



April 6, 2022

Dear Members of the House Tax Committee:

On behalf of the membership of the Minnesota Association of Convention and Visitor Bureaus (MACVB), we appreciate the opportunity to provide comments on the House Tax Bill, as amended by the A22 amendment.

In Minnesota, we enjoy a unique partnership between our local convention and visitor bureaus and our local lodging facilities. The Minnesota Legislature recognized this partnership when it granted local communities the opportunity to adopt a local lodging tax of 3%, without the need to first seek approval from the Legislature. The Legislature and our tourism industry know, money spent on marketing and promotion helps attract visitors to our local communities, has a positive return on those investments and helps to put “heads in beds.”

It is disheartening to our partners, and our efforts to promote Minnesota tourism, when local communities attempt to divert money away from promotion to instead support local projects. The language included in the A22 amendment to authorize the City of Woodbury, to divert their local lodging taxes and to remove the sunset on the diversion of the Plymouth lodging tax, threaten the delicate balance we have in Minnesota’s existing law between lodging providers and the promotion and marketing of our communities. If the Legislature continues to allow these efforts to advance, we will lose this unique funding source.

It is also shocking; the Minnesota Legislature and local governments would target our lodging partners for local funding given the tremendous impact COVID has had on their business operations. A recent study of Minnesota’s hospitality industry, conducted in partnership between the Federal Reserve of Minneapolis and Hospitality Minnesota, continues to paint a bleak picture for Minnesota’s hospitality related businesses. Their analysis indicates the industry lost over \$15 billion in revenue, and the equivalence of 249 days of business activity since the beginning of COVID. Specifically, this study identified the following impacts on Minnesota hotels:

- Fifty-two percent of hotels experienced lower winter revenue than normal in Q1 or 2022.
- Forty-six percent of hotels project lower than expected revenue in Q2, 2022 than Q2 of 2019.
- Fifty-five percent of hotels took on debt over the last two years, with an average of \$723,000 and nearly \$403 million in total debt.



At a time when the hospitality industry faces so much uncertainty, and years of debt, now more than ever we need to be investing in the marketing and promotion of Minnesota. It is not the time to burden the industry with the debt of local projects.

We would also like to draw your attention to a recent study in the Minneapolis/St. Paul Business Journal from March 31, 2022. In an article titled, *Hotels in financial distress scattered throughout the Twin Cities*, the journal found that as of March 15th, 2022, “there are numerous hotels located outside the region’s urban cores showing signs of financial distress”. The Journal identified numerous properties across the Twin Cities that are on a “loan-servicer watchlist.” The Journal indicated “the properties or more specifically their loans are placed on the watchlist by the loan’s servicer, which flags them for concerns that could jeopardize the borrower’s ability to make payments on the loan. These concerns include low occupancy levels, upcoming lease expirations, late payments and more.” Specifically, to this legislation, the Journal indicates after Bloomington and Maple Grove, Woodbury is third highest on the list, with three properties on the watch list. We should be focusing on how to increase occupancy in these properties and look for other funding sources, such as property taxes or state bonding funds to support local projects.

With local budgets for promoting tourism already stretched, we would ask you to reconsider the inclusion of these provisions in the final tax bill. We ask you to support a segment of Minnesota’s economy hardest hit by COVID, and most in need of your attention.

Sincerely,

A handwritten signature in black ink, appearing to read 'TZ', with a long horizontal flourish extending to the right.

Tim Zunker
2022 MACVB Chair of the Board
President, Shakopee Chamber and Visitors Bureau