



July 20, 2020

The Honorable Nancy Pelosi  
Speaker of the House  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Mitch McConnell  
Majority Leader  
U.S. Senate  
Washington, DC 20510

The Honorable Chuck Schumer  
Democratic Leader  
U.S. Senate  
Washington, DC 20510

The Honorable Kevin McCarthy  
Republican Leader  
U.S. House of Representatives  
Washington, DC 20515

**Re: Hotel Industry Priorities for COVID 4**

Dear Speaker Pelosi, Leader McConnell, Leader Schumer & Leader McCarthy:

The hotel industry has been decimated by the COVID-19 health crisis. According to the Bureau of Labor Statistics (BLS)<sup>1</sup>, the leisure and hospitality sector has lost 4.8 million jobs since February. That is more jobs than construction, manufacturing, retail, education, and health services combined. The human toll on our employees and our workforce is devastating, with less than half currently employed. The economic impact to our industry is equally as dramatic, estimated to be **nine** times greater than the September 11th terrorist attacks. According to CBRE and STR<sup>2</sup>, the industry is expected to lose more than fifty percent of its total revenue in 2020 – which would exceed \$120 billion.

As Congress considers additional legislation to address the ongoing health crisis and economic fallout from COVID-19, the hotel industry respectfully requests you to consider the following priorities:

- I. **Provide additional liquidity for severely impacted businesses through a targeted extension of the Paycheck Protection Program (PPP).** Congress should recapitalize the PPP loan program and establish clear parameters limiting access to those businesses that can prove severe economic loss year over year. Further, Congress should increase the maximum loan amount to ensure that it covers both payroll and the servicing of debt, property taxes, insurance, and utilities necessary to keep a hotel in business. Hotels need significant additional liquidity to bring staff back and keep the doors open.
- II. **Create hotel industry relief opportunities utilizing Federal Reserve and Treasury authority.**
  - a. **Establish a Commercial Mortgage Backed Securities (CMBS) market relief fund, with a specific focus on the hotel industry, as part of the Federal Reserve's lending options.** Hoteliers with CMBS loans account for nearly \$90 billion in debt and have been largely unable to secure forbearance from their loan servicers due to the unique challenges in obtaining modification approvals from the varied holders of securitized mortgages. As payments come due, hoteliers are rapidly facing default on their obligations; according to Trepp<sup>3</sup>, nearly 25% of hotel CMBS borrowers were delinquent on their payments in June. Pervasive default and foreclosure on hotel CMBS debt would be disastrous for the commercial real estate market at large, as well as the holders of that debt, including pension plans and other investors.

<sup>1</sup> <https://www.bls.gov/iag/tgs/iag70.htm#workforce>

<sup>2</sup> <https://str.com/press-release/us-hotel-demand-not-expected-fully-recover-until-2023>

<sup>3</sup> <https://info.trepp.com/trepp-talk/cmbs-delinquency-rate-surges-for-the-third-month-nears-all-time-high>

- b. **Make structural changes to the Main Street Lending Facility established under the CARES Act to ensure hotel companies can access to the program.** Due to the hotel industry's asset-heavy business model, hotels are effectively shut out from utilizing this valuable program because of the rigid EBITDA leverage test. Most hotels are financed via mortgage debt, which means that their total outstanding debt is generally already above the maximum six-times EBITDA threshold established in the Main Street Lending Facility.

**III. Include Limited Liability Language for Hotels and Other Places of Public**

**Accommodation.** Hotels have been deemed essential businesses by the Cybersecurity & Infrastructure Security Agency (CISA) in order to ensure that lodging is available to first responders and health care workers on the front line of the COVID-19 health crisis. Further, many hotels have been utilized by state and local governments as short-term health care facilities or shelter for vulnerable populations, helping to lessen the burden placed on hospitals across the country. As an industry, we have long prioritized the health and safety of our guests and employees. AHLA's "[Safe Stay](#)" protocols implement enhanced cleaning procedures in response to the pandemic. Any hotel that reopens and follows proper public health guidance to protect employees and guests should be afforded a limited safe harbor from exposure liability related to COVID-19.

**IV. Ensure targeted tax provisions are included that will benefit severely injured businesses and their employees.**

- a. **Tax credits for Capital Expenditures or Expenses to Meet the Industry's [Safe Stay Initiative](#):** The hotel industry is taking extraordinary measures to ensure that our properties across the country are healthy, clean and sanitized for both our guests and our employees. Hotels, which are facing little revenue and demand, will need assistance to offset these new substantial costs.
- b. **Enhance the Employee Retention Credit (ERC):** For those hotels that have maintained salaries and employer-paid health insurance through significant business declines, an expansion of the ERC from the CARES Act would provide a critical lifeline.
- c. **Create a Temporary Travel Tax Credit:** Qualified travel expenses should include any expense over \$50 that is incurred while traveling away from home in the U.S., with explicit reference to the expense of meals, lodging, recreation, transportation, amusement or entertainment, business meetings or events, and gasoline.
- d. **Exempt taxation on phantom income from loan modification, forgiveness or cancelation:** Many hoteliers could be faced with significant tax liability as a result of losing their asset due to COVID-19.
- e. **Allow full deductibility of the Food and Entertainment Business Expense.**

On behalf of the domestic hotel industry, I thank you for your leadership during this unprecedented time and for your consideration of these priorities for the hotel industry. Our industry stands ready to work with you in this critical moment to help stabilize our economy and support our impacted employees.

Sincerely,



Brian Crawford  
Executive Vice President, Government Affairs