

UNITEHERE! Local 11

July 14, 2021

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

Dear Administrator Guzman,

We write with questions regarding \$34 million in PPP loans connected to Westmont Hospitality Group, which claims to be one of the largest privately-held hospitality organizations in the world, holding an ownership interest in and operating over 500 hotels.ⁱ

As you know, non-hospitality firms with over 500 employees are not eligible for the PPP, but large hotel chains won an exemption from SBA rules enabling them to apply for loans at multiple properties so long as each property has 500 or fewer workers, even if they collectively employ over 500 workers.ⁱⁱ For second-draw loans (“PPS”), changes in eligibility requirements made non-hospitality firms with over 300 employees ineligible for the PPS, but hotels are again allowed to apply for loans at multiple properties so long as each property has 300 or fewer workers, even if they collectively employ over 300 workers.ⁱⁱⁱ

Because of this, lending in the hotel industry has disproportionately favored large, wealthy corporations like Westmont. For the first round of the PPP, the loophole enabled 81 large hotel chains with over 500 workers to collect \$557 million, and for the second round of the PPP the loophole expanded, enabling 167 large hotel chains with over 300 workers to collect \$791 million, a total of \$1.3 billion across the program.

While hotels have not brought the vast majority of their employees back to work, they were required to spend 60% of PPP loan proceeds on payroll costs to qualify for full loan forgiveness^{iv} and as of June 8, the SBA has forgiven \$2.38 billion in PPP loans to U.S. hotels categorized as paid in full—96% of the total amount in this category. The SBA has already forgiven one Westmont-connected loan to WHG SUB-SU LP—which lists its address as Westmont’s headquarters at 5847 San Felipe St. in Houston, TX—for \$265,165.

We ask that your office not forgive any more of these loans connected to Westmont before investigating the following questions:

- 1. Did Westmont receive more than the SBA’s limit of \$20 million in PPP loans per “corporate group?”^v**

SBA data released on June 8, 2021 includes 14 loans that list as their address Westmont’s headquarters—5847 San Felipe St. in Houston, TX—for a total of \$13.5 million in loans tied to 1,778 jobs. These loans claimed \$13.1 million assigned to

payroll at origination. The same data include an additional 21 loans that list addresses of hotels connected to Westmont. These loans, which totaled \$20.5 million, were tied to 2,246 jobs and claimed \$16 million assigned to payroll at origination. They were made to corporate entities tied to Westmont's Houston headquarters in Uniform Commercial Code filings. The SBA approved nine of the 35 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.

- 2. How has Westmont used the proceeds of its PPP loans? Should Westmont have received loan forgiveness for the loan to WHG SUB-SU LP , and have loan forgiveness applications been submitted for any of the other 34 loans connected to Westmont?**

The SBA's June 8 disclosure of PPP loans only added "Forgiveness Amount" and "Forgiveness Paid Date" fields, but did not include fields detailing whether a loan forgiveness application has been received or provide a breakdown of how the loan was used from approved or pending loan forgiveness applications.

For each of the 35 loans connected to Westmont, the SBA should publicly disclose the initial PPP loan applications and any PPP loan forgiveness applications that have been submitted.

- 3. Did Westmont receive any loans connected to the Pan Pacific Hotel in Vancouver, British Columbia, the Hilton Hotel & Suites in Santa Monica, California or the westdrift Manhattan Beach in California?**

The Pan Pacific fired approximately 100 long-term laid-off workers, without cause, in the middle of the pandemic. The hotel also allegedly urged workers to sign away their full-time status and their severance rights – then fired some of them anyway. Two class action lawsuits have been filed against the hotel on behalf of fired workers. Now the future of more than 150 Pan Pacific workers remains uncertain.

According to internal Local 11 membership records, the Hilton Santa Monica on average employed only 10% of its January 2020 prepandemic workforce from May to September 2020, and the westdrift employed only 19% of its January 2020 prepandemic workforce over the same time period. This time period corresponds to the period Westmont was required to use proceeds from its PPP loans in order to obtain loan forgiveness.

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 7th Ave.
PHOENIX, AZ 85007
480.795.5330
FAX 480.795.5326

4. **Did Westmont receive \$5.49 million in loans for the Hyatt Regency Jacksonville tied to workers the company fired or furloughed without employment benefits? In total, how many of the 4,024 reported employees tied to the 35 loans were fired or furloughed without employment benefits?**

“MCSW JAC HOSPITALITY LLC” was approved for a \$3.49 million loan on 4/20/20 with the loan tied to 331 reported jobs. The loan listed 225 East Coastline Drive in Jacksonville, Florida—the address of the Hyatt Regency Jacksonville^{vi}—but Florida Secretary of State filings for this LLC provide “5847 SAN FELIPE, SUITE 4600, HOUSTON, TX 77057” as the entity’s principal address and mailing address.^{vii} The same entity was then approved for a \$2 million loan on 4/2/21 loan tied to 231 reported jobs.

The Hyatt Regency Jacksonville filed a WARN Notice on June 3, 2020 covering 200 employees; 119 employees were “affected by permanent separations” with an anticipated separation date of June 14, 2020 and 71 employees were “affected by conversions of furloughs with employment benefits to temporary layoffs without employment benefits” with an anticipated date of conversion of June 3, 2020/June 4, 2020.^{viii} The hotel filed a second WARN Notice on August 25, 2020 covering 24 employees; 2 employees were “affected by permanent separations” with anticipated separation dates of August 27 and September 6, and 21 employees were “affected by conversions of furloughs with employment benefits to temporary layoffs without employment benefits” with an anticipated date of conversion of August 27.^{ix}

5. **Which properties and which workers at those properties correspond to the \$1.5 million in loans to “WHG Turfway LLC” and “R-Roof Assets, LLC,” which were both tied to the Hilton Cincinnati Airport’s 2016 mortgage loan? The lack of transparency creates the possibility that Westmont may have “double-counted” jobs at the Hilton Cincinnati Airport hotel or other properties by using the same employees to apply for multiple loans through separate entities.**

“WHG Turfway LLC” was approved for a \$658,467 loan on 4/9/20 with the loan tied to 96 reported jobs, and left the Franchise Name field blank. “R-Roof Assets LLC” was approved for a \$814,227 million loan on 4/14/20 with the loan tied to 141 reported jobs, and listed “Red Roof Inn” under the Franchise Name field.

The “WHG Turfway LLC” loan listed 7373 Turfway Road in Florence, Kentucky—the address of the Hilton Cincinnati Airport Hotel^x—and 2016 SEC filings report that WHG Turfway LLC was the borrower for a Hilton Cincinnati Airport mortgage loan, and was 100% indirectly owned by Westmont Investments, LLC.^{xi} The same filings

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report that the Hilton Cincinnati Airport loan's sponsor and non-resource carveout guarantor was R-Roof Assets, LLC, the "sole owner of nine Red Roof Inn flagged hotels which are all held with no mortgage debt and has an estimated market value of approximately \$31 million." xii

The SBA's "Franchise Name" field was left blank for 23 of the 35 loans, and the remaining 12 listed hotel brand names, making it difficult to determine which loans correspond to which specific properties and the workers employed there. Seven of the loans listing Westmont's corporate headquarters address state "Red Roof Inn" under the Franchise Name field, but do not state which specific property received the loan, and the remaining loans listing Westmont's corporate headquarters left this field blank.

Westmont should provide a list of every specific hotel property that received one or more PPP loans and the number of jobs connected to each property.

Based on the results of your investigation, we hope that the SBA in partnership with the Department of Justice will take all appropriate measures to ensure that Westmont Hospitality Group and its affiliates comply fully with the law.

Sincerely,



Ada F. Briceno
Co-President



Susan Minato
Co-President



Kurt Petersen
Co-President



Zalida Chan
UNITE HERE Local 40 President

CC:

Mr. Majid Mangalji
President
Westmont Hospitality Group
50590 Explorer Drive, 7th Flr
Mississauga, ON L4W 4T9
Canada

MAIN OFFICE

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

GARDEN GROVE OFFICE

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PHOENIX OFFICE

1021 S 7th Ave.
PHOENIX, AZ 85007
480.795.5330
FAX 480.795.5326

Mr. Fereed Mangalji
Vice-President
Westmont Hospitality Group
Samsung Hub, #08-00
3 Church Street Singapore 049483

Mr. Moez Mangalji
Principal
Westmont Hospitality Group
5847 San Felipe - Suite 4600
Houston, TX 77057
USA

James Wroblewski
General Manager
westdrift Manhattan Beach
1400 Parkview Ave
Manhattan Beach, CA 90266
USA

Shahid Kayani
General Manager
Hilton Santa Monica Hotel & Suites
1707 4th St
Santa Monica, CA 90401
USA

Thomas E. Wagner
Head of North American Real Estate and Senior Managing Director, Cerberus Capital
Management
875 Third Avenue, 12th Floor
New York, NY 10022
Bruce Moe
City Manager
City of Manhattan Beach
1400 Highland Avenue
Manhattan Beach, CA 90266

Craig H. Solomon
Chief Executive Officer
Square Mile Capital Management LLC
350 Park Avenue, 15th Floor New York, New York 10022
(212) 605-1000

MAIN OFFICE

464 LUCAS AVE., SUITE 201
LOS ANGELES, CA 90017
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PHOENIX, AZ 85007
480.795.5330
FAX 480.795.5326

Len O'Donnell
President, Chief Executive Officer and Principal, USAA Real Estate Company, LLC.
9830 Colonnade Boulevard, Suite 600
San Antonio, TX 78230

Members of the Board of Education
Santa Monica-Malibu Unified School District
1651 16th St.
Santa Monica, CA 90404

ⁱ Westmont Hospitality Group website, <https://www.whg.com/>.

ⁱⁱ "Paycheck Protection Program Frequently Asked Questions," April 6, 2021, Page 10, <https://www.sba.gov/sites/default/files/2021-04/PPP%20FAQs%204.6.21%20FINAL-508.pdf>

ⁱⁱⁱ Ibid

^{iv} "PPP loan forgiveness," Accessed June 21, 2021, <https://www.sba.gov/funding-programs/loans/covid-19-relief-options/paycheck-protection-program/ppp-loan-forgiveness>

^v "Business Loan Program Temporary Changes; Paycheck Protection Program as Amended by Economic Aid Act," Page 74, <https://www.sba.gov/sites/default/files/2021-01/PPP%20--%20IFR%20-%20Paycheck%20Protection%20Program%20as%20Amended%20by%20Economic%20Aid%20Act%20%281.6.2021%29.pdf>

^{vi} Hyatt Regency Jacksonville website, <https://www.hyatt.com/en-US/hotel/florida/hyatt-regency-jacksonville-riverfront/jaxrj>

^{vii} Florida Secretary of State website, "MCSW Jac Hospitality," <http://search.sunbiz.org/Inquiry/CorporationSearch/SearchResultDetail?inquirytype=EntityName&directionType=Initial&searchNameOrder=MCSWJACHOSPITALITY%20M170000056602&aggregateId=forl-m17000005660-3909cc23-d8eb-4a44-944b-32d915e9f35c&searchTerm=mcsw%20jac&listNameOrder=MCSWJACHOSPITALITY%20M170000056602>

^{viii} WARN Report for Hyatt Regency Jacksonville Riverfront, June 3, 2020

^{ix} WARN Report for Hyatt Regency Jacksonville Riverfront, August 25, 2020

^x Hilton Cincinnati Airport website, <https://www.hilton.com/en/hotels/cvgchhf-hilton-cincinnati-airport/>

^{xi} SEC filing, CSAIL 2016-C6 Commercial Mortgage Trust, https://www.sec.gov/Archives/edgar/data/1654060/000153949716002931/n642_ts-x3.htm

^{xii} Ibid

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