



## Select Committee on COVID Economic Impact & Preparedness > Recovery HRA Report - April 20, 2019

We are entering Week 5 of the closure of Hawai'i's restaurants dining rooms. While a great many restaurant remain completely closed, there are indications that restaurants offering take out service are seeing increased participation. This is due in large part to the local print, radio and tv media picking up our cause and making the public aware of restaurant take out opportunities and several web sites with databases run by community volunteers and generous sponsors highlighting restaurants offering take out service. This also suggests an increase in consumer confidence in the safety of take out meals and that there is a persistent need for meals prepared outside the home.

Our On-Premise Liquor License members appreciate the Governor's Executive Order to allow Off Premise sales of alcohol in originally sealed containers. This clarifies the law and licensees can begin selling stock and providing this service to our customers.

Liquor License renewal application deadlines are scheduled for May - June every year with new licenses issued effective July 1st. Tax clearances are necessary and many closed restaurants don't have cash flow to pay Feb and March GET. If they miss the filing deadline they will lose their licenses and have to go through the lengthy reapplication process. Licensees that were current for January GET on Feb 20, should be permitted to make arrangements to settle overdue GET and get conditional tax clearance certificates. Fed tax clearance is also an issue for renewal.

Operating restaurants continue to add new tools and improve practices to ensure social distancing and reduce the chances for community spread during take out sale transactions.

The great majority of customers are showing an incredible willingness to comply with best practices by:

- Wearing masks

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- Limiting their numbers arriving to pick up food
- Following the 6' social distancing requirement
- Paying on line
- Using curbside pick up

All this is helping a segment of the restaurant industry manage to get by. It remains to be seen what dining room participation will be like when dining rooms re-open later.

Many of Hawai'i's restaurants have gotten PPP loan/grants approved. Another round of funding and application assistance is going to be necessary to help those that were not able to apply in the short window so they have a chance at survival. Being able to meet the forgiveness requirements and bring employees back to work while maintaining social distancing is every recipient's primary concern. Some employees are expressing reluctance to return to work in spite of the low rate of infection and the availability of masks and gloves, since they are in public facing positions. Local restaurant activity resurgence will be the initial opportunity to significantly reduce the state unemployment figures ahead of the travel, tourism industry and the restaurants in resort areas.

Going forward in the recovery period restaurants face the rising cost of operating in order to increase barriers to transmission and community spread. Masks, gloves, wipes, sanitizers, and additional labor will be necessary to continually sanitize surfaces, slow down food production / service to ensure the reduction of transmission. At the same time, there are likely to be social distancing requirements and a very gradual increase in consumer confidence which will mean sales levels will likely remain below the break even point for the foreseeable future. In particular fixed costs such as fire and casualty insurance, utilities, and rent represent the biggest fixed expenses.

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It's obvious that many restaurateurs feel they are in dire straits. The recovery period for the restaurant industry is going to be inconsistent between local and resort areas as well as general financial viability. Success across the board is going to depend on longer term protections from all levels of government and a "we're all in this together" consideration from our landlords.

### **National Restaurant Association Survey – April 17, 2020**

#### **Hawaii**

##### **Jobs**

- Eighty-eight percent of Hawaii restaurant operators say they have laid off or furloughed employees since the beginning of the coronavirus outbreak in March. Twenty-four percent of operators anticipate laying off or furloughing additional employees during the next 30 days.
  - Among restaurant operators that laid off or furloughed employees, the average reduction was 86 percent of the restaurant's total staff.
  - Based on these results, the National Restaurant Association estimates that more than 53,000 restaurant employees in Hawaii have been laid off or furloughed since the beginning of the coronavirus outbreak in March. This represents at least 75 percent of the 70,700 employees that were working at Hawaii's eating and drinking places in February.

##### **Sales**

- One-hundred percent of Hawaii restaurant operators say their total dollar sales volume during the period from April 1 to April 10 was lower it was during the same period in 2019.
  - On average, restaurant operators reported a 79 percent decline in sales during the period from April 1 to April 10.
  - Based on these results, the National Restaurant Association estimates that the Hawaii restaurant and foodservice industry will lose more than \$380 million in sales in April, if the trends continue through the end of the month.

##### **Other Actions Taken or Anticipated**

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- Fifty-nine percent of Hawaii operators say they continued operating but for off-premises traffic only. Forty-nine percent of operators anticipate operating for off-premises traffic during the next 30 days.
- Sixty percent of Hawaii operators say they temporarily closed their restaurant since the beginning of the coronavirus outbreak in March. Fifty-one percent of operators anticipate temporarily closing their restaurant during the next 30 days.
- Four percent of Hawaii operators say they have permanently closed their restaurant since the beginning of the coronavirus outbreak in March. Seven percent of operators anticipate permanently closing their restaurant within the next 30 days.

### Percent of Hawaii restaurant operators who took or anticipate taking the following actions

Action	Took this action since start of coronavirus outbreak	Anticipate taking this action during the next 30 days
Lay off or furlough employees	88%	24%
Continue operating but for off-premises traffic only	59%	49%
Temporarily close the restaurant (with plans to reopen)	60%	51%
Permanently close the restaurant (with no plans to reopen)	4%	7%

Source: National Restaurant Association, national survey of more than 6,500 restaurant operators conducted April 10-16

Note: With the exception of permanently closing the restaurant, the 'taken' and 'anticipated' actions are not mutually exclusive.

### The Independent Restaurant Coalition Survey

Additionally The Independent Restaurant Coalition survey released April 16 revealed that nationally nearly three in five restaurant operators said they could only survive between one week and one month more given the current economic climate and local lock downs.

As many independent restaurants struggle to hear back from their prospective lenders, confidence levels are waning. Here are more findings from IRC's survey data:

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- On average, small restaurants have laid off 91% of their hourly workforce and 70% of their salaried workforce since April 13.
- More than 38% of restaurants surveyed closed temporarily (or possibly permanently).
- 28% of restaurants in cities with mandatory closures said they don't believe they can survive the month.
- More than half of restaurants surveyed reported needing \$100,000 over the next quarter in order to reopen successfully.
- The biggest challenge operators believe they face is a slow return of customers (41%), while the most immediate cash challenge is to pay rent (39%).
- More than half of restaurants have taken on \$50,000 or more in new debt since the coronavirus crisis started