email paseo206@slh.com.”*

U.S.-Cuba Trade and Economic Council, Inc.

The Casa Particular, **Paseo 206**, opened in September 2016 and affiliated with SLH in June 2017. The property has ten rooms: Rooftop Suite (3; average rack rate US\$449.00); Master Suite (3; average rack rate US\$349.00), Junior Suite (2; average rack rate US\$299.00) and Matchbox Room (2; average rack rate US\$249.00).

At 100%, 365-day occupancy, excluding revenues from food and beverage and commissions, rack rate room-only annual gross revenues could be US\$1.273 million.

Paseo 206, as do other properties, discounts seasonally and often pays commissions to travel agents, tour operators and other intermediaries; which may account for up to 25% of gross revenues.

Occupancy rates were 52% in 2017, 58% in 2018 (room count increased from eight to ten) and projected at 67%-68% in 2019. Based upon the projection for 2019, gross revenues could be approximately US\$687,000.00, not including food, beverages and services.

Paseo 206 reports that the reduction in visitors from the United States has been compensated by “other high-spending visitors from Northern Europe, The Americas, Asia and Middle East.” Revenues have increased approximately 8% on an annual basis.

Less than 1% of reservations for *Paseo 206* originate with San Francisco, California-based **Airbnb, Inc.**, approximately 30% of reservations originate with www.booking.com and www.expedia.com, and approximately 69% of reservations originate with “small concierge travel agents and direct to the property.”

https://www.airbnb.com/rooms/14518299?source_impression_id=p3_1566152144_x5b4ivB5Q%2BIISnx2

In a statement to the U.S.-Cuba Trade and Economic Council, Airbnb shared: “*In April 2015, Airbnb was excited to welcome Cuban hosts to the global community and since then, Airbnb has provided an opportunity for Cuban hosts to earn important supplemental income, as they open their homes to travelers from around the world. Data released in 2017 showed that Airbnb hosts welcomed 560,000 guests since 2015. From January 2018-January 2019, Cuban hosts welcomed more than 728,000 in just one year. In 2017, there were 22,000 listings, today there are 36,400. The average Cuban Airbnb host has lived in the community where they host for 31 years. 67% of Cuban hosts say that hosting has helped them afford to stay in their home.*”

The use of a Casa Particular is specifically encouraged, but not required, for an individual subject to United States jurisdiction who visits the Republic of Cuba using the “*Support for the Cuban People*” provision (31 CFR 515.574) as administered by the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury.

Property Claim

According to Mr. Andrea Gallina, “*No claims. We had a visit of the original owners now living in the US. Zero interest in claiming the property. Lots of happiness to see we brought it back to its original splendor. So, their childhood memories were intact.*”

Due to marriage, Mr. Gallina received a Green Card and is thus entitled to own property within the same regulations that apply to Republic of Cuba nationals.

U.S.-Cuba Trade and Economic Council, Inc.

He continued: *"The current owner is me. The last owner I am afraid I don't know where he is. He had purchased the house from a person that had purchased the property from the original owner, whose relatives are in the United States. The property had a change of ownership for three times at least... and the family members from the United States that came to visit us were not the owners. So, I don't think it is even a case where a claim exists since someone from the family was left behind (in Cuba) and lived in the house."*

Credit Cards Accepted

"Any card can be used at check-out, but we don't have a POS [Point of Sale] at the front desk. We take the card information at check-in, process a guarantee by sending the information to our office in Italy and then settle the bill at check-out. The transaction is not immediate though, and when there is a problem, we need to contact the client again and ask to approve the payment for example. There is always a risk associated with it...but we take it and so far, we have been successful in charging credit cards 99% of the time."

Operational Costs

Mr. Gallina purchased Paseo 206 for US\$250,00.00. The average price per square foot for a residence in the Vedado area of the city of Havana is US\$1,000.00 and US\$1,500.00 per square foot in Old Havana. The total cost to create Paseo 26, including the structure purchase, was approximately US\$2 million.

Paseo 206 reports that in terms of financial significance, the ten (10) largest monthly expenses for the property are: **1) Taxes 2) Food 3) Labor 4) Electric 5) Internet 6) Telephone 7) Maintenance 8) Water 9) Gas and 10) Insurance.**

Income taxes are based upon sales, not on profit. The highest income tax rate of 50% is for self-employed with annual revenues of more than CUP 50,000.00 (approximately US\$2,000.00). Monthly estimate payments are required. There are substantial limitations on deductions; which vary depending upon the category of the business. There is no true wholesale marketplace in the Republic of Cuba. Retail prices are generally 240% above product cost. Self-employed purchase inputs for the same pricing as do retail customers at Republic of Cuba government-operated retail stores. Income taxes generally account for 40% of net profit.

When Will Properties Be Rated By AAA & Forbes Travel Guide?

Properties self-identifying as rating five-stars in the Republic of Cuba generally equate with one-star to two-star-plus properties in the United States.

There are SLH-affiliated properties in many countries that have earned the AAA Five Diamond Award from AAA and a Five-Star rating from Forbes Travel Guide.

There are no properties in the Republic of Cuba that have been rated by Heathrow, Florida-based AAA (formerly American Automobile Association) or Atlanta, Georgia-based **Forbes Travel Guide**. From AAA: *"AAA's Diamond Rating System does not cover Cuba at this time."* No AAA Four Diamond, AAA Five Diamond, Four-Star or Five-Star rated properties.

From Forbes Travel Guide: *"At this time we do not have any star rated hotels in Cuba though we continue to watch the destination with interest and look forward to launching the country as a new*

U.S.-Cuba Trade and Economic Council, Inc.

market in the not too distant future. We are really waiting for the hotel infrastructure to generate levels of service that would qualify them to be considered for an evaluation and potential Star Award. We have not sent any inspectors into Cuba at this time for this reason though have already made high level visits by members of our Executive office." The Chief Executive Officer of Forbes Travel Guide, Gerald J. Inzerillo, visited the Republic of Cuba in 2016.

Along with *Paseo 206*, only one other hotel in the Republic of Cuba would likely earn at least a Four Diamond or Five-Star rating: The 246-room Gran Hotel Kempinski Manzana La Habana which opened in 2017. The property is managed by Geneva, Switzerland-based **Kempinski Hotels S.A.**; the property is owned by Republic of Cuba government-operated Gaviota S.A. which is controlled by Republic of Cuba government-operated Grupo de Administracion Empresarial S.A. (Enterprise Management Group), or GAESA, which is controlled by the Revolutionary Armed Forces of the Republic of Cuba (FAR). The property is required by Gaviota S.A. to use Republic of Cuba-produced and branded toiletries in its rooms. The Gran Hotel Kempinski Manzana La Habana is on the Cuba Restricted List (CRL) maintained by the United States Department of State. Individuals subject to United States jurisdiction are generally prohibited from direct transactions with entities on the CRL.

<https://www.cubatrade.org/blog/2017/4/29/cubas-1st-potentially-five-star-aaa-diamond-property-kempinski-manzana-la-habana-welcoming-guests-on-9-june-2017?rq=Kempinski>

<https://www.cubatrade.org/blog/2017/1/29/cubas-1st-us-standard-based-five-star-hotel-is-about-to-open?rq=Forbes>

In September 2019, a third hotel is scheduled to open and could earn at least a Four Diamond or Five-Star rating: The 250-room SO Havana Paseo del Prado, a “*lifestyle luxury hotel bursting with local energy*” is scheduled to open. The property will be managed by Paris, France-based **Accor S.A.**; the property is owned by Republic of Cuba government-operated Gaviota S.A. which is controlled by Republic of Cuba government-operated Grupo de Administracion Empresarial S.A. (Enterprise Management Group), or GAESA, which is controlled by the Revolutionary Armed Forces of the Republic of Cuba (FAR). The SO brand (which has one operating property and five scheduled to open by 2021) is not the highest-level-of-service brand owned by Accor; that is the six-property Legend, a “*unique collection of heritage hotels infused with French art de vivre.*”

<https://sofitel.accorhotels.com/gb/hotel-B361-%E5%AE%9C%E5%BF%85%E6%80%9D%E5%B0%9A%E5%93%81%E4%B8%9C%E4%BA%AC%E6%B9%BE%E9%85%92%E5%BA%97/index.shtml#origin=sofitel>

Travel Pulse
Westhampton, New Jersey
12 August 2019

By Mia Taylor

“Banish all of your preconceived notions about what it might be like to visit Cuba. And more specifically, do away with any ideas you might have about hotel accommodations on a Caribbean island that's currently grappling with a commercial, economic, and financial embargo imposed by the United States. Why? Because with its incredibly chic and stylish decor; very modern, upscale amenities and outstanding food offerings, *Paseo 206* defies all expectations of Cuban hospitality that have been bandied about in the American media.

U.S.-Cuba Trade and Economic Council, Inc.

This sophisticated hotel could quite literally be anywhere in the world. Yet at the same time, it oozes distinctly Cuban warmth and character. From its location on a tree-lined street in Vedado, (the economic and cultural heart of La Havana), to the building itself, a Cuban family home dating back to 1933, Paseo 206 represents Cuba at its finest and most charming.

To truly understand Paseo 206, you must have a bit of a primer about who owns and operates this unique gem of a property. It's run by a Cuban Italian family, led by the husband and wife team of Andrea Gallina and Diana Sainz, two former World Bank employees who left behind their high-powered jobs after years of globetrotting to settle in Diana's home country and become hoteliers. Together, the duo has painstakingly converted a former private Cuban residence (owned during the 1930s by a well-to-do senator who worked in the administration of President Gerardo Machado) into a 10-room boutique hotel that aims to combine the best of both Italian and Cuban culture.

The couple first saw the house that would become Paseo 206 in 2015, not long after President Raúl Castro restarted diplomatic relations with the United States and opened Cuba to American tourism. After laying eyes on the property, they were smitten and decided to pursue a dream. "This is a work of love," Gallina explained during a recent interview, adding: "Diana and I traveled so much for work or for pleasure over the years and we really enjoyed small hotels. We thought people usually open hotels like this when they retire, but we should do it now, while we have energy." And thus the Paseo 206 project was born.

It took about 11 months to restore the property, an effort that aimed to maintain the soul of the structure and preserve its unique architectural elements including refinishing intricate wooden moldings and replacing glass on original cabinetry. The couple also imported furnishings from Italy and adorned the walls and public spaces with the art of locals. And last but not least, they recruited family to help run the hotel. The result is a warm, stylish and property where you'll often bump into Gallina's mother in the hallways and each evening will be treated to live music from local musicians in the restaurant.

Each guest room at Paseo 206 is bright, modern and comfortable, designed to be peaceful enclaves from the hustle and bustle of the surrounding city. The decor is both welcoming and sophisticated, all of which is no accident. Before retiring from the World Bank, Andrea and Diana had visited no less than 60 countries. That globetrotting has clearly informed their couple's current project.

Room categories range from the Matchbox Room, which is the smallest room in the house (ideal for shorter stays) to Rooftop Suites. In between these two categories, there's also Junior Rooms and Master Suites.

The Master Suites at Paseo 206 feature distinct zones for sleeping, relaxing or working, and are decorated with Italian mid-century original furniture, as well as custom made lighting. Another noteworthy detail, these accommodations feature an in-room bathtub for an added bit of romance.

The Rooftop Suites at Paseo 206 offer an added bit of charming style and spaciousness. They include private terraces with jacuzzies providing views over the Malecon and the sea - perfect for relaxing after a day of exploring Havana.

Some of the additional property highlights and amenities at Paseo 206 include Hermes amenities; Marshall speakers; free, high-speed Wi-Fi (which is no minor detail in Cuba); 24-hour room

U.S.-Cuba Trade and Economic Council, Inc.

service and king-size beds decked out with luxurious Frette linen. Spa services are also available on-site.

The warm, freshly baked croissants that melt in your mouth. The olive oil imported from Italy, specifically from the Bulgari family's limited collection - these are just some of the memorable highlights of a meal at Paseo 206, and more specifically its restaurant Eclectico. Here again, the family's Italian heritage plays a big role. Eclectico was designed to be a tiny corner of Italy in Cuba and to that end offers traditional Mediterranean recipes and dishes paired with the intense aromas of the Caribbean. The restaurant's chef Vincenzo Frassanito and his Cuban staff serve up a distinctive interpretation of Italian cuisine that emphasizes artisanal ingredients working with local farmers and small producers.

To further immerse guests in Cuban culture Paseo 206 offers a variety of local experiences, among them boxing, salsa classes, cooking lessons, fishing, and photography workshops in Old Havana, Gallina explained. The hotel, which showcases original artwork from locals, can also provide guests direct contact with Cuban artists and galleries.

Rates at this not to miss, restored colonial mansion range from about \$150 per night to \$300 per night depending on the season and the room you choose. For more information contact Paseo 206 at info@paseo206.com.”