



November 19, 2020

The Honorable Tim Walz, Governor
State of Minnesota
130 State Capitol
75 Dr. Reverend Martin Luther King Jr. Blvd.
Saint Paul, MN 55155

Re: State Hospitality Emergency Relief Plan

Dear Governor Walz:

Our industry was dealt another devastating blow yesterday. One from which there are grave concerns that many businesses will not survive. In our continuing effort to collaborate with State leadership on how best to navigate this pandemic, we expect that your administration will present a comprehensive relief plan in the coming days, and we stand ready to help.

With this Executive Order, the State of Minnesota took dramatic steps to try to slow the transmission of COVID-19. Hospitality businesses and their workers—already on the financial precipice—are at the center of these new state closures and limitations and the financial devastation that is ripping the industry apart.

The hospitality industry is a key driver of economic activity and tax revenue, supporting 1 in 10 jobs in Minnesota. It cannot be allowed to collapse.

As you have rightly recognized, these businesses have made extraordinary sacrifices and added investments in order to be good citizens. Through no fault of their own, now over half of all Minnesota restaurants face permanent closure (and 33% of hospitality firms broadly). Yesterday the American Hotel and Lodging Association projected that 77% of hotels will close without action. Minnesota has already shed 80,000 jobs in this sector and projects to lose another 70,000 in short order if no action is taken. This pandemic is not of our making, but we can rise to meet its challenge through strong leadership and concrete actions, but we cannot do it without immediate assistance.

This industry needs your administration to lead the way by swiftly putting forth a comprehensive plan to save this industry and the 200,000 plus jobs that remain. The Legislature should get the benefit of the administration's perspective on the pain this industry has suffered, and, as you have observed, waiting for Washington D.C. to take action in February-March (or later) is not acceptable. By then, many of these businesses will be permanently closed and the jobs lost forever. We need immediate and decisive leadership and action to provide financial relief to these struggling businesses.

In the past, we have readily provided you and your administration with insight and ideas to meet this challenge (some of which have been implemented). What is needed now, Governor, is your personal leadership to put forth and *fight for* a comprehensive plan that is specific to this critical industry. We want to be helpful in informing the state strategy and submit the following ideas.

- **Relief should be Targeted to “Distressed” Hospitality Businesses.** Given the State’s financial situation, State economic aid should be targeted and limited to distressed hospitality businesses. We suggest defining a “distressed hospitality business” as a firm that has experienced sales reductions of 35% or more, leaving them on the edge of collapse. The following proposals for relief could utilize such a threshold for applicability.
- **Establish a \$200 Million Emergency Grant Fund.** Currently, hospitality businesses that are closed or severely limited in operation are required to continue to pay rent, insurance, regulatory fees and taxes (unless the government changes this), without the necessary incoming revenue. The State should provide targeted grants of up to \$50,000 for hospitality firms that experience 35% or more reduction in sales. The target of \$200 million represents less than 10% of the \$2.2 billion Minnesota received in CARES Act dollars. Given that hospitality represents 10% of jobs in Minnesota, it is reasonable to expect a commensurate investment in its survival, regardless of whether it comes from CARES Act funding or other state sources such as the budget reserves or “rainy day” fund. Right now, hospitality small businesses are facing a Tsunami. Minnesota has a history of getting creative to find needed resources and this is a critical time to invest in this sector’s survival. Permanent closures and the resultant job losses and evisceration of tax revenue pose longer term *structural* problems for the State’s budget and economy. These businesses will not just return, or bounce-back automatically on the other side of the crisis. To fail to invest in their survival now is simply pennywise and pound foolish.
- **DEED No-Interest Loan Program.** The State should expand the no-interest loan program, allowing additional loans up to \$100,000 to distressed hospitality businesses with a 3-year payback window and potential forgiveness provisions. The state should also give strong consideration to providing 100% forgiveness on the first tranche of DEED loans, if a recipient is a distressed hospitality business. Many firms are currently receiving invoices and being asked to make payments at a time the State is shutting them down, which is extremely problematic under the circumstances. Beyond providing no-interest loans, the State may also consider finding creative ways to leverage historically low interest rates to help firms obtain *low*-interest loans with favorable payback terms.
- **Targeted Sales Tax Forgiveness.** Distressed hospitality businesses should be granted a *temporary* sales tax “holiday” and not be required to remit payments to the State for the next six months, or until they are allowed to return to full operation. In addition, the State should give strong consideration for returning sales tax that these operators have remitted during the pandemic. Allowing these businesses to keep these funds as a temporary emergency measure can help with cash flow challenges they currently face.
- **Targeted Property Tax Reductions.** Distressed hospitality businesses should be allowed reductions in their property tax payments commensurate with the percentage of their sales reductions. In addition, the State should consider incentivizing commercial landlords to reduce or rebate rent to distressed hospitality tenants, by providing credits or reductions to those landlords that negotiate necessary reductions in payments.
- **Waive State and Local Regulatory Fees.** Without sufficient revenue, hospitality businesses are currently struggling to meet their regulatory fee obligations. Minnesota, its counties, and cities should waive regulatory fees for distressed hospitality businesses in 2020-2021, including but not limited to liquor licenses, food licenses, lodging licenses, sewer, water and septic fees, etc.
- **Freeze Commercial Evictions on Hospitality Tenants.** As with residential tenants, the State should freeze evictions on hospitality tenants and encourage landlords to negotiate with

these tenants. In turn, the State should exercise its considerable leverage to encourage mortgage lenders to work with these landlords to favorably restructure or defer mortgages in support of all parties.

- **Temporarily Cap Third-Party Delivery Fees at 15%.** Given the current landscape regarding takeout and delivery, excessive third-party delivery fees serve to drive down order volumes and revenue for restaurants. Other jurisdictions have taken actions to temporarily cap such fees at 15% and Minnesota should do the same.
- **Create a State Tax Credit for Food Donations.** Minnesota hospitality businesses donate over \$2 million in food during normal times and have done incredible community outreach during the pandemic. Given the quick turnaround of the current shutdown, many of them are left with substantial inventory and will be making significant donations in the coming two weeks. As you have acknowledged their hard work to keep Minnesotans safe and their financial sacrifices, it only makes sense to create a tax credit, as the federal government has. This is truly a win-win-win for all parties as it helps address food insecurity heightened by the pandemic.

These are just some of the ideas we have generated, representing the stated needs of our member businesses across Minnesota, in trying to find immediate and reasonable solutions to the current economic crisis. Your team likely has their own additional ideas you are already working on. We hope that you will take our considerations seriously and incorporate as many as you can as swiftly as possible. The hospitality industry is counting on your help and support to survive.

We look forward to seeing your administration's forthcoming hospitality emergency relief plan and stand ready to answer any questions or provide any input that might be helpful.

Sincerely,



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cc: Commissioner Steve Grove, Commissioner Jan Malcolm, Senator Paul Gazelka, Senator Susan Kent, Senator Roger Chamberlain, Senator Eric Pratt, Senator Bobby Joe Champion, Senator Ann Rest, Senator Tom Bakk, Senator David Tomassoni, Representative Melissa Hortman, Representative Kurt Daudt, Representative Paul Marquart, Representative Greg Davids, Representative Tim Mahoney, Representative Bob Gunther, Representative Mohamud Noor, Representative Dave Baker