



April 1, 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: COVID-19/Coronavirus – Additional Relief for Hospitality Businesses

Dear Governor Walz:

Thank you for your time on our call last week and for your continued interest in helping Minnesota's hospitality industry and its workers survive this crisis.

Minnesota hospitality businesses continue to be devastated by the impact of the COVID-19/Coronavirus pandemic. As we discussed last week, these businesses are facing an existential threat. While they continue to face ongoing financial obligations, their revenue has seen a disastrous drop or has even been lost entirely. If Minnesota is to save this industry, so critical to its economy and workforce, significant additional financial supports are quickly needed. It is in every citizen's best interest that everything possible is done now to support Minnesota's hospitality businesses, so they not only survive but are in position to come back as quickly as possible. Our state's economic vitality depends on this, given that nearly one-fifth of the state's sales tax is generated by this industry, which employs over 300,000 Minnesotans.

We appreciate the initial steps the state has taken, including the acceleration of unemployment benefits, delaying remittance of the March sales tax payment and creating the Small Business Emergency Loan Program through the Department of Employment and Economic Development ("DEED") to assist some (though not all) hospitality businesses that have been impacted.

More help is needed now to save businesses and jobs.

- The American Hotel and Lodging Association reports that even prior to the "Stay-at-Home" Order, Minnesota's **hotel sector had lost 24,185 direct hotel-related jobs**, with a total of **58,972 jobs lost supporting the hotel sector**.

- The **restaurant industry lost an estimated \$324 million in sales and more than 51,000 jobs** during the first 22 days of March.
- Between March 23-26, the National Restaurant Association surveyed 4,500 restaurant operators nationally, and found that in Minnesota, **3% of operators had already been forced to close permanently, and another 11% anticipated having to do so in the next month.** These numbers pre-dated the “Stay-at-Home” Order and have undoubtedly been exacerbated within the last week.
- Service industry employers are uniquely impacted by the current market conditions, as well as the “Stay-at-Home” and closure orders of last month. Their revenue is almost entirely dependent on human interactions, social events and the ability of their workers and guests to move about freely. **There is no telework option for this industry.** With the extremely limited exceptions of providing food to-go or limited lodging/shelter services to either long-term guests or the essential workers (truckers, etc.) that are still allowed to travel, hotels, resorts, campgrounds, and restaurants are effectively shut-down throughout Minnesota.

Operators are faced with mounting financial obligations and no foreseeable means to make up the lost revenue from March-April. It appears increasingly likely they will face steep revenue losses in May-June, even if the current orders are lifted as scheduled. Significant events are being cancelled. Hotels, resorts and campgrounds are already experiencing longitudinal cancellations into the fall. These cancellations include individuals and families from Minnesota and around the country. Large groups are cancelling, and corporate travel is being limited across the country, both now and into the third and fourth quarter.

While the federal Paycheck Protection Program included in the recently enacted CARES Act provides forgivable loan relief up to 250% of monthly payroll (under certain conditions), the time limits and incentive structure pose specific challenges to our operators in Minnesota. Namely, the loan forgiveness provisions in the Program require businesses to rehire and/or maintain employee levels for an eight-week “covered period” that must conclude by June 30, 2020 (and would therefore begin *at the latest* on May 5, 2020). While hospitality businesses would love nothing more than to be fully re-staffed and operational by the beginning of May though the end of June, this is highly unrealistic given the current circumstances.

Given these conditions, and in order to save this industry, we ask that the State take swift action to provide financial relief through the following measures:

- **Expand Minnesota’s Small Business Emergency Loan Program.** Last week’s announcement that Minnesota would provide \$30 million in forgivable loans to eligible businesses impacted by the pandemic was extremely welcome. However, DEED has indicated that *hotels, resorts and campgrounds are not eligible* for such loans, unless they derive 51% of their income from associated restaurants. We believe this interpretation is short-sighted given that both the State’s orders and the market conditions wrought by the pandemic have essentially shut-down these businesses. For example, Thumper Pond, Otter Tail County’s largest resort, is shutdown, yet they are currently ineligible for a loan

through this program. They are not alone. We urge the State to quickly expand the eligibility requirements for this program to include all hospitality businesses that have faced economic injury due to the pandemic, including hotels, resorts and campgrounds. In addition, we believe it is prudent to expand the financial scope of the Program, including both the State's total investment and the maximum loan amount. If the current crisis persists in a manner consistent with the current modeling, hospitality businesses will require more and greater forgivable loan or grant assistance in order to survive. Finally, it is highly likely that the \$30 million in current funding will be exhausted without fulfilling the unmet needs of hospitality (and other) businesses. We strongly encourage the State to consider appropriating additional funding from the current budget surplus, including whether it might use a portion of the \$2.187 billion federal payment to the State via the CARES Act (\$1.2 billion to the State; \$984 million to local governments).

- **Allow Restaurants to Temporarily Provide Alcohol To-Go.** Allowing restaurants to temporarily provide alcohol to-go would provide a much-needed revenue infusion to businesses that are currently cash-strapped. We continue to hear from operators who indicate this may be the difference between whether their business makes it or not. Many other states have already moved to allow such sales given the current economic crisis. Over 17,000 Minnesotans have now signed a petition asking Minnesota to take similar action. We appreciate your comments both publicly and on our call last week that you are open to this course of action in Minnesota and we are hopeful that you will make such a decision quickly. Each day represents a potential for additional revenue to help stay afloat.
- **Waive the Remittance of the March and April Sales Tax for Hospitality Businesses.** We really appreciate your administration's decision to allow operators to delay the March sales tax remittance payment. Given the economic circumstances currently facing hospitality businesses we believe it is entirely appropriate at this time to waive or significantly reduce the payments for March and April and allow these businesses to maintain these funds for short-term cashflow purposes. At a minimum, the State should delay the April and May payments in addition to the March payments.
- **Delay May 15 Property Tax Payments for Businesses Impacted by the Pandemic.** Given the current economic crisis, many businesses will be unable to pay the May 15 property tax payments or will be significantly challenged to do so. A 60-day delay (or more) would assist these businesses with short-term cash flow and other financial needs. We understand that the Department of Revenue has been consulting with county officials about a potential delay of these payments and we ask that you do everything within your power to make this a reality. Leadership from the executive branch on this issue can help to ensure uniformity across Minnesota's 87 counties.
- **Establish a 90-day Forbearance and Rent Abatement Program.** We ask that the state institute a 90-day prohibition on landlords from terminating or evicting commercial tenants subjected to economic injury due to the pandemic (similar to the protections for residential tenants). We also ask that rent payments be abated during this time, with an

opportunity to renegotiate the terms of occupancy and/or repayment structure once we get to the other side of the current crisis. In the long-term this will benefit all parties.

Thank you for your consideration and for everything you are doing to keep our state and its people safe. Please let me know if you have any questions about our suggestions or if we can be a resource to you or your staff in any way as you consider Minnesota's next steps.

Sincerely,

A handwritten signature in black ink, appearing to read "Liz Rammer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Liz Rammer, President & CEO

cc: Senate Majority Leader Paul Gazelka
House Speaker Melissa Hortman
Senator Roger Chamberlain, Chair Senate Tax Committee
Representative Paul Marquart, Chair House Tax Committee
Senator Eric Pratt, Chair Senate Jobs Committee
Representative Tim Mahoney, Chair House Jobs Committee
Senator Gary Dahms, Chair Senate Commerce Committee
Representative Laurie Halverson, Chair House Commerce Committee