

UNITE HERE! Local 11

April 15, 2021

The Honorable Isabel Guzman
Administrator, U.S. Small Business Administration
409 3rd St, SW
Washington, DC 20416

Dear Administrator Guzman,

Congratulations on your recent confirmation as Administrator of the U.S. Small Business Administration (“SBA”). As you may know, UNITE HERE Local 11 is the hospitality workers union for Southern California and Arizona. COVID-19 has taken a devastating toll on our industry and on hospitality workers; 95% of our 32,000 members have been laid off due to the pandemic, with the vast majority still out of work. Although the Paycheck Protection Program (“PPP”) has undoubtedly helped many small businesses support their employees, our union has identified many multimillion-dollar loans to large hospitality firms that we believe deserve further SBA scrutiny.

We have previously written asking the SBA to investigate PPP loans approved for the Four Points by Sheraton LAX, one of which was approved one week before the hotel closed. Today, we write with another case that raises concerns: a \$1.95 million PPP loan approved by the SBA on February 5, 2021 for Chateau Holdings, Ltd at 8221 W. Sunset Boulevard West Hollywood, the address of the Chateau Marmont, and was reportedly tied to the retention of 151 jobs.ⁱ According to data released by the SBA as of April 13, the loan was classified under “Exemption 4,” which the SBA describes as “disbursed but not Paid in Full or Charged Off,” and lists \$1,949,997 under the PAYROLL PROCEED field, which the SBA describes as the “Amount of proceeds assigned to payroll (at origination).”ⁱⁱ

Chateau Holdings Ltd dba Chateau Marmont filed a WARN report with the State of California for 242 permanent layoffs effective March 30, 2020, which to our understanding corresponded with the termination of nearly its entire workforce. It is also our understanding that the hotel has not since re-employed 151 workers and currently employs far fewer than 151 workers.ⁱⁱⁱ We want the SBA to ensure that any loan received is used appropriately and is not forgiven without a proper basis.

As you know, Congress intended PPP funds be used by small businesses to return workers to payroll. Yet an analysis of SBA data released on December 1, 2020 found that 4,064 California hotel borrowers collected \$950 million in PPP loans. Because large hotel chains won an exemption from SBA rules enabling them to apply for loans at multiple properties, the 190 hotel borrowers that were approved for loans of over \$1 million raked in \$450 million, or over 47% of the total amount of loans received by California hotel borrowers. Chateau Holdings may be one of these large firms that benefited while small businesses were not able to access the program. It is crucial that these large firm be subjected to appropriate scrutiny.

To our knowledge, SBA has not presented any audit plan for large hospitality firms that were approved for millions in PPP loans, but instead has proceeded with processing loan forgiveness applications; as of April 1, SBA had forgiven and paid back over \$209 billion—while denying forgiveness for only \$700 million.^{iv} We are concerned that the loan approved for Chateau Holdings may be forgiven without adequate investigation.

The SBA under your predecessor may not have cooperated fully with members of the public and members of Congress seeking to ensure proper oversight of the PPP in order to ensure funds were used for their intended purpose: payroll costs for small businesses, instead of discretionary funding for large hospitality corporations like Chateau Holdings. However, we are hopeful that the SBA under your leadership will reverse course and look forward to hearing your response to this complaint and the following questions:

- In its PPP loan application, did Chateau Holdings provide monthly payroll costs and numbers of employees that did not or will not receive funds from its loans?
- How many of the 151 jobs cited on Chateau Holdings' PPP application have been retained as of April 15, 2021?
- How much, if any, PPP loan funds will be or have been used for non-payroll costs? Please provide a breakdown.
- Has Chateau Holdings applied for loan forgiveness for its PPP loan? If so, has SBA approved, or does it plan to approve, full or partial loan forgiveness?

Based on the results of your investigation, I hope that the SBA in partnership with the Department of Justice will take all appropriate measures to ensure that Chateau Holdings and other borrowers comply fully with the law.

Regards,



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ⁱ Paycheck Protection Program data released March 3, 2021 by the Small Business Administration and updated April 13, 2021: <https://data.sba.gov/dataset/ppp-foia>

ⁱⁱ PPP Data dictionary, March 3, 2021. <https://data.sba.gov/dataset/ppp-foia/resource/aab8e9f9-36d1-42e1-b3ba-e59c79f1d7f0>

ⁱⁱⁱ Page 163 https://edd.ca.gov/Jobs_and_Training/warn/WARN-Report-for-7-1-2019-to-6-30-2020.pdf

^{iv} <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program/ppp-data>

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