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DAILY BUSINESS REVIEW



COVID-19

COVID-19 Lessons for South Florida's Hospitality Sector

Commentary by
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As of June 1, more than 50% of Americans have received at least one dose of the COVID-19 vaccine. Given these positive numbers, the CDC recently lifted mask and social distancing requirements for fully vaccinated individuals, as well as restrictions on travelers in the United States. These changes have sparked cautious optimism nationwide, giving people the confidence to dine in at restaurants, plan long-awaited summer trips, and even watch films at movie theaters again.

This has been great news for Florida businesses and the local economy, where the tourism industry has traditionally reigned supreme. Before the pandemic, tourism contributed \$85.9 billion to the state's GDP, and more than one out of every nine residents had a job related to the industry. At the start of the pandemic, it all collapsed leaving hundreds of thousands of Floridians without jobs.

The hospitality industry is still far from recovery. But, as we reach the light at the end of this dark pandemic tunnel, a clearer picture of COVID-19's full impact on South Florida's hospitality sector is emerging.

A PROMISING START TO RECOVERY

The hospitality industry was undeniably one of the markets hit hardest by the pandemic. A recently published report by FIU revealed more than \$3 billion in hotel and restaurant sales revenue losses between March and August 2020 in Miami-Dade County alone.

Travel is starting to pick up throughout the country again, and Memorial Day

weekend saw the highest U.S. weekly hotel occupancy rates since late-February 2020, according to STR data. In South Florida specifically, Miami enjoyed the largest increases nationwide over 2019 in occupancy (+9%), ADR (+69.1%) and RevPAR (+84.2%) during the first week of June.

This seemingly quick and steady recovery to South Florida's hospitality industry, combined with deals landlords and tenants made during the pandemic, probably saved many resorts and restaurants from pandemic induced foreclosures.

Last summer, several of the region's most iconic hotels and dining establishments had missed loan and rental payments, causing experts to speculate a slew of foreclosures by early 2021. However, the extension of force majeure provisions, which excuse a party's performance in the event of "acts of God" and government ordered closures likely saved many tenants.

Landlords have been reluctant to allow a tenant to not pay rent or maintain the premises indefinitely. As a compromise, tenants are agreeing at minimum to pay the maintenance, taxes and insurance with rent being prorated based upon the permitted level of occupancy. Notably, rent is typically not forgiven but deferred to a future date.

LABOR DEMANDS

While the hospitality industry seems to be getting back on its feet, one major issue has been the nationwide labor shortage, which has hit the service industry quite hard.

In Florida, nearly two-thirds of hospitality employees were either laid off or

furloughed due to COVID-19, according to the Florida Restaurant and Lodging Association, which represents more than 10,000 hotels, restaurants, theme parks and other operators throughout the state. At the time, many of these individuals turned to unemployment benefits. Jobs are opening across the country again, including 391,000 in leisure and hospitality in April alone, employers are having a hard time filling positions. Why?

While some experts speculate that ex-employees are now able to make more by collecting state and federal unemployment benefits, others claim that people have decided to permanently leave the hospitality industry.

A look into the statistics may provide the answer. Unemployment claims by hospitality workers in Miami-Dade, Broward and Palm Beach counties have been significantly decreasing since the start of the year, with 6,861 claims in January; 1,628 claims in February; and 921 claims in March. Further, in a poll by FAU of 4,000 hospitality and tourism workers earlier this year, one-third had looked for jobs in a different industry, and two-thirds felt the hospitality sector failed to properly protect its employees from COVID-19 exposure.

As a result, to keep up with emerging, competing industries in the State, the hospitality sector will have to reassess its benefits, wages and policies.

NEW LAWS AND REGULATIONS

One surprising (or, perhaps, not so surprising) consequence of the pandemic has been the loosening of alcohol laws for off-premise sales in Florida and in other states across the country.

Last year, social distancing measures increased consumer demand for one-stop shopping, prompting legislators to ease alcohol regulations surrounding takeout, delivery and curbside pickup of alcoholic beverages. While the state government could have cracked down on these laws again now that stores are reopening, luckily, states chose to go in the opposite direction.

Gov. Ron DeSantis recently signed SB 148 into law, known as the "alcohol-to-go" bill, making many pandemic-era provisions permanent. However, there are still a myriad of restrictions surrounding alcohol to-go sales that businesses need to follow in order to stay out of hot water. For example, alcohol cannot be the only item ordered, and depending on the type of alcohol license that a business has, alcoholic beverages must be part of a sale where food and non-alcoholic beverages account for at least 40% of the total charge for the order.

Laws like these will be imperative to continue assisting restaurants and hotels recovering from the traumatic past year.

Although the hospitality industry has endured devastation and immense turmoil, it has shown immense resilience. Looking ahead, the future shows great promise with increasing consumer demand, encourage leasing opportunities, and new legislation to help struggling businesses, but some necessary changes will need to be made to address labor demands. Ultimately, customer and employee loyalty, government assistance and public support will be what continues to pull the hospitality sector through to the other side.

Robert F. Lewis is the co-founder of Spiritus Law. Lewis focuses his practice on the laws governing alcohol industry members at all three tiers, as well as tobacco and other regulated products.

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