



June 14, 2021

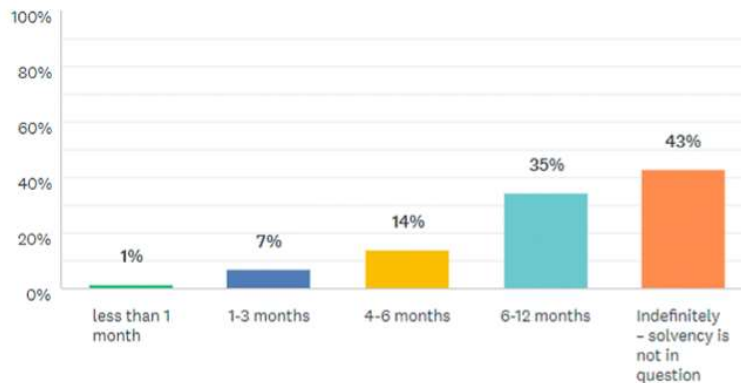
Dear St. Paul City Council:

Thank you for the opportunity to provide public comments on Ordinance 21-20 (also referred to as “Right to Recall”). We submit that the proposal as drafted is unnecessary and harmful in the current environment.

Hotel and event operators very much want to bring back their workers as fast as possible and it makes business sense to recall their most experienced and senior workers. While the *stated* purpose of the proposal before the council is to get these workers back to their jobs, *in practice* it does nothing to achieve that end because it doesn’t address the actual underlying fundamental problems: revenue for operators has been decimated and travel demand remains suppressed.

The 2021 occupancy rate in St. Paul hotels has been a dismal 37.2% (a full twelve points behind the national average of 49.2%). Hotels do not even *start to break even* until at least 50% occupancy. Due to shutdowns and travel restrictions, Minnesota’s hospitality industry lost \$10 billion in revenue in 2020 and tens of thousands of employees were laid off. Due to these devastating economic conditions, operators took on *significant debt* as their revenue was slashed, yet bills for mortgages, leases, utilities, insurance, vendors and taxes continued unabated. Many operators are now digging out of a financial hole. According to a May survey by the Federal Reserve Bank of Minneapolis, Explore Minnesota Tourism and Hospitality Minnesota, 57% of hotel operators remain in jeopardy of bankruptcy in the next year:

MAY 2021 HOTEL/MOTEL: Solvency: Under current business conditions, how long could your firm remain solvent?



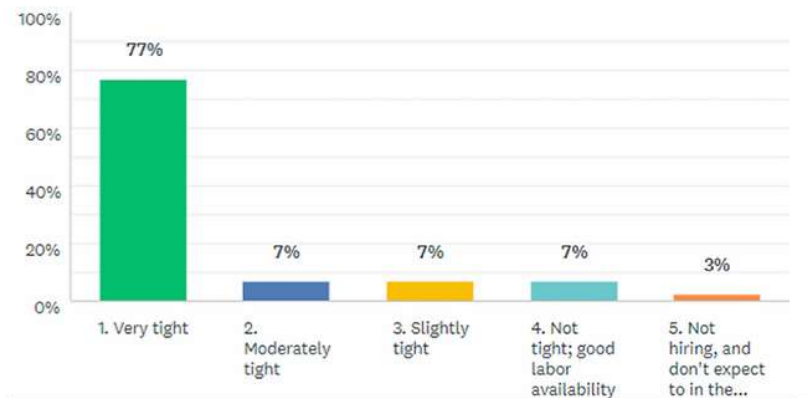
Unlike other states, Minnesota did not create a business grant relief program targeted for hotels/events (see Wisconsin and Nebraska for regional examples). If St. Paul is serious about economic recovery for this critical industry and its workers, we encourage the city to leverage American Rescue Plan funds to stand up a business grant program that can help hasten recovery (see Washington D.C. as one model).

Hospitality Minnesota has advocated for industry workers from the start of the pandemic. Along with our national partners, we effectively secured \$1.5 billion in Paycheck Protection Program funds, with an estimated \$900 million going toward worker wages. We also advocated for accelerated unemployment benefits, direct stimulus checks, housing and food insecurity protections and other critical lifelines. Many

hoteliers have also covered extended healthcare costs, tackled housing insecurity and food insecurity head-on from their kitchens and much more to aid employees wherever circumstances allow.

Operators that are now beginning to call back employees and try to find workers are reportedly having a hard time getting workers to come back. Many have left the industry. Others are hesitant to return for a variety of factors. In fact, based upon the May survey referenced above, 91% say labor availability is currently tight (77% very tight):

MAY 2021 HOTEL/MOTEL Labor Availability: How would you describe labor availability for any open or recently filled positions at your company?



This is despite reports that 89% of Minnesota hotels are currently hiring and/or recalling furloughed workers.

Frankly, neither the data nor the industry reports appear to support the allegation that hotels are not calling back their workers. The divisive narrative pitting hotels against workers is unnecessary and unfortunate, given that we all need to be working together (operators, workers, and government) to aid in the speed and depth of economic recovery for this industry and its nearly 300,000 jobs in Minnesota.

Given the facts on the ground we do not think the proposed ordinance is necessary and instead will be counterproductive because it creates unnecessary regulatory and reporting burden at a time when these businesses cannot afford any additional costs. The proposed ordinance is *also* going to be confusing to workers, as it prioritizes *systemwide seniority* within an enterprise over experience within a division. At a minimum, the council should consider modestly amending the priority section to make it clear that experience matters, rather than a blind nod to seniority within the enterprise.

The intent of the proposal is to ensure that laid off employees are offered their jobs back when the job re-opens or is posted. We have no opposition to this and indeed, this goal appears to be accomplished by 233A.02 (b)(1):

“(a) Priority for Laid-off Employees. An Employer shall offer its Laid-off Employees all job positions which become available at a Covered Enterprise after this Chapter’s effective date and for which the Laid-off Employee is qualified. Such offers must be in writing, mailed to their last known physical address, and by email and text message to the extent the Employer possesses such information.

(b) A Laid-off Employee is qualified for a position if the Laid-off Employee:

(1) held the same or similar position at the time of the Laid-off Employee’s most recent separation from active service with the Employer; or”

However, if the employee contemplated by (b)(1) declines to accept the offer for any reason, under (b)(2) the ordinance as currently drafted then requires the operator to offer the position to others strictly on a generic seniority basis, without regard for fit or qualification. This means that another employee within a given department that has the best skills or qualifications to do the job in question would then be skipped over by employees that have seniority, even if they've never done the job and do not have the skills or qualifications to do the job. We do not think this makes sense for the operators or the workers in question, and suggest that the following modest amendment be made:

~~“(2) is or can be qualified for the position with the same training that would be provided to a new employee hired into that position. Has prior experience at the position or the same type of skill set required by the position and would not require additional skill set training.~~

It is our understanding that a similar amendment was adopted by the cities of Baltimore and San Francisco in connection with their ordinances. We do not believe that this modest change undermines the intent of the proposal, and we offer this suggestion as one way to improve it for all the parties involved if the proposal moves forward.

As events and travel do begin returning to St. Paul, hotel operators will continue to be highly motivated to bring back employees who are ready to return to work and are already well-trained for their roles. But hoteliers must have some flexibility in this space in order for an efficient recovery to occur for employer, employee and guest. We ask that you strongly consider making the modest amendment we have suggested to the Ordinance to improve its clarity for all parties.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Liz Rammer".

Liz Rammer
President & CEO