



## American Rescue Plan: Opportunities for Hospitality Industry Relief & Recovery

The American Rescue Plan (ARP) was signed into law by President Biden on March 11, sending \$350 billion to states, local and tribal governments to address the fiscal impacts of the COVID-19 pandemic. The ARP stipulates that 25 percent of those funds be devoted to hospitality industry relief efforts, but the legislative text is not specific in how states and local governments should meet that goal. This is a once-in-a-lifetime opportunity for Virginia and its localities to alleviate the economic losses sustained through the pandemic in the hospitality and tourism industries.

**1. Sec. 9901 Coronavirus State and Local Fiscal Recovery Funds**

- a. page 223 – “Use of Funds – Subject to paragraph (2), and except as provided in paragraphs (3), a state, territory, or Tribal government shall only use the funds provided under a payment made under this section, or transferred pursuant to section 603(c)(4) to cover costs incurred by the State, territory, or Tribal government, by December 31, 2024 – (A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to households, small businesses, and non-profits, or **aid to impacted industries such as tourism, travel, and hospitality**”
- b. page 228 – “Requirements - “(1) USE OF FUNDS.—Subject to paragraph (2), and except as provided in paragraphs (3) and (4), a metropolitan city, nonentitlement unit of local government, or county shall only use the funds provided under a payment made under this section to cover costs incurred by the metropolitan city, nonentitlement unit of local government, or county, by December 31, 2024— “(A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or **aid to impacted industries such as tourism, travel, and hospitality**;

**2. Sec. 6001 Economic Adjustment Assistance Grants**

- a. (page 90) – “(c) of the funds provided by this section, 25 percent shall be for assistance to States and **communities that have suffered economic injury as a result of job and gross domestic product losses in the travel, tourism, or outdoor recreation sectors.**”

In 2019, tourism in Virginia was a \$27 billion industry, [annual 2018 restaurant sales were over \\$18 billion](#), and Virginia’s [lodging industry was estimated to be \\$6 billion in 2019](#). The impact of the pandemic on hospitality and tourism in Virginia has been devastating. Estimates show that, in 2020, the Virginia tourism industry lost \$10 billion, the state’s lodging industry lost over \$3 billion, and Virginia’s restaurant industry lost over \$1.8 billion.

## Travel & Tourism Impacts

- In 2019, **domestic travelers spent \$27 billion** on transportation, lodging, food, amusement and recreation, and shopping in Virginia (3.4% increase from 2018).
- The **travel industry is the 5<sup>th</sup> largest private employer in Virginia**. Pre-pandemic, domestic travel expenditures directly supported 237,000 jobs in Virginia and directly generated \$1.8 billion in tax revenue for state and local governments.
- Spending by domestic travelers was \$73 million per day in Virginia; this ranks 8<sup>th</sup> in domestic traveler spending among 50 states and Washington D.C.
- **Every \$1 spent on tourism marketing generates \$7 in tax revenue** for the Commonwealth.
- [Research from the Virginia Tourism Corporation](#) (VTC) with Tourism Economics estimates that **lost visitor spending due to the pandemic was between \$9 and \$10.9 billion (34-41%) in 2020** and will be between \$3.8 and \$7.8 billion (14-29%) in 2021.
- The same research estimates that **between 56K and 68K travel and tourism jobs (not including hotel or restaurant jobs)** in 2020 and between 24K and 49K will be lost in 2021. Northern Virginia has been impacted the most.

## Hospitality Impacts

- Virginia has seen the number of **jobs in lodging establishments decline by almost half** from a pre-pandemic level of 46,478 jobs in January 2020 to 23,665 jobs in January 2021 (BLS Data).
- According to STR data on revenue per available room (RevPAR), **Virginia lodging businesses have experienced a monthly average 50.5% decrease compared to the prior year**—totaling more than \$2.2 billion in lost revenue.
- In a case study of ten branded, commercial-class hotel properties in urban/suburban Virginia markets, food and beverage revenue over the last 12 months as compared to the prior year declined by 86.2%. Statewide the **estimated loss in hotel food and beverage revenue totals at least \$800 million**.
- It is estimated that **rooms revenue will not recover until 2023 or 2024**.
- Restaurants in Virginia have also seen an equally disturbing impact, with the industry seeing a significant contraction in employment from a pre-COVID-19 level of 304,205 to 194,151 in January 2021, which shows a little **more than a third of all jobs in the restaurant industry have been lost** (BLS Data).
- **77% of all restaurant operators are reporting lower sales** in January 2021 than the same time last year (National Restaurant Association January 2021 Survey).
- Across the country, states—including those surrounding Virginia—are beginning to relax occupancy limits and allow business meetings to resume. This is placing Virginia at a competitive disadvantage for our long-term recovery. Coupled with the fact that surrounding areas, including Maryland and Washington D.C., are funding tens of millions in grants dedicated to hospitality relief, Virginia's restaurants, lodging and tourism industries face a significant uphill climb. Jurisdictions around Virginia are planning additional grants, utilizing the new funding from the American Recovery Plan. VRLTA members have shared that Washington D.C. has supported hoteliers with up to \$1300 per room in grants and Maryland counties are paying up to \$2000 per room in grants, with more help currently being discussed.

**To ensure lodging, restaurants, attractions, tourism entities, campgrounds, wedding venues, and it's workforce in Virginia fully recovers as quickly as possible, the Hospitality and Tourism COVID-19 Relief Coalition recommends the following grant programs be created using funding from the American Recovery Plan. Special consideration should be given to Minority-Owned Businesses, Women-Owned Small Businesses, Disability-Owned Business Enterprises, Small Disadvantaged Businesses, and Veteran-Owned Small Businesses.**

#### **For Hotels, Bed & Breakfasts, and Other Lodging Establishments**

- There are 153,670 hotel rooms in Virginia, in 1,573 hotels.
- Virginia should create a grant for lodging establishments, including Bed & Breakfasts, that would allow them to obtain \$1500 per room as a one-time, flat amount payout to each property (with a cap at 250 rooms).
- No lodging establishment should be precluded from qualifying.
- ***Virginia should appropriate \$184.7 million for relief for hotels, Bed & Breakfasts, and other lodging establishments.***

#### **For Restaurants**

- Prior to the pandemic, Virginia had approximately 15,750 food service establishments. Approximately 65% of these are full-service restaurants. VRLTA estimates that 20% of restaurants have closed as a result of the economic impacts of COVID-19. Currently, VRLTA

estimates that there are 8,148 remaining full-service restaurants in Virginia, with an average of 75 seats per establishment.

- Virginia should create a grant for restaurants under the Rebuild Virginia Relief Grant Program that would allow each location to obtain \$100 per restaurant seat (with a cap at 250 seats).
- Restaurants that have already filed an application for the Rebuild Virginia program that had not yet been allocated funding should be granted first priority.
- The program should be structured so no restaurant is excluded based on number of locations or staff size.
- ***Virginia should appropriate \$36.7 million for restaurants.***

#### **For Attractions**

- Based on historical attendance information, VRLTA estimates that traditional attractions host approximately 16.7 million visitors annually.
- A fund should be developed for these attractions that would be placed under the Rebuild Virginia Relief Grant Program that would allow them to acquire a one-time grant of \$1 per attendee based on previous annual attendance numbers from 2019. Attendance will be capped at one million for each attraction.
- ***The fund for attractions should be \$10 million.***

#### **For Tourism Entities**

- 95 Destination Marketing Organizations (DMOs/CVBs) and tourism authorities are located in Virginia. Of these, seven have budgets of over \$3M, an additional five have budgets of over \$1M, the next 16 have budgets of between \$450k to \$1M, 37 more have annual budgets of less than \$450k, and the remaining 30 have budgets of less than \$100k.
- Virtually all of these organizations have been faced with budget cuts over the past year and will face additional shortfalls for several years going forward due to reductions in transient occupancy tax collections.
- Virginia should establish a grant for DMOs and tourism authorities with various tiers.
- At least 50% of grant funding should be required to be spent on tourism marketing.
- Grants to DMOs through the fund should be allocated based on the following structure:
  - DMOs with \$3 million plus budgets can qualify for a grant of \$750k
  - DMOs with \$1 to \$3 million budgets can qualify for a grant of \$400k
  - DMOs with \$450k to \$1 million budgets can qualify for grant of \$150k
  - DMOs with budgets of \$100K to \$450k can qualify for a grant of \$50k
  - DMOs with budgets less than \$100K qualify for a grant of \$25K
- Additionally, the Virginia Tourism Corporation should receive a two-year \$10 million increase in funding.
- Last, large convention centers should be able to receive grants based on \$1 per 2019 attendee numbers.
- ***A fund of \$12.25 million should be set aside for DMO and tourism authority grants, \$1.5 million should be made available for convention centers, and \$20 million should be set aside for the Virginia Tourism Corporation or increasing marketing efforts for recovery.***

#### **For Campgrounds**

- Virginia has around 400 private campgrounds, with an average of 100 campsites per campground.
- As a result of COVID-19, about 10% of these campgrounds have experienced a revenue decline of 20% or more.

- Virginia should approve a revamped Rebuild Virginia Program with grants specifically for campground relief with funds limited to those businesses that experienced losses in 2020 compared to 2019. Campsites that experienced a 20% or greater decline should be able to qualify for grants that allocate \$500 per campsite.
- Campgrounds should not be prohibited from obtaining relief based on size, and should only be prevented from qualifying based on lack of lost revenue.
- ***Total amount appropriated for this campground-specific Rebuild Virginia Relief Grant should be \$2 million.***

#### **For Wedding Venues**

- [2015 estimates](#) showed that Virginia hosted more than 57,000 weddings per year, with a total economic impact of more than \$1.7 billion.
- Weddings can contribute a huge amount of revenue on the local level; a 2017 study for Loudoun County showed that weddings attracted over 200K out of town visitors that year who spent an estimated \$72 million on accommodations, food, transportation, shopping, and entertainment. The direct economic impact of weddings in the county was \$119 million, resulting in \$7 million in tax revenue.
- A 2021 Loudoun County survey of wedding businesses showed an average of 31% of weddings had been canceled and an average of 66% of weddings were rescheduled. Revenues for vendors declined an average of 60% from 2019 to 2020. 30% of respondents noted that at least one event was moved to another state with looser restrictions.
- Wedding venues that had more than a 50% decline in annual revenues from 2019 to 2020 should be able to apply for a one-time grant payment of \$15,000.
- ***A \$4.7 million fund should be set aside to support wedding venues.***

#### **For Hospitality Training & Upskilling**

- VRLTA has recently been awarded a grant from GO Virginia Region 4 to support job training and upskilling for restaurant and lodging employees seeking jobs or looking to improve their skills. In addition, there are funds available within that grant to expand the Association's hospitality and tourism-specific job board to match workers with employers. The Hospitality and Tourism COVID-19 Relief Coalition proposes using funding from the ARP to expand this program across the Commonwealth.
- ***\$1.5 million should be appropriated for this expanding the training/upskilling and job board expansion programs.***

Tourism and hospitality are critical components of the Virginia economy. Over the past year, related organizations have been impacted more than any other industries. The ARP offers an opportunity for the Commonwealth of Virginia to offer concrete and substantial financial support to these businesses. The Hospitality and Tourism COVID-19 Relief Coalition asks for this support to ensure that these devastated industries can rebound more quickly and continue to thrive in the Commonwealth.

*For questions or comments, please contact:*

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