



Testimony to the Ohio Senate Insurance and Financial Institutions Committee for HB 38 - December 1, 2020

Joe Savarise, Executive Director • Ohio Hotel & Lodging Association

Chair Hackett, Vice Chair Hottinger, Ranking Member Craig, and the members of the Senate Insurance and Financial Institutions Committee, thank you for the opportunity to testify in support of House Bill 38, and the addition of two key provisions which will provide critical and timely assistance to Ohio's heavily-impacted hotel & lodging businesses.

The Ohio Hotel & Lodging Association represents thousands of owners, operators, managers, and employees across the state, as well as hundreds of companies that make brick-and-mortar investments and provide jobs in Ohio communities. The hotel & lodging industry comprises many franchised businesses as well as many entrepreneurial small business owner-operators. These businesses are largely locally owned and operated, even when they are affiliated with a national brand. A large percentage are family-owned companies.

We are partners in working with local, state and federal authorities to protect the health and safety of travelers, guests, employees and all Ohioans. Hotels are essential businesses. In addition to providing necessary accommodations for travelers and local residents who may be temporarily displaced, hotels serve essential government travelers, first responders, and others who are necessary to fighting the spread of disease or otherwise responding to disasters. Hotels are also housing hospital workers and volunteering to be temporary health-care related facilities and are servicing at-risk and homeless clients, as well as those engaged in essential businesses and operations, including transportation, logistics and others critical to the state's response to the public health emergency.

Our industry faces the greatest challenges in its history. Prior to the pandemic, hotels produced more than 42,000 direct jobs and supported 192,000 related jobs. Hotels produce \$27 billion in business sales, \$8 billion in wages and \$4 billion in federal, state and local taxes. During the height of business closures due to COVID-19, 29,700 direct hotel jobs (70 percent) and nearly 86,570 supported jobs were lost.

- 67% of hotels will not make it another 6 months given current and projected travel demand without emergency financial assistance.
- 74% of hotels will be forced to lay off more workers and eliminate more jobs. Four out of ten hotel employees are not working – more than 16,000 jobs in Ohio.
- 68% of hotels are operating at less than half of pre-pandemic staffing levels.
- Less than 3% of hotels are meeting their budgeted revenue per available room for the year.
- 78% of hotels are losing at least half their revenue.
- Most hoteliers expect revenue to decline between 45-60% in 2021 compared to 2019.
- Virtually every Ohio hotel is budgeting for their worst quarter ever in Q1 2021. The low levels of business and resulting economic impact will be worse than it was in the Spring of 2020.

(continued)

H.B. 38 will greatly assist these businesses and their continued operation by providing necessary relief.

This includes the amendment of language from H.B. 751 regarding property tax valuation processes. The property tax burden for these businesses adds greatly to their financial strain, especially since their property values have been negatively impacted like never before. For this reason, we support the amendment and the two simple and achievable changes which would provide significant economic relief to the owners of hotel properties, and other businesses impacted by the pandemic, that need help the most.

This amendment will institute basic fairness in the process by giving businesses which are responsible for full payment of real estate taxes the standing they need to file a property valuation complaint.

Importantly, the measure also allows boards of revision to make adjustments to a property's valuation to account for the impact of COVID-19 and the civil orders in response to the pandemic. It is key that the negative impact on value be considered for these business owners who are struggling to stay open, attempting to keep employees working, and fighting for their very survival.

This approach is a reasonable response to a problem which was identified early in the pandemic. However, time is running short to have an impact before it is too late for some businesses.

The second change involves amending Ohio's existing nonrecourse loan statute to recognize the specific challenges posed by COVID-19.

Commercial Mortgage Backed Securities (CMBS) lending accounts for \$86 billion of hotel business financing in the U.S. today. More than half of hotel borrowers have so far been unable to obtain lender concessions allowing for forbearance, payment deferral, waivers or other modifications. More than 80 percent of hotel loans do not permit subordinate debt, preventing the use of the Paycheck Protection Program, absent lender concessions.

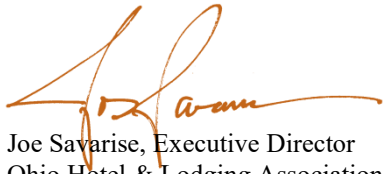
Working with lenders who seek the optional ability to offer flexibility to borrowers, we support the inclusion of temporary, permissive language which allows these helpful steps:

- Permit (not mandate) 60-120 day forbearances to borrowers on an immediate and expedited basis with minimal documentation needed, i.e. borrower's certifications that a state-declared State of Emergency requires this forbearance
- Permit (not mandate) borrowers to grant 60-120 day forbearances of payment on all leases without requiring lender consent, provided the tenants agree to repay the obligations within a rolling 12-month period
- Permit the utilization of all reserves, except for tax and insurance reserves, to be utilized to pay operating expenses first, and then to pay debt service, while also waiving any additional reserve payments being made, except for taxes and insurance reserves, for 90 days
- Permit borrowers to obtain emergency federal disaster relief, including SBA-backed loans without triggering a negative repercussion for the borrower such as Event of Default or creating any Guaranteed Obligation, or such terms as defined in applicable loan documents

(continued)

We add our voice in respectfully asking for the inclusion of these amendments and your thoughtful consideration of House Bill 38 and your support of its provisions that address issues allowing the continued existence for many Ohio businesses and employers.

Thank you.



Joe Savarise, Executive Director
Ohio Hotel & Lodging Association
175 S. Third Street, Suite 170
Columbus, Ohio 43215
(614) 461-6462