

BUSINESS

Minnesota's small businesses bear biggest burden of the COVID recession

It is forcing many into decisions they never thought they would have to make.

MAY 3, 2020 — 2:00PM



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Pub owner Mike Mulrooney, like many small-business owners, is being forced by the coronavirus shutdown into decisions he never thought he would have to make.

Mulrooney, who owns pubs Pog Mahone's in downtown Minneapolis and Blarney Pub in Dinkytown, closed them both on St. Patrick's Day, missing a big day for Irish-themed joints.

Last Thursday, he and other Minnesota pub owners learned they wouldn't be able to open Monday. Gov. Tim Walz extended for two weeks a stay-home order and restrictions on most businesses, though he allowed some retailers to offer curbside pickup.

It will be next week before Walz decides whether he will allow other businesses to open on May 18.

Mulrooney said he needs downtown to reopen soon, at least partly. And he needs flexibility on government-guaranteed loans to get through the next few months.

"We've lost \$500,000 to \$700,000 in revenue between the two businesses," Mulrooney said. "And if school at the University of Minnesota is canceled in the fall, that will end small business in Dinkytown.

"The governor needs to say where we're going. If June 1, fine. I can live with that. There's an issue of public health and also an issue of the economy. I'll need the help of both my landlords. But I'm sitting on a pile of cash that can only be used for payroll. And there's only two of us working. Why can't I use some of that for rent?"

Mulrooney received a loan of more than \$150,000 from the federal government's Payroll Protection Program. It is forgivable if at least 75% of the funds are used to pay employees within two months of receipt of the loan. Mulrooney's furloughed employees are collecting unemployment from the state, plus \$600 weekly in federal payments.

Mulrooney said he doesn't begrudge them downtime compensation that can total more than their wages. Many have children who are home. However, he wants some flexibility on the SBA loan.

"I don't know that anyone has come up with a way to solve this, other than relief from the SBA," said Levi Smith, a business lawyer with Fredrikson & Byron who is on the firm's COVID-19 team. "As the law is written, the forgiveness period is only for the eight-week period that begins on the date that the lender disburses the loan to the borrower.

"The problem is that some of the business owners don't have sufficient payroll costs because they are essentially closed and at least most of the employees are not working. We're advising business owners to keep really good records of how they are using the loan proceeds. My understanding is that the lenders will make that decision based on guidance of the SBA."

The original wave of \$349 billion in payroll loans were first disbursed in mid-April. The federal Small Business Administration has acknowledged the payout conundrum for small businesses that can't reopen and indicated there may be flexibility.

"The rules around this are being further defined on nearly a daily basis," Rob Scott, administrator for the SBA's Great Lakes region, said in a prepared statement to the Star Tribune last week.



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Mike Mulrooney, behind his Pog Mahone's bar in Minneapolis, is one tenant of iMetro Property, co-owned by Mike Roess, right.

Mike and Ann Roess own the downtown building that's home to Pog Mahone's as well as small shopping malls in Burnsville and Woodbury.

"All of our [25] tenants who are payroll-protection loan recipients are saying the same thing: 'I need more than eight weeks to spend this money,'" Ann Roess said.

One tenant in Burnsville, a Jimmy John's franchisee, is doing a trickle of business and customers can't go in the store to be served. Three-location Elements Massage, which operates a location at the Roesses' Woodbury mall, is precluded from opening. Similarly, Jenny Lam, the owner of Pro Nails in Burnsville had hoped to reopen on Monday.

"They spent on fabricating flexible shields for their nail stations, as well as plastic gloves and masks," Mike Roess said.

Mulrooney paid full April rent of \$10,800 downtown, one of the few tenants of the Roesses' to do so. He can't use any more of the \$43,000 of his Pog Mahones SBA loan for rent under existing rules.

"I don't have the money for May rent," Mulrooney said. "If the landlords don't get paid, their banks don't get their mortgage payment. I think I should be able to use more of the money to pay rent. At least until the employees can come back."

Commissioner Steve Grove of the state economic development agency, son of a small-business owner, acknowledged last week that the commercial hardship since March has been disproportionately borne by small enterprises. The likes of giants Target, Walmart, Hy-Vee and even liquor stores are considered "essential," open and bustling.

Regulators and public health officials, assuming Minnesota continues to make progress against the virus, need to articulate the rules on seating distance, masks, gloves and otherwise that will let bars and restaurants start to plan a future later this month.

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