

Hospitality Working with Healthcare During Covid-19: What We Know So Far

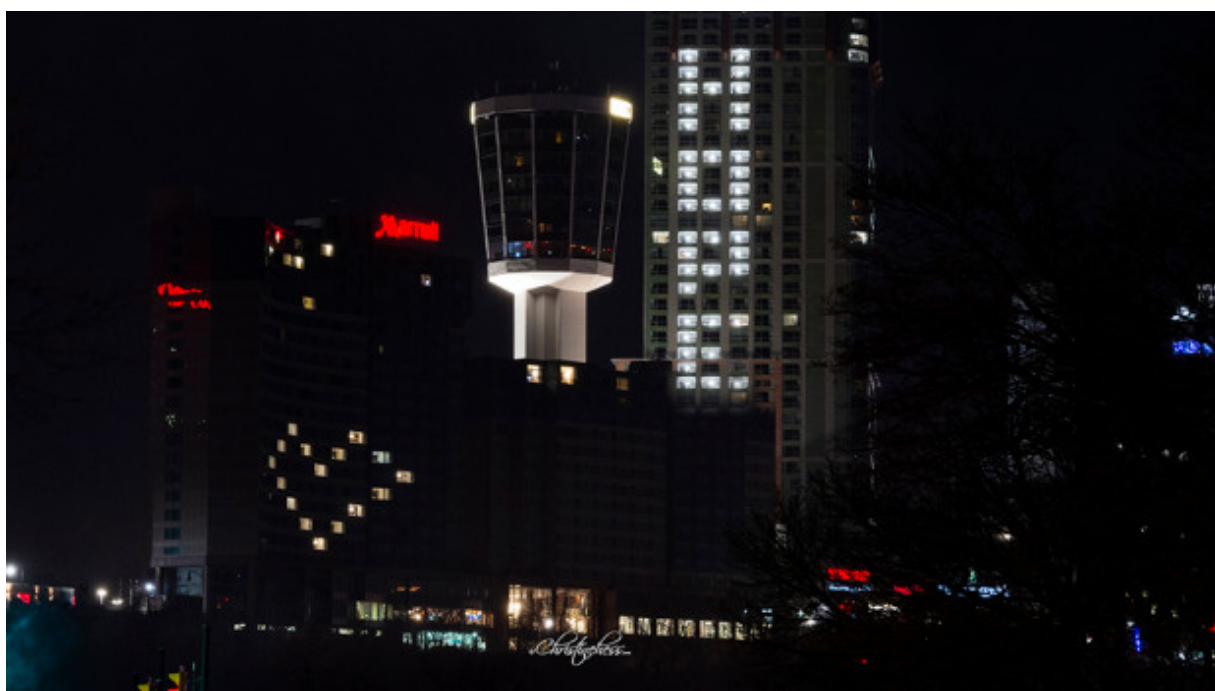
by Channing Henry and Alisher Nazir, PKF hotelexperts



March 2020

Hospitality Working with Healthcare During Covid-19: What We Know So Far

In the ultimate gesture of hospitality, hotels have been reaching out to cities to offer beds, and in some cases, laundry services, to medical workers and hospitals during the Covid-19 pandemic. This offering can be a “win-win” situation for our healthcare systems that are stretched thin, as well as for the hotel industry that has, in one week, suffered an 85.1% revPAR drop in US urban markets, according to Smith Travel Research. While some operators are in a position to offer free rooms to medical providers, others have initiated lease arrangements with Federal Emergency Management Agency (FEMA) in order to keep hotel workers employed and cover some fixed costs that will be incurred even in the event of shuttering.



Hotels in Niagara Falls Light Up with Hearts in solidarity with Communities Affected by Coronavirus.
Source: www.pittsburgh.cbslocal.com; Photo Credit: Christine Hess

“Life’s most persistent and urgent question is, what are you doing for others?”
– Martin Luther King Jr

The list of participants is long – 14,000 properties registered with the American Hotel Lodging Association’s (AHLA) Hospitality for Hope program in the first four days of launch, and 1.2 MM beds were registered with the Cloudbeds HospitalityHelps site within days of it going live on March 22, 2020. PKF hotelexperts has explored these efforts with some of those at the helm to offer further understanding of how it works and to provide (partial, early) answers to:

- whom can hotels contact to help and participate?
- what are the range of services to be offered?
- how do hotels and operators get compensated?
- what are the liabilities to hotels and how are they being managed?

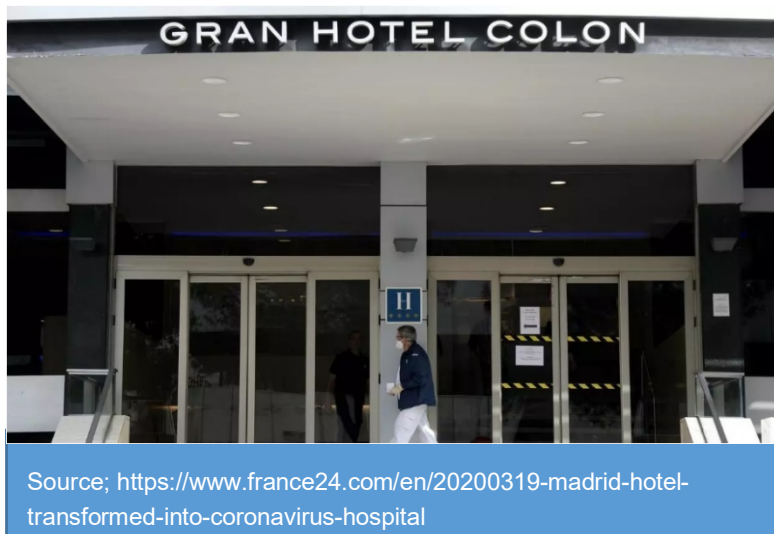
Whom to Contact & Services Hotels Can Provide

The **AHLA** is working directly with the **US Department of Health and Human Services** (HHS) and its own Partner State Associations to create a database of hotels willing to participate, by state. HHS is the contact point for the hotels and coordinates resources needed on the ground by the **Army Corps of Engineers, FEMA, and state and local entities**. Hotels can offer their rooms for a number of services – to house medical and other first-responder staff, to provide hospital rooms for patients not suffering from Covid-19, and to serve as a quarantine facility. Hotels can [sign up on AHLA's website here](#).



The San Diego-based Cloudbeds #hospitalityhelps platform similarly connects hotels with government and healthcare agencies. CEO Adam Harris reported that the response to the launch has been “overwhelming” with hotels contributing thousands of beds within minutes of the launch. Government and healthcare agencies on the front line can contact covid-19@cloudbeds.com for immediate response or go to the [HospitalityHelps website](#). In Germany, Apaleo has set in motion a similar platform to register and connect hotels that can accommodate non-critical quarantine cases, as well as helpers, caregivers and commuters from other regions. At this time, 170 hotels committed over 19,000 rooms to [#HospitalityHeroes](#), while compensation for hotels is being determined on a case by case basis.

Among the first hotels to step up and contribute rooms to the health efforts are **Oxford Hotels and Resorts** in Chicago and **The Ayre Gran Hotel Colón** in Madrid. Oxford turned over 1,100 rooms for temporary housing for individuals seeking to isolate and quarantine safely and the Ayre Gran Hotel Colón transformed its two towers into a medical facility to treat patients with mild cases of coronavirus.



In New York, the epicenter of the coronavirus crisis in the US, the **Four Seasons** recently began offering rooms, free of charge, to medical workers in the hopes of reducing the commutes of healthcare employees working 18-hour days on the front lines. They are not taking new reservations until 15 April in efforts to contain potential exposure from these front-line workers. Also, other New York hotels such as the **Room Mate Grace Hotel** and the **Wythe Hotel** have offered free housing for doctors, nurses and other staff, whilst the **St. Regis Hotel, the Palace Hotel** and **Yotel** will be providing space for non-critical care patients,” as reported by the Real Deal on 26 March.

An additional service that PKF hotelexperts has learned about from some Boston hospitals is the more rapid bulk laundering of sheets, gowns, and other supplies than the hospitals are normally prepared to handle.

A handful of hotels are offering discounted rooms to homeless organizations to help curb the spread of the virus. **Intercontinental Hotel Group** is working closely with local governments in the UK on this side of the effort, offering blocks of rooms at a discounted rate for the next three months, with the goal of giving the entire population the opportunity to self-isolate and follow public health advice. In France, Julien Denormandie, the French Secretary of State, said that “the city will be booking rooms so that homeless people can get off the streets and have a safe place in which to self-isolate during the Covid-19 outbreak”. French hotel group **Accor** created CEDA (Coronavirus Emergency Desk Accor) to centralize these solutions. It opened 40 of its hotels to fight the spread of the virus and has offered over 2,000 beds in France to accommodate the

homeless. Providing housing to first responders is not as risky to operators as creating quarantine facilities for the infected, yet it still comes with a number of health measures that need to be addressed. **Airbnb** announced a global initiative on March 25 that connects vetted Airbnb hosts with first responders to provide clean living spaces closer to their places of work. Airbnb is waiving the fees it collects from the transaction and encouraging hosts to drastically minimize, if not waive altogether, the fees it charges the medical workers for the stay. The company is getting input from the **Center for Disease Control (CDC)** and other expert epidemiologists to develop “robust preventive practices and stringent safety standards” for these workers who are more exposed to the virus, according to the company’s press release. “Examples of safe hosting recommendations include listing entire homes and agreeing to a number of safety requirements including enhanced cleaning, social distancing with their guests, and allowing 72 hours between stays.”

Compensation & Liability

In this quick pivot for the hotel assets, worker safety and general liability are the concerns at the forefront of these initiatives for hotels, thus leading to third-party leases as the prevailing deal structure. Based on early conversations with AHLA, PKF understands that FEMA is the leaseholder in the majority of these situations. AHLA is working with its legal partners to create a lease template that can be adjusted on a case by case basis.

A wide range of these arrangements are made possible via the [United States Army Corps of Engineers \(USACE\)](#) who are looking to entirely lease hotels through the state and FEMA for a period of time, and convert them into hospitals and the appropriate facilities to serve public health organizations. In the US - “We go in and cut a contract to be able to have the state set up a lease with that particular facility, and then we would then take the building over. In an exceptionally short amount of days, we would go in and turn this into an ICU-like facility.”

The city of Chicago is offering some specific insights into the logistics of these arrangements. A Chicago Tribune article on 23 March describes the program that the city has engaged in with five hotels. “People will be referred to the city-controlled rooms by the Chicago Department of Public Health. [Mayor] **Lori Lightfoot’s** office said it will secure “competitive rates” of about \$175 per night, including three meals, paid for upfront by the city.” The estimated costs to the city are expected to be about \$1 Million per month for which federal reimbursements may be sought. “We want to be helpful where we can, whether that’s with the homeless or domestic violence shelters and shelters that house human trafficking victims that are being shut down,” Michael Jacobson, CEO and president of the Illinois Hotel & Lodging Association said. “We’re hearing of a whole range of potential purposes. Our hotels are going to be flexible. If there’s an opportunity to help a certain audience, we’re going to try to help.”

“By no means is this going to make a hotel money,” Jacobson said. “But if it can at least help them weather the storm when it comes to paying property taxes and maintaining at least a few staff without having to layoff 100% - the hotels see that as an opportunity to try to take care of their employees.”

“Chicago’s hotel plan is the first of its kind”, Deputy Mayor Samir Mayekar told the Tribune earlier Monday. “Unlike in other places, where cities have taken over full operations of hotels and other buildings, Chicago’s hotels will be staffed with hotel workers running the front desk, kitchens and other functions”. Oxford hotels and resorts will hence be able to retain employees in certain departments, specifically F&B and housekeeping. They will have no direct contact with patients, who will be handled by the city’s health department staff. Public health employees will also train the hotel staff on adopting the necessary health and safety precautions.



Photo credit: Armend Nimani/Getty

Furthermore, the agreement with the city entails that they are responsible for extensive cleaning of all properties when quarantining patients are no longer needed.

Meanwhile in Los Angeles, Mayor **Eric Garcetti** has issued a Request for Quotes (RFQ) for rooms for the homeless, stating that “for the sake of efficiency and administration, the county seeks the ability to purchase room blocks in a minimum quantity of 100 rooms at a time (or whatever number of rooms are remaining in a hotel, if the remainder is less than 100 rooms). The county would also be able to purchase significantly more than 100 rooms at a time if conditions require. In all cases, such purchases would be subject to the county’s discretion.”

"We're not asking people to donate" the hotel rooms, Garcetti said at the press conference. "There is money in that. We think that is a FEMA reimbursable expense, and certainly the federal government has indicated that that is a proper use of slowing down a public health emergency."

DLA Piper announced a task force inside their legal practice to help hotels negotiate these challenging waters. They list concerns such as the impact on loans and franchise/brand agreements, indemnification, healthcare licensure and regulatory concerns, and, of course, employee and staffing issues, amongst others

In the uncertain and turbulent times of coronavirus (Covid-19), hotel owners and operators persistently seek to discover the “right” decisions, leading to a wide range of new initiatives throughout the industry, to persevere in what is currently uncharted territory. These efforts are tremendous, they are complicated, and we are thrilled to see so many resources made available to owners, operators, medical health staff, first responders, and our entire community so that we may all get back on track.

As Sloane Dean, CEO of **Remington Hotels**, said on the “No Vacancy” podcast recently, “We’ve got to help each other and be willing to aid our local cities. There’s a lot of employment risk. We’ve been talking with cities about leasing the building for a temporary period, that will indemnify general employment risk and liability.” He adds, “It can offset some of your fixed costs. We take the vantage point of what’s good for the city is also good for us.”

For further information, please contact:



Channing Henry
MANAGING DIRECTOR | HEAD OF US

E: channing.henry@pkfhotels.com
M: +1 917 270 3140



Alisher Nazir
RESEARCH ASSISTANT

E: alisher.nazir@pkfhotels.com
T: +1 704 993 8224
M: +1 704 993 8224

Learn more about PKF hotelexperts at www.pkfhotels.com

PKF hotelexperts GmbH is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.