Hospitality MINNESOTA

THE LODGING, RESTAURANT, RESORT AND CAMPGROUND ASSOCIATION

December 10, 2020

Mr. Steve Grove, Commissioner
Dept. of Employment & Economic Development
332 Minnesota Street, Suite E320
Saint Paul, Minnesota 55001

Senator Eric Pratt, Chair
Senate Jobs & Economic Growth Committee
3219 Minnesota Senate Building
Saint Paul, Minnesota 55155

Representative Lyndon Carlson, Chair
House Ways & Means Committee
479 Saint Paul, Minnesota 55155
Rev. Dr. Martin Luther King Jr. Blvd.

Re: State Emergency Economic Relief Plan

Dear Commissioner Grove, Senator Pratt, and Representative Carlson:

Thank you for your leadership and working in a bipartisan manner to provide emergency economic relief to help Minnesota's hospitality industry.

This has been a devastating year for Minnesota's hospitality operators and their employee teams. While in normal times this industry supports 1 in 10 jobs in Minnesota (300,000 workers), and generates nearly 20% of the state's sales tax, the economic conditions during the pandemic and two rounds of closures have taken their toll. 80,000 industry jobs have been lost in 2020 and another 70,000 are expected to be lost without *significant* financial assistance. This cannot be allowed to happen.

Hospitality operators have done everything that the state has asked of them to keep their fellow Minnesotans safe and help slow the transmission of COVID-19. Through no fault of their own, they've been forced to endure two shutdowns. The current executive order closing indoor dining and limiting travel, comes at the busiest time of year. Some operators generate 40% of their annual revenues during the holiday season, which is a buoy against the lean months of January and February. This year, their revenue has been brought to a trickle as bills pile up for rent, insurance, utilities, tax and other financial obligations. In an industry with razor thin margins (many restaurants operate on 2-5% margins, compared to the 10% for most small businesses), reserves can be equally razor thin. The current Executive Order closes indoor dining for restaurants, but it also greatly impacts lodging properties by restricting travel in Minnesota, closing event spaces, cancelling meetings, weddings and other events, closing pools and spas, and closing fitness spaces. In fact, with the EO announced on November 18, lodging properties saw an immediate impact with many reservations cancelled.

The economic picture is dire. According to various survey data from the Minneapolis Federal Reserve Bank, Hospitality Minnesota, the National Restaurant Association, and the American Hotel and Lodging Association:

- 52% of restaurants face permanent closure;
- 30% of hotels (and 33% of hospitality firms broadly) face permanent closure;
- 600 of Minnesota's 1000 hotels will face foreclosure in the next 6 months;
- 85% of restaurants expect sales to *decrease* from current levels in the next 3 months; and

- 63% of restaurants expect their staffing levels to decline in the next 3 months.

The case for financial assistance is clear. The State of Minnesota has an opportunity to provide short-term emergency relief to these operators that can act as a financial lifeline until more significant federal assistance can arrive. In recent weeks, Hospitality Minnesota has advocated for the state to provide relief to distressed hospitality businesses through the creation of a direct grant program, forgiveness of DEED loans and an expansion of the current DEED program, sales tax relief, property tax relief, regulatory fee relief, freezing evictions on distressed hospitality operators, temporarily capping third-party delivery fees at 15%, creating a food donation tax credit and expanding alcohol-to-go to include cocktails and growlers of beer.

As of the writing of this letter, we understand that a “framework for a deal” has emerged, centered around a two-step $215 million grant relief program with initial payments from the Department of Revenue (“DOR”), followed by a county-based aid program. Given that we have not yet seen the language or details of any proposed legislation, we will confine our comments to the general concepts of the “framework” as we understand them. The details around eligibility and scope will be critical to the success of this program and we reserve the right to submit additional comments once we have digested the bill language. That said, we provide the following comments today:

First, we want to sincerely thank the negotiators, their staff, and others supporting the process for stepping up and working in a bipartisan manner to set forth this relief plan. This is a critical step, and we commend your intentions and efforts.

Second, Hospitality Minnesota supports the $215 million grant proposal being put forth in concept today. We understand that there are limitations to the State’s ability to provide swift financial aid (which is crucial), *and* fully capture all those hospitality entities that need help. We ask for your commitment in working to ensure that those who do not receive the initial direct payment from DOR (or due to multiple locations receive less substantial *immediate* relief) are aided by the county-based relief program. We look forward to speaking with each of you, as well as the counties to this effect in the coming days.

Third, it is our understanding that while distressed lodging properties may not receive initial payments through DOR, they are eligible for the county-based aid program. Given the dire need of many of these operators as discussed above, we ask for your ongoing partnership and assistance in communications with the counties to provide help to these businesses, and that they be given heightened consideration in the county phase of the relief program.

Fourth, it is our understanding that due to some limitations in the State’s ability to track employees at individual restaurant locations, under the current framework, some restaurant operators with multiple locations may receive less per location than they might otherwise receive if they had individual EIN numbers. Again, it is our understanding that the goal of the program is to allow these operators to receive additional relief from their counties, and we would ask that they be given heightened consideration as such.

We look forward to reviewing details of the legislative language as it’s released and working with all of you to make this relief program as successful as possible to act as a financial bridge until federal relief arrives.

Sincerely,

Liz Rammer

Liz Rammer
President & CEO