COVID-19 Economic Impact on Oregon Hospitality Industry

ORLA Testimony to the Joint Special Committee on Coronavirus Response
Week of March 16, 2020*

*Updated March 19, 2020
Background

Oregon Restaurant & Lodging Association (ORLA):
• Serves as the leading industry advocate, striving to protect, improve and promote Oregon hospitality
• As a not-for-profit trade organization, ORLA represents approximately 2,600 members, and advocates for over 10,220 foodservice locations and more than 2,000 lodging establishments in Oregon
• The lodging and food and beverage industry is responsible for 183,191 jobs bringing in over $13.8 billion in annual sales for Oregon
• Second largest private industry in Oregon behind healthcare

Restaurants
• Every dollar spent in the table service segment contributes $1.87 to the state economy
• Every dollar spent in the limited-service segment contributes $1.61 to the state economy
• Restaurant and foodservice jobs in Oregon in 2019 = 11% of employment in the state

Lodging
• In 2018, local transient lodging taxes generated more than $200 million dollars across the state
• About 82% of local transient lodging tax spending was used for general services
• Tourism-related facilities and promotion share of total jobs supported by hotel industry in Oregon is 4.5%
Current State of the Industry

Information from Open Table on Restaurants
This data shows year-over-year seated diners at restaurants on the OpenTable network across all channels: online reservations, phone reservations, and walk-ins. For year-on-year comparisons by day, we compare to the same day of the week from the same week in the previous year. For example, we'd compare Tuesday of week 11 2020 to Tuesday of week 11 in 2019.
Economic Impact on Restaurants

Today the choice for a restaurant is
1) Close for good
2) Close temporarily
3) Lay off all non-kitchen employees to support delivery/pick-up, which will not sustain a restaurant for long in which case, it is back to option 1 or 2.

Option 2 is the only viable option for many: When we come out of this, and the public gets the “all clear,” restaurants, bars, breweries, etc. must be able to quickly open the doors, get their employees back to work, and start generating revenue for the state and cities.

We have no idea at this time who will survive Governor Brown’s March 16th Executive Order and who won’t.
McMenamin’s has announced it is laying off 3000 workers

Black Bear Diner in Madras, Oregon is laying off 38 of its 51 staff

Toro Bravo group in Portland has laid off 90% of their workers and closed 5 of their 7 restaurants

The Oregon Lottery sent out notices that video lottery machines will be turned off for the duration of the ban further reducing revenue sources for bars and restaurants

Link to OregonLive restaurant closures and changes: https://www.oregonlive.com/dining/2020/03/portland-restaurants-closed-due-to-coronavirus.html
Economic Impact on Hotels

1. The decline in occupancy is putting real estate asset owners at risk of being unable to make debt service payments.

   A. A decline of 15% in hotel revenue puts many owners in a position where they are cash-flow negative, and thus unable to pay debt service, putting them at risk of foreclosure by lenders. Major hotel companies are already forecasting far in excess of that decline.

2. The hotel industry is facing an abrupt and unprecedented drop in hotel demand that is gaining pace and getting progressively more severe each day that goes by.

   A. Additionally, announcements by colleges, schools and professional sports leagues to cancel major events across the country and in Oregon will soon hit leisure travel bookings. This will broaden the geographic impact of sharp demand declines, accelerating the damage across the industry.

   B. Major hotel companies are reporting that they have already cut forecasts for groups and meeting related business in half for the rest of the year.

       i. For many hotels, groups and meeting related businesses represent the vast majority of their business in any given year.
Economic Impact on Hotels

From Bend:
Anecdotally, one hotel lost $600,000 in business in one week. May have to lay off employees due to loss of business.

From a hotelier on the Oregon coast:
In talking with local bankers this morning, there are apparently several smaller owner/operated hotels in our area which are already seeking financial help and payment relief. This will probably continue and worsen over the coming weeks. Since much of the lodging on the Oregon coast falls into the owner/operated category, I imagine anything beyond eight weeks will result in permanently closing or forcing sales of some of these properties.

For one hotel in the Portland area, here are the economic impacts:
March:
- Room Revenue Down $502,341
- F&B Revenue Down $85,131
- Total Revenue Down $605,969
- Revenue down 66.4% from last year

April:
- Room Revenue Down $675,531
- F&B Revenue Down $128,261
- Total Revenue Down $555,860
- Revenue down 75% from last year

These are forecasted revenues. It is also important to note that likely 77% of their staff will be placed on temporary leave before the week is over.
Economic Impact on Hotels

Another hotel group reported 4 hotels saw revenues decline by $1.7M in the last 10 days or so. The closures of restaurants within the properties have triggered a large uptick in cancellations. They have laid off about 150 people and counting, with the need to consider shutting down up to 2 of the hotels, displacing further jobs.

Oregon’s largest hotel has closed their doors and furloughed their employees.

For Portland, estimates are a loss of $67 million for the business that Travel Portland books.

Regarding citywide and single hotels, they will have a number in addition to that above.

Not everything is cancelled, but at least 60% has either cancelled or has given a heads-up they are discussing it.

20 conventions have cancelled their trips to Portland.

Travel Portland estimates a 75% projected revenue loss for their organization.

Domestic travel/trade: 55% of operators said they’ve received cancellations.
Impact on Hotel Room Demand And Total Job Loss:

Comparison Between 9/11, Recession And Early Stage Of Coronavirus Pandemic

Note: Room night demand is based on monthly STR occupied room nights in US hotels (seasonally adjusted). Total lost jobs reflect total jobs supported by the hotel industry, including direct jobs at hotels and supported by guest ancillary spending (e.g., restaurants), as well as indirect (supply-chain) jobs, and induced jobs supported by wages and salaries of direct employees.

Source: STR, BEA, BLS, Oxford Economics (mid-March, 2020)
Relief Needs from the State of Oregon in Priority Order

1. Unemployment Insurance

   A. Prioritize the stability and accessibility of the Unemployment Insurance Fund:

      i. Consider transferring the 2019 corporate kicker to the Unemployment Insurance fund.

      ii. Create immediate access for workers displaced by business closures and slow-downs.

      iii. Eliminate job search requirements for unemployment insurance, as well as one-week waiting periods for benefits.

      iv. Lift requirement that employees be employed for six months to trigger Workshare benefit eligibility.
Relief Needs from the State of Oregon in Priority Order

2. Tax Related Relief

A. Recognizing the cash-flow crisis facing businesses across the state, delay implementation of the new Corporate Activities Tax until January 1, 2021, so those funds can be diverted to meeting payroll and protecting jobs.
B. Ask local governments either to put a hold on new tax measures, pending resolution of the coronavirus crisis or to work with their local business communities to consider delaying or changing implementation strategies.
C. Suspend payroll taxes for small businesses for the duration of the ban.
D. Create a tax credit for restaurants and lodging operations along with other facilities that issue refunds for cancelled events.
E. Create incentives, including tax credits, for investments in job retention, extended paid time off and remote work opportunities.
F. Extend tax filing deadlines.
Relief Needs from the State of Oregon in Priority Order

3. Facilitating Job Protection and Business Continuity

A. Relax predictive scheduling requirements and enact moratorium on penalties

B. Protect employers from increased rates and penalties when employees make claims for unemployment due to reduced hours or business closures

C. Consider providing commercial rent relief and place a moratorium on commercial evictions after March 15, 2020 for the duration of the administrative action
Relief Needs from the State of Oregon in Priority Order

3. Facilitating Job Protection and Business Continuity

D. Provide employers with a 60-day extension of time to file their state payroll reports and/or deposit state payroll taxes without penalty or interest

E. Defer all city and state Business Licensing Fees for three months

F. Defer all city and state Business Taxes. Defer payment of quarterly business taxes due April 30, 2020, nine months to February 2021 with no interest or penalties

G. 90-day deferral of payment of real property taxes for hotels while they recover
Relief Needs from the State of Oregon in Priority Order

3. Facilitating Job Protection and Business Continuity

H. Allow restaurant kitchens to remain open to help alleviate strain and increased demand on grocery stores by offering take out and/or delivery service

I. Help from state and federal legislators to make sure businesses are covered by insurance for non-continuity of operations
   
   i. Most property & casualty (P&C) insurance policies only cover loss of property or loss of sales but loss of sales is not covered by civil authority closing establishments

J. Consider a grant program for hospitality businesses who have seen sales decreases of 25% or more
Relief Needs from the State of Oregon in Priority Order

3. Facilitating Job Protection and Business Continuity

K. Allow for alcohol (mixed drinks, beer, wine, bottles of distilled spirits) to be sold, to-go/delivery, pick-up/curbside

L. Create a statewide pre-emption to allow curbside pick-up for all restaurant take out and to go orders
Communication

1. Establish regular lines of communication between business and Oregon leaders to have regular updates and strategy discussions and create sector-by-sector response teams.

2. Create a small business crisis line to triage calls from employers to access help from state agencies.

3. Require state agencies including the Oregon Health Authority, BOLI, Employment, Transportation, Lottery, Revenue, and Secretary of State to create designated resource sites for employers.
Questions

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