



Testimony to the Ohio Senate Finance Committee for SB 108- March 9, 2021

Joe Savarise, Executive Director • Ohio Hotel & Lodging Association

Chairman Dolan, Vice Chairman Gavarone, Ranking Member Syker and members of the Senate Finance Committee, on behalf of the Ohio Hotel & Lodging Association, I thank you for the opportunity to submit written testimony in support of provisions to provide economic relief to hotel & lodging businesses through President Huffman and Sen. Romanchuk's Senate Bill 108.

Ohio's travel economy is essential to the state's overall health and prosperity. Hotel & lodging businesses are a key contributor. Prior to the pandemic, hotels produced more than 42,000 direct jobs and supported 192,000 related jobs. Hotels also produced \$27 billion in business sales, \$8 billion in wages and \$4 billion in federal, state and local taxes. By many measures, Ohio's hotel & lodging businesses represent the most negatively impacted sector of our economy due to the pandemic and the official response to COVID-19.

JOBS

- During the height of business closures due to COVID-19, 29,700 of Ohio's direct hotel jobs (70%) and 86,570 supported jobs were lost. 40% of hotel employees are still not working – more than 16,000 jobs in Ohio. 74% of hotels reported they could be forced to lay off more workers and eliminate more jobs.
- Two-thirds of hotels are still operating at less than half of pre-pandemic staffing levels.
- 80% of the jobs lost in December were in the travel and hospitality sector.

REVENUE/LOST BUSINESS

- 2020 hotel room revenue in Ohio declined by a staggering 47% from 2019. (Source: STR)
- Ohio hotel occupancy declined 32.4% from 2019, average rate declined 19.5%. (Source: STR)
- Hotels realized a gross operating profit margin of 16.7% through August, less than half of the 2019 margin of 34.3% for the same period. (Source: Trepp)
- Less than 3% of hotels met their budgeted revenue per available room for the year.
- 78% of hotels lost at least half their revenue in 2020 compared to 2019.
- Most hoteliers expect revenue to decline between 45-60% in 2021 compared to 2019.
- Ohio has lost more than \$13.6 billion in visitor spending since Jan. 2020. (Source: Tourism Economics)

- The projected tax loss to state and local governments in Ohio from lost hotel business for 2020 is more than \$242 million. (Source: Oxford Economics)

SURVIVABILITY

- A survey of hotel owners/operators prior to the end of 2020 found that 67% reported they could not survive 6 months at projected levels of business without additional assistance. This equates to as many as 1,000 hotels in Ohio at risk of closure.
- One type of commonly-used hotel financing saw record delinquencies of 24.3% during the summer and continues to hover near 20%. (Source: Trepp)
- Many hotels with CMBS loans were not able to access federal support such as PPP due to the structure of their loan service agreements. At least 289 Ohio hotels utilize CMBS financing.
- Virtually all credible analysis from multiple industry sources projects that it will be at least 2023 before hotel & lodging business returns to pre-pandemic levels.

MOUNTING EXPENSE

- Hotels are facing property tax bills based on pre-pandemic valuations, while current hotel property values in Ohio are on average 25% lower – and some up to 50% lower. (Source: CBRE)
- Hotels are performing upgrades of facilities and equipment related to the pandemic, including new disinfecting technologies and HVAC/air quality systems.

The necessary response to COVID-19 has negatively impacted hotel & lodging perhaps more than any other sector. The numerous orders, restrictions, requirements and advisories have temporarily halted much of the activity in these businesses. In addition to very restrictive limits or bans on certain types of business, the postponement of every large event and gathering and the general consumer sentiment against travel – in part a result of the restrictions – have eliminated the majority of income-producing opportunities in the short term. Because of the nature of the meetings and events business, which entails the booking of events far into the future, many cancelled or postponed events won't be rescheduled until 2022, 2023 or later.

Ohio's hotel industry anticipates the beginning of recovery in late 2021, but requires a bridge to safely reach that phase. SB 108 can help provide a targeted, short-term support for these businesses and those that work in them can help maintain operations until such time as levels of business and revenue return to sustainable levels, projected to be as early as Q3 2021.

Senate Bill 108's direct grant support can help hotel operators meet essential expenses including payroll, recall or retain employees, offset increased cost for PPE and other health safety aspects of operations, perform upgrades of facilities and equipment related to the pandemic, including new disinfecting technologies and HVAC/air quality, meet pending debt and tax obligations, and more. The goal is to keep these businesses open so that they will continue to be a positive contributor to Ohio's economy and part of its recovery infrastructure.

We greatly appreciate the recognition that this legislation provides in terms of the negative economic impact the response to the pandemic has created for our member businesses and their tens of thousands of employees across Ohio. We urge your support for the inclusion of funding for the hotel & lodging sector, which will protect jobs and accelerate Ohio's recovery.

Thank you.



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