



March 29, 2021

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

Re: Hospitality Industry Relief Plan—ARP Federal Stimulus

Dear Governor Walz:

We write to request that Minnesota set up a targeted grant relief program for hospitality businesses using funds as directed from the American Rescue Plan. No industry has been harder hit than hospitality. The State can hasten economic recovery for hospitality businesses with targeted relief efforts by quickly standing up a grant relief program that accesses these federal relief funds.

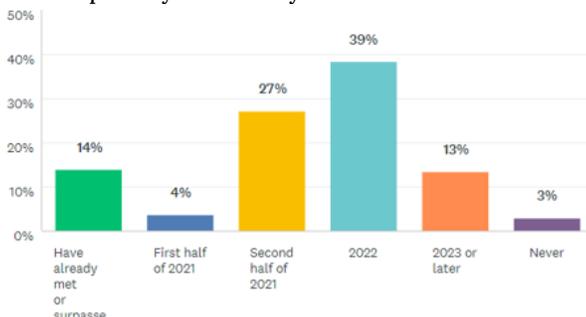
Minnesota is expected to receive \$7.9 billion from the federal government with the passage of the American Rescue Plan (“ARP”), including \$2.5 billion (State Relief Fund) and \$2.1 billion (Local Relief Fund). Through the law, the U.S. Congress and President Biden set forth that certain state and local government funds should be directed toward assisting “impacted industries such as tourism, travel, and hospitality.” Specifically, the law states that:

Sec. 9901 Coronavirus State and Local Fiscal Recovery Funds

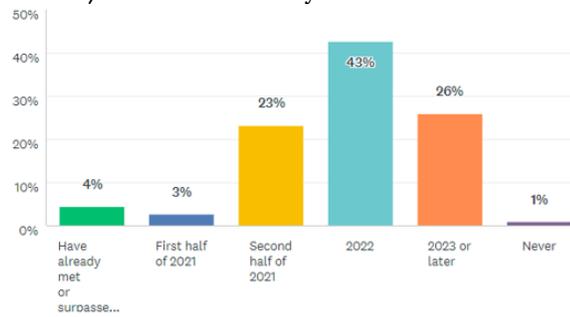
Page 223 – Use of Funds – Subject to paragraph (2), and except as provided in paragraphs (3), a state, territory, or Tribal government shall only use the funds provided under a payment made under this section, or transferred pursuant to section 603(c)(4) to cover costs incurred by the State, territory, or Tribal government, by December 31, 2024 – (A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to households, small businesses, and non-profits, or **aid to impacted industries such as tourism, travel, and hospitality.** [Bold emphasis added].

While the health and economic needs of Minnesota’s residents are multi-faceted, according to State data, the leisure and hospitality industry remains down 100,000 jobs from January 2020. According to our joint survey with the Federal Reserve Bank of Minneapolis and Explore Minnesota Tourism, 55% of operators do not expect to return to “pre-pandemic conditions” until 2022 or later (70% for hotels, projecting a longer recovery):

All Hospitality: Recovery



Hotels/Motels: Recovery



Given the leveraged positions and amount of debt taken on by many operators (e.g. ongoing rent, mortgage, insurance, tax and other payment obligations) as revenues have been decimated, returning to pre-pandemic *business conditions* will not translate to rapid economic recovery. Industry experts have confirmed this is going to be a multi-year recovery for the hospitality and tourism industry and its workers. It is our view, informed by input from hospitality operators across Minnesota, that quick action by the State in prioritizing grant relief will go a long way to sustaining their businesses.

Grants to Hotels, Motels and Overnight Accommodations. Hotels, motels and overnight accommodations are in need of financial assistance to hasten recovery efforts for operators and workers. In 2020, hotels lost 12,000 of 35,000 jobs in our state. Overnight accommodation operators were left out of the initial DEED no-interest loan program, as well as the Department of Revenue direct payment relief associated with SF31 in the December Special Session. The county-based aid aspect of SF31 was inconsistent, with some counties providing grants to hotels and others using their discretion to direct the resources elsewhere. Hennepin county—with the greatest number of hotels in the state—chose to place eligibility limits on the grants making it difficult or impossible to access grant money that was intended to help them. Many experienced a similar disappointing outcome with counties related to the CARES Act funding. For example, Minneapolis hotels—a critical economic engine to the region—typically did not receive any grant funding from Hennepin County via SF31 or CARES Act funding. This has left an important segment of our industry in a financially precarious position.

As we have previously noted, other states in the region directed CARES Act dollars specifically for targeted relief to hotels and event centers. For example, Nebraska directed \$47 million in grants to hotels and event centers (issuing grants to properties between \$100,000–500,000). Wisconsin provided \$35 million of CARES Act dollars in targeted grant relief to hotels and event centers. While Minnesota chose to direct a portion of its financial relief funds to counties, many hotels were left out as outlined above.

Over the course of the pandemic, there has not been a targeted relief program in Minnesota to assist lodging and overnight accommodation operators. We believe establishing and funding a grant program for these operators based on a per-key/per-room basis is reasonable and consistent with the language of the ARP, and is good policy.

Grants to Foodservice Operators. In the most recent Federal Reserve Bank of Minneapolis–Explore Minnesota Tourism–Hospitality Minnesota survey, 39% of foodservice operators indicated they are still facing insolvency in the next 4–6 months. Under the circumstances, we believe it is appropriate to direct additional grant relief to these businesses. While the federal Restaurant Revitalization Fund will be helpful, industry experts project that it is underfunded to meet the need and will quickly be exhausted. In addition to assisting these operators generally, we are aware of several categories of foodservice operators that were not served or were underserved by SF31 in the Special Session. To best meet the intended outcome of this relief legislation, we believe these businesses should receive prioritization in any new grant funding based on the following:

1. Hospitality operators that were rejected due to technicalities around sales tax filings;
2. Hospitality operators that were rejected due to technicalities around NAICS code errors;
3. Restaurant operators with multiple locations that were treated as one entity for employee count/payment amount purposes and thus received significantly less relief in proportion to others;
4. Hospitality operators that opened in or after Q3 2019 and thus were rejected for assistance; and
5. Hospitality operators have been harmed financially by the pandemic but did not meet the 30% sales reduction metric in the legislation.

In addition to setting forth this needed grant relief, we also request that your administration support Hospitality Minnesota's other key initiatives at the Legislature this year including: 1) making PPP tax-free (SF263/HF501); 2) providing temporary property tax relief from the state levy (SF1432/HF1695), 3) exempting restaurant equipment from the sales tax (SF1318/HF921), 4) expanding no-interest/forgivable loans options (HF1696), and 5) supporting workforce training through grants to high school ProStart and Hospitality Tourism Management Programs (SF1262/HF1324). (Please see attached document).

Minnesota needs to make significant investments *now* in the recovery of this critical industry which supports one in ten Minnesota jobs. As the broader economy recovers, a stagnated hospitality industry (which normally generates \$1.3 billion per month in sales) could prove to be a drag on the entire state recovery if the economic needs are not addressed swiftly and with the necessary magnitude. We believe that significant grant relief along with these additional tax relief and workforce expansion tools represent a comprehensive and multi-pronged approach to address the problem and move Minnesota forward.

Governor Walz, we have heard and appreciate your strong acknowledgment throughout the pandemic of the economic burden hospitality operators have faced, and your gratitude for their sacrifices. Now, with the infusion of ARP funding, there is the opportunity to specifically target and assist those very businesses you were recognizing in your remarks. We stand ready to support you and your team in this important endeavor. With this in mind, we would like to request a phone call with you in the next 10 days to discuss how best to structure relief for Minnesota's hospitality industry based on the ARP funding.

Thank you for your consideration. We look forward to hearing from you soon to determine next steps.

Sincerely,



Liz Rammer
President & CEO

Enclosure

cc: Commissioner Grove
Commissioner Doty
Senator Gazelka
Representative Hortman
Senator Kent
Representative Daudt
Senator Pratt
Representative Noor
Senator Champion
Representative Hamilton
Senator Nelson
Representative Marquart
Senator Rest
Representative Davids
Association of Minnesota Counties
Minnesota Inter-County Association
League of Minnesota Cities
Association of Metropolitan Municipalities

PPP Tax-Free

HF501/SF263 | Ensures that PPP loan proceeds are not taxed and are deductible in Minnesota.

Property Tax

HF1695/SF1432 | Exempts hospitality businesses from the state property tax levy for two years.

Grant Program

Create grant program using American Rescue Plan funds as intended to help “tourism, travel, and hospitality” businesses.



No-Interest Loan Assistance

HF1696 | Creates a \$200M DEED fund for no-interest, partially-forgivable loans.

Sales Tax on Equipment

HF921/SF1318 | Exempts restaurant equipment and certain COVID purchases from sales tax.

Workforce

HF1324/SF1262 | Provides grants to expand ProStart and Hospitality Tourism Management high school workforce programs.

For more information, contact:

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