

# UNITE HERE! Local 11

April 7, 2021

The Honorable Isabel Guzman  
Administrator, U.S. Small Business Administration  
409 3<sup>rd</sup> 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.

Today, we write regarding a serious example of potential misuse of the PPP: \$4.4 million in two PPP loans approved by the SBA for Rui Gao Inc. at 9750 Airport Boulevard in Los Angeles, the address of the Sheraton Four Points Hotel. We were disturbed to learn that although the first loan of \$2.4 million approved on April 10, 2020 was according to the SBA tied to the retention of 234 jobs, the hotel filed a permanent closure WARN notification with the State of California on July 24, 2020 effective September 24, 2020 during the 24-week loan term. This notice affected 28 jobs. Even worse, the second loan of \$2 million approved on January 29, 2021 was according to the SBA tied to the retention of 220 jobs, but the hotel filed yet another permanent closure WARN notification with the State of California on November 30, 2020 effective February 5, 2021, this time affecting 214 jobs.

The hotel filed the second WARN notification on November 30, 2020 and then applied for a second PPP loan after January 13, 2021. The permanent closure of the hotel was scheduled for February 5, 2021, and the hotel was approved for the funds only one week prior to February 5. Rui Gao was approved for \$2 million, the maximum amount allowed by the SBA for second draw loans. On the SBA’s second draw PPP loan application form, applicants were required to report average monthly payroll costs and the number of employees and were required to certify in good faith that they have not permanently closed and used the first draw PPP loan for eligible expenses.

These loans appear to violate the spirit if not the letter of the CARES Act, as Congress intended Paycheck Protection Program funds be used by small businesses to return workers to payroll. An analysis of Small Business Administration data released on December 1, 2020 found that 4,064 California hotel borrowers collected \$950 million in PPP loans. However, 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. Rui Gao Inc. may be one of these large firms that benefited while small businesses were not able to access the program.

Despite former Treasury Secretary Steven Mnuchin’s April 2020 assurance that all companies that received loans of over \$2 million would be audited, to our knowledge, SBA has not presented any audit plan for Rui Gao or other 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. We are concerned that the first draw loan approved for Rui Gao may have been forgiven, but because the March 3 SBA data reports “Exemption 4” under the “Loan Status” field for both Rui Gao loans, am left to wonder whether taxpayer funds have been used according to congressional intent.

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 Rui Gao. 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 each of its two PPP loan applications, did Rui Gao certify that it has not permanently closed, and did it provide monthly payroll costs and numbers of employees that did not receive funds from its loans?
- How much, if any, PPP loan funds have been used for non-payroll costs? Please provide a breakdown for both loans.
- Has Rui Gao applied for loan forgiveness for its two PPP loans? If so, has SBA approved, or does it plan to approve, full or partial loan forgiveness?
- Does the SBA plan to audit all PPP loans of over \$2 million? If so, what is its proposed timeline for these audits, and how will they affect loan forgiveness applications that are already granted or pending approval?
- Will the SBA release updated information regarding which applicants have applied for and received loan forgiveness for first-draw loans, and for second-draw loans when applicable?

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 hold Rui Gao and other borrowers accountable for any potential misuse of taxpayer funds, if such misuse has occurred.

Regards,



Ada F. Briceno  
UNITE HERE Local 11 Co-President  
Orange County Democratic Party Chair  
Democratic National Committee Member



Kurt Petersen  
UNITE HERE Local 11 Co-President

**MAIN OFFICE**

464 LUCAS AVE., SUITE 201  
LOS ANGELES, CA 90017  
213.481.8530  
FAX 213.481.0352

**GARDEN GROVE OFFICE**

13252 GARDEN GROVE BLVD., SUITE 200  
GARDEN GROVE, CA 92843  
714.750.4373  
FAX 714.750.5638

**AIRPORT OFFICE**

4634 W. IMPERIAL HWY.  
INGLEWOOD, CA 90304  
310.671.0720  
FAX 310.671.5021

**PHOENIX OFFICE**

1021 S 7<sup>th</sup> Ave.  
PHOENIX, AZ 85007  
480.795.5330  
FAX 480.795.5326



Susan Minato  
UNITE HERE Local 11 Co-President

CC:

Dianne Feinstein  
U.S. Senator

Alex Padilla  
U.S. Senator

Maxine Waters  
Member of Congress, California 43<sup>rd</sup> District

Linda Sanchez  
Member of Congress, California 38<sup>th</sup> District

Judy Chu  
Member of Congress, California 27<sup>th</sup> District

Alan Lowenthal  
Member of Congress, California 47<sup>th</sup> District

Jimmy Gomez  
Member of Congress, California 34<sup>th</sup> District

**MAIN OFFICE**

464 LUCAS AVE., SUITE 201  
LOS ANGELES, CA 90017  
213.481.8530  
FAX 213.481.0352

**GARDEN GROVE OFFICE**

13252 GARDEN GROVE BLVD., SUITE 200  
GARDEN GROVE, CA 92843  
714.750.4373  
FAX 714.750.5638

**AIRPORT OFFICE**

4634 W. IMPERIAL HWY.  
INGLEWOOD, CA 90304  
310.671.0720  
FAX 310.671.5021

**PHOENIX OFFICE**

1021 S 7<sup>th</sup> Ave.  
PHOENIX, AZ 85007  
480.795.5330  
FAX 480.795.5326