

POST-PANDEMIC ERA CHALLENGES IN THE RETAIL INDUSTRY



Adverse Impacts for Minnesota Retailers and Customers
Workforce, Supply Side, Tax Rates, Labor Costs, Brick-and-Mortar

Prolonged Challenges

Pandemic related closures, workforce shortages, supply chain issues, and shifting consumer shopping patterns have resulted in sustained hardship for our members - both tenants and landlords. The number of retail bankruptcies from the immediate impact of the COVID19 pandemic exceeds that of the financial crisis of 2008. We continue to feel these burdens through:

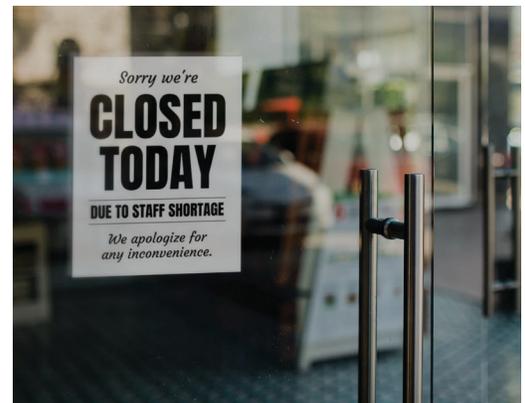
- Inflation, which leads to increases in goods and services.
- Continued supply chain issues for materials, equipment and even retail products.
- Continued workforce shortages resulting in short staffing, reduced hours, and outright closures.
- Increased online shopping.
- Lack of industry recovery from non-payment of rent, rent forgiveness, rent deferrals, and bankruptcies.

Asset to Communities

- Create and provide jobs enhancing Minnesota's workforce
- Support start-ups and business expansions
- Establish a vibrant, thriving, and safe communities



The Minnesota Shopping Center Association (MSCA) is a nonprofit trade association that was established in 1988. MSCA is the largest statewide organization devoted solely to the retail real estate industry. With 300 companies and over 500 members, the association represents a broad spectrum of industry participants, including retail center owners, brokers, developers, property managers, appraisers, retailers, contractors, architects, and vendors.



70%

of shopping center tenants are small businesses

Source: ICSC.com



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How the Legislature Can Help:

- **ELIMINATE THE STATE GENERAL LEVY**
 - Minnesota is the only state with a statewide property tax levy on commercial/industrial property for the general fund.
 - Result is an additional 25% tax burden on businesses above local property taxes.
 - Money doesn't directly support local communities like local property taxes.
- **REDUCE TAX BURDENS ON THE RETAIL COMMUNITY**
 - Minnesota ranks in the top ten worst state business tax climates.
 - Taxes are a pass-through on to tenants, which ultimately gets passed onto consumers.
 - Support other measures that reduce property tax burdens on business.
- **LESSEN GOVERNMENT HARDSHIPS**
 - Support the reduction of municipal and Metropolitan Council fees that include everything from building and permitting, to sewer availability charges (SAC), to special local taxing districts.
 - Prohibit the ability of municipalities push to expand fees, which are detrimental to the start-up, success, and expansion of businesses.
 - Support public/private partnerships instead of unfunded mandates.
 - Support efforts to streamline construction permit approvals at state, county and local levels.
 - Prohibit electric vehicle charging station mandates on businesses but rather provide incentives.

MSCA PRESIDENTS STATEMENT

“As the COVID-19 pandemic slowly comes to an end, the Minnesota Shopping Center Association is still dealing with the effects on our brick-and-mortar retail, restaurants, entertainment, and commercial gathering locations. Workforce shortages, inflation, supply chain issues, and increasing changes to modern shopping moving more to online continue to remain obstacles. Reducing burdens on businesses through the reduction of taxes and fees are ways the legislature can help our businesses to recover and expand, which directly impacts our local communities. Our businesses have had an extra tax burden placed on them for almost 25 years that doesn't go to enhancing local communities, but to the state's general fund to be used at the discretion of the legislature.

We look forward to working with the legislature to reduce our burdens and find additional ways to restore our brick-and-mortar businesses and strengthening Minnesota's economy.”

— Emilee DeCoteau, 2023 MSCA President
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