

March 15, 2023

The Honorable Dave Lislegard, Chair  
House Property Tax Division  
451 State Office Building  
St. Paul, MN 55155

The Honorable Daune Quam, Republican Lead  
House Property Tax Division  
247 State Office Building  
St. Paul, MN 55155

**Re: Wayzata Restaurants Oppose Proposed 1% Food and Beverage Tax – HF1535**

Dear Chair Lislegard, Republican Lead Quam and Members of the Committee:

We are proud to be apart of the business community in Wayzata, where our lakeside village has built a thriving downtown community but maintained the “small town feel”. Each year, our restaurants commit to supporting the community through participating in events, serving on committees and boards, and engaging with the City. Collectively, we have felt like an integral part of the Wayzata community until we were blinded by this legislation put forth by the City of Wayzata.

A few weeks ago, we were surprised by the legislative priority of the City to establish a 1% food and beverage tax upon restaurants after it was scheduled for a hearing in Senate Taxes. The City of Wayzata did not contact the restaurants in drafting or introducing this legislation, which will impact our business operations and guest experience. Furthermore, we are disappointed in the City’s lack of communication since the February 21 hearing, as coincidentally the first meeting scheduled with our collective restaurants is March 22 – one week after this hearing.

Given the breakdown in communication with the City, we are concerned that if this is passed or included in the omnibus tax bill – the city will not work with us to hear our concerns. At this juncture, the City has entirely left out the restaurant community has will be inclined to continue to do so and simply have the Council unanimously approve the proposed tax.

We are concerned that the facts presented are not accurate or transparent. First, use of \$1 on \$100 of sales in an incomplete picture. Most restaurants will be forced to raise prices an additional 5% for a total of 6% including the 1% tax in 2023 due to pending PFML, ESST, product cost increases and labor cost increases. That equates to \$6 on every \$100.

Second, the data used to project the revenue on the proposed tax is from 2019 – indicating the proposed tax will generate \$750,000 annually. Since 2019, we have seen increased restaurant presence and increased sales – we estimate that the tax revenue would generate closer to \$975,000 when the prescribed budget shortfall is \$450,000. This poses a central question: what will the additional funds be used for?

We recognize the tough challenges the City faces when putting together the annual operating budget. As business owners, we too often are forced to make choices when it comes to our own operating budgets. We’d like to engage the City, with all businesses, in a conversation to better understand the needs of the city and what tax revenue options are available. It should not be the responsibility of a single industry to shore up budget shortfalls on a tax system built on property taxes. This will put us at disadvantage for comparable pricing with neighboring communities and the City has not accounted for the fact that we would be the only food and beverage tax in the surrounding area.

**We respectfully ask that you oppose HF1535 and encourage the City of Wayzata to appropriately work with restaurants in the city.** We firmly believe that the City of Wayzata and community local businesses must take the time to fully be informed and engaged to understand the challenges and opportunities the city faces in regards to its budget. Thank you.

Sincerely,

Baja Haus

COV

Gianni's Steakhouse

Josefina

Macanda

McCormick's Pub and Restaurant

McDonald's – Wayzata

The Grocer's Table

The Hotel Landing and ninetyfive restaurant

6Smith