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The Official Publication



The Next 4 Years

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ABOUT AAHOA THIS MONTH

1

Happy New Year from AAHOA. 2020 has been a year like no other. The COVID-19 pandemic has ravaged the country, impacting both lives and economics. Though the challenges are far from over, we look to 2021 with renewed hope and faith for the future. AAHOA wishes all of you a Happy New Year and assures you we are here with you and for you every step of the way.

2

AAHOA Unveils Its 2021-2023 Strategic Plan. Taking effect this month, the 2021-2023 Strategic Plan will drive the direction for AAHOA for the next three years and will focus on AAHOA serving as the foremost source for hotel industry education and information, advancing hoteliers' business interests through advocacy, being the primary resource for connecting the industry, and attracting, retaining, and developing top talent to the association.

3

January is National Human Trafficking Awareness Month. As such, it is even more imperative that you and your staff complete Human Trafficking Awareness Training (HTAT) as soon as possible. It takes only 30 minutes of FREE online training for you and your staff. Does your state or municipality require training? Don't delay, train now. **Learn more at AAHOA.com/HTAT.**

4

Save the Date for AAHOACON21. The AAHOA 2021 Convention & Trade Show is set for May 4-7 in Dallas, TX, and registration will be opening soon. AAHOA looks forward to coming together at the hospitality industry's largest gathering of hotel owners for a week of timely education, inspiration, networking, and a spectacular trade show.

5

Board of Directors Nominations. Serving on the AAHOA Board of Directors provides a rewarding opportunity to help drive the strategic direction of a national association dedicated to advancing and protecting the interests of hotel owners. The nomination period runs through March 8, 2021, and there are 12 open positions. **Learn more at AAHOA.com/2021candidates.**

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GENEVA TODDY
TODAY'S HOTELIER
MANAGING EDITOR

“

Communication has become more crucial now than ever before. At *Today's Hotelier*, we completely revamped the editorial plan in 2020 to ensure we provided you with the most important information about the industry. We will continue this into 2021.”

Staying connected

IN MARCH 2020, MILLIONS OF AMERICANS WERE SENT HOME FROM WORK.

Some were fortunate enough to be able to work from home. Others didn't – and still don't – have that luxury. Cut off from coworkers, friends, and even family, isolation began to take a toll on everyone.

Masks and gloves became fashion staples. Staying a minimum of six feet apart became the new normal. And we had to find new ways to connect. Zoom calls replaced in-person business meetings. Virtual happy hours replaced going out on Friday night.

Throughout all of this, though, there has been hope. Nurses, doctors, and emergency workers were put in the toughest position. They worked around the clock, exposing themselves to this virus with limited resources and were not even able to get a hug from loved ones. AAHOA Members across the nation have banded together to donate masks, hand sanitizer, PPE, and other resources to our front-line workers. You've opened your doors to these personnel so they don't risk taking the virus home to loved ones.

The effects on the hospitality industry have been particularly devastating. As we continue to deal with the fallout from COVID-19, news of a vaccine has left some hopeful after a year of isolation and, yes, desperation.

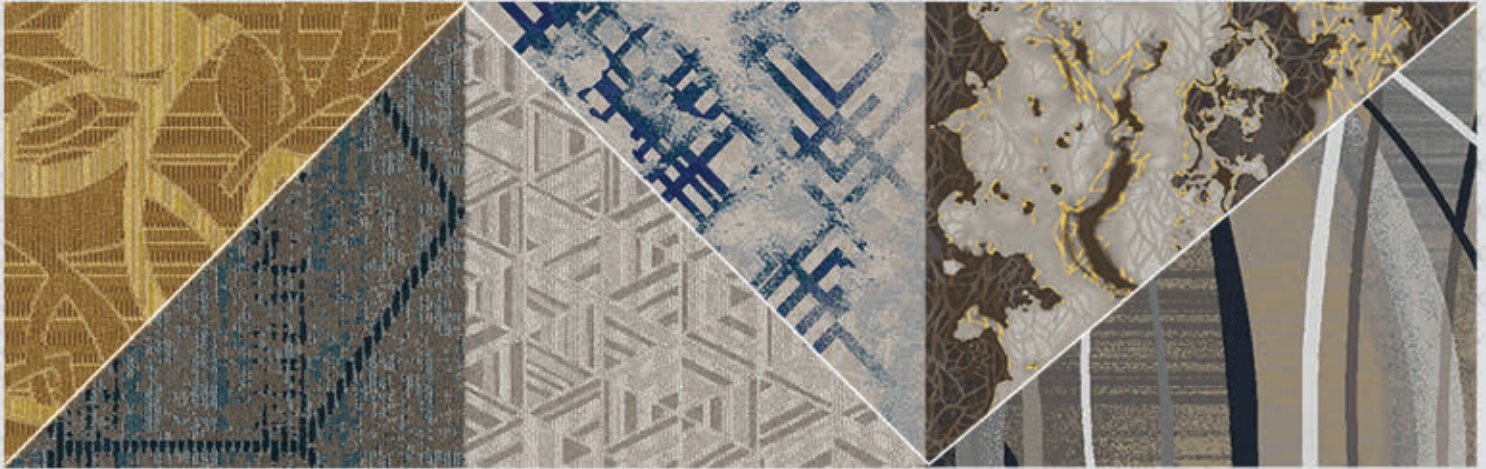
AAHOA also has been working around the clock to help you during this trying time. The dedicated COVID-19 resource center gives hoteliers access to more than 200 webcasts, health resources, and regular updates on AAHOA's advocacy efforts.

Communication has become more crucial now than ever before. At *Today's Hotelier*, we completely revamped the editorial plan in 2020 to ensure we provided you with the most important information about the industry.

We will continue this into 2021. Our editorial calendar is full of recovery resources from AAHOA and will be packed with actionable insights to help you manage through this pandemic. You also can expect to see more of *Today's Hotelier* on social media. We're expanding to Facebook and Instagram to share vital information and connect with you. We are eternally grateful to our advertisers and contributors who make all of this happen.

Whether virtually or in person, you will see *Today's Hotelier* at AAHOACON21 in Dallas, TX, and other events throughout the year. Though we are separated, we are still connected. See you soon. ■

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BIRAN PATEL
AAHOA CHAIRMAN (2021-2021)

“

Education and prevention are effective ways for hotels to serve as a frontline asset in the fight against trafficking. AAHOA has trained thousands of hotel owners and their staff in-person and online to date, yet our efforts will continue to ensure that the entirety of our industry is well-versed to identify, report, and prevent human trafficking.”

Train, prevent, protect: AAHOA in the fight against human trafficking

THE SOCIAL AND ECONOMIC HARDSHIPS OUR NATION ENDURED HAVE INCREASED vulnerabilities and openings to exploitation, both in our businesses and our communities. Polaris, an AAHOA partner in our anti-human trafficking efforts, reported rising cases of trafficking in the United States brought about by the adverse conditions of the pandemic. In recognition of National Slavery & Human Trafficking Prevention Month, AAHOA is redoubling our efforts to engage our members, their staff, and guests in the fight against human trafficking.

Although state and federal awareness of human trafficking has increased, continuous work is needed to address this detestable crime. In recent months, Florida and Texas joined eight other states that have passed legislation requiring lodging establishments to train staff in human trafficking awareness and prevention programs. Together with Businesses Ending Slavery and Trafficking (BEST), we offer no-cost training for AAHOA Members and their staffs through BEST Inhospitable to Human Trafficking sponsored by AAHOA. Available in English or Spanish, our training program is proven to increase the reporting of human trafficking incidents.

In 2019, researchers from Arizona State University found that 97 percent of hotel employees who took this training said it will help prevent sex trafficking incidents. Education and prevention are effective ways for hotels to serve as a frontline asset in the fight against trafficking. AAHOA has trained thousands of hotel owners and their staff in-person and online to date, yet our efforts will continue to ensure that the entirety of our industry is well-versed to identify, report, and prevent human trafficking.

With the new year comes a renewed optimism for the future. As hoteliers, turning the page on a historically challenging year provides a brief respite from the winding road to recovery that lies ahead. Over the course of the pandemic, we have learned ways to address operational challenges, enforce health and safety guidelines, and communicate with lenders, politicians, and our fellow hoteliers to keep our doors open. We can apply the resiliency and adaptability shown in the past months to advance our efforts in the fight against human trafficking.

AAHOA advocates for industry-wide engagement and participation in anti-human trafficking training for all hotels in every state, even if it has yet to be mandated by law. Above all, guest safety is imperative. And the concerning rise of human trafficking cases during the pandemic cannot be overlooked. While we work to rebuild our businesses and return to normalcy, we will redouble our efforts to protect our guests and our communities. ■



CECIL P. STATON
AAHOA PRESIDENT & CEO

Carrying our commitments into the new year

“Engagement can influence positive change in the political process. As a nonpartisan association, we have worked to support and communicate with politicians to advance policies and regulations that will help small businesses outlast and recover from the effects of the pandemic.”

ENTERING INTO THE NEW YEAR, AAHOA IS FORMALIZING PLANS TO ELEVATE the voice of America’s hoteliers as we work to get the travel and tourism industry back on track. We continue to be guided by our commitment to serve AAHOA Members with outstanding educational programming, industry leading events, and targeted advocacy across all levels of government.

The success in shifting AAHOA’s programming to virtual platforms in 2020 is thanks to the extraordinary commitment and flexibility of the members of our community, from our hotel owners to vendor partners to AAHOA volunteers. Since March of 2020, AAHOA has called upon our members to guide our pandemic response with insight and ingenuity, and many hoteliers rose to the challenge in exceptional ways. With the incoming Biden administration and 117th Congress, AAHOA will again call upon our members to be a resource and advocate for the hotel industry.

Washington, D.C. will welcome a mix of new and familiar lawmakers in the coming weeks. The Democratic party now controls the executive branch with President-elect Joe Biden and Vice President-elect Kamala Harris moving into the White House. While the party will maintain a majority in the House of Representatives, the control of the Senate ultimately depends on the outcome of the two Senate runoff elections in Georgia, which will be decided on Jan. 5, 2021. AAHOA will keep a close eye on the outcome of our home state’s election as we work to elevate our standing with elected officials in Congress and the White House.

Engagement can influence positive change in the political process. As a nonpartisan association, we have worked to support and communicate with politicians to advance policies and regulations that will help small businesses outlast and recover from the effects of the pandemic. AAHOA and our members have engaged in this process before the election, and we are committed to remaining steadfast in our advocacy work in the months and years to come. AAHOA’s government affairs team will continue to keep our members informed and engaged on legislative issues relevant to hotel owners.

The rotating door of politics does not undermine our prior work, but rather provides us an opportunity to expand our efforts and form new relationships in the pursuit for comprehensive legislation to help our industry recover. AAHOA is the most prominent voice of America’s hoteliers. We will call upon our membership as we have in the past to engage, advocate, and educate our elected officials. At AAHOA, we will always lift each other up. ■

2021 preview: Narrowing majorities, Georgia, and the prospects of divided government

by SEAN GROSSNICKLE

ATUMULTUOUS AND POLITICALLY divided 2020 is all but wrapped up, leaving the two U.S. Senate run-off elections in the state of Georgia as the centerpiece of the waning electoral year. Entering the White House amidst a raging pandemic, President-elect Joe Biden and Vice President-elect Kamala Harris may have one of the most unconventional and challenging starts to a presidency. The Biden-Harris administration brings a new tone to the federal government's pandemic response, which will have to grapple with a unique set of challenges in distributing the vaccine, rebuilding the economy, and overcoming the post-election rifts between Democrats and Republicans.

The election of Joe Biden will shift leadership in Washington, D.C. from a populist Republican to an institutionalist Democrat with a record of working across the political aisle. Congress spent the majority of 2020 embroiled in relief negotiations, frustrating the American people and severely hindering economic recovery. The Biden-Harris administration will have to navigate Congress's partisan gridlock and could face either consistent opposition or a renewed sense of bipartisanship if the Republicans maintain their majority in the Senate following the Georgia run-offs.

For the hotel owner, the incoming administration's policies on the small business loan programs, the commercial real estate market, and vaccine distribution are center stage. The AAHOA Government Affairs team is working with Congress and the incoming administration to provide banking relief, expand lending from the

Small Business Administration through the 7(a), Paycheck Protection Program, 504, Economic Injury Disaster Loans, and other critical programs.

On Jan. 5, 2021, voters in Georgia will ultimately decide which party controls the Senate. Republicans have already secured 50 seats, pressuring Democratic candidates Jon Ossoff and Raphael Warnock to win their respective races against incumbents Sen. David Perdue and Sen. Kelly Loeffler. As President-elect Biden and Vice President-elect Harris await inauguration, the prospects of a split Congress, and ultimately the strength of the Democrats' policy 2021 pursuits, remain up in the air.

SENATE CONTROL HINGES ON GEORGIA'S SENATE RUN-OFF ELECTIONS

Leading up to the run-off elections, Republicans have secured 50 Senate seats to the Democrats' 48 (which includes two independent Senators who caucus with the party). Should the Democratic candidates unseat the two Republican incumbents in Georgia, Vice President-elect Harris would serve as the tiebreaking vote in any 50-50 splits in the Senate, giving Democrats the edge in both chambers of Congress. Under the Trump administration, Vice President Mike Pence cast 13 tiebreaking votes, setting the stage for Vice President-elect Harris to follow suit if the Democratic candidates win out in Georgia.

Georgia, which has not been carried by a Democratic Presidential candidate since 1992, was narrowly won by President-elect Biden. Georgia has become one of the most

politically competitive states in this election cycle, with both parties expanding their campaign efforts in the state following the announcement of the two run-off elections, which were triggered after no candidate was able to secure 50 percent of the vote on Election Day.

The polling data shows both races to be heavily contested. As incumbents in a historically Republican state, Sen. Perdue and Sen. Loeffler have held a slight advantage in polling data, yet as election day draws closer, the races appear to be highly contested. Sen. Perdue won 49.7 percent of the vote to challenger Jon Ossoff's 48 percent. In the special election, Sen. Kelly Loeffler, splitting the Republican vote with Rep. Doug Collins (GA-09), received 25.9 percent of the vote to challenger Raphael Warnock's 32.9 percent. As in every run-off election, both parties are seeking to combat political fatigue and drive voter engagement. With the control of the Senate in the balance, we can expect the elections to be extremely competitive.

THE PROSPECTS OF A DIVIDED CONGRESS

Like most election years, 2020 saw intensified partisan divide and political infighting. Following the passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, lawmakers in Washington, D.C. struggled even within their own parties to legislate and pass an additional round of COVID-19 economic relief. In the House and Senate, Democrats and Republicans saw their majority positions slimmed down, or in the case of the Senate, potentially evaporate. A divided legislature could promote opportunities for compromise and a sense of equal representation of one's priorities at the federal level. ■





A push for Paycheck Protection Program deductibility

Common Ground profiles members of opposing parties who are working together to advance issues important to hoteliers.

by SEAN GROSSNICKLE

THE ISSUE

The Paycheck Protection Program (PPP) has been a centerpiece of the federal government's efforts to assist small businesses impacted by the COVID-19 pandemic. Since applications opened, the Small Business Administration has approved over 5 million PPP loans totaling over \$525 billion. The average PPP loan size for small businesses is \$100,729.

One month after the PPP became available, the Internal Revenue Service (IRS) issued a notice to clarify that recipients of a PPP loan would not be able to file deductible business expenses if their loan was subsequently forgiven, thereby disallowing any otherwise allowable deduction for expenses paid by the recipient. In the Coronavirus Aid, Relief, and Economic Security (CARES) Act which created the PPP, Congress specifically excluded PPP loan

forgiveness from income to provide a tax benefit to PPP recipients, boosting their after-tax capital to spur economic recovery.

COMMON GROUND

Several members of Congress were swift to chastise the IRS's PPP notice, yet regulatory change remains elusive. In response to this burdensome tax guidance, Sen. John Cornyn (R-TX) introduced the Small Business Expense Protection Act of 2020 (S.3612), a bipartisan bill to clarify Congress's intent so that "no deduction shall be denied or reduced, no tax attribute shall be reduced, and no basis increase shall be denied, by reason of the exclusion from gross income." Members in the House of Representatives also introduced a companion bill in May, yet Congress has not passed a COVID-19 relief package to serve as a vehicle for this clarification. ■

Sen. John Cornyn (R-TX), Sponsor of the Small Business Expense Protection Act of 2020

"The Paycheck Protection Program has been a lifeline to small businesses in Texas during the coronavirus pandemic. This legislation would erase any confusion by clarifying that expenses paid with a forgiven PPP loan can still be deducted from small businesses' taxes."

Sen. Ron Wyden (D-OR), Cosponsor of the Small Business Expense Protection Act of 2020

"Treasury's guidance barring deductions for expenses paid by PPP loans is a gut punch for businesses struggling to stay afloat. It defies common sense for Treasury to provide help on the front end, but then take it away on the back end. Our bipartisan bill would fix this mistake and ensure businesses feel confident using PPP funds to keep their workers employed."

When we need them

by ERIC TERRY

SEVERAL WEEKS AGO, I POSTED a comment on LinkedIn about all the industry people I have seen slowly leaving the hotel business. The post blew up from the large number of people who could identify with it. It's not just entry-level employees – I know of sales managers, general managers, and career sales people who are leaving the hotel industry in droves. Can we blame them? This year, our industry has had to take aggressive steps to ensure our survival. No one is to blame and it seems the employees who've been furloughed, laid-off, or terminated fully understand. There is no animosity, as we're all in this together. With full recovery not projected until 2023, it will be a long time before we can get this experience back into our industry. So, what can we do now?

We can connect, train, and recruit.

STAY CONNECTED

The key to maintaining the future of our workforce is to remain connected. LinkedIn, emails, texts – however you stay in touch with your former employees – you need to continue to do so. Everyone from your HR folks down to department heads need to maintain a network of people you want back. Because you will want them back, probably sooner than you think, as business starts to improve. Let them know you care. Invite them back for a get-together as soon as safely practical. It will be a reminder of how much they like working in our industry. Selling insurance has nothing on booking a wedding or large group or turning a whole house over. The hotel industry is fun!

KEEP TRAINING

Don't be afraid to offer some training sessions to keep their skills sharp. AAHOA, AHLA, Cornell, and National Restaurant Association all offer free or low-cost professional development opportunities. Currently, many states are conducting these trainings at no cost, underwritten by CARES funds. Training keeps current and former employees connected and engaged.

CONTINUE RECRUITING

Finally, don't stop recruiting at any level. Reach out to your nearby university hospitality schools. Be a guest lecturer for their virtual classes. Participate in their career days. These students are our pipeline to the future and have made personal career decisions to work in hospitality. You can bring them into entry-level or mid-level positions while they develop their skills. In today's world, they are going to be glad to find a position in their chosen field. Don't turn down interns and summer workers home from college. They could turn into long-term employees someday.

If past travel crises have taught us anything, the recovery will be faster than we think, and hopefully more robust. Let's face it, supply in the short term is going to drop or be flat, so any demand increase will definitely drive the industry. Those with the strongest network will thrive and be able to take advantage of opportunities to grow their business, because people make up our business and are the heart of the hospitality industry.

Now, go connect! ■

Top 3 ways to stay connected with your employees

STAYING CONNECTED IS MORE important now than ever before. As hotels have had to drastically cut staff due to COVID-19, recovery promises the need to rehire and reconnect.

1.

KEEP IN TOUCH.

From a quick text to social media messaging, there are countless ways to connect with your staff. A personal note is a great way to remind employees that you still care and need them.

2.

DON'T STOP TRAINING.

Learning never ends and the same could be true of your staff. AAHOA and other associations offer free or low-cost training opportunities to help keep you and your staff engaged.

3.

NETWORK TO RECRUIT.

Career days and guest lecture opportunities are great ways to keep in touch with local students who could be your staff members soon. From entry- to mid-level positions, students are always looking for career opportunities.

“

Those with the strongest network will thrive and be able to take advantage of opportunities to grow their business, because people make up our business and are the heart of the hospitality industry.

Eric Terry is the president of the Virginia Restaurant, Lodging & Travel Association.





AMERICA365/SHUTTERSTOCK.COM

Foundation for a Partnership

by ZOHREEN ISMAIL

How Hotel Equities and The Witness Group share experiences, lessons learned, and logistics of creating a strategic alliance during a pandemic and beyond.

THE WITNESS GROUP AND HOTEL Equities joined forces to bring together operations and the management side of the hotel business. This streamlining has allowed two independent powerhouse organizations to create an industry-leading dynamic duo.

The Witness Group was created as an alliance between two family businesses based out of Ohio – Alliance Hospitality Inc. and KB Hotel Group. Alliance was founded by Naresh Patel and led by Nitin Patel, Hari Ohm Patel, and Sachin Patel. KB Hotel Group was founded by Kirit Patel and led by Aakash Patel and Neil Patel. The companies merged in 2016 and led with a focus on investment, construction, and management. Their portfolio included 30 hotels with 10 projects in development.

Hotel Equities was a company founded in 1989 by Fred “Coach” Cerrone based on servant leadership and extensive knowledge of the hospitality industry, and guided by moral and ethical values. And now, 53 years later, their portfolio consists of more than 160 hotels in North America, including Marriott, Hilton, IHG, Hyatt, and lifestyle independent boutique properties.

Today’s Hotelier sat down with The Witness Group and Hotel Equities to see what they have in mind for the future of hospitality and the process of creating an alliance during a pandemic. We also asked the highly anticipated question: Will there be a name change?

INDUSTRY CHALLENGES

With two organizations well established in the industry, leaders from both groups identified challenges within the hospitality industry.

“Finding and retaining good talent was one of the toughest challenges in the last several years,” said Brad Rahinsky, President & CEO, Hotel Equities. “However, the new reality is that talented folks are knocking down our door and we are working hard to create opportunities for them by being nimble and deploying our services in new ways to meet the complex needs of our industry.”

Rahinsky shared his thoughts about the global crises facing our country and industry. “When a crisis like the current pandemic ensues, you want to have an experienced team in your corner to preserve wealth and create significant and immediate opportunities for returns on investments,” he said.

COLLABORATING DURING A PANDEMIC

Amid the pandemic, leadership from Hotel Equities and The Witness Group agreed that an alliance would be beneficial to both organizations and provide the hospitality industry with a qualified service leader to assist through the challenges hotel owners are facing due to COVID-19. The two organizations worked together and adopted a growth mindset for their team members.

“Our portfolio was very dense and clustered to help achieve operational efficiency and profitability,” said Sagar Patel, Chief Investment Officer, The Witness Group. “This partnership would allow us to expand into other parts of the country, and more importantly, provide greater opportunities for our team members to expand and take the next step in their career.”

After the agreement of the partnership was confirmed, both companies aligned on goals

How has your business developed creative solutions to navigate the pandemic? We want to hear from you.

Send your story to todayshotelier@naylor.com

and the process quickly began. “The transition and onboarding were quick processes. Both teams worked hard to get associates and hotels transitioned within 30 days,” Patel said.

Two powerful, successful organizations now had the opportunity to share processes and enhance strengths. “A component of this partnership was the opportunity for The Witness Group to share best practices and operating procedures over a 30-year history as an operator and how it can help the Hotel Equities platform and vice versa,” Patel said.

WHAT’S ON THE HORIZON?

The future of hotel management is in good hands with the alliance of Hotel Equities and The Witness Group. The chief development officers from both organizations shared what industry professionals can expect to see with this partnership.

“The Witness Group will continue to focus on development and investment within real estate,” said Aakash Patel, Chief Development Officer, The Witness Group. “We will diversify and expand beyond just hotels as we had already started doing with retail and office projects. Our focus is on recycling capital and looking for opportunities to acquire assets in robust markets that fit our operating model.”

“Hotel Equities will continue to focus on identifying investments that are conversion opportunities along with hotel transactions as we come out of the pandemic,” said Joe Reardon, Chief Development



Sagar Patel (left) is Chief Investment Officer of The Witness Group. Brad Rahinsky (below) is the President & CEO of Hotel Equities.

Officer, Hotel Equities. “In addition, we will continue to expand our development services that evolve around being the owner/asset manager for new build and hotel PIPs with our construction team.”

WHAT’S THE NEW NAME?

With the partnership of Hotel Equities and The Witness Group, industry professionals want to know – will there be a name change?

“No, and that was very intentional,” Rahinsky said. “We both will retain our well-respected identities while allowing Hotel Equities to do what we do best – that is operate best in-class hotels that outperform our competitors while allowing The Witness Group to focus on the expertise in development and acquisition.”

BLENDING CULTURE AND VALUES

That’s an easy one for Patel. “People first,” he said. “We have always been a company that works to prioritize its people and has maintained a strong family-based culture. Hotel Equities has been very intentional and focused on this aspect of their business,



5 ways

TO CREATE A
WINNING CULTURE

1. Listen

Continue to listen and find ways to get better.

2. Openness

Create an environment where team members feel comfortable sharing feedback for better collaboration and ownership of results.

3. Accountability

Ensure every team member is doing their part to ensure team success.

4. Balance

Allow team members to maintain a healthy balance supported by the company.

5. Appreciation

Focus on recognizing and appreciating team members. Start a food drive for impacted team members due to furloughs or picking up an extra shift for a team member.

AMERICA365/SHUTTERSTOCK.COM



The Aloft Cincinnati West Chester prides itself on its energetic and vibrant experience.

which is why their turnover and employee satisfaction far outpace competitors.”

“The priorities of both organizations closely resemble one another,” Rahinsky said. “The integration of the two organizations was collaborative and fluid and took away the anxiety of change from our associates and turned it into excitement.”

“This is part of our fabric,” Patel said. “It goes back to the generation above us that founded it all. This was highly important to us, as this partnership is not one where we transition operations and remove ourselves, but truly a partnership where we find ways to add value.”

“You only get one bite of that apple, so you better do it thoughtfully, with integrity, and compassion,” Rahinsky said.

LESSONS LEARNED

Lastly, the teams at The Witness Group and Hotel Equities shared some concluding remarks and lessons learned throughout the partnership.

“Change is hard,” Patel said. “This is a commonly used phrase for any profession. However, it’s important to remember that change does not always have to be negative. It is in our control as to how we adapt and work with change.”

“Overcommunicating and operating in full daylight helps build the necessary trust and adoption you’re looking for,” Rahinsky said, “and will help you come out of the blocks swinging.”

This alliance has allowed both companies to be stronger and better equipped to adapt to changing circumstances that 2020 has thrown our way. “We believe it will result in a 1+1=3,” Patel said. “The expansion of the operating platform will allow for more opportunities for our associates and opportunities for investment for our owners and investors. Like no other year, it truly results in the 1+1=3 mantra.” ■

As COVID-19 continues to affect hotels across the nation, many are wondering when the light at the end of the tunnel will appear

Recovery

according to the data

by ALICIA HOISINGTON

A S AN EXCESS OF FACTORS CONTINUE TO AFFECT HOTELS IN THE UNITED STATES, FROM a pandemic to a heated election season, hoteliers are understandably waiting with bated breath for insights about when the industry could begin to see a recovery.

There's no doubt that the COVID-19 pandemic flung the U.S. into another recession, with the National Bureau of Economic Research officially calling it as such in June. As of October 2020, the unemployment rate in the country stood at 6.9 percent, according to the Bureau of Labor Statistics. Although that rate was a 1-percentage-point improvement over the previous month, it was nearly twice the 3.5-percent

rate in February right before the pandemic was in full swing. By comparison, at its peak in January 2010 during the Great Recession, unemployment notched 10.6 percent in the U.S.

For their part, hotel data prognosticators have been crunching the numbers as best they can in an ever-changing landscape to best forecast when U.S. hotels might see an upturn.

DEMAND AND REVENUE

According to STR and Tourism Economics, full recovery for hotel demand and room revenue in the U.S. isn't likely until 2023 and 2024, respectively. To show how far levels have fallen year over year, the 40-percent demand decrease STR projects for the third quarter of 2020 will be an improvement

from the 57-percent decline seen during the second quarter of the year, according to Amanda Hite, STR’s president. “Even with a slight improvement in [average-daily-rate] projections through 2021, pricing confidence will lag an eventual rise in occupancy. As a result, the \$32-billion gain we forecast for room revenue from 2020 to 2021 will push the industry to a level that is still 32.5-percent lower than 2019.”

“Economic recovery is ongoing but fragile, and COVID-19 is expected to continue to define the travel environment through the first quarter of 2021,” said Adam Sacks, President of Tourism Economics. “This sets a pace of tempered, cautious recovery in travel activity in the near term, with much stronger growth anticipated in the second half of next year.”

While STR forecasts U.S. hotel demand to fall 38.9 percent in 2020, the data company projects it will rise 32.2 percent in 2021. The three key performance metrics are all expected to end 2020 with significant double-digit declines before seeing some growth in 2021. While occupancy is projected to fall 39.7 percent in 2020, it will increase 30.5 percent in 2021. ADR will fall 20.9 percent and then rise 5.6 percent in 2021. Finally, revenue per available room is forecast to decrease a whopping 52.3 percent in 2020 before increasing 37.9 percent in 2021. Those 2021 growth figures might look eye-popping; however, it’s important to remember the base they will be growing from. At any rate, STR does project that occupancy will hit 52 percent in 2021, coming off a base of 39.8 percent in 2020. By comparison, occupancy sat at 66.1 percent

for U.S. hotels in 2019 before the COVID-19 pandemic hit.

SEGMENT BY SEGMENT

Breaking data down further by segment, midscale hotels in the U.S. are expected to see demand plummet 25.1 percent in 2020, according to CBRE’s forecast, which pulls in data from Kalibri Labs. By 2021, demand for the segment will increase 24 percent, with occupancy clocking in at 55.1 percent. Occupancy is then expected to reach 60.6 percent by 2023, and then growth will remain relatively flat through 2024.

In the economy segment, CBRE expects demand to drop 17.9 percent in 2020 before increasing 11.8 percent in 2021. By 2023, occupancy should hit 57.4 percent for the segment and then growth will remain almost flat through 2024.

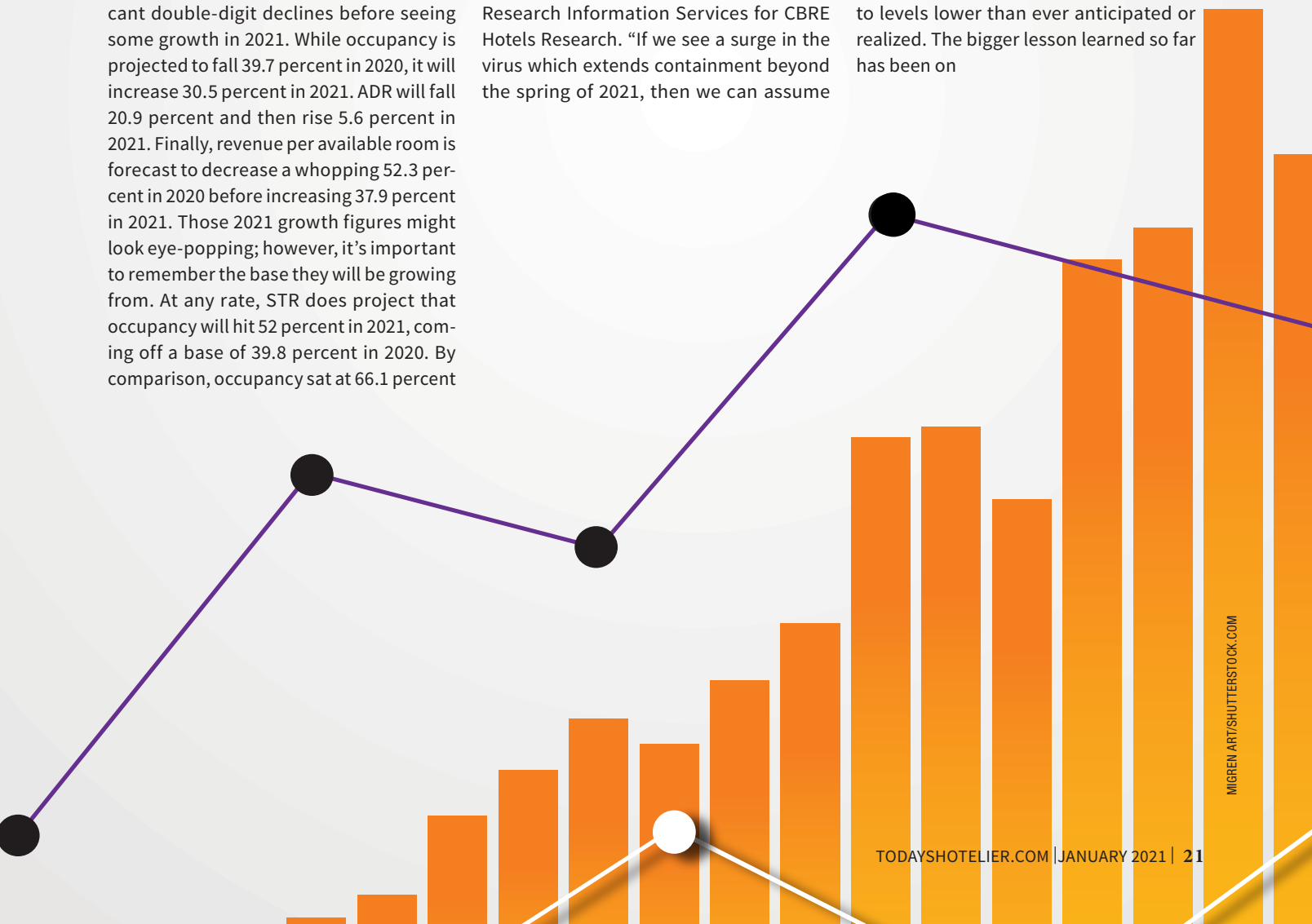
“Our forecasts of demand are dependent on both the health of the economy, as well as the spread of the COVID virus,” said Robert Mandelbaum, Director of Research Information Services for CBRE Hotels Research. “If we see a surge in the virus which extends containment beyond the spring of 2021, then we can assume

municipalities will continue to implement social-distancing rules, which will extend the recovery of group demand. In turn, this would extend our forecasts of recovery in demand.”

TREKKING THROUGH RECESSION, PREPARING FOR RECOVERY

Generally, hoteliers and data crunchers look to past recessions for clues as to how to act – or not act – during a current downturn as they make plans for a pending recovery. This time around, however, throws out some new challenges and precedence.

“The impact of COVID-19 is truly unprecedented, both in terms of level of downturn and unknown duration,” said Larry Trabulsi, Executive Vice President of asset management at CHMWarnick and vice president of the Hospitality Asset Managers Association (HAMA). “Cost reductions implemented have reduced operating break-even before fixed expenses to levels lower than ever anticipated or realized. The bigger lesson learned so far has been on



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BE PREPARED

To prepare in the meantime, Mandelbaum offered several pieces of advice for hoteliers: pay attention to changes in operations that give guests a greater sense of security regarding health, safety, and sanitation:

1

Determine which, if any, cost-control measures implemented in 2020 can be continued beyond the recession without affecting guest service and satisfaction.

2

On the revenue side, decide which creative services and amenities implemented in 2020 can be retained in the future.

3

Maintain relationships with meeting and corporate travel planners in 2020. "You will need their business when the industry recovers," Mandelbaum said.

When it comes to working with lenders – especially CMBS debt providers, which 40 percent of respondents in HAMA's "Fall 2020 Industry Outlook Survey" believe have only been somewhat flexible – Trabulsi said communication is key.

"The reality is that there are a lot of unknowns on recovery and profitability," he said. "One key we have seen is the relationship between owner and lender is more important than ever."

trying to hold average daily rate. Prior downturns saw dramatic price reductions that took years, if ever, to recover."

"A fear for one's health as well as social-distancing rules are factors that make this industry recession different from those in the past," Mandelbaum said. "In general, the industry fundamentals [occupancy, ADR, RevPAR] were strong entering 2020 and forecast to remain at high levels compared to long-run average performance indicators. Unlike past industry recessions, there were no, or limited, concerns regarding over supply, over leveraging, undisciplined financing, and artificial tax incentives. These also are reasons why we believe there will be a relatively quicker pace of recovery once people are confident that the 'health hurdle' has been cleared." ■

Midscale Segment

Demand: down by 25.1% in 2020, up by 24% in 2021
Occupancy: 60.6% by 2023, maintaining through 2024

Economy Segment

Demand: down by 17.9% in 2020, up by 11.8% in 2021
Occupancy: 57.4% by 2023, maintaining through 2024





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Using
industry
reports to
find the
best market
for a hotel

Location 101

by ALICIA HOISINGTON

LOCATION, LOCATION, LOCATION: It's still the No. 1 rule to real estate. And while every hotel project involves many variables, hoteliers agree that scouting out the right location takes dedication and a few best practices.

"There is a process, and process drives progress. That progress then results in a successful hotel," said Mary Beth Cutshall, Executive Vice President and Chief Development Officer of HVMG.

A strong market, or one that is underserved, is a must, according to Mike Marshall, President and CEO of Marshall Hotels & Resorts. Then, Cutshall agrees, diverse demand generators are important within those markets. In short, there needs to be a reason to build.

"You don't want to build for development's sake," said Brian Waldman, Executive Vice President of Investments at Peachtree Hotel Group. "The most important thing is looking at the market and understanding the supply and demand as well as the long-term outlook."

But the process doesn't include a guess-and-see approach. Developers need to enter into markets with their eyes wide open, with data to back them up. Following, sources share their go-to industry reports that help them build and buy.

LOCAL REPORTS

Marshall's first source of data comes from the local community, such as reports released by the Chamber of Commerce, jobs data, and reports on the market's economy.

"A lot we will use in passing because sometimes a lot of it is just fluff that the government has put out," he said. "But the point is that you need to do your own research, too."

He said paying attention to what's going on within the market is critical for any project – and that means garnering the reports but also personally

gathering data. "You've got to understand the market inside and out for yourself," Marshall said. "That means putting boots on the ground, going to talk to people, and seeing those demand generators. Sitting in a corner office just relying solely on reports means you probably won't be successful."

HOTEL PERFORMANCE REPORTS

Cutshall said STR's STAR reports are a must. The report compares hotel performance – including such metrics as revenue per available room, average daily rate, and occupancy – against a

similar set of hotels, also known as a comp set. This report allows hoteliers to benchmark as well as see an index that shows whether the hotel is performing better or worse than the average within the comp set.

Waldman said that STAR reports look back at historical data to help determine how hotels in a market have performed, whether that be during downturns and recoveries, new supply growth, and the like. "STAR reports are helpful because they drill down on the comp set, and we can craft one or more sets," he said.

Cutshall said segmentation data also can help to tell a fuller story of a market and how a hotel will perform within it. "Kalibri Labs has reports to understand segmentation and submarkets and the type of business and customer acquisition cost against the comp set. You can truly see what the net revenue is for getting heads in beds," she said.

Kalibri's Trendline Report is available for developers, investors, brokers, lenders, appraisers, and other

“
You've got to understand the market inside and out for yourself. That means putting boots on the ground, going to talk to people, and seeing those demand generators. Sitting in a corner office just relying solely on reports means you probably won't be successful.”

– Mike Marshall, President and CEO,
Marshall Hotels & Resorts

investment professionals. The report shows performance for a hotel or group of hotels by month and details insights broken out by channel, rate categories, or length-of-stay buckets. The report also can benchmark two data points, such as a hotel against its comp set, for relative performance trends.

PIPELINE REPORTS

Hotel performance metrics are important to the puzzle, but pipeline data is equally so, sources say. STR and Lodging Econometrics are two companies that produce pipeline reports for the industry.

“You need to see what other hotels are proposed for the market and what stage they are in the pipeline,” Waldman said. “If the STAR report looks great, but five other hotels are about to break ground a mile from your site, that’s important information to know for supply and demand going forward.” He added that hoteliers will also want to know whether new demand generators will come in, if any hotels are set to leave the area, or whether any hotels are changing flags or renovating, which could also have an impact on competition in the market.

“We look for a report that’s got the most detailed information possible and that includes all possible projects,” said Hank Staley, Managing Director, Advisory Services, CBRE. “We want to know about every project, and we’ll track down every

one of those. ... With a comprehensive pipeline report, you can feel comfortable you didn’t miss something.”

FEASIBILITY REPORTS

“We love it when a sponsor has a feasibility report,” Cutshall said. “Some of the best money you can spend is on the front end, and hiring an objective third party to do a feasibility study helps flush out a lot of mistakes.”

Waldman said after his company completes its own projects, executives will bring in a consultant. “We do feasibility studies to bring in another expert to help us determine where the market is going and to validate our projections for the project.”

It’s important to partner with a third party that is non-biased when it comes to franchises, however. “Look at companies that focus more on the particular asset type you’re looking at,” Marshall said. “People who do feasibility studies for convention hotels don’t do well with a 62-room roadside hotel, for instance. You’re looking for a select set of skills. Look at people who have already had success in markets and already know the markets. You’re not trying to reinvent the wheel.”

SHARING-ECONOMY DATA

Data about home-sharing companies, such as Airbnb, might not be on the top of developers’ lists, but it should definitely be part of the overall strategy, sources say. To forget about this competition could mean hoteliers aren’t seeing the full picture that could be costly for business.

“There is data made available that you can subscribe to, and this is especially important for bigger MSA markets where Airbnb and others are successful

INDUSTRY REPORTS

Hotel industry reports and data are available from a wide range of sources. The following are just a few of the places to gather location data for your property:

- STR
- Lodging Econometrics
- Kalibri Labs
- Deloitte
- CBRE
- Truist Securities

AAHOA Members receive exclusive discounts off many of these reports. Visit AAHOA.com/membership/member-benefits to learn more.

and have a lot of supply,” Cutshall said. “Being able to get that data and overlay it with STR market performance data, which is what developers and operators have relied on, gives more of an assessment.”

Cutshall said Airbnb is like shadow demand that hoteliers need to know about. The data can help determine where home sharing has grown, how many units are being sold in the market, and which ones are performing best. It can also provide an indication of whether people are looking for single or multiple bedrooms in the market. “And, if the supply continues to grow, it could impact peak nights,” she said.

Staley agreed this data is a critical component. “We spend a lot of time trying to understand what it means. Is it all incremental demand that wouldn’t be there or a shift in booking channels? In certain markets, it’s an important part of the analysis. I suggest to anyone to ask if Airbnb matters. If it does, you need the report that shows it.” ■

human trafficking

Where do we stand now?

Human trafficking has been a plague on humanity for ages and it appears COVID-19 didn't slow it down

by GENEVA TODDY

THE U.S. WAS FOUNDED ON THE PRINCIPLE OF LIBERTY. YET A MODERN FORM OF SLAVERY continues to persist – human trafficking.

Human trafficking looks different in different situations, from forced prostitution to forced labor. But hotels are on the front line of the battle against all of it.

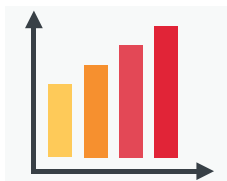
THE TIE TO COVID-19



Catherine Worsnop is an assistant professor in the School of Public Policy at the University of Maryland. She began research in 2017 linking trafficking and outbreaks of infectious disease. These outbreaks lead to deaths of family members, separation from family members, and increased economic inequality – all key players in human trafficking opportunities.

Worsnop found that countries experiencing outbreaks of infectious diseases also were likely to see an increase in human trafficking.

WHAT ABOUT THE NUMBERS?



According to data from The National Human Trafficking Hotline, 11,500 human trafficking cases were reported in 2019. Of those cases, more than 2,000 involved minors and more than 1,000 were U.S. citizens.

With COVID-19 still running rampant, many services have been routed to fighting that battle. Amid worldwide lockdowns, many humanitarian services have been paused. Data for 2020 might take a while to come through, but the research from Worsnop points to an increase due to COVID-19.

WHO CAN HELP?



NGO representatives and victims of trafficking or unrelated crimes are the first who come to mind. However, the most amount of help comes from community members. The National Human Trafficking Hotline received more than 48,000 tips of potential human trafficking situations. Community members contributed to more than 13,000 of those contact types.

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To help fight human trafficking, AAHOA offers AAHOA Members and their staffs FREE training and information on how you can help end the human trafficking plague. Visit aahoa.com/HTAT to get started today.

Cracking down on human trafficking

EFFECTIVE JAN. 1, 2021, THE STATE OF FLORIDA REQUIRES HOTEL OWNERS AND OPERATORS to provide human trafficking awareness training for new employees in housekeeping and reception roles. What does this mean for you?



60 DAYS

You have 60 days after the employee begins employment or by Jan. 1, 2021, whichever occurs later.



\$2,000

Businesses that do not comply with the mandate will be subject to a fine for up to \$2,000.

BEST inhospitable to Human Trafficking Training sponsored by AAHOA

The 30-minute, online video training offered by AAHOA and Businesses Ending Slavery and Trafficking. (BEST) is certified by the Florida Division of Hotels & Restaurants to meet requirements set by the new mandate.



8 STATES

Florida joins California, Connecticut, Minnesota, New Jersey, Iowa, North Dakota, and Illinois in employee training mandates for human trafficking awareness. ■



January Is National Slavery & Human Trafficking Prevention Month

AAHOA has long been working to end human trafficking, and we stand strong alongside the hospitality industry that has been working at the forefront of the movement to eradicate it.

AAHOA offers BEST Inhospitable to Human Trafficking Training, Sponsored by AAHOA, completely digital and free for all AAHOA Members and their employees. Just 30 minutes of online training can help you and your staff identify the signs of human trafficking – helping to save lives and protect your business.

- ▶ Did you know that at least 38 states and the District of Columbia have laws to require some public agencies and/or private businesses to train their staff to recognize, report, and respond to human trafficking crimes and victims?
- ▶ AAHOA has three recent webcasts that can help you better understand the effects of COVID-19 on human trafficking: (1) Boys are Human Trafficking Victims Too; (2) Human Trafficking, Hotels, and COVID-19; and (3) Impacts & Realities of Human Trafficking Prevention. Find them all at AAHOA.com/webcasts.



30 minutes



Digital



No Cost

Learn more at AAHOA.com/HTAT.

A \$15 federal minimum wage is not the answer

by ALFREDO ORTIZ



IT'S A NEW YEAR, BUT SMALL BUSINESSES WILL CONTINUE to face the prospect of a \$15 increase in the federal minimum wage. Some areas have already taken the plunge, including New York City and San Francisco. Floridians are the most recent group to agree to the idea by voting to raise the minimum wage to \$15 an hour statewide by 2026.

THE ARGUMENT FOR A HIGHER MINIMUM WAGE

Proponents of higher mandatory wages argue the policy provides workers with fair pay. But businesses already reward employees who learn new skills and have experience with additional money. Entry-level pay, on the other hand, is typically reserved for exactly who it sounds like: entry-level workers who are trying to gain a skill set.

THE COUNTERARGUMENT

While compensating entry-level employees \$15 an hour is reasonable in high-cost-of-living areas like New York City, Miami, or Chicago, businesses in most of the country would struggle to cover the one-size-fits-all pay requirement. For example, Azim Saju, President and CEO for HDG Hotels commented that the impending incremental minimum wage increase to \$15 an hour will add an additional \$1 million to his company's payroll costs during the first year alone.

COVID-19 CONSIDERATIONS

Moreover, the pandemic that has plagued the country has left businesses gasping for air, especially restaurants and hotels that were forced to restrict capacity or close down entirely for parts of 2020. Additional financial strain could push those that did survive over the edge of bankruptcy. Now is the time to grant businesses – especially small ones – financial reprieve, not additional liability.

RESEARCH AND PRACTICE

Raising the minimum wage has a storied history of harming businesses and their employees. Researchers from Harvard Business

School found that in San Francisco, for every \$1 increase to the minimum wage, an average-rated restaurant had a 14-percent higher likelihood of closing. Since 2018, the city's \$15 minimum wage has cost more than 1,000 jobs in the restaurant industry alone.

In Seattle, economists determined a shift to \$13 per hour in 2016 caused a 9-percent decrease in low-wage employee earnings because of cuts to working hours. As of this month, Seattle has implemented a \$16.69 per hour mandatory wage – one of the highest local minimum wages in the country – for many entry-level workers. The move is expected to slash even more people off payrolls and reduce hours further.

BEYOND HOSPITALITY

Raising the minimum wage at the federal level would have a similar negative impact on all industries across the country. According to a 2018 study from the Congressional Budget Office, raising the federal minimum wage from \$7.25 to \$15 per hour would cost 1.3 million jobs. Another more recent analysis released by the Employment Policies Institute found a \$15 minimum wage, along with a paralleled increase in the tipped wage, could result in more than two million lost employment opportunities.

At a time when the economy is rebuilding, those with jobs cannot afford to lose them. Americans are looking to get back to work, not be laid off indefinitely. On a similar note, the small business community, which is typically the glue that holds the economy together, should be encouraged to grow via public policy, not road blocked.

Fighting for an increase to the federal minimum wage should not be a priority for Washington bureaucrats. Rather, the focus should be on smart policies that encourage economic growth and financial stability for small businesses and the hard-working Americans they employ. ■

Alfredo Ortiz is the president and CEO of the Job Creators Network.

Capitalizing hotel operating losses with alternative structuring strategies

by RUSHI SHAH

AS THE PANDEMIC CONTINUES and commercial real estate owners face cashflow shortfalls, they are desperate to find ways to capitalize their operating losses. Hotel owners are especially motivated because their primary revenue stream relies on an operating business. Owners may pull this essential capital from reserves or take on more debt capital with their existing banks. Others may ask equity investors to inject additional capital or obtain mezzanine capital that acts and is structured like debt but is priced like equity. Private equity, hedge funds, and joint-venture equity capital where the owner agrees to give up the majority of his or her upside in exchange for a meaningful piece of the equity in the asset also are common options. Unfortunately, most of this capital, with the exception of debt capital secured by a senior lien, is very expensive. For example, mezzanine and equity capital will have a 14-percent-to-20-percent internal rate of return for the investors

to commensurate for the uncertainty in the current climate.

There are other doors owners can open that lead to relatively more affordable capital, but they require complex structuring and additional risk. If employed, however, owners can potentially weather the downturn without sacrificing a large chunk of future upside to high-priced investors. One such strategy that seems to be winning in today's environment is the sale of lease-back of ground underneath the hotel or any other commercial real estate asset. This is often referred to as ground lease capital.

THE PARTS vs. THE WHOLE

Let's start with a few definitions. The fee-simple asset is the asset that has land and improvement in one parcel, or the total asset. The land is referred to as the leased fee and the improvement on top is defined as the leasehold. The strategy of selling the ground under an asset and then leasing it back in the form of a ground lease has been around for more

than 100 years. In fact, the most valuable commercial real estate assets in Europe and Asia are capitalized using this method. What makes this approach interesting right now, however, is that the ground lease can be structured with a buy-back option. The ability to repurchase the land later allows owners to essentially collapse the ground lease structure at a future date.

Another benefit of employing a ground lease sale lease-back approach is the ability for the ground lease purchaser to pay the land price based on the future value of the land, which ensures owners of the fee-simple asset don't leave any money on the table when selling the land.

Institutional funds have raised a significant amount of capital to buy the land under cash-flowing commercial real estate assets and then lease it back for 99 years to the owners of the improvement on top, or the leasehold. What makes this lucrative is the land buyers are willing to pay up to 30 percent of the total assets' projected value three years in the future – just for the land. In exchange for the value of the land, the ground lessor agrees to receive 6 percent of the proceeds for a hotel and 5.5 percent of the proceeds for a non-hotel asset per year in the form of lease payments. Additionally, the ground lessor typically asks for a 2-percent annual increment on the lease payments.

The best feature, however, is the buy-back option. The owner of the asset is able to repurchase the land at the same price that he or she sold it for, with a potential additional breakage of an interest rate swap or a predetermined capitalization rate that gets applied to the rent payment at the time the buyback option is exercised. Owners are therefore able to access capital when it is valued the most but still retain an option to pay back the landowner when the market improves. Plus, they may be able to refinance the asset into a nonrecourse CMBS loan or a conventional loan when that market reopens for the fee-simple asset and collapse the structure.

““

One thing we know for certain is we must continue to prepare for a prolonged slowdown in commercial real estate, including hospitality.”

CONSIDERATIONS FOR SUCCESS

Before implementing a ground lease strategy, hotel owners must be able to gain consent from their senior lender. This typically requires negotiating a win-win solution for the borrower and the lender. This may include paying down the senior loan with the proceeds received from the sale of the land, as well as putting up credit-enhancing interest reserves.

As we enter into a new year in the middle of an ongoing pandemic, many questions are still unanswered. One thing we know for certain is we must continue to prepare for a prolonged slowdown in commercial real estate, including hospitality. How owners leverage relationships and subject matter experts to explore and execute creative capital structures and sources will be the fulcrum of their future success. ■



Rushi Shah is principal and CEO of the commercial mortgage and real estate investment banking firm and AAHOA Allied Member Mag Mile Capital. As a leader in

hospitality financing, Shah specializes in structuring and placing high-leverage, non-recourse bridge and permanent debt with cash out for full – and limited-service hotels nationwide. Since joining the firm's predecessor, Aries Capital, in 2015, Shah has structured and closed hundreds of millions in financing for all property types. Shah has held previous positions at Northern Trust and has an MBA from the University of Chicago's Booth School of Business.

Supporting our communities

How hospitality and
health care can thrive
throughout the pandemic

by JEREMY ZUKER

The Situation

THERE IS NO DOUBT THAT the pandemic will forever alter how we live and work, but the hospitality industry may be more changed than anyone could have predicted. With 80 percent of hotel rooms sitting empty, 2020 is projected to be the worst year on record for hotel occupancy. Even with a vaccine on the horizon, the loss of income may have already been too serious for many hotels to recover, with 67 percent of hotels expecting that they'll only be able to last six more months at current projected revenue and occupancy levels without any further relief. If there ever was a time to make a major change to the industry, it is now. With little relief on the horizon, hotels need to find alternate streams of revenue to help them survive the pandemic.

On the other end of the spectrum is the health care industry. With flu season upon us and an ongoing and worsening pandemic, the health care industry is overwhelmed with demand. Hospitals are struggling to keep up with patients, clinics are trying to distribute flu vaccines, and pharmaceutical firms are racing to find a cure for the COVID-19 virus. Health care is facing a major crisis, trying to support and protect both patients and employees. Existing and unused assets need to be leveraged to support the health care industry.



Jeremy Zuker is the co-founder of a technology company that enables multifamily residential and

commercial property owners to discover new revenue sources through innovative solutions that leverage unused parking spaces.

1. Transportation

As the second wave of the virus extends across the U.S., public transportation can become dangerous, with crowded spaces and poor air quality spreading the virus. In transit agencies across the country, ridership and fare revenue have plummeted by as much as 80 to 90 percent due to these concerns. This has created another problem: low ridership is causing transit authorities to reduce or cancel service on routes, making public transit unreliable. Health care and frontline workers are relying on personal cars in order to keep themselves safe. However, not only is hospital parking expensive, but hospital parking lots have limited space. This is a problem – now more than ever – due to the influx of patients and the influx of hospital staff that have opted to drive.

2. A Place to Stay

As the number of cases in the U.S. rises dramatically, there will be more health care workers looking for spaces to self-isolate away from their families. We saw this issue frequently throughout the first wave – frontline workers who were potentially exposed to the virus needed spaces to quarantine away from others. With the U.S. reporting more than 100,000 new cases a day, we will likely see the need for self-isolation spaces grow.

Supporting These Industries

To address the issues facing health care workers and to support the hospitality industry, existing assets such as rooms and parking can be leveraged to increase hotel revenues. It's a simple issue of supply and demand. With hotel vacancy rates at an all-time low, hotel parking is sitting empty. On the other hand, hospital parking is busier than ever with more demand from patients and employees. If they are located near a hospital, hotels can leverage their empty parking spaces by renting them out to health care workers and hospitals. By renting them out on monthly contracts, hospitals can secure parking throughout the pandemic and hotels can secure long-term revenue. With hospital parking at a premium, discounts also can be applied to support health care workers and offer them spaces at lower rates. While public transit remains problematic, having reasonably priced parking spaces can help hospital workers commute safely to work.

Empty rooms also can be used for self-isolation if health care workers need space away from their families. Near the beginning of the pandemic, AHHA saw that there was a demand for spaces to quarantine and set up the Hospitality for Hope Initiative. This initiative aimed to match empty hotels with the health care community, as they struggled to find housing and support. More than 17,000 hotels signed up to support the cause. Cities across the globe, especially those that are suffering the most, have noticed how important hotels can be to supporting the health care industry, and they are willing to pay for the support. In Chicago, the city used 200 underutilized hotel rooms to provide quarantine spaces for infected patients, paying each hotel that participated around \$1 million per month. As we enter the second wave of the virus, we will see increased demand for this type of support, which also would help the hospitality industry.

Working Together

Although revenue is important for the hotel industry, it's equally as important to support communities and frontline workers. As we experience a second wave of the virus across the U.S., communities will have to band together to ensure that hospitals have adequate supplies and support once again. Yet, at the same time, if we want businesses to survive, we have to find ways to support local entrepreneurs, restaurants, hotels, and other industries that are experiencing steep revenue declines. Otherwise, when we emerge from the pandemic, our communities may face even more losses. ■

Minimizing hotel liability in a COVID-19 world

by GREG DUFF

THERE ISN'T A DAY THAT GOES BY THAT WE are not reminded of the many unique challenges that COVID-19 presents. For hoteliers – most of whom have a legal duty to accommodate travelers – these challenges may include the continually evolving nature of COVID-19, the varied (and evolving) response to COVID-19 (e.g., guidelines from the Centers for Disease Control and Prevention (CDC), state and local rules and regulations, and industry best practices), the completely unpredictable public response to COVID-19, the complete lack of any real situational precedence, and the lack of any widely accepted “how to” handbook. These are indeed challenging times.

In light of these many challenges, what can hoteliers realistically do to minimize potential guest liability arising from COVID-19?

A STEP-BY-STEP APPROACH

Limiting liability can be achieved before your guests walk through the door. Take these steps when considering your liability during COVID-19.

1

TAKE ADVANTAGE OF PROTECTIONS AVAILABLE TO YOU

For those of you located in one of the few states to pass legislation limiting hoteliers' liability (or even providing civil immunity) for COVID-19-related claims, do what you can to take advantage of these important protections. Whether federal legislation providing businesses nationally with similar protections is ever adopted (presumably as part of any second round of federal stimulus) remains to be seen at time of print.

2

ADOPT BEST PRACTICES

Consider the many operational practices and processes and physical changes that can be put into place to mitigate guests' exposure to COVID-19 and implement those that are consistent with (or even better than) those adopted by owners and operators of properties similar to yours. By doing so, you can demonstrate to a judge, jury, or guest who claims they contracted COVID-19 while at your property that you took reasonable steps to mitigate potential COVID-19 exposure. While the availability of multiple "recommended" practices and processes may make it difficult to choose the right combination for you, doing nothing is not an option. If your property doesn't have the benefit of brand-mandated practices and processes, consider adopting the Safe Stay program, earning your certificate with the AAHOA/P&G Professional's Training in Hotel Sanitization and Cleanliness, and following the guidelines issued by the CDC or your local government or health care agency.

3

COMMUNICATE

Sometimes as critical as adopting and implementing the necessary baseline practices, processes, and physical changes, communicating these practices, processes, and changes (and updates as they occur) to guests as early in the booking process as possible is critical. Transparency is key. If guests are first learning of your mandatory mask requirements or limited pool access upon their arrival, it's too late. These important communications generally fall into two categories – those designed to make guests aware of newly adopted practices and policies (e.g., mandatory mask wearing) and those designed to inform guests of closed or curtailed amenities and services (e.g., unavailability of food and beverage outlets). In our work with clients, we have incorporated these types of communications on property websites, in booking terms and conditions, in booking confirmations, and in pre-arrival emails.

A WORD ABOUT INSURANCE

Any comprehensive liability mitigation plan must consider available insurance. If you have not done so already, review your existing insurance policies (or better yet, contact your insurance broker) to assess whether a guest's COVID-19 claim might be covered. I have been surprised to learn that some commercial general liability (CGL) policies may provide limited coverage. Unfortunately, I also have learned that many umbrella policies do not.

Be safe and stay healthy. ■

Greg Duff is a Principal at Foster Garvey and represents clients engaged in the hospitality industry, including owners, operators, and vendors. Learn more at www.foster.com.

Pandemic places spotlight on franchise agreements

by RAHUL B. PATEL and CYRA A. DUMITRU



“

Different states and jurisdictions have different rules and regulations in place to mitigate the spread of COVID-19.”

FRANCHISEES FACE A TOUGH DECISION: TRY TO RIDE OUT COVID-19 AND COMPLETE THEIR franchise term, or terminate, re-brand, or repurpose? These decisions require thought and planning.

Preparing a strategy requires a lot of input from owners, partners, lenders, brands, and others. Patel Gaines’ Partner Rahul Patel and Associate Attorney Cyra Dumitru examined several high-priority issues hotel franchise owners should consider when deciding next steps.

1 UNDERSTAND YOUR OPPORTUNITIES TO NEGOTIATE.

From a legal perspective, now is a good time to reach out to your brand representative and try to negotiate a franchise agreement that allows some flexibility during COVID-19. Examples include: (1) renegotiating and/or adding windows of termination and tying these windows to revenue or occupancy goals; (2) negotiating waivers of certain franchise requirements; and (3) negotiating reductions on royalty fees. The important part is to ensure you can terminate if the hotel industry is unable to meet your specific needs.



2 DON'T START 2021 WITHOUT A CLEAR UNDERSTANDING OF WHAT COVID-19 MEANS FOR YOUR HOTEL.

Regardless if you are involved in a new build, PIP, or conversion, open the line of communication with your franchise representative as soon as possible to ensure timeliness and legal compliance.

COVID-19 has caused numerous unprecedented delays in the hotel and construction industry. It also may be prudent to consider repurposing square footage into more usable space including renting out conference rooms or using breakfast areas as a source of revenue. “Different states and jurisdictions have different rules and regulations in place to mitigate the spread of COVID-19,” Dumitru said. Due to all the legal uncertainty, it’s important for franchisees to ensure they have built-in extensions for upcoming deadlines. Most importantly, franchisees should negotiate or renegotiate formal extension options, as applicable, ensuring they will receive guaranteed, not optional, extensions or waivers at little to no cost. Otherwise, a franchise project may become overly burdensome before it even gets off the ground.



3 AMENITIES AND THIRD-PARTY AGREEMENTS.

“Audit your existing hotel amenities, such as breakfast and transportation services. In some cases, your home state may no longer allow these services, or it may not be in the best interest of your guests,” Patel said. “In addition, are you absorbing increased costs from your vendors due to COVID-19? You may be able to get out from or renegotiate these agreements.” It may be a good idea to modify your payment schedule or terminate the agreements if you cannot use a service. Most agreements have what is known as “force majeure” clauses which allow contracts to terminate with little to no penalty. Depending on what the agreement says, it may be the best time to activate this clause.



Upfront conversations with your business partners, even in the face of the unknowable, is the first step toward minimizing your risk and protecting the viability of your property. When open discussion is combined with expert legal guidance from an experienced law firm, the franchisee will gain significant benefits with their planning efforts. ■

Patel Gaines has represented 200+ franchisees, working with brands such as Hilton, Marriott, Choice Hotels, IHG, and Wyndham.

Rahul Patel, Managing Partner, Patel Gaines and Cyra Dumitru, Associate Attorney, Patel Gaines.



Getting the
message to

Stick

COVID-19 and the
evolution of social
distancing

by ANDREW WITKIN



WHEN COVID-19 ROCKED THE economy, the hospitality industry was one of the first to feel the effects, and now its road to recovery has proven longer and slower than most. How do you safely reopen the doors to your hotel when the definition of “safe” keeps changing? As many businesses are discovering, the key to keeping up with a rapidly evolving situation actually lies in adopting a temporary solution in the form of stickers, decals, and other easily changed solutions.

The same things that have been used to customize, personalize, and otherwise decorate practically any surface for as long as you can remember turn out to play a crucial role in social-distancing messaging. And while they’re an important part of recovery efforts across the economy, they’re especially useful for the hotel industry.

THE MESSAGES CHANGE, BUT THE GOAL STAYS THE SAME

It all started with handwritten signs, creative use of letterboard, and other hastily assembled messages as hotels and motels across the nation unexpectedly shut their doors in the spring. And when it seemed like things would be back to normal in just a few weeks, “Sorry, we’re closed,” seemed like enough of a message.

It wasn’t.

In the months since the pandemic started, it’s become obvious that remaining closed isn’t a realistic option. Instead, it’s about reopening in the safest possible manner, one that mitigates risk for customers and employees alike. And the key to that is in the messaging and the signage itself.

Social-distancing guidelines have evolved, but it’s become widely accepted that wearing a mask and remaining 6 feet away from one another are the key components of a safe return to business. But how do you make sure everyone follows these guidelines?

Figuring out the right message is one thing, making it visible is another entirely.

This is where stickers, labels, and decals have proven invaluable. They can be produced rapidly to keep up with the latest safety guidelines, yet they’re far more affordable than permanent signage. They also look more professional than handwritten signs, especially when it comes to replicating a message. You can have as many identical stickers as you want, making it easy to place 6-foot-distancing markers on the floor or to put up mask reminders on every lobby door.

REMINDERS WHERE YOU NEED THEM

Adhesive decals have incredible versatility. Aside from social-distancing reminders on floors and windows, hotels can use stickers to mark freshly sanitized towels and linens, to provide direction on new contact-free procedures, or to establish one-way traffic through busy intersections. That applies to changes in room service or other amenities as well. Saying it with a sticker is far easier and more affordable than permanent alterations.

Maybe your turn-down service includes some new, COVID-19-conscious offerings, like a face mask or hand sanitizer. Labels are a great way to put a branded twist on these products, introduce them to your guests, and invite guests to be proactive in their use. If you’ve introduced a new, touchless checkout process, why not place instructions in the rooms or even on the key cards themselves?

One unique way that hotels are already using stickers is to indicate that a room has been cleaned. A perforated adhesive is applied to the door and the doorframe to guarantee the room’s cleanliness, as only a new guest would break the seal. During a time when health and safety are priorities, this visual assurance is powerful.

Stickers have always been a great way to put a little personality into things and adding some personal touches to PPE can help hospitality professionals create a welcoming air in these unsettling times. Adhesives are just one tool in the toolkit, though. Iron-on transfers are gaining popularity in creating COVID-19 messaging in a novel way.

These iron-on transfers bring all the qualities of stickers and adhesive labels – namely colorful, consistent, and professional messaging at an affordable price – and put them into a fabric-friendly medium. Imagine the possibilities for the hospitality industry with the ability to customize cloth masks, uniforms, and more.

Safely and successfully reopening any business is difficult right now, and that’s especially true for hotels and other parts of the hospitality industry. But, like anything, having the right tools makes it easier. And stickers, labels, iron-on transfers, and other non-permanent labels are exactly the right tool in a rapidly changing (and hopefully temporary) situation like this. ■

Andrew Witkin is the founder and CEO of StickerYou a global, e-commerce leader in custom-printed, die-cut products that empower consumers and businesses to create high-quality materials for personal expression, marketing, and packaging.

““ In the months since the pandemic started, it’s become obvious that remaining closed isn’t a realistic option. Instead, it’s about reopening in the safest possible manner, one that mitigates risk for customers and employees alike. And the key to that is in the messaging and the signage itself.”

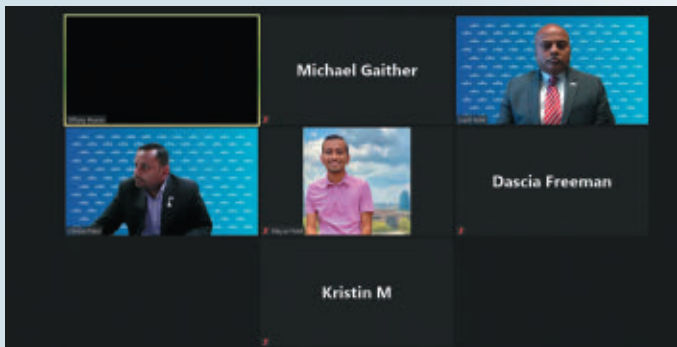
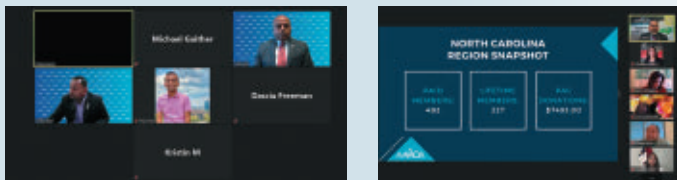
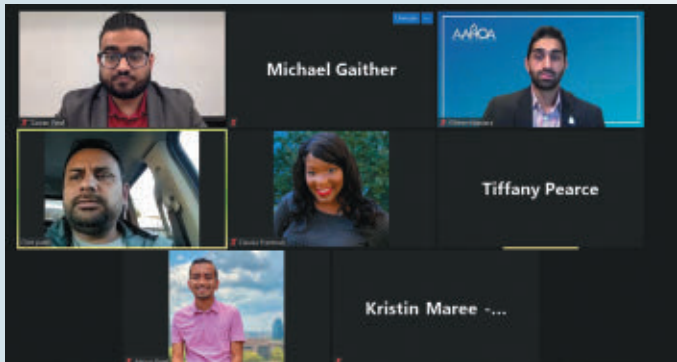
STICK TO THE RULES

Use stickers and decals to remind staff and guests of the following best practices:

-  **MASK**
Wear a mask at all times in public areas.
-  **DISTANCE**
Six feet is the minimum recommended distance to keep from others.
-  **SING & WASH**
Wash hands for at least 20 seconds – the length of two rounds of “Happy Birthday.”

AAHOA MEMBERS IN ACTION

AAHOA officially wrapped up the inaugural virtual 2020 Regionals Series and it was a resounding success! Because of the unwavering support of our exhibitors and sponsors, AAHOA was able to deliver vital region-specific advice and information from industry leaders and experts to thousands of attendees to help them survive and recover even as the COVID-19 pandemic surges across the nation.



Tomorrow's leaders today

AAHOA has partnered with Kennesaw State University to establish the Michael Leven & Lee Dushoff AAHOA Scholarship for Compassionate Leadership. The scholarship's first recipient **Ariana Stevenson** told *Today's Hotelier* about her place in the future of the hospitality industry.

TELL US ABOUT YOURSELF.

I am currently a senior at Kennesaw State University and majoring in business management with a minor in marketing. I grew up in Woodstock, GA, and I chose KSU because of all the business opportunities being that it is close to Atlanta, GA. I currently am working at Jackson Healthcare in Alpharetta, GA, as a benefits coordinator in human resources.

Congratulations to Ariana Stevenson, the first-ever recipient of the Michael Leven & Lee Dushoff AAHOA Scholarship for Compassionate Leadership!

WHY DID YOU CHOOSE HOSPITALITY AS A CAREER PATH?

I chose hospitality management as a career path because I want to pursue a degree where I can serve others while also having the opportunity to manage a team of employees. I wanted a career path that was flexible with job opportunities in many areas to explore such as human resources or project management. Hospitality also gives you many travel options as I would love the opportunity to travel beyond just working in the office.

HOW DID YOU LEARN ABOUT THE MICHAEL LEVEN & LEE DUSHOFF AAHOA SCHOLARSHIP FOR COMPASSIONATE LEADERSHIP?

I learned about the AAHOA scholarship by applying to the scholarship application at KSU. KSU gives its students who excel in their course an opportunity to be rewarded through their various scholarships.

WHAT DOES THIS SCHOLARSHIP MEAN TO YOU?

I've worked throughout college and maintained a high GPA, so receiving this scholarship felt like an accomplishment for the long nights and dedication spent in my classes. This scholarship will allow me to work less in college and provide me with the financial support to focus solely on my final courses while interviewing for my career after I graduate.

WHAT EXCITES YOU ABOUT THE HOSPITALITY INDUSTRY?

The thing that excites me most about the hospitality industry is the opportunity to serve others and give back to my local community through compassion in my day to day. The people you meet and the conversations that you get to have with others is truly why I want to pursue a career in this industry. ■

A Long-Lasting Impact on Our Industry

Consider making a donation to the Kennesaw State University Foundation, which is fully tax-deductible. Embrace the spirit of giving by helping a future hotelier achieve his or her dream. Contributions from AAHOA Members and Industry Partners will help create a sizeable endowment that will provide scholarships for students for many years to come, ensuring that our industry continues to thrive. Make your contribution today at community.kennesaw.edu/aahoa. Visit kennesaw.edu/aahoa.

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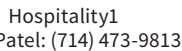
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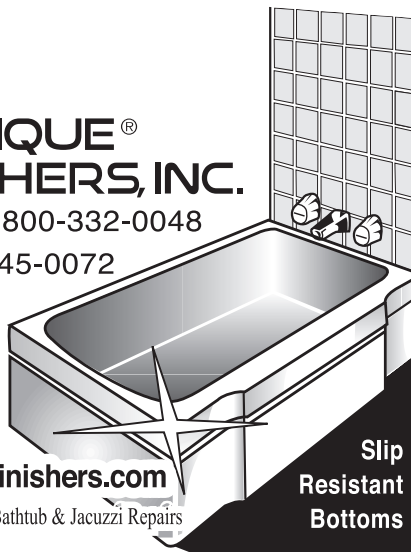


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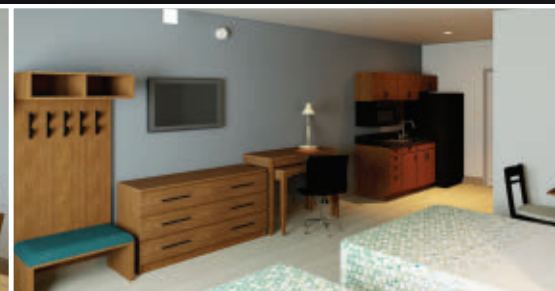
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