



May 20, 2020

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Washington, DC 20510

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 20510

Re: Hotel Industry Priorities for CARES 2.0

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

On behalf of the undersigned trade associations which represents the breadth and depth of the U.S. domestic hotel industry, we thank you for your continued leadership in guiding our nation through this unprecedented health and economic crisis. Our respective organizations represent the nearly 9 million people that have found a career in the hotel industry, working at one of the more than 55,000 hotel properties in the United States. The hotel industry generates more than \$660 billion to the economy, including nearly \$100 billion in wages and \$186 billion in local, state, and federal taxes.

Unfortunately, the hotel industry has been decimated by the COVID-19 health crisis. According to the Bureau of Labor Statistics (BLS), the leisure and hospitality sector lost 7.7 million jobs in April alone. That is more jobs than construction, manufacturing, retail, education, and health services combined. The human toll on our employees and our workforce is devastating. The economic impact to our industry is equally as dramatic, estimated to be **nine** times greater than the September 11th terrorist attacks. According to Oxford Economics, nearly 4 million hotel employees have been furloughed or laid off and the industry is expected to lose nearly fifty percent of its total revenue in 2020 – which could exceed \$120 billion.

From the beginning of this health and economic crisis, the lodging industry has been focused on two main objectives: first, supporting and retaining our valued employees as hotel bookings evaporated; and second, saving the U.S. network of local hotels, the majority of which are small businesses. Hotel employees and local hotel owners have been negatively impacted by the COVID-19 pandemic through no fault of their own. Both need additional assistance to make it through this crisis.

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. Provisions Benefiting Hotel Employees

The hotel industry is in the business of people, serving our guests, and providing lifelong careers for our employees. Not only do hotels create memorable experiences for their guests, but they have the

unique ability to provide employees with lifelong careers. Unfortunately, many of those careers have been negatively impacted by the COVID-19 health crisis. As hotels look to reopen and return to business operations, the following provisions will help ensure the health and wellbeing of our industry's most valuable assets - our people.

- a. **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. We support proposals like Rep. Stephanie Murphy's bipartisan JOBS Credit Act (H.R. 6776) to expand the ERC. Aggregated entities that are recipients of Paycheck Protection Program loans should be allowed to utilize the ERC for wages not paid utilizing loan proceeds.
- b. **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. This includes expenditures for deep cleaning, provision of personal protective equipment (PPE), and provision of personal kits for guests. Further, hotels are altering their operations and retraining staff to ensure compliance with updated CDC and state guidelines regarding physical distancing, promoting contactless staff interaction and implementing enhanced cleaning measures in guest rooms and common areas. Hotels, which are facing little revenue and demand, will need assistance to offset these new substantial costs.
- c. **Tax rebates or direct tuition assistance for online or distance learning training courses:** Due to hotels ceasing operations across the country, many furloughed hotel employees have accepted other job opportunities. It will be imperative for the industry to upskill and train non-hospitality workers for what will amount to millions of open jobs in the industry. To address this, it will be critical to provide tax credits or other financial incentives for current or potential employees to access valuable courses that will ensure they are able to not only secure a job in the industry but also have the certification necessary to move up and get a strong, lasting foothold.

II. **Safe Harbor Provisions for Hotels and Other Places of Public Accommodation.**

Hotels have been deemed essential by the Cybersecurity & Infrastructure Security Agency (CISA) to ensure that lodging is available to first responders and health care workers on the front line of the COVID-19 health crisis, as well as other workers supporting critical infrastructure. 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. These operations, and as hotels look to return to normal business operations, present difficult legal questions with respect to potential COVID-19 exposure. As an industry, we have long prioritized the health and safety of our guests and employees, and as captured by the recently announced "[Safe Stay](#)" protocols the industry is going above and beyond to 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.

III. **Establish New Federal Programs to Aid Industry Solvency**

- a. **Hotel Specific Commercial Mortgage-Backed Securities (CMBS) Market Relief Fund as part of the Main Street Lending Facility:** The hotel industry is currently facing an unprecedented cash flow crisis, with revenues nationwide declining more than 80% in recent weeks and expected to worsen. Many hotels are currently unable to pay operating costs, including

debt service on mortgages. Conventional lenders have largely permitted workout arrangements with borrowers to defer debt payments for a few months. However, hoteliers with CMBS loans, accounting for \$86 billion in debt, 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. 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. Consequently, the lodging industry requests the creation of a CMBS market relief fund, with a specific focus on the hotel industry, as part of the Federal Reserve's Main Street Lending Facility.

- b. Federal Pandemic Risk Insurance Program:** To protect the economy against future pandemic outbreaks and give businesses the certainty they need to plan ahead and reduce risks, the Federal government should facilitate a robust and affordable insurance market for pandemic-related losses. To do this, we suggest creating a reinsurance program, similar to the Terrorism Risk Insurance Act, providing a federal backstop for claims related to shutdown and stay-at-home orders or other social distancing measures taken in response to viral outbreaks.

IV. Supporting Small Businesses Utilizing the CARES Act Relief Programs.

The historic Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Paycheck Protection Program (PPP), and Economic Injury Disaster Loans (EIDL) have provided critical support to both our impacted employees and our businesses. Unfortunately, relief has been difficult to come by for some smaller hotel operators. According to the SBA, less than 9% of all PPP loans in the first phase went to the "Accommodation and Food Service" sectors, and hotels specifically received only a portion of that allocation. The hotel industry was extremely pleased to see the following technical changes and enhancements to the PPP included in the "Health and Economic Recovery Omnibus Emergency Solutions" (HEROES) Act, which were aligned with [this letter](#) that AHLA sent to Capitol Hill dated April 8, 2020.

- Extend the PPP covered period to 12/31/2020;
- Extend the re-hiring deadline to 12/31/2020 for loan forgiveness purposes;
- Create a safe harbor for employers who cannot rehire during the prescribed time period;
- Extend the loan forgiveness period from 8 weeks to 24 weeks from the date the loan commences or 12/31/2020;
- Eliminate the 25% cap on non-payroll expenses for the purpose of calculating forgiveness amount;
- Expand the eligibility under the PPP to include all nonprofits such as 501(c)(6);
- Extend loan maturity from 2 years to a minimum of 5 years.

In addition to those helpful changes, we urge Congress to consider the following additional adjustments and technical corrections to the law to assist hoteliers during this difficult time.

- a. Ensure the Maximum Loan Amount Covers Both Payroll and Fixed Costs:** Limiting the loan amount to 250% of payroll provides limited funds for the servicing of debt, taxes, insurance, and utilities necessary to keep a hotel in business. While maintenance of payroll continues to be our first priority, failure to also assist with other obligations may result in shuttered hotels and an even bleaker employment picture longer-term.
- b. Establish Funding Certainty for PPP and EIDL:** Congressional and Administration officials have touted the PPP as the leading solution for employers to meet payroll obligations, and the

EIDL program as a lifeline for operating expenses while travel restrictions have completely depleted capital reserves. Eliminating the funding uncertainty through an automatic appropriation to fulfill the needs of small business owners under the parameters of each program will prevent businesses from closing and help to avoid a full-scale economic collapse.

- c. **Create Parity in the Affiliation Rules for PPP and EIDL:** The CARES Act specifically waived the SBA's affiliation rules for NAICS code 72 businesses, which includes hotels. The provision enables hoteliers who own multiple properties to keep their employees employed at each location. Unfortunately, that waiver was not extended to the EIDL program. We urge your support in applying the affiliation rules consistently between the PPP and EIDL to ensure hoteliers can not only make payroll, but also keep their doors open.

V. Incentivize Travel and Tourism

As states begin to reopen, there will be pent up demand for travel, but only if Americans can receive reassurances it is safe to travel. Increased testing is a critical element to reassure the traveling public as are federal incentives to spend scarce resources on travel and hospitality.

- a. **Set Federal Per Diem Rates for FY 2021-22 using FY 2019 Data:** The hotel industry strongly urges Congress to lock in future federal per diem rates based upon FY 2019. The General Services Administration (GSA) sets per diem rates for federal travel within the United States and those rates are updated annually according to average daily rate (ADR) data, less five percent. Due to stay-at-home orders, mandatory shutdowns, and social distancing measures, the ADR collected this year will produce significantly depressed per diem rates, impacting the hotel and travel industry recovery.
- b. **Reinstate the Entertainment Business Expense Deduction:** The hotel industry urges Congress to restore the full deductibility of ordinary and necessary entertainment and food and beverage business expense. This will incentivize businesses to begin traveling again and will provide a boost to the food service and entertainment sector which are critical to economic recovery post COVID-19.
- c. **Create a Temporary Travel Tax Credit:** The hotel industry supports the creation of a new tax credit to encourage domestic business and leisure travelers to travel within a specified time frame, similar to what was done through the homebuyer tax credit in the wake of the housing crisis. 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.

On behalf of the undersigned organizations, which represent our nation's domestic lodging industry, we thank you for your leadership during this unprecedented time and for your consideration of these priorities for the hotel industry. We stand ready to work with you in this critical moment to help stabilize our economy and support our impacted employees.

Sincerely,

American Hotel & Lodging Association (AHLA)

Asian American Hotel Owners Association (AAHOA)

Latino Hotel Association

National Association of Black Hotel Owners, Operators & Developers (NABHOOD)