

NCRLA

NC Restaurant
& Lodging Association



BLUEPRINT FOR REVIVAL

OF THE NORTH CAROLINA HOSPITALITY INDUSTRY

A Survival and Recovery Plan for NC Restaurants and Hotels





OVERVIEW

NC restaurants, hotels, and taverns have been disproportionately hurt by the COVID-19 pandemic. Stay-at-home orders along with government-mandated capacity restrictions and regulations — coupled with declining consumer confidence — have reduced sales revenues and increased the cost of business operations. Efforts to protect public health and safety have led to significant job loss and reduced the quality of life in many communities.

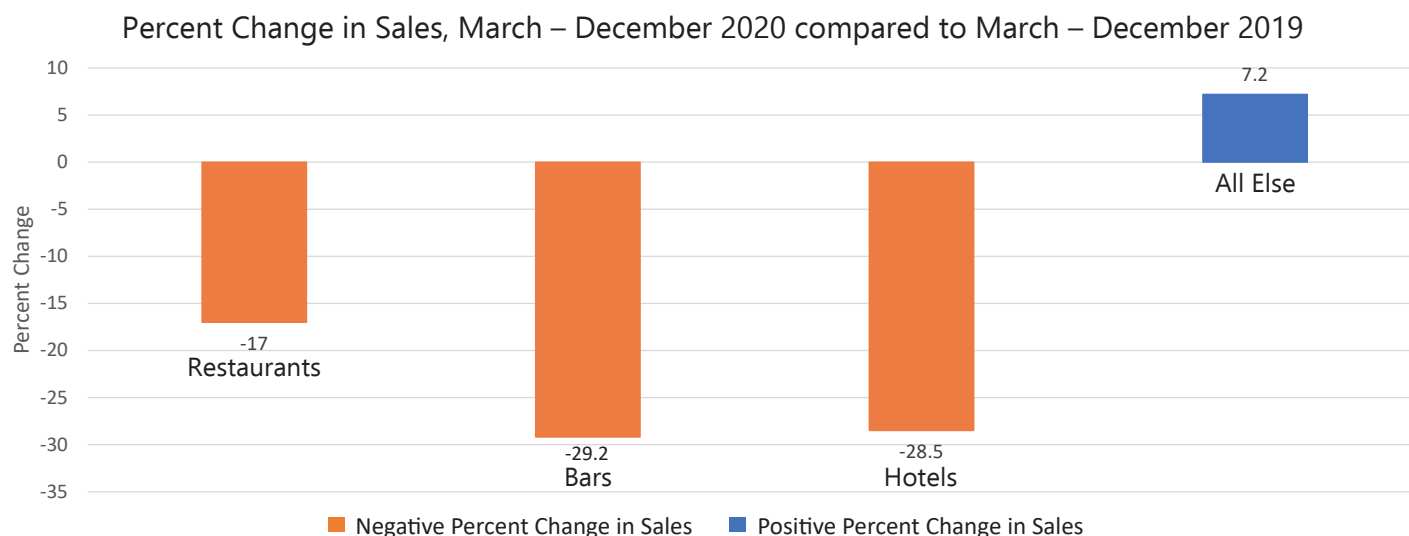
The reduction of business and leisure travel, and the forced cancellation of meetings, conventions, weddings, and sporting events have resulted in a significant reduction in hotel stays and corresponding restaurant and hotel sales. The shift to work-at-home has left cities, urban centers, and office buildings empty, resulting in less lunchtime and after-work restaurant and bar sales. Rural areas have been especially hard hit by restrictions, the reduction in demand, and the cancellation of festivals and events.

In early 2020, the NC hospitality industry:

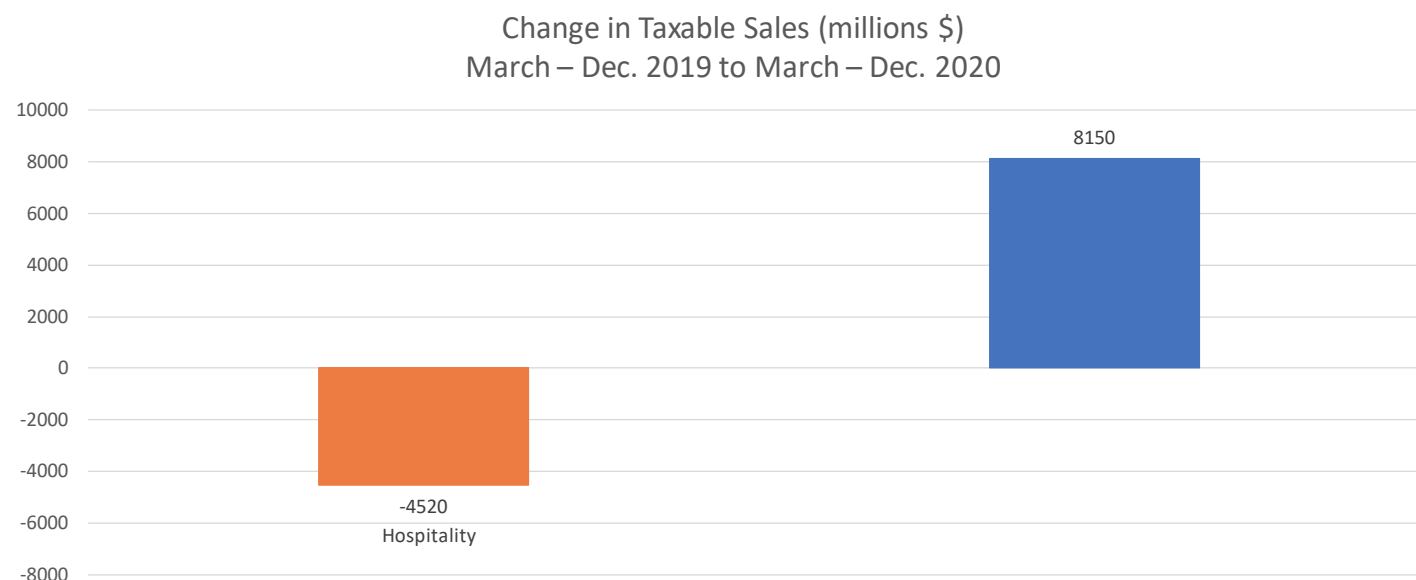
- Included 20,000 restaurants and food-service establishments
- Encompassed nearly 2,000 lodging properties
- Provided jobs for 530,000 North Carolinians
- Represented 11 percent of the state's workforce
- Generated approximately \$3 billion in state and local tax revenues annually

THE ECONOMIC IMPACT ON HOSPITALITY IS STAGGERING

The disproportionate effect on the hospitality industry is extreme. Taxable sales from the hospitality industry throughout the pandemic have fallen 15 – 30 percent across the industry, while overall North Carolina taxable sales have increased by 7.2 percent.



Between March 2020 and December 2020, taxable sales from North Carolina hotels, restaurants, and taverns **declined \$4.5 billion from the previous year**. Over that same time period, **taxable sales for all other sectors grew \$8.1 billion**.



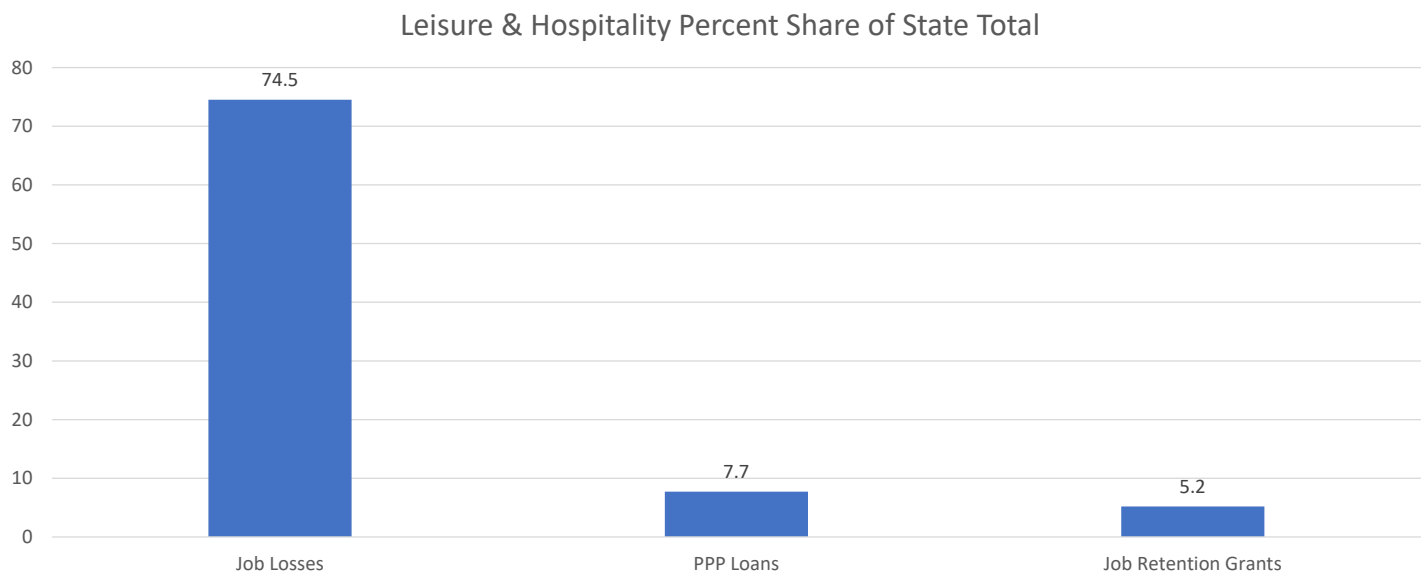


This revenue loss means that hospitality business owners had to make severe and painful cutbacks in jobs. The hospitality sector posted a 20 percent decline in employment from February levels, while other sectors of North Carolina’s economy posted a 0.9 percent decline. The leisure and hospitality sector employs 11 percent of working North Carolinians, but accounted for 75 percent of the job loss.

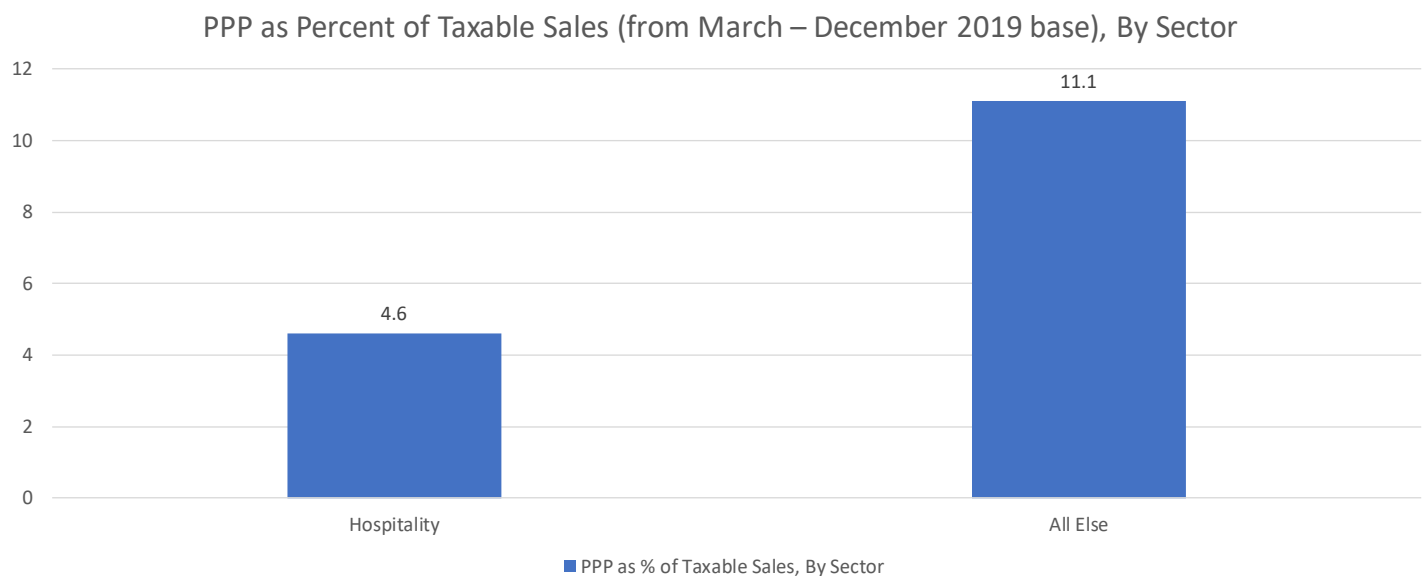
	February 2020	December 2020	Change in Jobs	% Change in Jobs
Leisure/Hospitality	510,000	407,000	-103,000	-20.2%
All Other Sectors	4,060,200	4,025,000	-35,200	-0.9%
Total Employment	4,570,200	4,432,000	-138,200	-3.0%
L/H % of Total	11.1%	9.4%	74.5%	

FEDERAL AND STATE ASSISTANCE HAS BEEN HELPFUL AND WELCOME

State and federal relief programs have not been sufficient to mitigate the losses experienced by North Carolina's hospitality industry.



The first round of the federal Paycheck Protection Program provided \$13.5 billion in assistance to North Carolina businesses. NC hotels, restaurants, and taverns received \$1.03 billion — about 7.7 percent of the federal assistance. But while PPP has replaced 4.6 percent of the sector's taxable sales, PPP accounted for 11.1 percent of all sector sales.



Other Programs Have Not Been Targeted

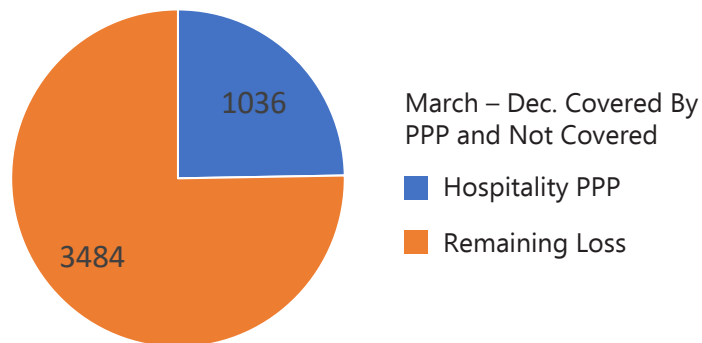
Job Retention Grant Program \$67 million

- Could not have received PPP to apply
- Had to maintain at least 90 percent of payroll
- Leisure & Hospitality accounted for 5.2 percent of applicants and even lower percent of grant monies

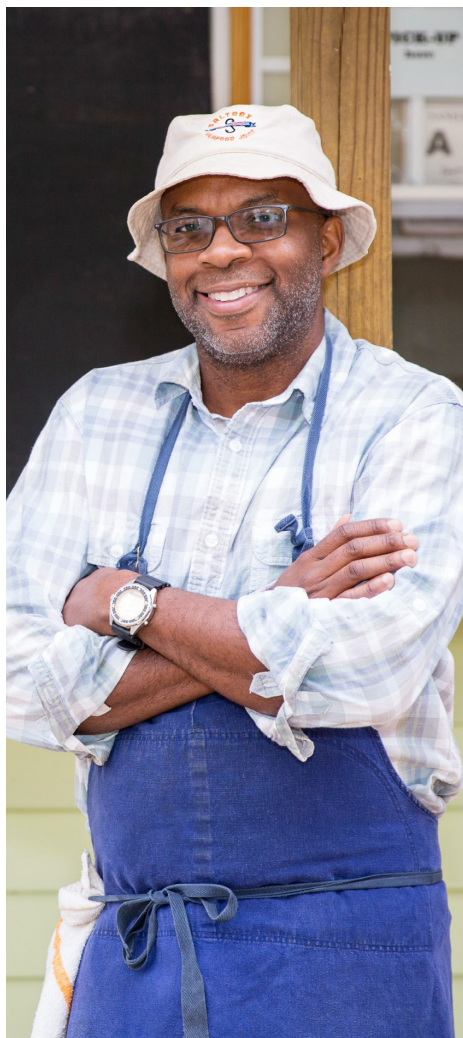
Mortgage, Utility, Rent Relief Program \$27 million

- Helpful to businesses entirely shut down
- Limited to full-service restaurants (represents 47 percent of all restaurants)

Aid is Appreciated, But Not Sufficient \$3.484 Billion Remaining in Losses



The state and federal relief provided to NC restaurants, hotels, and taverns to date has only covered approximately one quarter of the \$4.52 billion in losses they have incurred as a result of government-mandated closures and capacity restrictions, leaving \$3.484 billion in remaining losses.





GOVERNMENT RELIEF IS NEEDED FOR SURVIVAL

Immediate government relief is needed for short-term survival and long-term recovery. The North Carolina Restaurant & Lodging Association (NCRLA) proposes the following programs and legislation to help restaurants, hotels, and taverns survive and recover:

NC Hospitality Assistance Program (\$300 million)

NCRLA Supports:

- Providing direct stimulus to NC restaurants, bars, and hotels that have experienced a 15 percent decline in annual taxable sales revenue for at least one quarter in 2020 (compared to 2019) as determined by the NC Department of Revenue
- This \$300 million fund represents only 10 percent of uncompensated losses that businesses have experienced during COVID-19
- NCDOR will verify the decline of more than 15 percent in taxable sales from 2019 to 2020, and calculate 10 percent of the difference between 2019 and 2020 in taxable sales
- The amount an eligible business may receive under this program will be capped at \$500,000

- Use of funds will be limited to business expenses not otherwise funded by federal and state coronavirus relief grants, tax credits, direct payments, or forgivable loans

Funds can be used for:

- Rent or mortgage interest for the business location
- Payroll
- Local property taxes paid for the business location
- Uncompensated property damage
- Expenses related to addressing the pandemic (PPE, protective shields, etc.)
- Operating expenses not covered by other relief programs

Property Tax Payment Flexibility

NCRLA Seeks:

- Property tax relief for hospitality businesses that incurred significant



- revenue losses during the pandemic
- Waiver of interest and fees on 2020 property taxes retroactive to January 1, 2021
- Clarification of municipal and county authority to allow property tax payment plans
- Authority for commercial property revaluation for businesses adversely impacted by the pandemic

Property Tax Revaluation

NCRLA Supports:

- Legislation to allow commercial properties that have experienced diminished real estate value due to COVID-19 to request a property tax revaluation by appropriate local authorities ahead of the normal revaluation schedule

ABC Permit Extension

NCRLA Supports:

- Suspending annual fees for ABC-permit renewal applications and registration fees due for on-premise permittees, including restaurants, hotels, and bars

- Restoring, at no cost, ABC permits that have lapsed due to nonpayment

Paycheck Protection Program (PPP) Tax Exemption and Expenses Deductibility

The Payroll Protection Program (PPP) has been a critical lifeline for restaurants and hotels who took advantage of this forgivable loan program. The federal government has deemed that these loan proceeds are not subject to federal income tax and has allowed for full deductibility for business expenses paid for with PPP loan proceeds.

NCRLA Seeks:

- To have the NC state tax code mirror the federal code:
 - Loan forgiveness not taxable as income
 - Full deductibility of PPP loan proceeds used for business expenses

Workforce Development

NCRLA Supports:

- Funding to sustain and expand Count On Me NC, a public health and safety training initiative for hospitality industry

employees. Current funding for Count On Me NC expires March 15, 2021. Funding will allow the NCRLA Foundation to further develop and administer training materials, host training, and execute a public relations campaign. These efforts will include customer awareness initiatives related to the steps businesses are taking to ensure a safe environment

- Increased funding for hospitality workforce development initiatives at the high school level through work-based culinary and hospitality learning programs. Our ProStart program offers certification in culinary techniques and hospitality-management skills. ProStart's industry-driven curriculum provides real-life experience opportunities, builds practical skills, and lays a foundation to serve students for a lifetime

Sales Tax Exemption for Purchase of Personal Protective Equipment and Structural Enhancements

Restaurants, hotels, and taverns have incurred a significant increase in operating

expenses in order to comply with public health mandates for PPE, including face coverings, gloves, and hand sanitizer.

NCRLA Seeks:

- A sales tax exemption for the purchase of PPE required by the government for operating during COVID-19

Tourism Promotion

NCRLA Supports:

- Additional funding for state and local tourism marketing and promotion
- Funding an aggressive marketing campaign to rebuild trust and confidence in the safety of restaurants and hotels, and to support the return of leisure, business, and group travel

Sources:

*Quarterly Census of Employment and Wages, US Bureau of Labor Statistics
North Carolina Department of Commerce, Labor and Economic Analysis Division, Employment Data
North Carolina Department of Revenue, Monthly Sales and Use Tax Statistics*







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