

A Review of the SBA's Grant Programs

Testimony Submitted by:

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Good afternoon Chairman Phillips, Ranking Member Van Duyne, and members of the Committee:

My name is Mark Maguire and I am the founder, co-owner and managing partner of Maguire Restaurant Holdings and CORE F&B in Dallas. We operate Maguire's Kitchen & Catering, a fine dining restaurant that opened in North Dallas in 1999, and two Gather Coffee Café locations, one of which has been temporarily closed due to COVID-19. Our companies provide jobs for over 60 people.

The restaurant business has provided the path and opportunity for my life's work. It has been my pleasure to build a career in hospitality with such companies as The Walt Disney World Co. in Florida and Paris, Carlson Restaurants Worldwide, and Maguire Restaurant Holdings in Dallas. I have served as the President of both the Texas Restaurant Association and the Greater Dallas Restaurant Association, and I remain active in both organizations. It has been my honor to serve as a leader in the Dallas restaurant community for the last 22 years.

Before the pandemic, restaurants and foodservice sites employed more than 15 million people, at one million locations across the United States. As an industry, we are the nation's second-largest private sector employer. But even after extensive hiring efforts this year, restaurants are still down 1.7 million jobs (or 14%) below their pre-coronavirus level. In Texas, the hospitality industry lost more jobs than any other major industry, and we're still struggling to rebuild.

My own example shows how the devastation of the pandemic continues to bring a tidal wave of challenges for restaurants. Even as business conditions begin to improve, it will take monumental efforts—even for the most prepared and successful operators—to rebuild. In my home state of Texas, closure orders have been lifted and we are allowed to operate at 100% capacity. Consumer demand is coming back strong and there are nights when we have to create wait lists. But even though we are allowed to operate at 100% capacity, we still have to block off tables in our restaurants because we cannot hire enough staff to service our guests. With so many hospitality operations reopening and gearing back up, the competition for staff is greater than it has ever been, causing our labor costs to skyrocket.

Further frustrating our recovery efforts are rising product costs. Just since January, we have seen our cost on poultry rise almost 40%, meat over 30%, cooking oils over 50%, and paper goods/to-go supplies up to 70%. And of course, that is only when we are lucky enough to get the product.

In the almost six years before the pandemic started, we only had to increase our menu prices once. Since March 20th of this year, we have had to implement two menu price increases just to keep our heads above water and offset the extreme increase in expense. We have yet to see an actual profit since the pandemic began, making it impossible to truly begin to turn the page on 15 months of losses.

Sadly, my example isn't unique. While restaurants are recovering and rehiring across the United States, they still need help to make up for \$290 billion in losses from the effects of COVID-19. 90,000 restaurants are closed permanently or long-term. On average, these restaurants had been in business for 16 years; 16% had been open for at least 30 years.

As difficult as the past 15 months have been, they would have been far worse without federal relief programs like the Paycheck Protection Program (PPP) and the Restaurant Revitalization Fund (RRF). In May of 2020, our flagship restaurant, Maguire's Kitchen & Catering, received its first PPP loan from the U.S. Small Business Administration (SBA). It worked beautifully—just as Congress had intended. We were able to keep all of our employees who wanted to continue working on payroll. We were able to catch up on our rent and overdue operating expenses and even build some cash reserves. But I believe I can say with a high degree of certainty that very few people in May of 2020 expected this pandemic to last as long and cut as deeply into the American economy as it has continued to do. We suffered through a second wave of infections and subsequent closures and restrictions. And the holiday season, from which we typically derive almost 70% of our annual profits, was a total bust—down over 80% from our norm. We were literally less than 30 days away from total shut down when we received a second draw PPP.

Again, our second draw PPP worked well, and we are able to continue operating and keep our employees working. But once again that short-term assistance is ending as we face new and equally sinister obstacles thwarting the industry's recovery. Where just a couple months ago there seemed to be a light flickering at the end of the tunnel, there is now a fog of darkness creeping back.

Even in Texas, most restaurants like mine are still a long way from reaching a stable business climate that will allow us to operate with planning and foresight. The PPP program provided immense and immediate relief—exactly the way it was intended. But it was crafted to be a temporary relief—to provide 2.5 - 3.5 months of funding to keep employees working and the lights on. As the devastating effects of this pandemic move into year two, we need long-term support to help us meet an unprecedented challenge. The RRF could be that bridge, if properly funded.

As you know, the RRF came out of bipartisan discussions on the RESTAURANTS Act, which secured over a hundred cosponsors in the House of Representatives. This bill would help the industry offset over \$290 billion in losses with \$120 billion in grants for eligible restaurants. The RRF reflects Congress' commitment to the hardest hit restaurants – thank you! By allowing smaller and mid-sized restaurants to access funds to offset losses in 2020 – with PPP loans deducted – lawmakers are safeguarding employee paychecks, helping small businesses manage debt, and supporting local communities of suppliers and farmers.

From my perspective, the SBA and the National Restaurant Association are deeply committed to program integrity with the RRF. In April alone, we were invited to and participated in more RRF educational webinars than I could count. The National and Texas Restaurant Associations continue to provide resources such as one-pagers, a Frequently Asked Questions document, application instructions, and grant expense trackers to help business owners navigate properly through the RRF application process and approved RRF use as well as required documentation.

However, one very real concern with the RRF remains. Because of unprecedented demand, thousands of eligible businesses are waiting in limbo with no way to access information on the

status of their grant application. And based on the numbers coming from SBA, many of these eligible grantees will not receive the grant they are so desperately in need of because the RRF is underfunded. The SBA reports over 303,000 small businesses applied for RRF within the first three weeks, seeking almost \$70 billion in relief. Thus, a \$41.4 billion deficit is likely to grow when we see the final application data.

Unfortunately, my businesses are likely to fall within this gap. At Maguire's Kitchen, even though revenues dropped over 35% from 2019 to 2020, we didn't qualify for the RRF because the PPP funds we received exceeded the amount of the drop in revenues. And while at that particular location we are encouraged by the increased guest traffic and bump in revenues, the aforementioned challenges pose substantial difficulties that are certainly preventing us from reaching anything remotely resembling normalcy in our operations.

On the other hand, we were able to apply for the RRF for both cafés. However, the status of that application has been "Under Review" in the SBA portal since May 5, 2021. We don't meet any of the priority categories, and many reports indicate that the money will run out before any non-priority group grants are funded, leaving us in a difficult position.

Without any RRF funding, my recovery plans will be forestalled once again. As mentioned, one of my cafés remains temporarily closed due to less than 10% occupancy in the office building it occupies. We have developed a secondary revenue stream through a ghost kitchen operation and plan to reopen it immediately if we receive the RRF grant. This would allow us to bring as many as 14 employees back into the workforce. The grant would also provide me with a longer runway to recovery for the other café location, where traffic from office workers is returning gradually.

I certainly understand there has to be a line drawn somewhere on where the funding will stop, but basing the grant eligibility on revenue drop versus PPP funding does not appear to take into consideration the actual and very precarious financial position of so many very different types of businesses. At Maguire's, we may very likely soon find ourselves back in that "30 days left" situation even though we did not qualify for the RRF.

I know there's a bipartisan commitment to the RRF within Congress, and so I'm hopeful the funding deficit and eligibility concerns can be swiftly addressed with a renewed commitment to restaurants across the country who are still weathering the fallout of this storm. RRF money will go directly to eligible businesses, allowing them to continue to provide the jobs that are fundamental to every district.

After 35 years in this industry, I know that restaurants represent much more than a meal. We're the economic engines for so many communities. We support entire supply chains, with restaurants representing over 51% of the Texas food dollar when the pandemic began. But perhaps even more important than that, we're pillars of the communities we serve.

I have been rewarded with the pleasure of watching hundreds of young high school kids who worked in my restaurants as hostesses, busboys, cooks, dishwashers, and servers go on to build beautiful families and hugely successful careers as doctor and nurses, lawyers and engineers, real estate developers, and law enforcement officers—and yes—even a few who

stayed in the hospitality business and now own their own restaurants and bars. Restaurants are in many ways a family, providing millions with their first and second-chance job. They're also the place we rely on to celebrate, to mourn, and to break bread together.

As the COVID-19 crisis recedes, our industry and our employees still need your help so we can continue to perform these critical roles for our communities. We've had an incredibly difficult year, as so many have. But by working with Congress, our state leaders, and groups like the National and Texas Restaurant Associations, I have much more confidence that the restaurant industry can, and will, rebuild.

Thank you for all you've done to help our industry through the pandemic, for the opportunity to testify today, and for your ongoing support.