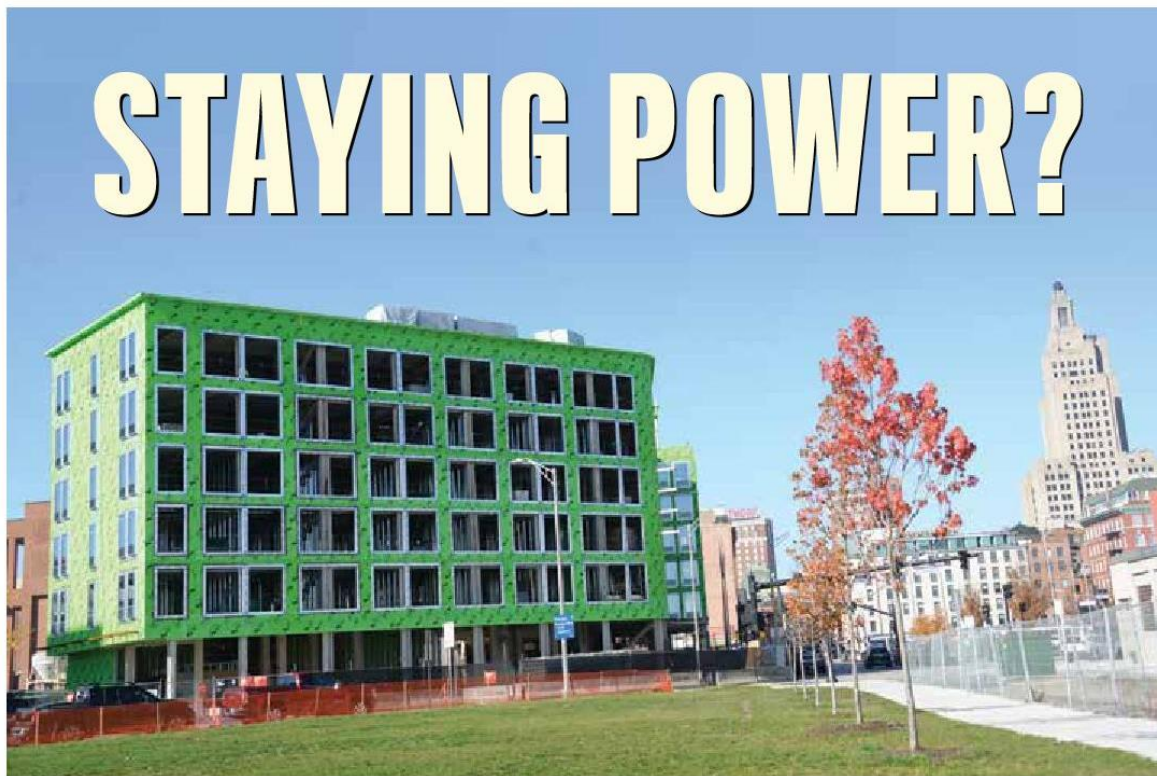


PBN



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CORONAVIRUS CRISIS



STAYING POWER?

Hotel industry has been desolated, but some are betting on big rebound

BY MARY MACDONALD | MacDonald@PBN.com

IN A NORMAL YEAR, early November is a shoulder season in Newport. Christopher Bicho, who owns six leisure-market hotels in the coastal area, would be looking at bookings filling his rooms to 90% occupancy, particularly on weekends.

This year, he's managing a crisis. Three of his boutique hotels will go into hibernation soon, closed for the late fall and winter. Other properties have been retooled for unexpected needs that have emerged in the COVID-19 pandemic, including as family housing for U.S. Navy personnel.

The coming winter? He sees nothing but grief. Between rising coronavirus infection rates and the nightly curfew imposed by Gov. Gina M. Raimondo on bars and restaurants, travelers are staying home.

"Realistically, it's going to be very dismal for the winter," Bicho said. "We have one reservation for January. That's it. New Year's Eve, we'd normally be sold out by now. We have nothing on the books."

Yet, in the face of a dire situation, other developers are pushing forward with construction plans in the hopes that the pandemic will ease next year and travelers will return to Rhode Island in numbers seen before this year.

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TAKING SHAPE:
The 175-room Aloft Hotel at Dyer and Dorrance streets in Providence broke ground in February and is on track to be completed by next August. The owner, Richard Galvin, is confident the hotel industry will have a strong recovery after the pandemic.
PBN PHOTO/
ELIZABETH GRAHAM

Getting aid a struggle for many sole proprietors

BY NANCY LAVIN | Lavin@PBN.com

A SOLE PROPRIETORSHIP seemed like the best option when Katie Murano started her wedding photography business in January.

Having previously owned an event-planning business as a limited liability company, she wanted to eliminate the complexities of state registration and startup fees in favor of a simpler approach better suited to her plans for a one-woman photography business.

Now, Murano can't help but wonder how the last 11 months might have played out differently had she gone the LLC route with **Katie Lovaas Photography**. The business structure wouldn't have

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ONE LAST THING
Rick Simone
Lead with optimism | 30



CORONAVIRUS CRISIS

HOTELS

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In downtown Newport, the new 84-room **Hammetts Hotel** opened into the pandemic in late June, just a month later than originally scheduled. It is located on Commercial Wharf, with rooms overlooking Newport Harbor.

The hotel's owner, a local investment group led by Colin Kane, watched what was happening elsewhere and worried, but the investors ended up drawing more guests this summer than they expected.

"We've watched the downtown Providence, and downtown Boston markets crater," Kane said recently. "We were scared."

TAKING A TOLL

Bicho's decision to close three of his smallest hotels – including **Paws on Pelham**, **Town & Tide Inn** and **The Outlook Inn** – followed months of working through long days, spending thousands of dollars on cleaning supplies, parsing state and federal loan and grant possibilities, and trying to fill positions that couldn't attract workers receiving stimulus-inflated unemployment.

Across Rhode Island and the Northeast, hoteliers share his pain.

Even larger hotels that offer convention space and meeting rooms, and which rely on business travel and university events, have had shriveled occupancy.

Two of the state's largest hotels – the **Omni Hotel Providence** and the **Graduate Providence** – closed last spring as the pandemic descended, and they have been dark ever since.

Thousands of jobs have been lost in Rhode Island, and many thousands more are at risk, according to the American Hotel & Lodging Association, which has been pushing for federal aid for the industry.

In the meantime, many local hotels have entered survival mode until the crisis passes. Some are renegotiating loan terms with lenders, others are shrinking operations, closing large sections of their properties, if not entire hotels.

The damage wrought by the pandemic runs deep in the accommodations industry.

In January, before the crisis, the state had about 5,800 filled jobs in hotels or motels, according to **R.I. Department of Labor and Training** data. Employment plummeted in April and May to about 2,700 jobs. While hiring rebounded over the summer, the number of people employed in the hotel industry remains well below pre-pandemic levels.

The American Hotel & Lodging Association estimates nearly 8,800 hotel-related jobs could be lost in Rhode Island if federal relief doesn't arrive.

'It's going to be an ugly winter. There is no question about it.'

RACHEL ROGINSKY, Pinnacle Advisory Group owner and principal



STANDING READY: Outside Hammetts Hotel in Newport are, from left, General Manager Randi Milewski, Colin Kane and Sam Bradner, two of the hotel owners, and Sarah Eustis, CEO of the Main Street Hospitality Group, the company handling the hotel's management. The hotel opened in June amid the uncertainty of the pandemic.

PBN PHOTO/KATE WHITNEY LUCEY

It has also projected that 95 hotels could close in the state due to low demand.

Although hotels were eligible to apply for federal Paycheck Protection Program funds, the federal government has not created a hospitality-specific relief program. The state used a slice of its federal stimulus money to create a \$20 million grant program to help hotels and arts organizations, but half of the funding was aimed at the largest hotels and nonprofits.

In September, the **Rhode Island Hospitality Association** received a market report from the Boston-based Pinnacle Advisory Group that found Providence could expect annualized occupancy of 32% in 2020, down from 72% in 2019.

Revenue per available room in the city is expected to drop 67% this year, from \$120 to about \$39.68, according to Rachel Roginsky, Pinnacle's owner and principal.

The report reflects the market in Providence, which is aimed at corporate, university and convention business, all of which largely disappeared this year.

"No convention business, very limited corporate business, because corporations are not allowed to travel," Roginsky said in an interview. "And the universities are not doing any of their events, no sports, no nothing."

After bottoming out in April and May, with only 12% to 17% occupancy, hotels started to fill a bit more by the fall. By September, the city was at 41.3%, about half of its September 2019 occupancy, according to data from Smith Travel Research and provided by the **Providence Warwick Convention & Visitors Bureau**.

But even the depleted numbers appear stronger than the reality because the occupancy figures do not include the closed Omni Hotel Providence and Graduate Providence. And a portion of the rooms at other hotels have been reserved by local universities but are not occupied, according to

Kristen Adamo, convention and visitors bureau CEO and president.

Hotels in Warwick, where there was a 65% occupancy rate in 2019, are expected to end the year at a 42% average occupancy, with revenue per available room of \$37.80, according to Pinnacle. In July 2019, by comparison, the revenue per available room was \$67.16.

Newport, which had occupancy of nearly 60% in 2019, and revenue per available room of almost \$150, is expected to end 2020 at 37% occupancy, with revenue per room of \$75.11.

HOW TO HOLD ON?

All Rhode Island hotel markets are expected to see improvement in 2021, although Pinnacle does not expect the numbers to reach the 2019 levels.

Most hoteliers are trying to figure out how to get through the second quarter of 2021, according to Matthew Arrants, executive vice president at Pinnacle Advisory Group who specializes in the Newport market.

Some have closed off portions or wings of the hotels or are reducing days of operation. Others have been booking rooms to local universities such as Salve Regina University in Newport, in an effort to reduce campus housing density. Most hotels are working with lenders to get them through the next few months, according to industry insiders.

The government restrictions on travel and quarantines have had an immediate impact on hotels. In August, when Rhode Island first landed on the "red list" for neighboring states, a hotel that Arrants works with lost \$500,000 in bookings in 18 hours.

"When Newport went on the red list for Massachusetts, New York and Connecticut and all of those states, it had a dramatic and immediate effect," he said.

Two hotels associated with the Rhode Island casinos operated by **Bally's Corp.**, the former Twin

'We have these shocks along the way ... The No. 1 factor in long-term success is **having a little patience.**'

RICHARD GALVIN, CV Properties LLC CEO and president

River Worldwide Inc., remain closed. Encore Boston Harbor, the hotel at the Encore resort casino in Everett, Mass., recently closed amid new state restrictions aimed at curbing the coronavirus infections in Greater Boston.

Newly renovated, the 294-room Graduate Providence is expected to open in early 2021, according to a spokeswoman, who did not specify a date.

The upcoming winter, traditionally the slowest months for hotels across the Northeast, is going to be difficult, Roginsky said.

"It's going to be an ugly winter," she said. "There is no question about it."

Bicho, who said his inn business lost about \$1.5 million in cancellations for the year, was able to break even using Paycheck Protection Program loans and through re-bookings.

His company, **Vacation Newport LLC**, also operates about 36 short-term rentals in or near Newport through Airbnb, and they were down only 15% to 20%. His boutique hotel, **East Island Reserve Hotel** in Middletown, initially was clobbered by the loss of wedding accommodations. It sits next to a popular wedding destination, **Newport Vineyards**. But he was able to turn The Reserve's individual houses into rentals for Navy families who were shut out of overfilled base housing.

And through it all, he was able to work out an accommodation with his lenders, two community banks. He will have to lay off about eight people this winter but hopes to start rebounding next year.

He was discouraged, initially, by the state's program targeting only the largest hotels for direct aid. Smaller hotels, such as inns and anything with fewer than 200 rooms, can still gain access to funds for programming and improvements, under the state program.

But even without state help, Bicho expects to endure.

"I'm going to lose a lot of money, but I'm not going to lose my business," Bicho said. "We've been able to manage our way through this."

PUSHING AHEAD

Randi Milewski, Hammetts Hotel's general manager and an employee of management company Main Street Hospitality Group, prepared simultaneous tracks: open with a lot of excitement, or be prepared to close and mothball. In the end, they chose to open in June.

Drive-in traffic to Newport saved the summer. People who were shut in for the spring wanted to travel, and many from surrounding states headed to the Rhode Island coast. Weekend bookings were particularly strong.

The length of stays has been short – between 1.5 and 1.7 nights – but through September, the hotel was fully committed on weekends, Milewski said.

Now heading into the winter, Hammetts does not expect to lay off anyone. Part-time and full-time employees will take leave

through unused vacation time, she said.

To keep the hotel active and engaged, in the absence of visitors, it's increasing programming, including activating its art gallery and hosting small receptions for local artists.

Overall, the company has been conservative in its budgeting, Kane said, to get through the first year.

"We had high expectations to open up into one of the strongest economies in history at the peak of the season," Kane said. "Obviously, that did not happen."

The company also owns a wedding venue, **The Bohlin**, on an adjacent site. Although it's booked solid with rescheduled weddings next summer, the company's budget for 2021 assumes that COVID-19 will still be affecting operations.

"We are taking a very, very conservative approach," Kane said.

In Providence, two hotels are under construction this year and expect to open in 2021.

The Beatrice, a 47-room boutique hotel downtown, is on schedule to be completed next month, said owner Joseph R. Paolino Jr. But he is waiting on setting an opening date as he tracks the pandemic.

The hotel, which he named for his late mother,

is set up with large rooms, high ceilings, historical elements, he said. He could convert it temporarily to an extended-stay destination.

"We'll see what happens," he said. "We're going to open this up as a hotel. Now we'll see what happens in this new economy. But I will always have a Plan B if Plan A doesn't work."

'A LITTLE PATIENCE'

The 175-room Aloft Hotel, which broke ground in February, is on track to be completed by next August.

The pandemic did not have a significant impact on its construction cost, according to Kevin Sullivan, vice president of the contractor, Shawmut Design and Construction, and the hotel has been able to secure all the furnishings it needs.

Owner Richard Galvin, CEO and president of **CV Properties LLC**, remains bullish on the Providence market. The hotel, which will occupy a prominent location in the I-195 Redevelopment District, will cater to people traveling to the city on business and for academic purposes.

The city is going to come out of the pandemic well-positioned for growth, he said. The Aloft hotel will be the closest hotel to the I-195 innovation district and the nearby Warren Alpert Medical School of **Brown University**.

"I've been in the real estate development and investment business for 30 years," Galvin said. "We have these shocks along the way, for a variety of reasons. In the end, the No. 1 factor in long-term success is having a little patience."

The demand for travel and well-designed and well-placed hotels will continue after the pandemic. For now, he noted, he expects that new construction of hotels, particularly in bigger cities, will be delayed.

"There will be some conversions," Galvin said. Older hotels, he said, may very well be converted to student housing or apartments rather than receive expensive upgrades. "My bet is that in year five, if we have any kind of recovery, we will have a recovery going into a more constrained supply."

Adamo, too, is optimistic the city will rebound. But it's hard to know when that will happen, given the unpredictability of the pandemic.

Beyond 2021, the Providence Warwick Convention & Visitors Bureau has bookings for events into 2024.

"If we can get through this, we will get back to some semblance of normalcy," she said. "We have a slate of business ready to go."

To get to that point, the city must retain the assets that make it an attractive destination for events and visitors.

"That's not just hotels but a vibrant downtown and great restaurants and things [such as] **WaterFire [Providence]** and other arts organizations," she said. "Right now, my mindset is what do we need to do that will preserve the things that will make us successful when we're out of this." ■



DELAYING? Joseph R. Paolino Jr. in the lobby of his boutique hotel, The Beatrice, in downtown Providence. Construction should be completed next month, but it may not open until 2021.

PBN PHOTO/MICHAEL SALERNO

EDITORIALS

Winter looks bleak for hotels, but many are taking long view



LOOKING AHEAD: Hammetts Hotel opened in Newport in June. Owners don't expect to lay anyone off this winter. From left: General Manager Randi Milewski; Colin Kane and Sam Bradner, two owners; and Sarah Eustis, CEO of the Main Street Hospitality Group, which is managing the hotel.
PBN ARCHIVE PHOTO/KATE WHITNEY LUCEY

Winter is coming, and while White Walkers from the long-running HBO television series "Game of Thrones" are not on the local horizon, it is indeed looking bleak for hotels across the state.

Occupancy in Providence this year is projected to be less than half of what it was in 2019. Revenue per available room in the city is expected to drop 67% this year. And, as this week's cover story reports, the reality is even worse than the numbers suggest. That's because they don't account for two of the state's largest hotels, the Omni Hotel

Providence and the Graduate Providence, having been closed since the spring.

So, why would anyone choose to open a hotel in the middle of such an unfolding financial disaster, as the owners of the 84-room Hammetts Hotel in Newport did in June?

Because they took the long view, to a time when the virus subsides and visitors return to the Ocean State. It's the same perspective driving the owners of two new Providence hotels that expect to open in 2021, The Beatrice, with 47 rooms, and the 175-room Aloft Hotel.

"The No. 1 factor in long-term success is having a little patience," says Aloft owner Richard Galvin, CEO and president of CV Properties LLC.

While some hotels will undoubtedly close, survivors and newcomers will need to be positioned to meet the returning demand. It's the nature of business that the Hammetts' owners and others who've persevered understand only too well.

Yes, winter is coming and hotels across the state will feel the sting. But those with a long view know it won't last and are planning for what comes next. ■

State must reimburse colleges now

There was plenty of understandable handwringing across the state when local colleges began developing plans to welcome students back to campus in late summer.

How could they ensure student and staff safety amid the pandemic?

It was a leap of faith for everyone involved but backed by evolving planning, testing and enforcement of rules and procedures. And in the end, a clear success, according to a PBN review of COVID-19 testing data from nine local colleges.

From Aug. 1 through Nov. 17, the state reported 28,672 COVID-19 cases, but just 3.9% of those were from the campuses of the nine schools. The schools include the state's eight private colleges and the University of Rhode Island.

Curiously, Rhode Island is one of just two New England states (Maine is the other) that has not provided funding to local colleges from federal pandemic relief aid.

Given the hundreds of millions in unspent federal COVID-19 relief aid Rhode Island still has, state leaders need to correct this oversight and reimburse the schools for a critical job well-done. ■

POLL CENTRAL

EXECUTIVE POLL

Pandemic uncertainty

Has your company planned for different pandemic scenarios?

Yes: 80%

No: 20%

Which pandemic scenario do you feel is imminent?

A prolonged, uncertain recovery: 80%

A muted and sufficient recovery: 20%

A complete and robust recovery: 0%

A debilitating, damaging recovery: 0%

What plans are you making for addressing the most-likely scenarios? (Select any that apply)

We are preparing our accounting and finances: 100%

We are transforming to accommodate change: 40%

We are implementing innovative systems: 20%

We are reinforcing beneficial associations: 20%

We are not making any plans: 0%

What is your level of concern regarding the pandemic?

Mildly concerned: 40%

Concerned: 40%

Extremely concerned: 20%

Not concerned: 0%

We are optimistic: 0%

The Providence Business News Executive Poll is a weekly survey of 70 business leaders throughout the state, representing small and large companies in a variety of industries.

PBN.COM POLL

Do you feel good about the direction of the state and country after the Nov. 3 elections? NOV. 6-12

Yes, though the biggest challenge, COVID-19, remains unresolved: 25%

Yes, the positives outweigh the negatives: 25%

No, though I'm more hopeful about Rhode Island's immediate future: 3%

No, I didn't see much good happen locally or nationally: 44%

I don't know: 3%

THIS WEEK'S POLL: Are teenagers and young adults getting too much of the blame for the latest surge in COVID-19 cases across the state and nation?

- Yes, lack of consistent wearing of masks by people of all ages is behind the rise in cases
- No, widely publicized cases of parties and group gatherings show the disconnect between many young people and the public health crisis
- I don't know

To vote, go to PBN.com and follow the link on the home page