



INDUSTRY-WIDE CALL – APRIL 17, 2020

-TRANSCRIPT-

John Edman: All right, good morning, everyone. My name is John Edman. I am the director of Explore Minnesota. I appreciate everyone being on today on this industry call. The second of several calls like this that we plan to have with the Minnesota hospitality industry to talk about the crisis and what it's doing to our industry and how best we can work together to respond to the situation. Today's call, we really have a pretty specific agenda to talk about various financial assistance programs that might or might not be available to the leisure and hospitality industry. The assistant Commissioner from the Department of employment and economic developing, Kevin McKinnon, will be here to talk about various programs, as well as SBA programs that are available. To address many of the questions that some of you have had. I do want to point out that we received a number of questions from the industry prior to this call. We forwarded those questions to Kevin, and Kevin is going to try to address them as part of his presentation to you today. Hopefully we can touch on most of the things that were on your mind, and if we didn't address any questions or if you have any other questions that come up, we encourage you to use our email address. Question dot Explore Minnesota at state dot MN dot Questions.ExploreMinnesota@state.mn.us. Will try to get your questions in a timely manner after this call. So that's going to be the heart of the program. I did want to start off this call with a little bit of a diversion from the topic. Also I want to end with a little bit of a report after Kevin is done, what's going on at the Explore Minnesota Tourism Council meeting. The beginning part of the announcement that I wanted to mention is that today just literally moments ago, the governor issued a new executive order basically clarifying the opportunities for outdoor recreation. So this executive order allows Minnesotans to do a wide variety of outdoor activities including golfing, boating, fishing, hunting, and hiking, and many of these things have previously been allowed since the stay-at-home order which was first put in place in March, but others are new. For new and continuing activities, essential guidelines including maintaining social distancing and not congregating, avoiding crowds, staying close to home. But under the executive order the following items now may reopen. They include golf courses, driving ranges, outdoor shooting ranges and game farms, state shops for live bait, private ski hill trails, voting, off-highway vehicle services, dock installation. Basically this is a new order that allows us to engage in those outdoor activities in a little bit more robust way than we have in the past. So if you want more information on that, I encourage you to go to the governor's website under

press releases or ask us if you have, if you want more clarification regarding that order. I wanted to pass it along, the latest news that came out literally moments ago. As I said, when Kevin is done, I will tell you briefly what happen at the Explore Minnesota Tourism Council meeting this week. Without further ado, it's my pleasure to introduce Kevin McKinnon, Kevin, thank you very much for taking the time to be with us on the call today and to address some of the issues that people have been asking us about that are on their minds. Keep in mind those of you that are listening, there's only so much Kevin is able to do with existing law and programs. But it's information wanted to share and Kevin is a great source of that information. Kevin, I'll turn it over to you.

Kevin McKinnon: Well, thanks, John. It's a pleasure to be with all of you this morning. As many of you likely know, we have been obviously fielding thousands of calls and emails since this began. We have been working very closely with our partners in the small business administration and trying to most importantly get the resources that the legislature and governor have provided to us out to businesses across the state. These are obviously unprecedented times, so in my presentation today, I'll talk a little bit about some of the SBA programs. I am going to run through a few programs that have been authorized. I want to touch on unemployment insurance and then also build a little bit upon John's comments about reopening, then I'll get some questions that were forwarded to me. I think primarily and most importantly, what we have been telling people's first and foremost, look to the small business administration and the programs that have been available through the federal government. The first program that we helped stand up was the economic injury disaster loan program. This is a program that provides low-interest long-term disaster loans for up to \$2 million. Importantly, the first payment is actually deferred for 12 months. There are interest costs on that at about 3.75% for small businesses. But these loans can be used to maintain payroll, provide sick leave, meet increased costs or basic payments that businesses have. And a component of that program is something called the advanced grants, so you could request up to \$10,000 to be dispersed quickly. The remainder of the loan generally is what we are told takes two or three weeks to come in. And so with the advanced grants, you have the ability to get those much quicker and I have heard in a lot of cases, three to four days for those disbursements. Basically how that works, the SBA change that. Initially I think it was up to \$10,000 for any business. Now I believe it's \$1,000 per full-time equivalent. And so the idle program, which has been a mainstay of the SBA through disasters for many years was one of the first programs that became available. The SBA did all kinds of trainings. They actually still are doing webinars, I believe. And so this is one important program that the SBA has opened up. The second is called the paycheck protection program. This program basically provides up to \$10 million per business. Essentially these loans may be forgiven based on, particularly over the next eight weeks, based on having enough of the loans put towards payroll costs. I think it's up to 75% of the loans have to be used for payroll costs. And so the portions of those loans can be forgiven. The remainder of those loans has a maturity rate. It matures in two years with an interest rate of 1%. Apologies for my dog. This program is also open to self-employed, sole proprietors, independent contractors, and so this program

essentially opens it up to a lot larger range of businesses that could be eligible for this. Now I need the caveat that both of these programs are out of money. Then they are waiting for additional appropriations from Congress. Just by way of some context over the last 14 days, the SBA has done more loans than they've done in the last 14 years. And so I believe it's upwards of \$350 billion that's been expended in the paycheck protection program alone. And Minnesota actually ranked fairly well and that 34,000 businesses actually took advantage of that program. We rank very high amongst all of the states as it relates to the number of businesses they did receive these loans. The good news, as it relates to the SBA, is that we do have 400 SBA approved lenders. We have the most lenders per capita in the country. So that is very useful. The paycheck protection program is available through the 400 lenders. And the SBA idle program is directly available through the SBA disaster team. Two other programs that I just want to mention. The SBA has the express bridge loans, and this enables small businesses who currently have a business relationship with an SBA express lender to access up to \$25,000 quickly. It can be repaid in full or in part by proceeds of a idle loan. If a small business owner with an existing relationship, this can quickly provide economic support for your business to help overcome some temporary loss of revenue. And particularly used to bridge the gap while waiting for a idle decision. There's also another program called the SBA debt relief program. If you have a current SBA 7A loan, automatically the SBA will pay your principal interest for the period of six months. And this also applies to any new loans that are issued prior to September 27. So this is immediate financial relief on any current SBA debt and payments that you may have. Anyway, the SBA, we have done a lot of work with our district office, and our letter SBDC network have been providing assistance to various businesses all across the state for either help with this or help with business planning. They too will be -- are part of the new cures act that came out, so there will be additional resources from a staff perspective and a technical assistance perspective coming through those offices in the near future. I also wanted to touch on some of the state response that we have been engaged with, particularly with not only the administration but obviously the legislature. One of the first things that we did through some executive orders that Governor Walz issued was create a small business emergency loan program. Essentially we created a \$30 million loan pool that provides loans of up to \$35,000 at a 0% interest rate. Essentially if businesses returned back to substantially the same operation that they had within two years, 50% of that loan can be forgiven. Now, only businesses that were closed through executive orders 2004 and 2008 are eligible through this program and it's pretty well defined and typically these are restaurants or other places of gathering. And so from our perspective, obviously, you know, we are dealing with thousands of businesses, restaurants and others that were closed. To date, we have done probably 350 loans I think as of today. Almost \$11 million has been disbursed. Now, in order to do this as quickly as possible, we utilized an existing program that we have called the emerging entrepreneur program. And we have a list of lenders all across the state. There is 22 of them actually. Making these loans on our behalf. We don't do any direct lending through our department, and so all of these lenders all across the state are working on dispersing these funds. In addition, these very same lenders also have access to another program that we administer. It's called the emerging entrepreneur loan program, as I

mentioned. There is about \$3 million in that program as well for loans. There is one caveat with that program is that you have to meet a targeted business sector, or a targeted demographic sector. We have -- it's essentially for underserved populations, so people of color, people with disabilities, low income people. And so that's another option for people to access a little bit of capital. The second program that was stood up to the legislature was called the small business loan guarantee program. This is a program that we provide an 80% guaranteed for any loans that enrolled lenders make of up to \$250,000. This program essentially was created to help the private market make loans to small businesses. And the state is obviously backing 80% of those loans. We got \$10 million for this program, and we have not seen the volume of loans that we would obviously have liked to or expected. However, I believe part of that is due to the federal government, and particularly some of the paycheck reduction program loans that are essentially guarantee 100% of loans that the private market makes. Keep in mind we do not determine any of the interest rates or other terms of the loans. Those would all be determined by the individual lender. We have about 70 lenders who are enrolled in the program, many are banks. Particularly banks in greater Minnesota. We also have some nonprofit lenders who are enrolled. And also some credit unions. I should also mention all of the information on these topics are on our website at deed. When you go to the business tab, you will see the tab which you can click on. For more information, the contact information for all the lenders who are participating with us in these programs. The other part of our department, the larger part of our department is focused on workforce and as you likely would guess, that also includes our unemployment insurance office. They have been obviously swamped with work, and unfortunately are dealing with over 480,000 Minnesotans at this time who are unemployed. And so there's a few things that I just want to mention about that that are actually relevant to some of the questions that have come in. There's three aspects of unemployment that have been tasked to us to provide to folks who are unemployed. The first is a \$600 additional weekly compensation that was included in the Cares Act. This is an additional \$600 that's on top of the weekly benefit that unemployed people are receiving. More than 250,000 people have already started receiving this additional compensation. There's really nothing different that anybody has to do except apply for unemployment. Once you do that, that \$600 is added in to your unemployment check. The second piece was for anyone that was unemployed prior to this, prior to the pandemic, the cares act also added an additional 13 weeks of eligibility, and that's available through December 31, 2020. And so any applicants that have exhausted their 26 weeks of benefits can be enrolled again for an additional 13 weeks. In the third and probably one of the most important at this point and relevant for this conversation is something called pandemic unemployment assistance. Congress authorized this new program basically to cover those who do not qualify for regular unemployment benefits. Now the one caveat that I will say is when they did this, this system cannot easily roll into the existing unemployment insurance system. So therefore all the states are having to create new systems to manage this program. And so basically what that means is we are building, as we speak, the system to be able to handle all of those folks who are applying for pandemic unemployment assistance. Essentially this includes all those who are self-employed, who are independent contractors, and who typically would not be eligible for

unemployment benefits. And so we are encouraging everybody who may be eligible to apply. You can apply currently at [ui.MN.org](http://ui.MN.org). Once it's live, we will reach out with additional instructions. We really hope to get it up and running next week. We are not really aware of any other states at this point that have it running. So as I mentioned, our team is working as quickly as possible to get this moving. One other piece that I just wanted to touch on here briefly and this relates a little bit to John's opening statement. That is reopening businesses here in Minnesota. I think it was last week the governor did mention that several agencies will be asked to coordinate with the business community on a plan for reopening. We have been working on that plan with a variety of other agencies, and we've actually been seeking feedback from businesses. We have already received more than 3500 submissions at this point of ideas. And basically what we are looking for our ideas as to how businesses could reopen and reopen safely. We know that businesses obviously are very interested in this. We also know that businesses care about their employees and their customers and want to do this right. And we also believe that if given the opportunity that businesses will do this right. And so we are putting together some guidelines and some instructions, and we hope to have more on this topic actually out today or Monday. As you heard earlier from John, there've been a few more pieces that have been opened, and so we are hoping as quickly as possible that we can get some more information out on this and then as quickly as we can, get back to a point where things can reopen and reopen safely. So with that, that essentially covers a lot of the topics that I wanted to talk about today. And I think I will move to some questions. Questions that I received as of yesterday. In the first is, how are the small business loan programs adjusted for seasonal employers who hire people for six to nine months? Also regarding seasonal businesses, who would be without revenue when loan repayments start in six months? So as of yesterday, the SBA has just advised lenders that in evaluating a borrower's eligibility, a lender may consider whether a seasonal borrower with an operation on February 15, 2020, or for an eight week period beginning February 15, 2019, and between June 30, 2019. So I think that is, that's how you would adjust for the seasonal employers. I will also just briefly remind you that the longest deferment essentially for payments can actually start in 12 months. And that is through the economic injury disaster loan program. The paycheck protection program. And our small business emergency loan program deferred for six months. The next question was addressed, what's available for family-owned and operated resorts and bed-and-breakfast? We seem to have been excluded from the programs. Please advise for small lodging on SBA or Minnesota State assistance programs. All businesses are eligible for the paycheck protection program and the economic injury disaster loan program. Self-employed individuals may be eligible also for the pandemic unemployment assistance program. I should also mention that our loan guarantee program is also available to any business that has less than 250 full-time employees, and so that's another option there. I should also mention that we are working with and talking to our legislature about state funding for businesses. And so we are working through our appropriate channels to do what we can to assist here. I should also mention that we are working with our congressional delegation on divisional resources for the paycheck protection program and for the idle loans. Another question is, most bed-and-breakfast have extremely limited payrolls. In

our case, a couple of high schoolers. The owners are compensated in the form of rental payments. Am I missing a program or method of financial assistance? It's hard to consider additional loans when your revenue is zero and with a long road ahead to rebuild our customer base. So if the business owner, if the business owner is self-employed or in partnership, they can participate in the paycheck protection program, although for partnerships, the total payroll is based on the total income to that partnership, not each partner. And so participating lenders have been advised and your lender actually is the one that you should probably work with on that topic. And as far as businesses considering additional loans, you know, I think most of you are aware that one of the first things that are Federal Reserve of Minneapolis president said, Neel Kashkari, that very topic of loans. John mentioned this at the start, we don't at DEED make the determination of loans or grants. That's obviously done in consultation with the legislature and governor. We are well aware of that, as is the federal government. Where we landed on our SBEL program was a 50% number for forgiveness. The fourth program or the fourth question I got was "tour operators are being denied access to assistance under programs like the small business emergency loan program. What can they access to help?" Again, all businesses are eligible for the paycheck protection and idle programs. And pandemic unemployment assistance. One other thing that I do want to mention about assistance. Many of you out there likely know your County folks, County economic development or city economic development folks. One of the other early things that we did was over the last 30 years, we have seeded a variety of revolving loan funds across the state. Those are for the most part held at cities and counties. We gave them authority to use those resources for retail and other service types of businesses rather than limiting it to the purposes of the grants that actually seeded those loan funds which were for more industrial type expansions. Your cities and counties may have some resources available as well. I just wanted to address a couple other questions that I got just this morning. "I have employees who have quit but are getting unemployment, but we are getting unemployment requests. They quit because they decided on another job that fit better for them. They are unfortunately when they quit they took another job and got laid off from their current job, and so do I send in a request for denial?" The answer to that is you should always respond truthfully. And if this person was no longer an employee, you should deny. "I have two employees that work for us. One had to be laid off for surgery and the other had some medical issues during this time. It all happened during the shutdown. I don't think she would be able to come back to work even if I wanted her to. They have their eye on the \$600 per week. How do I handle this?" So if you have laid people off, they are obviously eligible for unemployment insurance. I believe that if you have called them back to work, they would no longer be eligible for unemployment insurance. However, if you have not called them back, they would definitely be eligible for the unemployment insurance. And then also obviously the \$600 per week in the top off that was provided by the federal government. So those are all the questions that I received today. John. So thank you for having me here today. I obviously realize that some of the answers are not what everybody wants to hear. We are working night and day obviously with our legislative leaders and others to try and address the situation, and so with that, I think I'll turn it back to you, John.

John Edman: Well, thank you so much, Kevin. There is such a wealth of programs out there, and I know it's a bit overwhelming to a lot of our industry. But I just can't tell you how much I appreciate your taking the time to speak specifically to our industry about things that you're aware of both and federal and state level and what we can do. What we can do and this state can do to help the industry. I want to repeat that the email address I sent out at the beginning or mention the beginning, [Questions.ExploreMinnesota@state.mn.us](mailto:Questions.ExploreMinnesota@state.mn.us). Send those to us we will try to get an answer. The one final thing I guess I just wanted to mention I'm not going to go into a detailed report of what took place at our Explore Minnesota Tourism Council meeting this week but we had a special meeting regarding the covid-19 crisis and what it's doing to our industry. We spent a lot of time on the situation analysis update. Suffice it to say everything from events to resorts, convention facilities, lodging, travel agencies, there's tremendous concern on the part of our industry, in terms of revenue and employment. When our industry is going to be able to get back up and running. We talked a lot about ways that we as a state tourism office whose job it is primarily to market the state can respond to that. As we mentioned last time, where planning on a transitional campaign, sort of a soft campaign talking about the true nature of Minnesota, mentioning that when you're ready, when people are ready to start traveling, we are ready to greet you. And so that's a campaign that's going to have a lot of legs initially as we work through this recovery period. There will be opportunities for community involvement in terms of social and P.R., and we hope to get to a much larger campaign later on in the summer. That idea that we explain through the Council received a lot of support that that was the right message to get out right now, and people are a little reluctant to travel. I know our industry is doing so much to try to develop all the protocols and to greet travelers in a safe and responsible way. Marketing is very different than before. So we are planning on still hoping to launch the campaign, a little bit undefined when we're going to launch it. Hopefully in early May, sometime depending on what happens with the stay-at-home orders. That's going to be planned this spring. We also talked about other things regarding event funding which is pretty much gone for the session, as well as the expansion of the Council, and other marketing things down the road. We will have other meetings with the Explore Minnesota Tourism Council to deal with this issue, this crisis, and coming out of it. I also want to just say in terms of this call, again, I want to thank Kevin so much for the wealth of information he provided to our industry. We intend to have additional calls like this with the industry on a fairly frequent basis with additional updates and things you want to hear about and opportunities on how we can grow our industry and get back to some semblance of normality in the leisure and hospitality industry this year and beyond. So with that, thanks, everybody for participating. Hope you can enjoy the warm weather that everyone's going to enjoy. The pent-up demand want to travel and you do everything we can in Explore Minnesota to grow travel and tourism throughout this crisis and beyond. So with that, thanks again. Have a great rest of the day and a great weekend. Bye, everybody.

Kevin McKinnon: Thanks, John.

John Edman: Thank you, everyone.

