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Publication of AAHOA

Ricky Patel
CEO, Toli Ventures

Independent
hoteliers and
the *law*

PAGE 12

The
Independent
ideal

PAGE 12

**U.S. REPRESENTATIVE
JUDY CHU (D-CA) ON
THE IMPORTANCE
OF AMERICA'S
SMALL BUSINESSES**

PAGE 26



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¹Nilson ranking March 2023

²JPMorgan Chase Q4 2022 Earnings Presentation

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contents

July 2023 | todayshotelier.com

14

Free to be unique

Independent hotels are holding their own despite pressure from large brands

by NICK FORTUNA

20

Tread carefully

Understanding several crucial legal issues from the perspective of the independent hotelier

by CARTER DAVIS



FOCUS: ADVOCACY IN ACTION 26

Service-minded

U.S. Representative Judy Chu (D-CA) on the importance of standing up for, and protecting, America's small business owners

by NEAL A. PATEL

departments

- 8 5 THINGS TO KNOW ABOUT AAHOA THIS MONTH
- 9 LETTER FROM THE CHAIRMAN
- 10 LETTER FROM THE PRESIDENT & CEO
- 40 TELL ME SOMETHING GOOD
- 44 AAHOA CLUB BLUE, PLATINUM, SILVER, AND BRONZE INDUSTRY PARTNERS
- 46 AAHOA MEMBERS IN ACTION
- 48 CLASSIFIEDS
- 49 ADVERTISERS INDEX

columns

- THE C-SUITE
The independent ideal: A conversation with Ricky Patel, CEO, Toli Ventures..... 12
by EVELYN HOOVER
- PERSPECTIVES
Ear to the ground: Exploring the most pressing issues in the independent hotelier community..... 19
by EVELYN HOOVER
- FINANCE
Feeling the squeeze: Cap rates, inflationary pressures, and financing strategies when funding brand-mandated PIPs 30
by RUSHI SHAH
- STRATEGY
Finding freedom: Independent hotels, GPO partnerships, and streamlining operations in challenging times..... 32
by RHONDA DRURY
- SPOTLIGHT
The art of networking: How to create meaningful connections and build your professional network through event attendance..... 34
by MAYUR PATEL
- TRENDS
Finding your way: REITs as an alternative source of hospitality liquidity 36
by KEN PATEL
- INDEPENDENT HOTELIERS
A love letter: Honoring the past, present, and future of the independent hotelier..... 38
by RAVI B. PATEL

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5 Things to Know About AAHOA This Month

HIT THE GREENS THIS SUMMER!

AAHOA's 2023 Charity Golf Tournament Series is an excellent way to enjoy some of the nation's top golf courses and have an impact on your community. It all starts this summer with the Mid South Charity Golf Tournament on Monday, July 24, at the Cherry Blossom Golf Club, created by world-renowned golf course architect Clyde Johnston of Hilton Head, SC. You can count on the excitement to continue with the Northwest Region Charity Golf Tournament on Monday, August 14, and the North Carolina Region Charity Golf Tournament, from Saturday, August 26, to Sunday, August 27. For more details and to sign up today: AAHOA.com/Golf



AAHOA CHAIRMAN BHARAT PATEL AND VICE CHAIRMAN MIRAJ S. PATEL TO SPEAK AT ALIS SUMMER UPDATE SERIES IN ATLANTA.

One of the ALIS Summer Updates is taking place at The Ritz-Carlton Atlanta on Thursday, July 13. You will have the opportunity to hear Chairman Bharat Patel and Vice Chairman Miraj S. Patel speak during the event. Additionally, the sessions will cover the following topics: acquisitions and development, hotel performance outlook, investment insights, and views from the boardroom. There's still time to register: Burba.com/ALISsummerupdate



READ ALL ABOUT IT: 4 CORE PILLARS OF FRANCHISE ADVOCACY.

AAHOA is continuously striving to stay the foremost advocate and resource for America's hotel owners. That's why AAHOA developed the **4 Core Pillars of Franchise Advocacy**, to help hotel owners continue to gain a better understanding of their rights as Franchisees. Find out why **mandated vendors**, **rebates**, **loyalty programs**, and **new fees** are the 4 Core Pillars of Franchise Advocacy and how you can use them to strengthen your business. bit.ly/42MQynk

JOIN AAHOA AT THE LODGING CONFERENCE IN SEPTEMBER.

During the past 28 years, tens of thousands of high-powered hotel owners and executives from around the globe have participated in the Lodging Conference, one of the leading hotel industry events in the world. This year the three-day event is set for September 18-21 in Phoenix, AZ. You won't want to miss all the excitement. Register to attend at LodgingConference.com.



HOSPITALITY PLAYS CRITICAL ROLE IN JOB CREATION.

Employment in the hospitality industry continues its slow rebound from the pandemic, according to the [May 2023 federal jobs report](https://www.bls.gov/news.release/archives/20230501.pdf). Total nonfarm payroll employment increased by 339,000 in May, the Bureau of Labor Statistics reported, with about 1,300 of those new jobs in hotels and motels. Overall, the leisure and hospitality segment added about 48,000 jobs, according to May 2023 jobs report. AAHOA, whose members employ more than 1 million Americans, is encouraged that employment in the hotel industry continues to grow, but the rate of growth is slowing. Read More: bit.ly/43q999J



BHARAT PATEL, CHO, CHIA
AAHOA CHAIRMAN (2023-2024)

The importance of independence

“

Many AAHOA Members got their start with Independent Hotels, and AAHOA continues to be a resource for all hoteliers as they navigate the world of hotel ownership.”

IT'S A GREAT TIME TO BE AN INDEPENDENT HOTELIER.

AAHOA has always been committed to determining key strategies to engage the association's independent hoteliers.

Some of the key elements of focus are increasing buying power for independent hoteliers, developing revenue streams for independent hoteliers, increasing vendor relationships, and leveraging technology to strengthen the bottom line.

Many AAHOA Members got their start with independent hotels, and AAHOA continues to be a resource for all hoteliers as they navigate the world of hotel ownership.

Whether you're an independent or a franchised hotel owner, it's important to keep in mind that digital and social marketing are more important than ever when it comes to maximizing your hotel's online presence through local search and SEO, creating stronger content marketing, generating business through social platforms, and driving ROI through digital media advertising.

As a hotel owner, winning the game of profitability and helping your bottom line starts with building your business digitally.

Luckily, independent hoteliers pride themselves on being unique and understand they must keep up with the evolving times and technology to compete in the business.

They also possess the freedom to do as they please in their hotels, without strict brand guidelines determining what they can and cannot do – such as following any of the prototypes or designs required by the brands.

We recently featured a father-son team, who also are AAHOA Members, in the June issue of *Today's Hotelier*. Victor and Rushil Desai explained how they risked it all to take the independent hotel route. Today, they own and operate the Southern California Lexen Hotels.

They said it best when they explained how there's always a risk in being an independent hotel owner when you have to compete with all the nearby brands. But, they reiterated that it's certainly possible to stay in the game by providing a unique style and design, adding all the amenities found in high-end hotels, and providing excellent customer service and marketing opportunities.

Being able to showcase what you have to offer that's unique, different, and something that guests cannot experience at major hotel chains makes it possible to be independently owned, stay in the market, and compete with higher-end brands.

While the Desais are just one example of hoteliers proving that independent hotels are here to stay, AAHOA has plans in the works to demonstrate its commitment to independent hotels, and be the foremost resource and advocate when it comes to staying one step ahead no matter what type of hotelier you choose to become. Stay tuned for exciting announcements ahead. ■



LAURA LEE BLAKE, ESQ.
AAHOA PRESIDENT & CEO

Independent hoteliers bring unique experiences to the traveling public

“

Whatever type of property you own, AAHOA will continue to lead the way and support all members to ensure the longevity of our industry and keep the promise of being the foremost resource and advocate for America’s Hotel Owners.”

“Being in a hotel is the best getaway you can ever get.” - Anonymous

THE MARKETPLACE IS DOMINATED BY FRANCHISED PROPERTIES. LARGE HOTEL CHAINS have scale. They are sizable corporations with consolidated management, large-scale marketing departments, and clearly defined standards, rules, and associated costs.

But, despite the dominance of franchised properties, there is another type of property bringing diversity to the hospitality industry – independent hotels.

Independent hotels are a valuable part of the hospitality industry with highly prized inventory. These hotels have the flexibility to play around with their brand, and they provide freedom to explore and innovate. Not having specific brand standards can open opportunities for creative designs, offerings, and memorable highlights.

AAHOA Members have made a tremendous impact in the independent hotel segment of the industry, and many of them got their start in independent properties without help from brands. In fact, our Oxford Data shows that 32% of AAHOA Members currently own independent properties. Thanks to AAHOA entrepreneurs and hoteliers who put everything on the line to support their families, courageously followed their dreams, and enjoyed the freedom to create an alternative type of property, AAHOA Members currently own nearly 14,000 independent hotels.

With the hype around the traveling public’s desire for a more interesting hotel experience, guests are drawn to these independent hotels. Many of our AAHOA independent hoteliers partner with their local providers to give a more natural experience and capture the essence of their neighborhoods or communities. Guests celebrate the local experience, which further benefits the local economy.

An independent hotel has the opportunity to genuinely distinguish its property as unique. Independent hotels focus on the guest and the customer experience to deliver a more personalized experience. They can respond to guest needs quickly, delivering a personal experience that results in greater guest loyalty.

Given the uniqueness of the independent hotels and the challenges they face, AAHOA is seeking to provide greater resources, benefits, and tools to all of America’s independent hotel owners to help your bottom line and ensure your business is successful.

AAHOA is focusing on new offerings specifically designed for independent hoteliers that include professional development tools, independent hotelier events, along with a renewed focus at regional meetings, town halls, webinars, education sessions, and trainings. Some of those training sessions will include areas like booking technology, revenue management, rate shopping, commercial strategy, distribution and digital marketing, hotel assets, investments, scaling your portfolio, management services, ADA compliance, lawsuits, finances, taxes, and much more.

Whatever type of property you own, AAHOA will continue to lead the way and support all members to ensure the longevity of our industry and keep the promise of being the foremost resource and advocate for America’s Hotel Owners. ■

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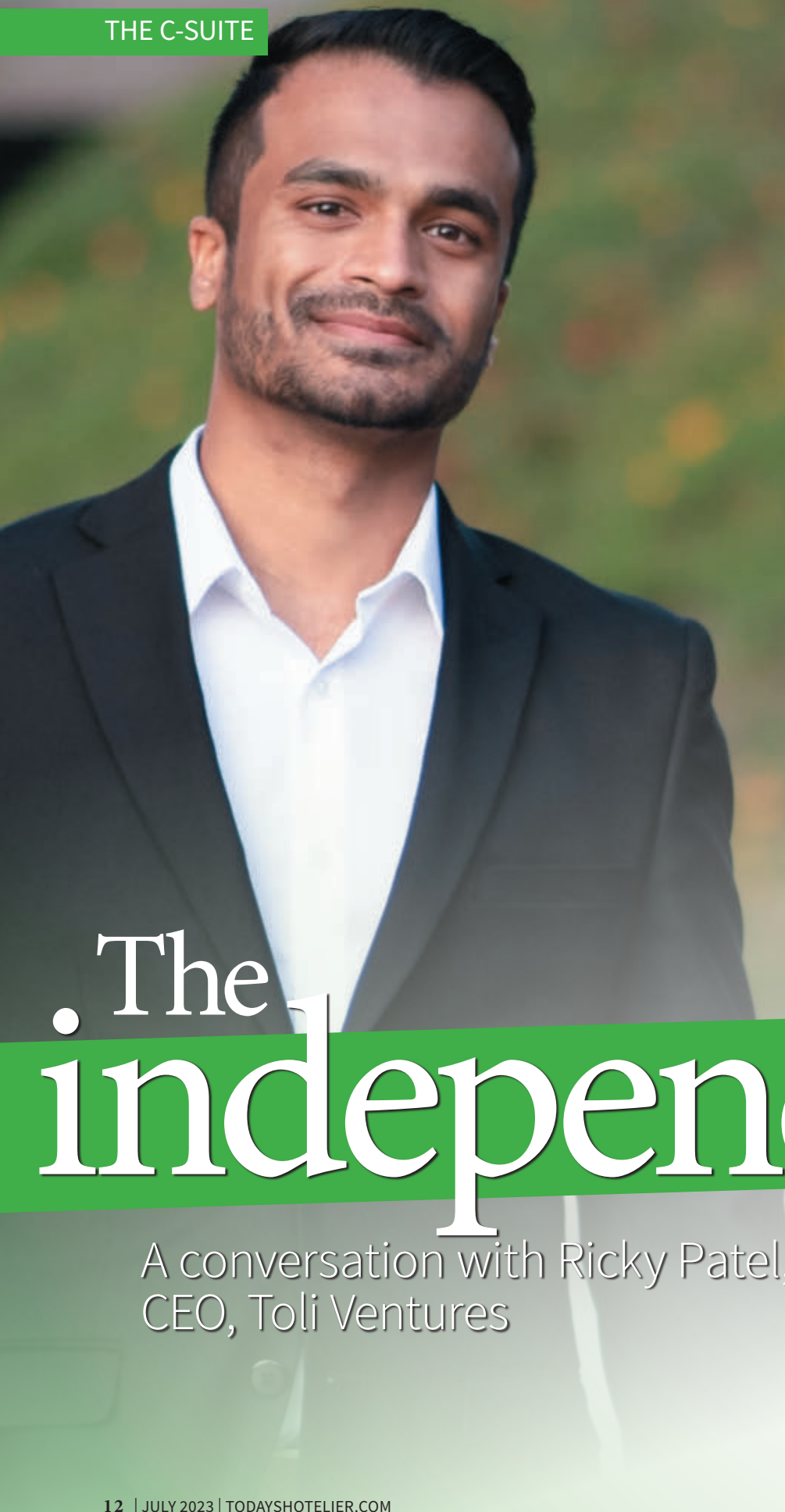


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The independent ideal

A conversation with Ricky Patel,
CEO, Toli Ventures

by EVELYN HOOVER

BORN IN LONDON AND now based in Los Angeles, CA, AAHOA Member Ricky Patel is a second-generation hotelier and has been operating independent hotels for more than two decades. Here's his take on what he has learned and how he plans to continue to take his hotel business to the next level.

WHAT SETS YOUR INDEPENDENT HOTEL APART FROM CHAIN HOTELS OR LARGER ESTABLISHMENTS IN THE AREA?

Our independent hotel stands out from the rest due to four key elements:

- 1 Management:** We have full control and decision-making authority. We can set our own policies, make operational decisions, and tailor the hotel to its local area.
- 2 Area-Specific Control:** We tailor the business to our local clientele – not on a national level. We bring the specific city's values and cultural aspects to each property. We like to personalize each room to bring guests different experiences during their stay. Each motel has deep roots within its local community.

3 Flexibility in Pricing: We can offer a lower price point compared to local and national chains, given our franchise fee savings. We like to pass those savings on to our customer base. This builds a regular customer base.

4 Innovation and Freedom: We have the freedom to innovate and adapt – offsetting franchise standardization. We can cut back costs where needed, we have the ability to select our own vendors, and build our own unique relationships with our local and national vendors.

HOW DO YOU CREATE A PERSONALIZED AND UNIQUE EXPERIENCE FOR YOUR GUESTS AT YOUR INDEPENDENT HOTEL?

Each room provides a unique experience. We can pick from customized furniture packages, lighting effects, area-specific artwork, and murals. We utilize many local mural artists that provide an experience for our guests.

HOW DO YOU APPROACH PRICING AND REVENUE MANAGEMENT STRATEGIES TO STAY COMPETITIVE AND MAXIMIZE PROFITABILITY?

My team and I approach it using various methods:

1. We utilize the OTA revenue manager, giving us an overall view of the pricing and demand for the area.
2. We utilize a subscription to our local events centers and sports arenas and track any events that may be coming to town.
3. I tend to go for a higher ADR than occupancy. Contrary to the assumption that high prices lead to “being priced out.” If area demand and demographics are there, I like to be the highest price in our comp set. This provides the customer with confidence in not only our motel but our comp set as well. While Los Angeles benefits from strong hospitality demand generators, it’s still essential to be mindful of a potential economic downturn. The current high inflation

rates, continual spikes in interest rates, and local regulations all pose a risk to our industry. To address these issues, it’s vital to get involved, lessen excessive borrowing, and tighten operational control.

HOW DO YOU HANDLE GUEST FEEDBACK AND ENSURE CONTINUOUS IMPROVEMENT BASED ON CUSTOMER SUGGESTIONS?

We use the reputation management software, Guest Touch which provides us with real-time feedback on customer reviews. We log into our account and listen to our guests. Whether it’s a management flaw, room flaw, or housekeeping flaw, we’re proactive in educating our staff on creating an unforgettable guest experience. We’re forever learning and changing.

WHAT ARE SOME OF THE BIGGEST CHALLENGES YOU HAVE FACED AS AN INDEPENDENT HOTELIER, AND HOW HAVE YOU OVERCOME THEM?

My biggest challenge has been the absence of franchisor support. The owners and managers of independent motels/hotels must often have to shoulder the responsibility of learning about local ordinances, laws, technology systems, and training programs. Having an in-depth understanding of the industry is crucial for success in the independent motel business. Networking, staying up to date on local news, using AAHOA as a resource, and local hotel/motel organizations are key elements. As a second-generation hotelier,

there are important lessons and insights to learn from the previous generation. My parents, Raj and Rita Patel, involved me and my siblings at a very young age. We were engaged in housekeeping, maintenance, paperwork, the front desk, and every other aspect of running a hotel. While building our skills, our parents gave us the mindset that no job is beneath us. Roll up your sleeves, work hard, and anything and everything is achievable.

Additionally, my father-in-law, Mahandra (Mike) Patel, was an LA County Commissioner and is a current LA Sheriff Reserve, and my mother-in-law, Shasi Patel, is an active Travelodge board member and both instilled the importance and mindset of active community involvement

CAN YOU DESCRIBE ANY PARTNERSHIPS OR COLLABORATIONS WITH LOCAL BUSINESSES OR ORGANIZATIONS THAT BENEFIT BOTH YOUR HOTEL AND THE COMMUNITY?

During the past 15 years, we have continued to support numerous local nonprofit organizations, lending our assistance to further their mission statements. We are involved in assisting transitional housing services, domestic violence victims, and veterans. We provide feedback to many of these organizations, which helps keep our properties safe and provides more information on the clients of these organizations. ■

Ricky Patel also sits on the advisory boards of multiple international global charities, is a member of the Anaheim Police Department Foundation, and is a Rotary member.

FEATURE

Free to be unique



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Independent hotels are holding their own despite pressure from large brands

by NICK FORTUNA

INDEPENDENT HOTELIERS FACING COMPETITION from deep-pocketed hotel groups shouldn't get intimidated by their rivals' size. Instead, those hoteliers should remember they have several key advantages over hotel chains, including local flavor, a unique guest experience, and the ability to pivot quickly amid changing market dynamics.

That's the message from industry executives who have watched many independent hotels thrive amid the post-pandemic wanderlust. In the first quarter, independent hotels charged guests an average nightly rate of \$154, compared with \$151 for branded properties, according to Jan D. Freitag, national director of U.S. hospitality analytics for the CoStar Group. That company owns STR, which tracks data for the hospitality industry.



High-end independents and those with “access to beaches or to the great outdoors” did especially well as vacationers continued to outnumber business travelers, Freitag said. Even as hotel groups break ground on new properties and acquire boutique hotels to build “collections,” independent hoteliers are hanging tough.

At the end of 2022, there were 25,544 independent properties among the roughly 60,000 hotels in the United States, with independents accounting for 1.51 million rooms, according to STR. Those numbers essentially are flat when compared with 2019. Still, other figures suggest

independent properties are under pressure as large hotel groups consolidate and expand.

Entering the year, branded hotels had 131,000 rooms under construction, compared with 30,000 for independent hotels, according to STR. Banks see relative stability in large hotel groups and prefer to lend to them, Freitag said. Owners like the national brand recognition, while customers like the brand standards, he added.

FINDING THEIR NICHE

So, with publicly traded juggernauts hunting for market share, are independent hoteliers simply outgunned? Not if they

cater to the large share of travelers seeking unique guest experiences, Freitag said. The success of Airbnb proves that many travelers aren’t looking for a standardized brand experience when planning their next trip, he said.

“I think there’s a cachet or a benefit to being an independent property where you’re saying, ‘We aren’t like any other hotel. We’re doing things a bit differently; we’re providing a little bit different service or level of service that you won’t get at a branded property,’” Freitag said.

Mandy Murry, a consultant who created the Hospitality Concierge training app for hoteliers, said she’d “100% want to be independent” so she could maintain “full control over my culture.” Free from brand standards covering most aspects of operations, independent hoteliers are “able to create the guest experience that they’d want themselves,” she said.

Independent hotels typically have a deeper connection to the local community than national brands and therefore can offer more interesting packages featuring local experiences, Murry said. They also can quickly change their staffing levels, food and beverage offerings, décor, or technology to suit changing guest preferences. Repurposing underused amenities such as business centers, or changing the layout of the hotel lobby, is easier when you’re the one in charge, she said.

Conversely, large hotel chains can sometimes implement changes at a slower pace. As a result, independent hoteliers who stay on top of industry trends while nurturing their connections to the local community often have a leg up, Murry said. So long as independent hotels have access to high-quality workers, marketing professionals, bankers, and insurance agents, they’re well positioned to compete with big brands, she said.



““
With publicly traded juggernauts hunting for market share, are independent hoteliers simply outgunned? Not if they cater to the large share of travelers seeking unique guest experiences.”

“The ideal is to always remain independent and to have a good team around you,” Murry said.

FEELING NIQUELED AND DIMED

Thomas Magnuson, chief executive of Magnuson Hotels, said some hotel groups are putting the squeeze on franchisees, adding to the appeal of independent status. Royalties and associated fees for midscale, branded properties can total 20% of gross revenue, and brands may mandate frequent property improvements that really add up, he said.

In addition, brands may require franchisees to buy products and services from an approved list of national vendors, often at a considerable markup. Brands can get rebates from vendors, and franchisees are barred from shopping around for the best price, Magnuson said.

“As these hotel companies have gotten bigger and bigger, the core mode of operation has moved from value creation for the owner and for the traveler to value extraction from the owner and from the community,” Magnuson said. “We’re seeing this pressure coming down from the franchisors, and owners are saying they just can’t handle it financially anymore.”

In contrast, independent hotels have the freedom to showcase locally sourced products, and to highlight their commitment to local businesses as a marketing strategy, Magnuson said. They can partner with local wineries, restaurants, bakeries, furniture stores, and entertainers to bring local flavor to their hotel and enhance the guest experience.

“Independents can have a lower cost of operation, and they can have freedom of expression and individuality,” Magnuson said. “We’re seeing a real badge of pride among independents that are doing well. They’re saying, ‘We’re part of the fabric of this community. This is where local events happen.’ The power of localization – an independent hotel being a member of the community – has a lot of depth to it.”

STIFF COMPETITION FOR WORKERS

For independents and brands alike, the prolonged labor shortage is a major challenge, and both sides have advantages when recruiting jobseekers, Murry said. Hotel chains may offer better benefits packages, and they can allow employees to transfer to

different properties for lifestyle reasons or career advancement, she said.

Independent hotels, meanwhile, may be popular places to be seen within their communities, and they may have a non-corporate culture that appeals to many workers, Murry said. Independents near great recreational opportunities such as

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surfing, skiing, fishing, or camping can highlight that proximity, and their commitment to providing a healthy work/life balance so employees can pursue those hobbies, she said.

“You’re selling that lifestyle to staff members as well as guests because independent hotels are built around local culture and local experiences,” Murry said.

Magnuson said the pandemic erased one important recruiting advantage for hotel chains: the idea that, in a sharp economic downturn, strong balance sheets would enable them to retain more workers than independents could. That perception of job security went away when occupancy rates plunged into the single digits.

Publicly traded hotel companies simply couldn’t look out for their employees and shareholders at the same time, Magnuson said. “The major chains all laid off tens of thousands of workers, and many weren’t rehired,” he said.

MAINTAINING VISIBILITY

National brands spend big on advertising, but there’s not a lot of evidence that

those campaigns pull market share from independents, said Rami Zeidan, founder and CEO of Life House, a hotel management company and software provider. Instead, ad campaigns help brands to compete against one another for those consumers seeking a standardized guest experience, he said.

Search-engine optimization can be expensive, Zeidan said, but that approach, combined with targeted marketing on social media, “can enable independent hotels to compete with big brands.”

“Independents can do that without a huge advertising budget because you’re narrowing down your audience to the people who actually might want to stay at your hotel,” he said.

Loyalty programs are a major advantage for brands, which are using smartphone apps to encourage guests to book directly instead of using online travel agencies, Zeidan said. But franchisees bear some of the costs associated with loyalty programs, and sophisticated online shoppers rarely choose a hotel based on points alone, he added.

“U.S. travelers tend to shop around for the best place to book, and independents with a great direct-booking website have every opportunity to compete for their business,” Zeidan said.

Most OTAs offer loyalty programs, so independent hotels may benefit from those indirectly, according to Frances Kiradjian, founder and CEO of the Boutique & Lifestyle Lodging Association. However, high OTA commissions easily can offset that benefit, she said.

Kiradjian said her group is exploring ways for independent hotels to establish loyalty programs but, in the meantime, hoteliers can focus on “instant loyalty” initiatives, such as giving guests locally inspired gift baskets along with a handwritten note, she said.

“I think instant loyalty is very well received, whether it’s an upgrade or a nice amenity in the room,” Kiradjian said. “If a budget-conscious traveler has points to use, you’re not going to stop that, but I don’t think it’s a detriment to a boutique hotel. It’s probably 50/50, the number of people who care about the points and the number who really want that unique experience.” ■

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SCAN ME!

Ear to the ground

Exploring the most pressing issues in the independent hotelier community

by EVELYN HOOVER

VIPUL DAYAL WAS ELECTED AND SERVED AS AAHOA'S Director at Large in 2015. During his tenure, he was responsible for identifying national trends, recommending fundraising tools and techniques, and spreading awareness of AAHOA's resources and initiatives. He currently sits on AAHOA's Independent Hotelier Committee and serves as a board member of the California Hotel & Lodging Association. Vipul also co-founded a Facebook group that has 41,000 hoteliers from around the world, and he's been receiving an abundance of feedback. Here, he offers his thoughts on some of the most pressing issues affecting the independent hotelier community, especially those in the U.S.



OTA COMMISSION REDUCTION

"It's hard for an independent hotelier to negotiate a lower reduction in OTA fees. So, when a powerful organization like AAHOA comes in and uses their platform to negotiate from 18%, to maybe even 15%, that 3% goes directly to our bottom line in terms of savings. The more that we can help hoteliers' bottom line, especially AAHOA as an organization, that's what I mean by OTA commission reduction."

OPPORTUNITY FOR BETTER FINANCING

"I've noticed some entrepreneurs are having a tough time finding financing. Why? Your brand, less risk for the banking industry. I don't know what the solution is, but we need to start exploring banks that are willing to work with independent hoteliers, who have a good plan and who have a good budget. Maybe AAHOA helps these independent hoteliers with the budget and with the marketing plan. There needs to be something banks could use in order for them to feel

secure enough to loan money and help more people start their own independent hotels."

STANDARD OPERATING PROCEDURES (SOPs)

"Brands have SOPs, but independent hoteliers don't have any SOPs. You essentially have to create it on your own. What if your organization had some of these SOPs already available, just like some of the brands do? What if we had an SOP template that we could customize? A lot of hotels are archaic in nature, from how you check in a guest or you answer the phone call. All these kinds of things are archaic in nature. Creating an SOP would greatly benefit the independent hotelier."

LEGAL RESOURCES

"Independent hoteliers have shared with me the tough time they have with contracts. Legal resources that they can use to help write contracts for vendors in order to negotiate or understand contracts from Expedia or other OTAs. I'm a big person on minimizing liability."

REVENUE MANAGEMENT

"There's a revenue manager I talked to yesterday who shared that one of their hotels has 117% occupancy. What hotel would not want to have that? Resources need to be available for independent hoteliers to go to and ask questions. No one is asking the right questions. Maybe we come up with a list of resources or come up with a list of vendors."

I PERSONALLY WOULD LIKE TO SEE AN AAHOA "INTRANET"

"An AAHOA 'intranet' would facilitate communication among independent hoteliers. A lot of this communication is already happening on various WhatsApp groups and Facebook groups. But what if AAHOA created an intranet system connecting independent hoteliers and addressed any questions or concerns that are brought up in the 'intranet.' 60% of the hotels in the U.S. are owned by AAHOA, what if you knew what they wanted on a day-to-day basis?" ■


Tread carefully

Understanding several
crucial legal issues from
the perspective of the
independent hotelier

by CARTER DAVIS



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OPERATING AN INDEPENDENT property can simultaneously be an exhilarating and terrifying experience. On one hand, you have the latitude and flexibility to make decisions unencumbered by brand oversight. However, that brand oversight can sometimes provide comfort and shelter from larger problems that might plague properties with fewer resources at their disposal.

For example, while the brands aren't lending their own legal teams to fight, say, single-property ADA lawsuits, many offer legal consultation to their franchisees, thus providing a bit of a safety net and guidance. Though it may be tempting for independent operators to forgo retaining legal counsel, it can often be more important for them to do so when compared against their branded competitors.

Here, we've gathered a small handful of the many amazing legal experts within the AAHOA ranks to offer a bit of big-picture industry insight on common issues affecting the market as a whole and independent hoteliers specifically.

Independent hoteliers and their rights and responsibilities during the financing process

by PIMAL A. PATEL, ESQ.

Securing financing for independent hotels involves a thorough understanding of the financing process and your rights and responsibilities. Consulting with a real estate attorney who has experience in the financing process for independent hotels can help you find information on your rights and responsibilities during the financing process. Additionally, government agencies such as the Small Business Administration (SBA) and the Federal Deposit Insurance Corporation (FDIC) provide information on various types of commercial real estate financing, and industry associations such as AAHOA also provide education and resources. Online resources such as financial news websites and industry blogs can also provide valuable insights into current market conditions, trends, and changes in regulations that may impact the financing process.

While utilizing publicly available resources can assist you in understanding your rights and responsibilities, it is essential that you identify your needs, know your available options, and are informed about the current market conditions and interest rates. To the right are some quick points that are crucial to know during the financing process.

1

IDENTIFY YOUR FINANCING NEEDS AND LIMITATIONS

Understand your business goals, the amount of financing you require, and the type of financing that best suits your needs. Marking your preferred terms on a term sheet or loan commitment can be a helpful guide.

2

RESEARCH THE VARIOUS FINANCING OPTIONS AVAILABLE

Compare interest rates, repayment schedules, collateral requirements, fees, and other features of each option to determine which one is most suitable for your needs.

3

UNDERSTAND LEGAL AND REGULATORY REQUIREMENTS

Consulting with professionals who have experience in the financing process – including real estate attorneys, accountants, and financial advisors – can help you understand the requirements and limitations for your unique situation.

4

STAY INFORMED ABOUT MARKET CONDITIONS AND INTEREST RATES

Regularly monitor market conditions and interest rates to secure the best possible financing terms. Stay up-to-date with changes in the lending market, as well as changes in local real estate and economic conditions that may impact your ability to secure financing. By following these steps and educating yourself on the financing process, you better help yourself find the funds you need to achieve your business goals and work toward the long-term success of your independent hotel.



Pimal A. Patel, Esq., is the managing partner of Patel Anderson LLP, routinely representing borrowers, sponsors, and franchisees in a wide variety of business transactions and litigation matters. Recently, Pimal has earned an “AV Preeminent” rating from Martindale-Hubbell and has been designated as a “Rising Star” by SuperLawyers from 2019 to 2023 for his real estate practice. He can be reached at pimal@patelanderson.com.

Life is unpredictable – protect your assets

by POOJA PATEL, ESQ.

You've invested significant time, money, and effort into building your multi-million-dollar business. But, this sacrifice will be lost without a plan for your assets. We often assume that we have plenty of time for our future, but life is unpredictable. To shield our families from unforeseen circumstances, we must take matters into our own hands and ensure our intentions are in writing. This is called estate planning.

Executing a comprehensive will and trust protects your assets, and ensures your beneficiaries aren't burdened financially or emotionally. For independent hoteliers, you only stand to benefit from this process. Here's why this matter is of vital importance.

1

MINIMIZE TAXES FOR YOUR BENEFICIARIES

Without a will or trust, estate taxes are hefty. This significantly reduces the amount of wealth passed down to heirs. Business owners can instead maximize their estate funds by taking advantage of tax strategies such as gifting, trust creations, and tax-exempt transfers.

2

DETAILED SUCCESSION PLAN

At the core of estate planning is a succession plan – this is especially crucial for hoteliers whose families are involved in the business. Attorneys who understand your business can help you navigate decisions such as how the business will be transferred, who will oversee operations, who will be the decision maker, and what decisions beneficiaries are allowed to make.

3

AVOID PROBATE COURT

If you leave without a will or a trust, you are relinquishing control to a probate judge. You're giving a judge full power to decide the future of your assets, and you're putting your family in jeopardy of not being able to touch your assets or any money until the court decides three years down the road.

4

MITIGATE RISK OF LOSS AND LIABILITY

Your wealth and your business are essentially one in the same. Without a trust, you expose your hotels to the risk of loss due to unanticipated events such as bankruptcy, legal action, or death. Estate planners can advise you on the best approach to mitigate these threats.

5

MAKE DECISIONS NOW FOR LATER

You're currently in the state of mind to make health decisions. Decide what will happen when you aren't physically or mentally able to do so later. Decide now what will happen to your house, pets, and personal belongings.

If you're a business owner without an estate plan, you must act now. There are significant advantages to executing a comprehensive trust; without these documents, your family is vulnerable to dire consequences. Take the time to protect your legacy and hard work. Reach out to an experienced estate planning attorney who has worked with hotel owners to guarantee a sound strategy and approach.



Pooja Patel, Esq., is the managing attorney for DPA Attorneys at Law, a California-based firm specializing in numerous areas

of expertise, including ADA issues, contract review and drafting, employment litigation and compliance, franchise litigation and negotiations, real estate transactions, and more. She is a defense attorney who fights for business owners alongside the team at DPA Attorneys at Law. With hotel operations and development background, her practice areas include franchise negotiations, employment disputes, real estate, ADA defense, and contract review/drafting.

ADA lawsuits and independent hoteliers

by SARAH GULATI, ESQ.

ADA lawsuits can cause enormous problems for independent hoteliers if their properties are found to be in violation of ADA regulations. The Americans with Disabilities Act is a federal law that requires public accommodations, including hotels, to be accessible to individuals with disabilities. This means hotel owners must ensure their properties are designed and operated in a way that provides equal access to individuals with disabilities, including accessible entrances and exits, accessible guest rooms, accessible common areas, and compliant ADA websites.

If an independent hotelier is found to be in violation of ADA regulations, they may be subject to legal action, including lawsuits with hefty damage claims. The cost of defending against an ADA lawsuit can be significant, including legal fees, costs, expert fees, and potential fines. In addition, if the hotel is found to be in violation, they may be required to make costly renovations to bring the property up to ADA standards and hire accessible experts to assist.

Here are two key questions to consider when it comes to ADA lawsuits and independent properties.

1

ARE INDEPENDENT PROPERTIES MORE OR LESS SUSCEPTIBLE THAN BRANDED HOTELS TO ADA LAWSUITS?

Independent hoteliers may be more susceptible to ADA lawsuits than flagged hotels because they may have less access to the resources and expertise that flagged hotels have. Franchised properties typically are part of a larger chain or brand and may have access to legal and accessibility experts who can help ensure that their properties are ADA-compliant. Additionally, flagged hotels also may have more resources available to make necessary renovations or upgrades to bring their properties up to ADA standards.

Independent hoteliers, on the other hand, may have fewer resources available to devote to ADA compliance, and they may not have the same level of expertise in-house to ensure their properties are fully compliant with all applicable ADA regulations. This can make them more vulnerable to ADA lawsuits, which is a trend many lawyers will encounter when representing independent hoteliers.

2

DO ADA LAWSUITS AFFECT INDEPENDENT OPERATORS DIFFERENTLY THAN BRANDED PROPERTIES?

There are some reasons why independent hoteliers may be more susceptible to ADA lawsuits than branded hotels.

Firstly, independent hoteliers may have less access to resources to ensure compliance with ADA regulations. Branded hotels often are part of larger companies or chains, which may have more resources to devote to ensuring compliance with ADA regulations. They also may have access to legal and accessibility experts who can help ensure that their properties are fully compliant with all applicable regulations.

Secondly, independent hoteliers may have more difficulty responding to ADA lawsuits, particularly if they're facing financial challenges or other operational issues. Many times, an ADA case on an independent property will need to be settled on a payment plan. Branded hotels may have more resources available to defend against lawsuits, more protective insurance, and may be better equipped to make necessary renovations and upgrades to bring their properties up to ADA standards.

However, it's important to note that both independent hoteliers and flagged hotels can be subject to ADA lawsuits if they're found to be in violation of ADA regulations. It's essential for all hoteliers to take proactive steps to ensure their properties are ADA-compliant and to seek the guidance of legal and accessibility experts to ensure they're in compliance with all applicable regulations. By doing so, they can reduce their risk of facing legal action related to ADA violations. ■



Sarah Gulati, Esq., is an attorney and counselor at law with Gulati Law, P.L., a Florida-based firm specializing in real estate and business law. She is a member of the Florida Bar and the Federal Middle District of Florida, and she has worked diligently to help facilitate the purchases of restaurants, hotels, gas stations, retail stores, medical practices, medical offices, and more. She can be reached at sarah@gulatilaw.com.



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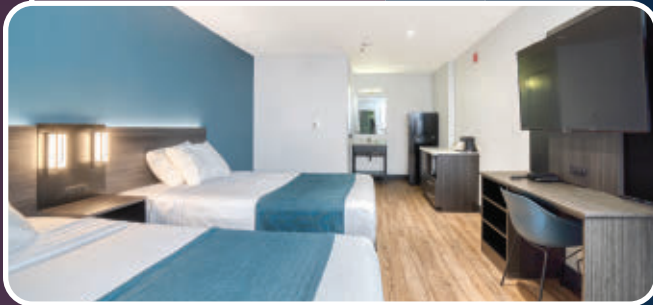
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Service Minded

U.S. Representative Judy Chu (D-CA) on the importance of standing up for, and protecting, America's small business owners

by NEAL A. PATEL

BETWEEN NEAR-CONSTANT travel and her district relying heavily on a tourism-based economy, U.S. Representative Judy Chu (D-CA) is tuned into the importance hotels play not just at home in the 28th District of California, but across the country. Holding a seat in Congress since 2009, Rep. Chu serves on several high-profile committees, and she has focused much time and effort on drafting and enacting legislation that protects small business owners and working-class Americans. Here, she discusses her background, why she feels called to public service, and much more.

WHAT ARE SOME OF YOUR LEGISLATIVE PRIORITIES THIS CONGRESS?

I will always fight for a progressive agenda – including reproductive rights, economic justice, environmental justice, and a foreign policy that best serves U.S. interests.

On the Ways & Means and Small Business Committees, I've been able to work with colleagues on the other side of the aisle to advance bipartisan legislation. The House passed my bipartisan bill, the Investing in Main Street Act, in the first month of this Congress, which would increase the percentage of capital and surplus that a bank or federal savings association may invest in small business investment companies (SBICs). And I just recently re-introduced the bipartisan Performing Arts Tax Parity Act, which would update the existing Qualified Performing Artist tax deduction to once again allow working class actors and performers to deduct the costs of their work-related expenses. Finally, I recently reintroduced the Acupuncture for our Seniors Act, which now has bipartisan support in Congress and would allow Seniors on Medicare to benefit from acupuncture treatment.

“

I thought I could use the lessons I learned as a professor in the classroom in my first elected position on the Garvey School Board and support students, parents, and teachers.”

WHAT SORTS OF POLICIES, SUCH AS TAX AND REGULATORY REFORMS, DO YOU HOPE TO WORK ON TO SUPPORT SMALL BUSINESS OWNERS AND THE HOSPITALITY INDUSTRY?

One of my priorities as a member of the House Small Business Committee is ensuring access to capital and development assistance reaches every small business and entrepreneur in every community. This means not only expanding the government's core lending programs like 504, 7(a), and microloans, but also ensuring that assistance makes its way into the hands of the small business owners who face the highest barriers. That's why I'm working to introduce legislation to authorize the Community Advantage pilot loan program at the Small Business Administration (SBA), which provides loans and technical assistance to underserved businesses that have trouble accessing private financing and loans from traditional banks. Last Congress, I introduced the Community Advantage Loan Program Permanency Act, which would have improved the program and made it permanent. I'm thrilled that SBA Administrator Guzman has finalized a new rule at the agency that will

provide more certainty for Community Advantage and enable more lenders to join – changes she modeled after my legislation. I'll continue to work closely with Administrator Guzman on this rule and look forward to reintroducing legislation to provide statutory permanency for the program.

WHAT EXCITES YOU THE MOST ABOUT SERVING IN CONGRESS?

What got me into public service in the first place was the simple goal of helping people. I thought I could use the lessons I learned as a professor in the classroom in my first elected position on the Garvey School Board and support students, parents, and teachers. Now, being able to serve in Congress means I get to help support the community I've called home for most of my life get the resources and attention from the federal government it deserves. It also means I get to develop, draft, and pass legislation that improves people's lives here in Southern California as well as across the country. Representing the San Gabriel Valley in Congress has also given me the chance to get to know so many people across our

many communities, and having the opportunity to connect them to support from governments at all levels has always been exciting to me.

WHAT INDUSTRY (OR INDUSTRIES) DID YOU WORK IN BEFORE YOU WERE ELECTED TO CONGRESS?

I was in education, teaching in the community college system in Los Angeles County for two decades. While still teaching, I served in my first elected positions in the Garvey School Board and Monterey Park City Council. I decided to continue a career in public service in the California State Assembly and on the State Board of Equalization before I entered Congress.

WHAT LED YOU TO RUN FOR CONGRESS?

In 2009, President Barack Obama nominated then-Rep. Hilda Solis, a mentor of mine, to be our country's Labor Secretary. That left an open congressional seat where I lived, and I thought I could use the lessons I learned throughout my decades in public service to use in Congress. I ran and won, and I will never forget President Obama calling me the morning after



my election to congratulate me for being the first Chinese American woman ever elected to Congress! It was an incredible honor.

WHAT DO YOU ENJOY MOST ABOUT STAYING IN HOTELS?

As a Member of Congress, I travel across the country often, so I rely a lot on hotels when I can't be home. That's why I appreciate the work of all the hotel staff who put so much effort into making sure the hotel is kept clean, guests are safe, and that it's a welcoming space for travelers.

WHY ARE HOTELS AND HOTEL OWNERS IMPORTANT TO YOUR DISTRICT/STATE?

Hotels are incredibly important in my district because of all the tourism in the region. The San Gabriel Valley is near so many popular tourist destinations like Hollywood, Los Angeles, the Rose Bowl in Pasadena, and so much more. On top of that, my district is a huge tourist destination for people that are visiting from China and Taiwan because the San Gabriel Valley is home to one of the largest Chinese American populations in the state, which means it's easy to navigate for travelers who only speak Mandarin or Cantonese because there are plenty of restaurants and hotels where you can feel comfortable speaking your native language. That's why hotels and their staff are so critical to our economy because without them we would lose the opportunity to capture all the economic growth associated with the tourism industry.

THE HOTEL WORKFORCE WAS ONE OF THE INDUSTRIES MOST AFFECTED BY THE PANDEMIC. DO YOU SEE CONGRESS PLAYING A ROLE TO SUPPORT BUILDING BACK THE HOTEL WORKFORCE?

When the pandemic struck, I was proud to play an integral part in shaping Congress's historic response. As a member of the Small Business Committee, I worked with my colleagues to establish the Paycheck Protection Program,

and I passed a law requiring the Small Business Administration (SBA) to provide its resources and guidance in non-English languages, including Asian languages. But, while pandemic-era programs have since phased out, I'm still working hard to help the hotel industry. One way Congress can do that is by helping to support the hospitality workforce. That is why I'm working through my position on the Ways and

Means Committee to build on proven programs like the Earned Income Tax Credit (EITC), which helps to get more people into the workforce. ■

Neal A. Patel is the vice president of Alpine Group, a bipartisan, bicameral government affairs consulting firm located on Capitol Hill, and he can be reached at npatel@alpinegroup.com.



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Cap rates, inflationary pressures, and financing strategies when funding brand-mandated PIPs

by RUSHI SHAH

A **AGAINST A BACKDROP OF** sustained higher interest rates and the fed's resolve to break the back of inflation, we're seeing a plethora of changes in the commercial real estate markets. Because real estate is a highly leveraged asset class, it's more sensitive to interest rate fluctuations. While there are levers that can be activated to determine asset valuation, the most important metric at the end of the day is capitalization rate. Cap rate is the

measure of every dollar of net cash flow from an asset that investors demand for the value of the asset. Historically, hotels have experienced higher cap rates than those of other real estate food groups, such as industrial or multifamily.

Now, within the higher interest rate regime, cap rates for trades of other asset types are increasing more than those for hotels. This phenomenon occurs mainly because inflationary pressure is inducing higher projected revenues for hotel assets and sellers are commanding higher valuations. In addition, because of higher post-COVID construction rates, the replacement

costs for hotels also are higher. Hence, there's a mindset that existing hotels should garner a higher price than what a buyer is willing to pay in the current market. This imbalance has created a bid-ask spread in the market for buyers and sellers of hotel assets.

SELL VS. REFINANCE

An average SBA loan – once historically used the 5% interest rate range – is now available between 8% and 9% (all else being equal). An average bridge acquisition loan from a debt fund that allows buyers to acquire assets, perform capital expenditures, and stabilize the asset now starts at an interest rate of 8% on a non-recourse basis and – depending on the in-place cash flow of the asset and quality

Feeling the

Squeeze

“

This is an opportune time for owners who have pending mandatory maturities or financings to refinance.”



of the asset – goes all the way up to 12%. This is an opportune time for owners who have pending mandatory maturities or financings to refinance.

FINDING THE FINANCING

Many community and regional banks have paused granting new credits for new clients because of regulatory pressures and market headwinds. This creates space for alternative debt sources, such as five-year CMBS, life insurance companies with slightly higher risk tolerance and debt funds to take on a bigger role in the market. At the same time, performance improvement plans (PIPs), and COVID-deferred maintenance requirements are now coming due. The brands have a fiduciary duty to their shareholders to maintain and enforce their brand standards, and owners are running out of time and excuses to avoid implementing capital expenditures (CapEx). Owners who haven't capitalized their PIP budgets are now rushing to find lenders that will provide the CapEx needed to finance PIPs.

CHOOSING THE RIGHT FINANCING STRATEGY

There are two courses of action for owners financing brand-mandated PIPs. One strategy is to use a three-year bridge loan

with interest-only payments to buy time to implement CapEx plans, bring assets up to brand standards and renew hotel flags. Once stabilized, the interim financing can be refinanced into a fixed-rate permanent loan via a conventional loan, CMBS, or life insurance company loan.

The second PIP-financing strategy is to utilize permanent financing immediately in the form of a non-recourse, five-year fixed rate CMBS loan at a rate of 7% and 8% with interest-only payments. For these shorter term CMBS loans, properties must already be stabilized as lenders make their decisions based on the RevPAR penetration/index of the property. To qualify, a property must perform at or near 100% of the RevPAR index. It's also important to understand that if the asset is performing at this level, it's difficult to push a bridge loan higher than 65% loan-to-cost. Since the asset is already capturing its fair share of the market revenue, projections cannot prove there's still room to grow the revenues.

A unique feature that can be structured for these five-year permanent loans, however, is that a small portion of the PIP can be future-funded during the life of the loan. As a result, owners can pay for some of the CapEx from the cashflow, as long as they capitalize most of the PIP budget at the outset of the loan. Lenders won't take a flyer on a loan thinking the borrower will come up with the money for the PIP on

their own in the future; it has to be calculated, budgeted, and structured for upfront at the time of loan closing. The only loan product on the market that gives a borrower flexibility to self-fund a PIP in the future is a conventional loan from a community or regional bank that's full-recourse with an unlimited guarantee from the borrower.

Regardless of the PIP-funding strategies borrowers choose to pursue, as we enter a fed-induced economic slowdown, now more than ever before assets need to be associated with a brand to be effectively financed. Independent hotels can be financed as long as they are truly boutique in nature and have a track record. ■



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, nonrecourse 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.

Finding Freedom

Independent hotels, GPO partnerships, and streamlining operations in challenging times

by RHONDA DRURY



“

When coupled with a lack of hotel personnel, the higher costs of supplies add to the headaches faced by hoteliers... In some cases, hotels are putting rooms out of order due to a lack of staff to keep up with all of them.”

MANY INDEPENDENT HOTELS have discovered the freedom a group purchasing organization (GPO) offers and have reaped the rewards of greater financial savings and better use of a limited labor pool. Ultimately, though, the biggest benefit comes in enhanced guest services.

Current inflation levels haven't stopped guests from frequenting hotels but have certainly put a strain on budgets throughout the hospitality industry. When coupled with a lack of hotel personnel, the higher costs of supplies add to the headaches faced by hoteliers. Some are going without concierge services. Many no longer offer daily housekeeping services. In some cases, hotels are putting rooms out of order due to a lack of staff to keep up with all of them.

BORROWING TROUBLE

Stocking guest items such as linens, towels, soap, and toilet paper is an expensive and time-consuming activity for owners and operators of independent hotels. Associates are spending time away from the operation's core business and racking up time and travel costs shopping at retail outlets simply to save a few pennies. Not only does guest service suffer, but you're likely spending more in the long run than you save.

A GPO's extensive network of diverse suppliers around the world ensures their clients have what they need when they need it. No more last-minute shopping trips that pull an employee away from guest service and send them to the closest luxury store or online to pay retail price for specialty soap and lotion.

TIME IS A FINITE RESOURCE

Certainly, the hospitality industry isn't the only one facing a tight labor market. Many suppliers also are finding it difficult to keep their customer service operations fully staffed. That can sometimes mean you're spending precious time simply waiting for a problem resolution from them. A GPO can add time back into your day by

working with suppliers to resolve issues on your behalf.

GPOs are in the supply chain business. As such, they work hard to build successful partnerships with diverse suppliers. However, they also should honor the relationships you already have with suppliers. Those relationships remain intact and often are enhanced by working with a GPO. You can choose to continue working with those suppliers with whom you've already established strong relationships while getting better pricing on the items you purchase through them by taking advantage of the GPO's economies of scale or leveraged spend.

A key benefit to working with a GPO is the ability to track and manage your spend. A GPO offers a data-driven approach to helping you manage your supply chain and budget. You'll have the data you need

to better understand your current spend and to find possible savings.

Celebrate the joys of being an independent property and enjoy the freedom from worrying about procurement, budgets, and staffing. Find time and money by working with a GPO to manage your supply chain. ■



In her role as a Senior Director, Procurement Consultant, Rhonda leverages her extensive skills in hotel operations and process improvement to serve

Avendra's Independent clients. With more than 20 years of proven experience in hospitality, Rhonda helps guide and assists her clients with strategic vision, growth, savings, and supply chain insights. Prior to Avendra, she held positions at Nobu Hospitality, Cambria, the National Restaurant Association and the Wit Hotel in Chicago.

When you move an employee away from the front office or registration desk and send them to shop, you face several problems.

- 1** Inadequate staffing can lead to substandard guest service.
- 2** There are liability issues when an employee leaves the property on behalf of your organization.
- 3** Spending employee time chasing deals at local retailers is not a cost-effective use of their time or your money.

The art of *networking*

How to create meaningful connections and build your professional network through event attendance

by MAYUR PATEL

NETWORKING is a critical skill for professionals in the hospitality industry. Whether you're a hotel owner, manager, or vendor, building and maintaining a strong professional network can help you advance your career, find new business opportunities, and stay up to date on the latest trends and best practices in the industry. One of the best ways to network is through attending events such as the AAHOA Regional Conferences and Trade Show. In this article, we'll discuss some tips and techniques for creating meaningful connections and building your professional network through AAHOA's 20+ regional events.



SET GOALS

Before attending an event, it's important to have a clear understanding of what you want to achieve. Are you looking to meet new people, learn about new products or services, or build relationships with potential business partners? Having a clear goal will help you stay focused and make the most of your time at the event.



HAVE A CLEAR ELEVATOR PITCH

Be prepared to give a clear and concise elevator pitch about who you are, what you do, and what you're looking for. This will help you quickly communicate your value proposition to others and make a strong first impression.



DO YOUR RESEARCH

Research the event beforehand to identify key speakers, exhibitors, and attendees. Reach out to potential contacts or partners ahead of time to schedule a meeting or chat during the event. For AAHOA-hosted events, be sure to visit AAHOA.com beforehand.



BE OPEN AND APPROACHABLE

Networking is all about building relationships, so it's important to be open and approachable. Smile, introduce yourself, and engage in conversation with others. Ask open-ended questions to get to know people better, and actively listen to their responses.



FOLLOW UP

After the event, follow up with the people you met. Send a quick email or LinkedIn message to thank them for their time and reiterate your interest in staying in touch. Consider scheduling a follow-up call or meeting to discuss potential opportunities further.

The AAHOA Regional Conferences and Trade Shows are a great way for hotel owners and vendors to network and build relationships. As the largest hotel owners association in the world, AAHOA provides a unique platform for hospitality professionals to connect and engage with one another. The series includes regional events across the country, featuring educational sessions, keynote speakers, and

“

Whether you're a hotel owner, manager, or vendor, building and maintaining a strong professional network can help you advance your career, find new business opportunities, and stay up to date on the latest trends and best practices in the industry.”

an exhibition hall showcasing the latest products and services in the industry.

For vendors, the AAHOA Regional Conference and Trade Show series provides an opportunity to showcase their products and services directly to hotel owners and operators. By networking with attendees and building relationships, vendors can generate new leads, strengthen existing partnerships, and increase their visibility in the industry.

For hotel owners, the AAHOA Regional Conference and Tradeshow series provides an opportunity to connect with peers and learn about new products and services that can help them grow their business. By attending educational sessions and engaging with exhibitors, hotel owners can stay up-to-date on the latest industry trends and best practices and make informed decisions about their business.

Ultimately, networking is a critical skill for professionals in the hospitality industry, and events such as the AAHOA Regional Conference and Trade Show series provide a unique platform for building meaningful connections and relationships. By setting clear goals, doing your research, being approachable, having a clear elevator pitch, and following up, you can make the most of your time at events and build a stronger professional network that can help you achieve your career goals.

As director of events, I've had the opportunity to build my network through

in-person interactions at our various events. These events bring together a diverse group of hospitality professionals, including hotel owners, operators, vendors, and industry experts. By planning and executing these events, I've been able to connect with a wide range of individuals, build relationships, and stay up to date on the latest industry trends and best practices. Through these events, I've also been able to provide valuable networking opportunities for attendees, helping them build their own professional networks and make meaningful connections that can help them advance their careers and grow their businesses.

Overall, networking is a key aspect of any event because it allows attendees to connect with others, build relationships, and expand their personal and professional networks. These connections can lead to new opportunities, collaborations, and growth, both personally and professionally. ■



Mayur Patel is the Director of Events at AAHOA and has been at AAHOA since 2019. He is passionate about the hospitality industry and has made a significant

impact in promoting AAHOA's mission and vision through his work. He has a dedication to connecting people and has been successfully connecting members and vendors one event at a time. Mayur's meticulous attention to detail and creative vision have made him an invaluable member of the AAHOA team. In addition to his work, he enjoys hiking, traveling, and checking out new restaurants.

Making meaningful connections

Be sure to visit **AAHOA.com/Regionals** to find out more information about all upcoming AAHOA-sponsored gatherings in your area.

Finding your way

by KEN PATEL

THE CURRENT REAL ESTATE market is difficult to forecast, as most “crystal balls” are blurry, and many of the key economic indicators point in too many directions. However, whether you’re anticipating a bull or bear scenario, the current market promises to reward prudence, diversification, opportunistic buying, and innovation. In fact, most investors are currently in a wait-and-see mindset, and well-capitalized investors are in a strong position for opportunistic buying.

After a healthy 10-year run of low-cost money, interest rates are now up, consumer confidence is down, and banks – especially regional banks – are under intense pressure to tighten up lending standards. While inflation has fallen since its peak, it still exceeds historical norms, and consumer debt levels have continued to rise, savings rates still lag historical

averages, and home affordability continues to be a concern.

Construction costs, having come down moderately, are still elevated enough that some developments don’t yet get paper, resulting in lower-than-normal supply growth. Recent bank failures will

**This is the first of a two-part look at this subject.
Be sure to check out the conclusion in the August issue.**

REITs as an alternative source of hospitality liquidity

complicate the acquisitions, refinancing, and property improvement plans due to a tighter lending environment. Regional and small banks continue to lose deposits, which will lead to decreased lending in the hospitality sector. Consumer credit across the board is at a concerning level, thereby creating downward pressure on consumer spending and tourism. While the Federal Reserve is nearing its inflation target, it likely will hold interest rates at these elevated levels for the near future.

Finally, the COVID-19 pandemic had a devastating impact on the global hotel industry, which has seen a significant decline in occupancy rates and revenue. In fact, as seen in the accompanying chart, the weighted-average RevPar across all markets, adjusted for inflation, is still behind its benchmark when chained to Q1 2016 RevPar figures.

As can be seen in this chart, the COVID-19 impact on RevPAR was four times – yes, 4X – greater than any previous demand shock. All cycles end differently, but the big REVPAR draw-downs are usually caused by demand shocks. And according to Baird Research, “we expect ‘growth’ to remain a headwind in 2023, particularly on the bottom line as expenses normalize and outpace the top line.”

So far, in the CMBS universe from January through March of 2023, there have been more than \$3.7 billion in new maturity defaults with loans failing to pay off on a timely basis. Further, the aggregate amount of CMBS debt in maturity default has increased by approximately 28% during the past 12 months.

Given all these rosy indicators, how does an owner of real estate – specifically, hospitality assets – secure liquidity and salvage underperforming properties, with more than \$162 billion of loan maturities approaching in 2023, according to CRED IQ?

TRADITIONAL LIQUIDITY OPTIONS

There are a number of traditional options that are readily available for hotel owners to secure capital ranging from raising equity capital, senior debt, subordinated debt, preferred equity, equipment leases, etc., etc. Each of these sources of capital have a different place on the capital stack, and each has its own benefits, costs, and detriments.

The No. 1 question being asked today from investors has been, “How does the financing backdrop and impact on local/regional banks affect hotel financing?” The silver lining – if you could find one in these tumultuous times – is debt

capital for hotels wasn’t widely available or attractively priced before the recent capital markets volatility, so the impact on hotel lending might not be as bad as feared, relatively speaking.

In fact, 67% of outstanding commercial real estate loans (by \$) were held by small- and medium-sized U.S. banks (non-top 25 financial institutions), according to the Federal Reserve. The advantage of banks and SBA lenders, which typically are regional or community banks and credit unions, is they usually offer low interest rates, long repayment terms, and large loan amounts. Yet, to qualify, you’ll generally need a strong credit history, solid financials, and multiple years in business.

Welcome to the convergence of temporary under-performing assets, dampened valuations, less than stellar financials, tighter lending conditions, a reduced pool of buyers and \$162 billion in loan maturities occurring within the next year. In short, these are some interesting times!

In response, hotel owners are exploring various strategies to secure liquidity and stay afloat. One of the often-overlooked strategies being adopted by hotel owners is to roll up their hotels into real estate investment trusts (REITs).

In next month’s conclusion to this article series, we’ll examine a few additional means by which property owners can secure liquidity and salvage underperforming properties given the current challenging economic times in which we find ourselves. ■



Ken Patel is the owner and CEO of A&R Group. After immigrating to the U.S. in 1996, he began his career in the hospitality industry by managing a family-owned

hotel. In the years since, Patel has accumulated a portfolio of globally recognized brands such as Hilton, InterContinental Hotel Group, and Wyndham.

A Love letter

Honoring the past, present, and future of the independent hotelier

by RAVI B. PATEL

GIVEN THAT THE OVER-arching theme of this issue focuses on the very topic we've been covering in this column for more than a year now, we're going to devote this month's installment of this column to everything that's wonderful and unique about independent hoteliers, as well as the role they play in the continued evolution of the industry as a whole. With so much focus – understandably so – on the current state of franchising contracts and disagreements between brand and franchisee, it can be easy for independent hoteliers to feel lost in the shuffle despite serving as a critical component of the hospitality industry.

Indeed, independent hoteliers are vital to the industry – considered pioneers of the American hospitality industry, establishing their hotels and motels across the country even in the early days of the nation's expansion. Independent properties were located strategically along major thoroughfares or in frequently trafficked areas, providing easy access and convenience for local residents and out-of-town travelers. Those hotels you see romanticized in old Western films? By and large,

those were started by a local entrepreneur looking to provide weary travelers with a stopover on their journey westward. Quite often, they occupied the upper floors of another business – a bar or restaurant, for example.

Moving into the more recent past, however, independent properties typically were simple single-story buildings with rooms facing a parking lot, allowing guests to park their cars directly outside their rooms for easy loading and unloading.

CUSTOMER SATISFACTION

Regardless of what time in history we examine, independent hoteliers always have recognized the importance of customer satisfaction, going the extra mile to ensure guests have a pleasant and fulfilling stay. They also have a well-earned reputation as employing a customer-centric approach to service, prioritizing the comfort and convenience of their guests. From their earliest days to the present, independents have strived to create a welcoming and hassle-free experience for travelers. Hoteliers also have, in today's world, have embraced technology to enhance customer service, offering amenities like online reservations, easy check-in

check-out, RFID or Bluetooth locks, and expanded communication platforms.

Additionally, independent hotels have been, and continue to be, significant contributors to local economies, providing employment opportunities and supporting local businesses through partnerships and collaborations. By employing individuals from the surrounding area, they contribute to the local economy. The revenue generated impacts future tourism, taxes, and secondary effects like local food vendors, ice cream parlors, city museums, attractions in the community, and countless other facets of the economy, both small and large.

A LEGACY FOR THE FUTURE

Many independent hotels started as family-owned ventures and have been operated as such for several generations and counting. These hoteliers have been at the forefront of hospitality innovation, introducing new amenities, services, and technologies to enhance the guest experience while simultaneously improving the bottom line.

The desire to continually evolve and improve the business for future generations of hoteliers is a common trait among

independent operators. For example, many independent properties have been at the forefront of exploring and implementing sustainable practices, including the growing usage of energy-efficient designs, renewable energy sources, water-conservation measures, and eco-friendly amenities to appeal to environmentally conscious travelers.

And, while some branded properties might view third-party booking platforms as a scourge, many forward-thinking independent hoteliers are embracing this technology, leveraging these services and related apps to increase visibility and reach a wider audience. At the same time, unique-experience hoteliers are differentiating themselves by offering creative and immersive experiences by incorporating local culture, organizing local tours and

activities, hosting events, or partnering with local businesses to provide guests with an authentic and memorable stay.

All of this is being done without the guidance, oversight, or financial resources belonging to a brand might afford. Sure, there's often strength in numbers, but independent hoteliers are doing just fine, making their own way in the world, which is exactly what they've done since they first opened their doors. ■



Ravi B. Patel is an AAHOA Member serving as the 2022 Independent Hotelier Committee Chair, leading strategic industry partnerships for AAHOA

Platinum Industry Partner Bookit N Go.



Creating new opportunities

by EVELYN HOOVER

HOSPITALITY IS MORE THAN A business for AAHOA Members. It's a way to fulfill the American Dream, support the industry, and make a difference in the community. Since its inception, AAHOA has served as a strong platform for its members to do just that.

Over the years, the nearly 20,000 AAHOA Members have built schools in India, stepped in to provide aid and relief after natural disasters, donated toward hospitality scholarships, raised thousands upon thousands of dollars to uplift communities, worked with nonprofit organizations to combat human trafficking, and so much more.

To continue to build on these community-minded efforts and provide a new avenue for members to support charitable activities, the AAHOA Charitable Foundation launched at the 2023 AAHOA Convention & Trade Show in April 2023. The news was well-received and laid a foundation for a future of lasting impact.

“AAHOA has always been in a position to give back to the community and has done many projects when it comes to charity,” said **Jagruti Panwala, AAHOA Past Chair (2019-2020)**. “I think having a foundation speaks volumes that AAHOA is

here to help humanity all the time, not just during charity golf tournaments or on an individual basis.”

The need for AAHOA to have its charity foundation has been a long time coming, Panwala said. And she's not alone.



AAHOA Past Chairman Neal Patel (2022-2023) unveiled the AAHOA Charitable Foundation at AAHOACON23.



AAHOA Members enjoyed friendly competition and supported seven local charities during the Southeast Charity Golf Tournament.



AAHOA Members raised awareness of human trafficking during #WearBlueDay.



AAHOA Founding Chairman Hasmukh (HP) Rama inspired the next generation of hoteliers during a Tetley Distinguished Leader Lecture Series at Kennesaw State University.



AAHOA Members donated more than 2,000 cases of water in Jackson, Mississippi, due to the ongoing water-shortage crisis. Additionally, AAHOA donated \$2,500 toward the cause.



AAHOA leaders brought supplies, water, hot Indian meals, and more to Florida members who experienced devastation after Hurricane Ian.



AAHOA team members volunteered at the Ronald McDonald House Charities of Atlanta, where they served dinner to families whose children are receiving pediatric care.



AAHOA Members participated in a volleyball tournament to support San Diego Asian American Sports Club and local causes.

Rajiv Trivedi, AAHOA Lifetime Member and Managing Principal at TST Capital, worked with Panwala and several other AAHOA leaders to make the charitable foundation a reality.

“I was asked to participate in a committee that was charged with providing ideas and thoughts on forming this foundation,” **Trivedi said.** “We’re doing something that’s long overdue; I’m honored to be a part of it, and I think there are some phenomenal opportunities ahead.”

PHENOMENAL POSSIBILITIES

Those phenomenal opportunities set the AAHOA Charitable Foundation apart from similar charities and organizations – one of which is the potential to make an impact in the U.S. and around the world. Many AAHOA Members are of Indian heritage, but some members were born and raised in Europe and Africa. With its local and international connections, the AAHOA community is in touch with humanitarian needs at home and abroad.

“A lot of AAHOA Members and hotel owners started from the ground up,” said **Vinay**

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Patel, AAHOA Past Chair (2021-2022). “They’ve been at the bottom, they’ve been through some tough times, and they’ve worked hard. They understand how it feels to have needs and move forward.”

“AAHOA Members are small business owners who operate hotels within their communities. They already have strong community connections and a desire to make a difference in the lives of those they serve,” added **Tejal Patel, AAHOA Women Hoteliers Director Western Division.** “The foundation is a way for us to pull our resources together and make a greater impact than what we could have done individually.”

There’s also the possibility that the new charity foundation will extend a glimmer of hope to hotel staff.

“We have housekeepers whose children may need assistance with a scholarship,” explained **Vimal Patel, AAHOA Gulf Regional Director.** “So, if someone has been working for my hotel business for more than two or three years, I want to make sure I’m taking care of them and that their children have the opportunity to get a better education thanks to assistance from the new charity venue.”

UNITED AND STRONG

While one person can make a difference, there’s power in joining forces together to reshape the world. That profound strength

was instrumental in getting the AAHOA Charitable Foundation off the ground.

A 10-person ad-hoc committee collaborated and worked through all the ins and outs of starting a foundation. The ad-hoc committee members included AAHOA Past Chairs, current board members, and longtime members. The foundation was launched quickly thanks to the committee’s strong teamwork and passion.

As we look into the future, there’s a wealth of opportunities and promise. For one, the foundation will make a concerted

effort to partner with more organizations that are spearheading meaningful and tangible change in their communities. While AAHOA has partnered with well-established organizations like Businesses Ending Slavery & Trafficking (BEST) to fight human trafficking, Covenant House California to support hundreds of homeless youth, and Atlanta Ronald McDonald House Charities to keep families together, the new charitable foundation will extend – and magnify – AAHOA’s reach to offer support in new areas. ■

Pledge to be all in

You can become an agent of positive transformation when you pledge to donate to the AAHOA Charitable Foundation. AAHOA is seeking contributions from members, with no contribution being too small. It is anticipated all contributions will be deductible to the fullest extent provided by applicable law.

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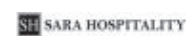
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AAHOA MEMBERS IN ACTION



AAHOA Treasurer Kamalesh Patel met South Carolina U.S. Senator Tim Scott on Capitol Hill.



[L-R] AAHOA Chairman Bharat Patel, Creative Lending Solutions Corp Chief Sales Officer Fred Schwartz, and AAHOA Founding Director & Former Board Member Mahesh Parekh connect at the Georgia Regional Conference & Trade Show.



AAHOA President & CEO Laura Lee Blake joined the nation's top lodging industry association leaders and lobbyists at the NYU Conference to discuss mission-critical national policy issues. She was joined by Jeffrey Stewart, Founder and President, Walnut Hill Advisors, along with strong insights on international visitation, business travel, workforce issues and infrastructure from Geoff Freeman, President and CEO, U.S. Travel Association; Andy Ingraham, President, Founder, and CEO, NABHOOD; and Chip Rogers, President and CEO, AHLA.



Georgia Regional Conference & Trade Show attendees had a fantastic time exploring the trade show floor and connecting with exhibitors.



More than 300 AAHOA Members joined Florida Regional Director Chetan Patel and Florida regional ambassadors in Tampa, FL, for the region's largest event of the year.



It was a packed house for the Georgia Regional Conference & Trade Show in Atlanta, GA.



AAHOA President & CEO Laura Lee Blake discussed the possible increase of SBA loan limits with U.S. Senator Joni Ernst in D.C.



AAHOA Treasurer Kamalesh Patel (left) discussed strategic AAHOA advocacy priorities with Minority Leader of the U.S. Senate Mitch McConnell (right).



Mid South Regional Director Harikrishna (HK) Patel (third from left) and AAHOA Members discussed several critical issues impacting hoteliers with Kentucky Governor Andy Beshear (fourth from left).



AAHOA Member Jayanti Patel received the 2023 Small Business Owner of the Year Award from the Gettysburg & Adams Chamber of Commerce.



AAHOA Chairman Bharat Patel (second row, 12th from left), Treasurer Kamalesh Patel (second row, 14th from left), Secretary Rahul Patel (second row, ninth from left), Past Chair Neal Patel (second row, 17th from left), and Florida Regional Director Chetan (Chris) Patel (second row, 15th from left) welcomed women hoteliers to the Florida Regional Conference & Trade Show.



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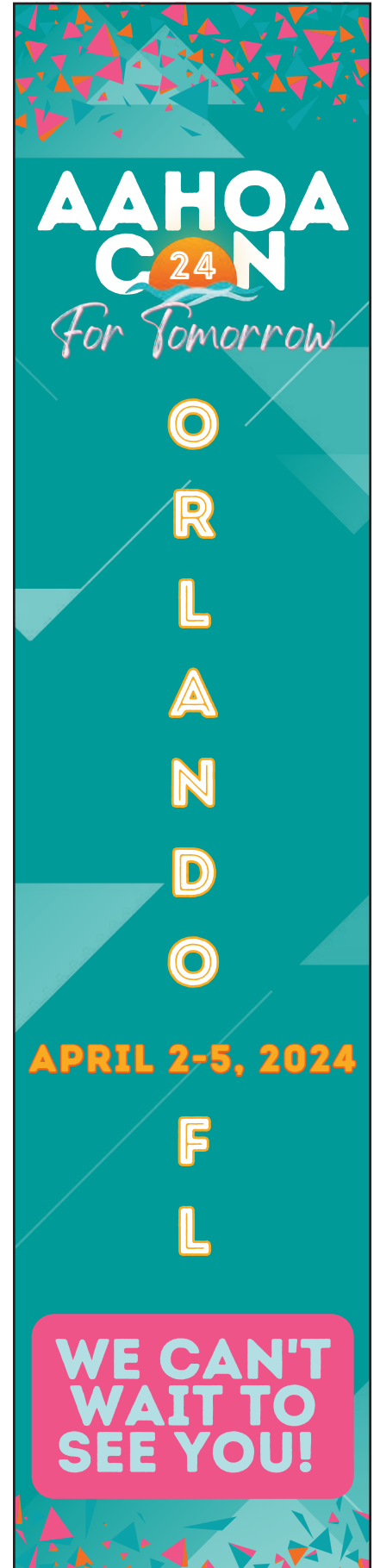
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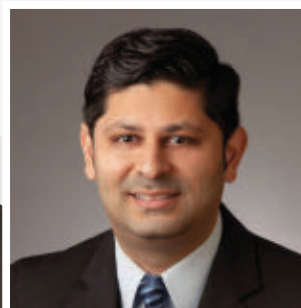
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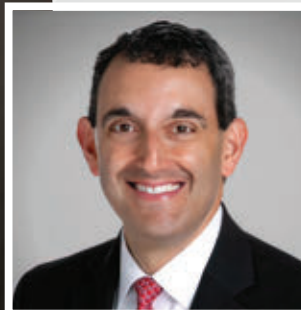


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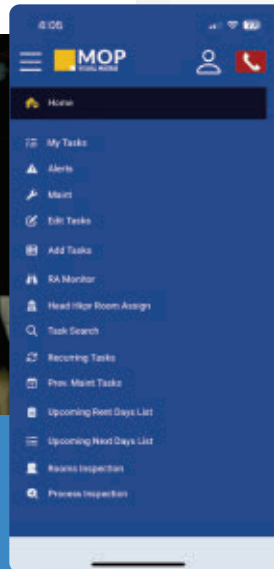
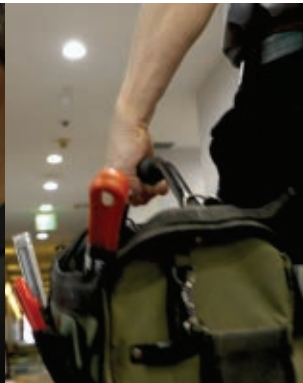


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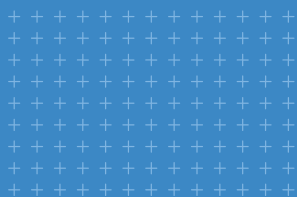
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