



Congress of the United States
House of Representatives

October 13, 2020

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

Dear Administrator Carranza,

We write to you today alarmed by reports of hotel companies laying off and furloughing workers nationwide, even after taking millions in forgivable loans through the Paycheck Protection Program (PPP). We are particularly concerned about Columbia Sussex, whose 17 affiliates received as much as \$63 million under the PPP before laying off hundreds of workers, including our constituents. We are disturbed by the possibility that Columbia Sussex may be using taxpayer funds to defray financial losses, rather than to help keep employees tied to their jobs and benefits.¹ This would violate Congress' intent and potentially the letter of the law. Therefore, we request a full audit of PPP loans to Columbia Sussex and its affiliates.

The Paycheck Protection Program, as the name suggests, was intended by Congress to protect jobs threatened by the coronavirus pandemic and ensuing economic crisis. It allowed eligible small businesses with 500 or fewer employees to borrow up to \$10 million, based on 2019 payroll data. To incentivize employee retention, the loans could be forgiven for companies that spent a certain amount on payroll. Recognizing that continued revenue shortfalls were inevitable for many small businesses, Congress set the interest rate on PPP loans at 1 percent. In an effort to support small franchise owners, Congress also waived the rules that normally prevent small business loans from going to companies whose affiliates combine for more than 500 employees.²

Columbia Sussex appears to have taken advantage of these policies—borrowing taxpayer money at artificially low interest rates through multiple entities while laying off workers. Columbia Sussex is a privately held company that owns or operates hotels including under the Marriott, Hilton, and Hyatt brands. In total, Columbia Sussex owns or operates more than 50 hotels in 22 states, including California, Arizona, North Carolina, and it is the largest single hotel operator in Alaska.³ Prior to the Coronavirus pandemic, it employed roughly 6,500 people nationwide and had annual revenue of approximately \$850 million. In

¹ “Hotels, among the first businesses hit by COVID-19, are still less than half full,” by Michael Hartman, *Marketplace*, July 31, 2020. Retrieved at: <https://www.marketplace.org/2020/07/31/hotels-earnings-reports-covid-19-losses-occupancy-levels-down-layoffs/>

² “The Paycheck Protection Program (PPP) and Larger Borrowers: Oversight Efforts and Options for Congress,” Congressional Research Service, May 1, 2020. Retrieved at: <https://crsreports.congress.gov/product/pdf/IN/IN11374>

³ “Northern Kentucky hotel chain got 16 Paycheck Protection loans,” by Dan Mouk, *WCPO Cincinnati*, July 9, 2020. Retrieved at: <https://www.wcpo.com/news/local-news/i-team/northern-kentucky-hotel-chain-got-16-paycheck-protection-loans>

April, it received PPP loans totaling as much as \$63 million through 17 entities registered at the same Kentucky address. Only one other hotel conglomerate is known to have received more taxpayer support from the PPP.⁴

Although Columbia Sussex affiliates borrowed enough money under the PPP to retain 3,788 employees, we are concerned those funds may not be going to workers. Columbia Sussex affiliates borrowed enough money under the PPP to retain more than half its total workforce, but there are reports of Columbia Sussex hotels in California and Alaska operating at 10 percent of normal staffing. With two-thirds of hotel workers unemployed nationwide, it is unlikely that the numbers are significantly different at other Columbia Sussex properties.

On the contrary, we are concerned that Columbia Sussex may have “double counted” employees as working at multiple affiliates tied to the same hotels, potentially inflating the total value of PPP loans. For example, Columbia Hospitality Mezz LLC owns a 99% interest in the JW Marriott Le Merigot Hotel in Santa Monica, California.⁵ The Le Merigot filed a WARN notice for temporary layoffs of 137 staff on March 16, 2020 with the State of California and had only about a dozen employees working as recently as July.^{6,7} Columbia Hospitality Mezz LLC is in turn owned by Columbia Hospitality LLC, which is owned by CSC Holdings LLC, which is itself owned by Columbia Sussex Corporation and a trust connected to the Columbia Sussex CEO William J. Yung. Columbia Hospitality Mezz, LLC, Columbia Hospitality, LLC and CSC Holdings, LLC all reported receiving \$5-10 million loans tied to the retention of 500 jobs each. In total, Columbia Sussex received \$22 to \$45 million through these three entities and two other potential holding companies. CP Crestview LLC received a \$2-5 million loan tied to the retention of 500 jobs, and Sussex Holdings, LLC received a \$5-10 million loan tied to the retention of 500 jobs. It is unclear if or how these loans correspond to specific hotels and workers.

Columbia Sussex has refused to answer good faith questions from its employees about PPP, continuing a history of hostility by the company towards its workers. This includes settlements over union busting, unpaid wages, and occupational health and safety violations at hotels around the country.⁸ Based on this pattern, we are worried that when it comes to the PPP, Columbia Sussex may once again be putting profits before workers. In the interest of ensuring coronavirus relief gets to hospitality workers in need, and to

⁴ “How Hotel Chains Got a Slice of Government Aid for Small Businesses,” by Isaac Arnsdorf, *ProPublica*, August 6, 2020. Retrieved at: <https://www.propublica.org/article/how-hotel-chains-got-a-slice-of-government-aid-for-small-businesses>

⁵ Liquor License Application filed for the JW Marriott Le Merigot Santa Monica and sent by the State of California Department of Alcoholic Beverage Control in 2016. “Columbia Hospitality Mezz LLC” was listed as the only limited partner (owner) of the hotel on the Department’s website as of September 2020. See <https://www.abc.ca.gov/licensing/license-lookup/single-license/?RPTTYPE=12&LICENSE=346417>.

⁶ State of California Employment Development Department WARN Report, June 30, 2020. Retrieved at: https://edd.ca.gov/Jobs_and_Training/warn/WARN-Report-for-7-1-2019-to-6-30-2020.pdf

⁷ “Union for Laid-Off Workers Wants to Know If Hotel Took PPP Loans,” by Patrick Clark, *Bloomberg*, July 14, 2020. Retrieved at: <https://www.bloomberg.com/news/articles/2020-07-14/union-for-laid-off-workers-wants-to-know-if-hotel-took-ppp-loans>

⁸ Examples include a \$37,000 settlement over allegations of union busting at the Le Merigot, \$57,000 in unpaid wages at a hotel in Knoxville, Tennessee, and 23 occupational health and safety violations at a single hotel in Anchorage Alaska since 2015.

protect the taxpayer dollars invested in the PPP, we request that you audit all 17 loans to Columbia Sussex, and provide our offices with a report that includes answers to the following questions:

- What is the total value of PPP loans that Columbia Sussex and its affiliates have received? How much did each affiliate receive?
- Do the approved \$5-10 million loans to Columbia Hospitality LLC, Columbia Hospitality Mezz LLC, CSC Holdings LLC, Sussex Holdings LLC, and the approved \$2-5 million loan to CP Crestview LLC—each of which according to SBA data was to be tied to the retention of 500 jobs—each correspond to specific hotels and specific workers at those hotels? If so, which workers and which hotels?
- For each PPP loan, has the Columbia Sussex affiliate in question used funds to return employees to work or pay health care benefits?
- How much, if any, PPP loan funds have Columbia Sussex affiliates used for non-payroll costs? Please provide a breakdown for each affiliate.
- Has Columbia Sussex applied for loan forgiveness for any PPP loans received by its affiliates? If so, has SBA approved, or does it plan to approve, full or partial loan forgiveness?
- What is the current total workforce of Columbia Sussex and its affiliates as of October 1, 2020?

We thank you for your attention to this matter and request a response no later than October 19, 2020.

Sincerely,

Katie Porter
MEMBER OF CONGRESS

Alan Lowenthal
MEMBER OF CONGRESS

Greg Stanton
MEMBER OF CONGRESS

André Carson
MEMBER OF CONGRESS

Ruben Gallego
MEMBER OF CONGRESS

Jan Schakowsky
MEMBER OF CONGRESS

Ted Lieu
MEMBER OF CONGRESS

Linda T. Sánchez
MEMBER OF CONGRESS

CC:

William J. Yung III
Founder and President
Columbia Sussex Corporation