



March 31, 2020

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 3rd St., SW
Washington, DC 20416

Dear Administrator Carranza:

On behalf of the American Hotel & Lodging Association (AHLA), the sole national association representing all segments of the U.S. lodging industry, including iconic global brands, hotel owners and franchisees, REITs, management companies, independent properties, bed and breakfasts, state hotel associations, and industry suppliers, we applaud the passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Act provides much needed relief to the hotel and lodging industry, whose workers and families are experiencing financial losses greater than September 11th and the Great Recession combined, with estimates of over 4 million lost jobs and counting.

A plain reading of the Act reveals Congressional intent to provide our industry a path to recovery. Toward that end, we are receiving hundreds of questions from our members seeking clarity on the Paycheck Protection Program (PPP), particularly around eligibility requirements and access to funding. In order to swiftly and accurately inform our members, AHLA respectfully requests your affirmation of our understandings related to the Act, presented below, as soon as possible:

1. “Business concern” includes the business of hotels and lodging.

In Section 1101, “small business concern” is defined as “including but not limited to enterprises that are engaged in the business of production of food and fiber...” pursuant to the definition contained in Section Three of the Small Business Act. Since the Cares Act expands the categories of borrowers eligible for loans to “business concerns” with “no more than 500 employees,” we view “business concerns” to be broadly inclusive and specifically inclusive of the business of hotels and lodging.

2. Each and any hotel/lodging property (physical location) with no more than 500 employees is eligible for a PPP loan.

With regard to subsection (iii), “Business concerns with more than 1 Physical Location,” and “Increased eligibility for certain small businesses and organizations,” it is our understanding that PPP loan eligibility is assessed on an asset-by-asset basis, regardless of whether a single employer (i.e., hotel owner or management company) has in its portfolio of assets properties with more than 500 employees. For example, if a hotel owner owns ten properties, and four of those properties have no more than 500 employees each, that hotel owner may apply for four PPP loans – one for each property employing no more than 500 employees.

3. In the hotel and lodging industry, the eligible borrower for a PPP loan is the business entity responsible for employee payroll, benefit, and insurance expenses.

Our industry utilizes a unique ownership and management structure. In a typical arrangement, a property owner contracts with a third-party management company to operate a hotel property, including hiring property employees. The property owner remains legally responsible, via the management contract, for paying all operating expenses, including employee payroll, benefit, and insurance. PPP loans are intended to provide a bridge for critical operating expenses, including payroll expenses. In the example provided above, the eligible PPP borrower would be the property owner, even though employees are employed by the management company. Accordingly, we seek affirmation that the eligible borrower on a PPP loan is the entity ultimately responsible for the provision of employee payroll, benefit, and insurance expenses.

4. In the hotel and lodging industry, the eligible borrower for a PPP loan is the “employer” if it is responsible for the wage/benefit/insurance expense of the employee.

In section 1102, the term “payroll costs” is defined as “the sum of payments of any compensation with respect to employees...” Because of the hotel industry’s unique ownership and management structure, we are affirming our understanding that an eligible borrower is considered the “employer” if it is responsible for the wage/benefit/insurance expense of the employee, even though that employee technically is employed by the third-party management company.

5. Hotel and lodging entities with not more than 500 employees shall be eligible for an Emergency EIDL Grant.

We have received questions from our members about eligibility requirements for the Emergency EIDL Grant. Section 1110 defines an eligible entity as “a business with not more than 500 employees.” Please confirm that eligibility is not also restricted to businesses with less than \$35 million in annual revenue.

6. How is the SBA handling commonly owned/affiliated properties for the hotel industry?

Our members request clarity on whether to apply individually, as a parent company, or as a management company. Does the parent organization or “asset” apply for the loan?

7. Owners of properties in different states or regions should be able to utilize a single lender to secure PPP loans for all properties.

This approach would streamline the loan process consistent with Congressional intent to provide swift financial relief to companies and their employees in hard-hit industries like the hotel industry. Hotel owners are requesting clarification for their properties in different states/regions, and whether a single lender in a location may be utilized for all properties, or whether different lenders/contacts need to be accessed for the multiple locations.

Thank you for your leadership during this unprecedented time and for your consideration of these questions. We stand ready to work with you in this critical moment to support our nation’s small businesses.

Sincerely,

A handwritten signature in blue ink, appearing to read "B. Crawford".

Brian Crawford
Executive Vice President of Government Relations
American Hotel and Lodging Association