



Testimony to the Ohio Senate Finance Committee for HB 110 • May 18, 2021

Joe Savarise, Executive Director • Ohio Hotel & Lodging Association

Chair Dolan, Vice Chair Gavarone, Ranking Member Sykes and members of the Senate Finance Committee, on behalf of the Ohio Hotel & Lodging Association, I thank you for the opportunity to appear before you today in support of provisions to provide economic relief to hotel & lodging businesses and other elements of the Investing in Ohio Initiative in House Bill 110.

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 \$11 billion in direct sales, \$27 billion in related business sales, \$8 billion in wages and \$4 billion in federal, state and local taxes – \$2 billion of that to the State of Ohio and its local communities.

Most hotel businesses are franchises and are not owned and operated by national brands. Rather, those businesses are owned and managed by local or regional companies, many of them family-owned.

For these employers and their employees, 2020 was the worst year in the history of our industry. The economic impacts were nearly 10 times worse than the September 11, 2001 terrorist attacks. 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. 63% of hotels reported they are severely understaffed.
- Two-thirds of hotels are still operating at less than half of pre-pandemic staffing levels.
- After losing 15,000 jobs in hotel & lodging businesses last year, the number is projected to be 10,000 in 2021.

REVENUE/LOST BUSINESS

- 2020 hotel room revenue in Ohio declined by a staggering 47% from 2019. (Source: STR)
- Ohio hotel occupancy declined 34.2% from 2019, average rate declined 19.5%. (Source: STR)

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- 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.
- Total hotel revenue lost in the state will approach \$5 billion for 2020, and will remain 30 percent lower than pre-pandemic levels this year.
- Ohio has lost more than \$15 billion in traveler spending since March 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)
- Half of Ohio's hotel rooms will remain unsold in 2021.
- 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

- Ohio hotels property values in Ohio declined an average of 25% – and some up to 50% – since March 2020. (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 temporarily halted much of the activity in these businesses.

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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 – 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 and early 2022, but requires a bridge to safely reach that phase. 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.

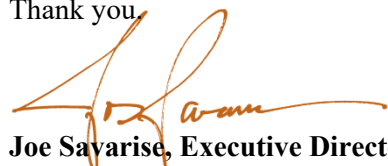
Direct grant support can help hotel operators meet essential expenses including payroll, recall or retain employees, offset increased cost for PPE and other health safety aspects of operations, perform upgrades of facilities and equipment related to the pandemic, including new disinfecting technologies 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.

The members of the Ohio Hotel & Lodging Association respectfully request the legislature to support the following specific programs:

- \$25.0 million in FY 2021 and FY 2022 for grants to lodging industry businesses
- \$20.0 million in FY 2022 for grants to indoor entertainment venues
- \$10.0 million in FY 2022 for grants to new businesses
- \$7.5 million in FY 2022 and FY 2023 to support the workforce in economically distressed communities

We greatly appreciate the recognition that this budget 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 and for other elements of the Investing in Ohio Initiative which will protect jobs and accelerate Ohio's recovery.

Thank you



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