

Ownership

Hoteliers welcome stimulus but worry it isn't enough

22 DECEMBER 2020 9:46 AM

After months of on-again, off-again negotiations, Congress reached a deal on the second U.S. COVID-19 pandemic relief package, and while hoteliers will gladly accept the aid, they say it's still not enough to help them through the recovery.



By **Bryan Wroten**

bwroten@hotelnewsnow.com

@HNN_Bryan

REPORT FROM THE U.S.—With the second pandemic relief package on its way for President Donald Trump's signatures, leaders in the U.S. hotel industry said they are grateful for the support the bill will provide, but hoteliers will need more in the coming months.

Both the U.S. House of Representatives and Senate [approved the roughly \\$900-billion relief package](#) late Monday night as part of a \$2.3-trillion bill that also included funding for the government through 30 September 2021, The New York Times reports. Among other measures, the second pandemic relief package provides renewed funding for the Paycheck Protection Program and allows for loans at 3.5 times a company's payroll as well as a one-year extension for troubled-debt restructuring relief.

The second relief package has been a long time coming, said Chip Rogers, president and CEO of the American Hotel & Lodging Association. The AHLA and industry leaders have been working toward this since the relief bill one was approved in March.

While hoteliers are pleased Congress reached a deal, there is still more work for the industry to do, he said. There are three phases, the first of which is surviving. The second is reinforcing what hoteliers must do to stay in business, and the third is beginning to grow again.

“The PPP that has been offered here, and some of the help on troubled-debt restructure, that is just helping people to survive—which is really important because if a hotel goes out of business, they’re not coming back anytime soon,” he said.

The effects of the pandemic have devastated the hotel industry and the livelihoods of hoteliers and hotel employees, AAHOA President and CEO Cecil Staton said in a statement. Hospitality needed another lifeline to survive over the next few months until further capital relief is available, and the second round of PPP funding is among the most significant portions of this package.

“We also particularly appreciate that congressional leaders understood the unique challenges faced by hoteliers and provided an increase in the PPP loan amounts to our industry,” he said. “In addition to addressing payroll challenges, this bill also includes critical banking relief to enable hoteliers to defer mortgage payments for the near term.”

The membership is also grateful for the extension of the troubled-debt restructuring classification as well as further funding for the Small Business Administration’s programs, including 504, 7(a) and economic disaster loans, Staton said. He believes these inclusions are the difference between remaining open and going into foreclosure for countless hotel owners.

Rogers said the AHLA will continue its work seeking employer liability protections. It’s important not just to protect employers in the hotel industry who are doing the right thing but to encourage business travel overall, he said.

“There are employers out there who are worried about doing any business travel for fear of getting sued,” he said.

In the short term, the AHLA is also looking for a lending facility where borrowers can access low-interest loans to service debt on other loans because revenue is still down, Rogers said. The Main Street Lending Program through the CARES Act was supposed to be that vehicle, and while it didn’t work out that way, the need for it didn’t disappear.

“There’s still a great need for people to gain access to low-interest loans,” he said.

Hoteliers respond

U.S. hoteliers found the news of the deal among congressional leaders to be encouraging, but they also felt there is still more work to do.

The new stimulus bill is crucial as it helps many people who need support, said Raymond Martz, EVP and CFO at Pebblebrook Hotel Trust via email. The additional proceeds for PPP loans, including enhancing the portion of hotel payrolls that qualify, and the expanded employee retention tax credit are positive developments. The one-year extension of the troubled-debt restructuring will allow banks to be a little more flexible with hotel owners.

“Unfortunately, this stimulus bill won’t prevent the significant distress that many small and medium owners will experience over the next several months,” he said. “With winter starting and COVID cases rapidly on the rise, expect a tough period for the industry.”

Though he felt relief was long overdue and the speed at which members of Congress worked was disappointing, Greg Friedman, managing principal and CEO at Peachtree Hotel Group, said via email he appreciates the work and compromise reached among congressional leaders that will benefit multiple industries.

“My overall hope is that the need for economic aid has become so obvious at this point that the next round will go that much smoother and more quickly now that these initial stumbling blocks have been overcome,” he said.

The additional PPP loans and one-year extension of the troubled-debt restructuring relief from the CARES Act will benefit both Peachtree and the industry at large, he said. However, given the duration of the pandemic-caused disruption coupled with its lingering effects, the additional amount provided for PPP is inadequate for hotel properties. The industry needs more PPP funding or other forms of forgivable grants and tax credits.

“We need additional relief in the form of low-cost loans that can provide capital to refinance existing hotels or provide additional work capital to cover operating losses during the pandemic,” Friedman said. “Additionally, it would benefit the industry greatly to have tax credits to incentivize both leisure and corporate travel and some legal protection from COVID-19 claims for hotel owners and operators.”

Bob Habeeb, founder and CEO of Maverick Hotels & Restaurants, said hoteliers would’ve suffered further harm if Congress didn’t reach a deal on this bill right now and pushed negotiations into the first of the new year, which means it then would have ended up going under the new administration.

Depending on the market, some hoteliers are seeing occupancies at a fraction of historic levels for six months, he said. Hoteliers have turned over every rock to keep their businesses afloat, and many are frustrated it’s taken the government this long to do something about it.

The Paycheck Protection Program in the first round of stimulus pumped life back into the industry for 60 days, letting companies bring people back to work, Habeeb said.

Barring any further carve-outs for hospitality, the new bill is “getting a rhythm on the monitor where we were probably very close to a flatline,” he said.