

Hotel Worker Employment Data Reveals Paycheck Protection Program’s Failure to Keep Workers on Payroll

Hospitality union UNITE HERE Local 11’s analysis finds that ten Southern California hotels appear not to qualify for loan forgiveness

UNITE HERE Local 11’s analysis of internal hotel worker employment levels in Los Angeles County, Orange County and Phoenix from May to October 2020 indicates that the Paycheck Protection Program (“PPP”) failed in its primary goal of returning workers to their jobs.

Local 11 membership data reveal that ten hotels in Southern California appear not to qualify for loan forgiveness for loans their owners or operators received based on hotel worker employment levels during the SBA’s covered period for PPP loans. The owners and operators of this group of hotels—global private equity firms, foreign companies and hotel operators collectively worth billions—received over \$73 million through dozens of entities connected to their hotel properties and corporate offices.ⁱ

Per SBA rules, borrowers had until the end of the 24-week covered period following loan disbursement to spend 60% of their loan on payroll if they intended to seek loan forgiveness.ⁱⁱ However, these 10 hotels averaged less than 25% of pre-pandemic employment from May to October 2020, the covered period following when most loans were approved and disbursed in mid-to-late April 2020.

Borrowers were approved for loans based on 2.5 times their monthly pre-pandemic payroll,ⁱⁱⁱ and had to spend 60% of this amount on payroll during the covered period—an amount equal to 1.5 times pre-pandemic monthly payroll—to qualify for loan forgiveness. However, because these 10 borrowers averaged less than 25% payroll per month, it is extremely unlikely they would have been able to pay the amount necessary to get loan forgiveness. Struggling laid-off hotel workers are left to wonder whether hotel owners used the rest of their PPP loans to cover other costs or to enrich themselves.

The Hilton Santa Monica Hotel & Suites is one of the ten hotels that based on Local 11’s analysis would not appear to qualify for loan forgiveness because it averaged only 10% of pre-pandemic employment during the covered period. [Westmont Hospitality Group](#), which employs Hilton workers and owns the property with \$8 billion private equity firm [Square Mile Capital Management](#) and [insurance giant USAA](#), is one of the largest privately-owned hotel companies in the world with a portfolio of 500 hotels.^{iv}

Westmont could have received up to \$34 million in PPP loans meant to assist small businesses, and the SBA has already forgiven one loan for \$265,165. On May 4, 2020, the U.S. Treasury Department filed an Interim Final Rule limiting the aggregate amount

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of PPP loans to a single corporate group at \$20 million. The loans potentially connected to Westmont came through 34 separate entities tied either to the firm's corporate headquarters in Houston or to hotel properties owned or operated by Westmont, based on data released by the SBA, and the SBA approved nine of the 34 loans for a total of \$9.6 million after the promulgation of the May 4, 2020 rule limiting loans to one corporate group at \$20 million.

Data reviewed by Local 11 indicates that entities connected to the owners or operators of all but one of these ten hotels then received millions more from the PPP in 2021, further illustrating the need for improved transparency and oversight in advance of loan forgiveness decisions for 2021 loans.

ⁱ UNITE HERE Local 11 analyzed data created by the SBA on March 2, 2021 and updated July 1, 2021. The raw data are available here: <https://data.sba.gov/dataset/ppp-foia>.

ⁱⁱ SBA Loan Forgiveness Guide (See page 14 for 24 week covered period)
https://www.sba.gov/sites/default/files/resource_files/PPP_Loan_Forgiveness_as_of_September_30_2020.pdf

ⁱⁱⁱ SBA Loan Amount Guide, Page 1, https://www.sba.gov/sites/default/files/2020-06/How-to-Calculate-Loan-Amounts-508_1.pdf

^{iv} Westmont Hospitality Group website, <https://www.whg.com/>

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