

HB2411 HD2

Measure Title: RELATING TO INTOXICATING LIQUOR.

Report Title: Liquor License; Brewpub License; Small Craft Producer Pub License; Retail Locations; Intoxicating Liquors; Growler Law; Recyclable Containers; Direct Shipping; Manufacturers

Description: Clarifies that a class 14 brewpub licensee or class 18 small craft producer pub licensee may conduct liquor sales at multiple, appropriately licensed premises. Specifies that brewpubs and small craft producer pubs may sell malt beverages in growlers that may be recyclable containers and do not exceed one gallon. Permits direct shipment of spirits and beer to customers under the same conditions as currently permitted for direct shipment of wine. (HB2411 HD2)

Companion: [SB2711](#)

Package: None

Current Referral: CPH

Introducer(s): YAMASHITA, AQUINO, BROWER, CULLEN, DECOITE, FUKUMOTO, HASHEM, ICHIYAMA, ITO, JOHANSON, C. LEE, LUKE, MCKELVEY, MIZUNO, MORIKAWA, NISHIMOTO, SAIKI, SAY, TAKAYAMA, TAKUMI, TOKIOKA, YAMANE, Kong, San Buenaventura

**LIQUOR COMMISSION
CITY AND COUNTY OF HONOLULU**

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ASSISTANT ADMINISTRATOR

April 2, 2018

The Honorable Rosalyn H. Baker, Chair
The Honorable Jill N. Tokuda, Vice Chair
and Members of the Committee on Commerce,
Consumer Protection, and Health

Hearing: Tuesday, April 3, 2018
9:35 AM; Room 229

Position: Comments on HB 2411 HD2, Relating to Intoxicating Liquor

Dear Chair Baker, Vice Chair Tokuda, and Members:

The Liquor Commission, City and County of Honolulu (Commission), appreciates the opportunity to submit testimony providing comments on House Bill 2411 HD2, Relating to Intoxicating Liquor.

The Commission fully supports legislation that both enables licensees to expand their businesses but also gives reasonable flexibility to regulators in addressing the changing nature of the liquor industry. At the hearings before the Committees on Economic Development & Business, Consumer Protection & Commerce, and Finance, we submitted comments on parts of Section 1 of House Bill 2411 in an attempt to clarify the expected impact of the proposed measure, particularly as the four county liquor control jurisdictions may not implement the licensing of the secondary location(s) in similar fashion.

Secondary Location(s) as a Different Class of License.

As written, a Class 14 Brewpub (Brewpub) or Class 18 Small Craft Producer Pub (SCP Pub) would be permitted multiple secondary locations in a second county if "... *properly licensed* ... within the county of operation." This *licensing* language likely would be interpreted to require the Brewpub or SCP Pub licensee to go through public hearing as provided in Sections 281-57 to 281-60, Hawaii Revised Statutes, as amended (Public Hearing)[1] in order to establish a second location as any of the listed license classes.

Currently, a holder of a Brewpub or SCP Pub license is able to apply for a liquor license of whatever type independent of the Section 1 proposed language. If a concern to the licensee, "brand" identity would be furthered through use of the same trade name. Therefore, the Section 1 proposed language pertaining to *properly licensing* the secondary location in the county of

[1] In Honolulu County, Public Hearing in accordance with these sections would require both a preliminary and a public hearing, with notices of the public hearing being published in the newspaper and mailed out to not less than two-thirds of the owners and lessees of record and registered voters situated within 500 feet of the proposed second location premises.

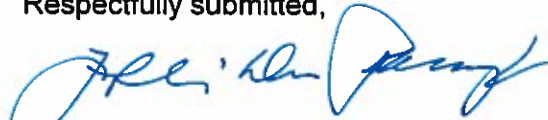
operation would appear to be unnecessary. As the four counties are not in agreement as to what type of "public hearing" the license application in the second location should be subjected to, or what constitutes "proper licensing" of this type of second license, any anticipated efficiencies for licensing of the second location cannot be determined at this time.

Deletion of Requirement of Same Ownership of Secondary Location(s)

The deletion of the same ownership requirement for the secondary location(s) may be problematic for the Commission. Without statutory standards or implementing rules, the Commission would be unable to determine which entity related to the principal Brewpub or SCP Pub licensee should be accorded secondary location status and treatment. Under current law and procedures, an entity related to an existing Brewpub or SCP Pub could apply for a license of any class and in any county independent of the proposed measure.

The Liquor Commission appreciates the opportunity to provide testimony on House Bill 2411 HD2, Relating to Intoxicating Liquor.

Respectfully submitted,



FRANKLIN DON PACARRO, JR.
Administrator

FDP:ACH



Cindy Goldstein
Executive Director
Hawaiian Craft Brewers Guild
98-814 C Kaonohi Street
Aiea, HI 96701

HB2411, H.D.2
Relating to Intoxicating Liquor; Growlers, Satellite Location, Direct Shipping

Senate Committee on Commerce, Consumer Protection and Health
Tuesday, April 3, 2018 at 9:35 a.m. Conference Room 229

Chair Rosalyn Baker, Vice Chair Jill Tokuda, and Members of the Senate Committee on
Commerce, Consumer Protection, and Health

Position: **Support with amendments**

We offer the following amendments:

- 1) Allow class 18 licensees to manufacture up to 125 thousand barrels of malt beverages
Page 4, line 20, insert: (1) (A) Shall manufacture not more than 125 thousand barrels

- 2) Use of terminology for satellite location rather than second location
 1. Page 4, line 6, add "satellite"
(B) The other satellite locations operate under the same trade
 2. Page 4, line 8, add "satellite":
(C) The other [~~location is~~] satellite locations are
 3. Page 4, line 16, add section (D)
(D) The county liquor department of the county in which the licensee satellite is located shall have jurisdiction of the satellite. All requirements of the license class of the location shall be in effect as required by county liquor commission for the satellite licensed premises.
 4. Page 8, line 9, add "satellite":
(B) The other satellite locations operate under the same trade
 5. Page 8, line 11, add "satellite":
(C) The other [~~location is~~] satellite locations are
 6. Page 8, line 19, add section (D)
(D) The county liquor department of the county in which the licensee satellite is located shall have jurisdiction of the satellite. All requirements of the license class of the location shall be in effect as required by county liquor commission for the satellite licensed premises.

The Hawaiian Craft Brewers Guild is a non-profit Hawaii trade organization that seeks to promote production of independent craft beer in Hawaii. The number of independent craft breweries in Hawaii continues to grow, and several breweries have recently, or are in the process of expanding. The Hawaiian Craft Brewers Guild is united in our pursuit to promote economic activity for Hawaii's beer manufacturers and enhance opportunities in our communities. Our members represent the

majority of the craft beer producers in Hawaii, with members producing 100% of their beer in Hawaii.

HB2411, H.D.2 includes three subject areas under HRS Section 281 addressing inconsistencies and increasing uniformity in laws regarding liquor manufacturing and sales. The Hawaiian Craft Brewers Guild continues to discuss provisions of HB2411, H.D.2 with our county liquor commissions across the state to share common craft beer manufacturing terminology and increase understanding of legislation related to craft beer and liquor.

Growler containers

The Hawaiian Craft Brewers Guild supports the language in HB2411, H.D.2 for the term growler, simplifying and standardizing the term to mean a container of up to one gallon. Expanding the term growler to include recyclable or reusable container recognizes the environmentally friendly practices of small craft brewery customers and businesses and the expansion of types of container materials from glass to metal, plastic, and other recyclable or reusable materials.

Satellite location other than primary manufacturing premises

The Hawaiian Craft Brewers Guild supports HB2411, H.D.2 because it provides more consistency and uniformity for the craft beer producers across the state.

Small craft breweries start with an investment in a manufacturing location to begin production of their craft beer. Expansion to a satellite location often follows. HB2411, H.D.2 recognizes the expansion of Hawaii's craft breweries.

The brewpub or small craft producer license holder often has no intention of manufacturing at the second location, but will have the desire to carry out retail sales of their products at their satellite location. The "second location" clause is meant to address inconsistencies where the second location is in another county. If no manufacturing occurs at the satellite location, this should, by default, not require the same class of license (14, 18) but rather a class of license for the business activity at the second location such as a restaurant.

The class of license should reflect the activities of the operation. A satellite location establishment should not need a license to manufacture if there is in fact no production at the second location. A requirement for the same license as the primary location would be costly and time consuming, given that no manufacturing is part of the second satellite location. This was recently discussed with liquor commission representatives from across the state to more clearly explain and clarify that the production and manufacturing location would have the required class 14 or 18 license. As the brewery establishes a second location in the same or in another county, the satellite location should be expected to hold a class license that reflects the business activities at the location.

Direct shipment of liquor by producers

HB2411, H.D.2 proposes to expand HRS 281-33.6 direct shipping rules to allow reciprocity for not just wine, but also to include beer and spirits. Direct shipment of wine into and out of Hawaii is already allowed. Expanding the statute to allow defined amounts of beer, spirits and wine to be exported under the term liquor achieves parity across all three categories of beverage alcohol.

Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer in or out of State. HB2411, H.D.2 is proactive in providing an opportunity for Hawaii's craft beer businesses to offer products through direct sales to new markets and a wider customer base. This has the greatest benefit for small craft breweries that often cannot find wholesaler partners yet deserve access to market.

Direct shipping increases the viability of small craft breweries by allowing export of our products manufactured in Hawaii to current brewery fans and potential new customers. We support HB2411, H.D.2 that fosters expanded marketplace options for Hawaii's beverage alcohol manufacturers.

The Hawaiian Craft Brewers Guild appreciates consideration of HB2411, H.D.2 and the amendments offered above. We urge you to pass this bill. Thank you for the opportunity to provide testimony in support of HB2411, H.D.2.



March 30, 2018

Senate Committee on Commerce, Consumer Protection, and Health
Tuesday, April 3rd, 2018, 9:35am
State Capitol, Conference Room 229

Re: **HB2411 HD2**, RELATING TO INTOXICATING LIQUOR, SUPPORTING TESTIMONY

Aloha Chair Baker, Vice Chair Tokuda, and members of the Committee on Commerce, Consumer Protection, and Health,

My name is Garrett W. Marrero, I live in Kula, HI. We have locations on Maui in Lahaina and Kihei, and on Oahu in Waikiki and Kailua. We distribute across the Hawaii, 23 States, and 13 countries. We began in 2005 with 26 team members and have added more than 500 to our team. My wife and I were selected as the National Small Business Persons of the year in 2017 for our work at Maui Brewing Co. I'm writing on behalf of myself and our local family-operated business in support of **HB2411** which clarifies various items in current liquor laws; namely the second location clause, and the growler law. Additionally, passage of this bill will expand the current direct shipping laws to include Hawaii's breweries and distilleries.

I briefly cover the Growler and Direct shipping issues below and it seems those are widely supported. I focus more intently on the second location clause as it seems there are some inaccurate conclusions from testimony I have read.

Growler Clarification

This section is universally supported as it simplifies and clarifies rules. Current law is confusing and states a growler as up to "one-half gallon" but elsewhere states recyclable containers of "one gallon". Due to the growth of craft beer across the United States vendors now offer options in aluminum, stainless, plastic, ceramic and more in a multitude of sizes. We support the clarifying language where a growler be defined as "a recyclable and/or reusable container up to one gallon in size".

Direct Shipping

This seems to be universally supported by testimony submitted prior. Hawaii has specific Direct Shipping laws allowing the direct shipping of wine by wineries. The system exists to allow reciprocity; eg allow wine in, allow wine out. Taxes must be paid, licenses issued, proper shipping rules ensuring proper age of recipient and etc. We are seeking the change in these rules to allow the same rights afforded to Wineries be conferred to Hawaii's breweries and distilleries as we manufacture locally and wish to export our products directly. The majority of smaller breweries do not have access to distribution as they are often too small to attract a wholesaler partner. We feel that it is imperative to their survival that access be given to retail to consumers around the world. This serves to increase the viability of a small craft brewery and to increase Hawaiian exports bringing attention to the growing brewing scene in Hawai'i. In order to accomplish this, we feel that HRS 281-33.6 can expand upon its direct shipping rules to allow reciprocity for not just wine but beer

Handcrafted Ales & Lagers Brewed with Aloha
605 Lipoa Parkway, Kihei, HI 96753
808.213.3002

and spirits as well. This would also achieve fairness and parity across the three categories of beverage alcohol. The local wineries and distilleries support this amendment.

Satellite Taproom Location Clause

Currently as you see HRS 281 allows for Class 14 and 18 licensees to operate another location within the State so long as its properly licensed. This is to encourage and allow a producer to manufacture at one central plant and sell their products through other owned establishments. It does not make sense to have multiple manufacturing sites due to the extreme cost and complicated licensing at the Federal, State and Local levels. This clause was added in order to promote local manufacturing. Investing in one larger production facility yet allowing the retail rights to be conferred to additional locations in the State for retail but not manufacturing purposes. The current County system presents a challenge as the language in 281 is being misconstrued or just ignored. A clarification is necessary to ensure that a business manufacturing on one island, can sell its products on another island under the proper license.

Case in point, Maui Brewing Co. Waikiki cannot currently sell Maui Brewing Co. (MBC) products at retail as the current rules are being interpreted by the departments across two counties require a signoff of the "home" county. Unfortunately, the home county maintains they have no jurisdiction and therefore cannot give a ruling. As such, our cans of locally brewed beer that are sold at retail to visitors to our Kihei location and Kahana location cannot be sold to visitors of our Waikiki and I assume our soon to open Kailua location. This is contrary to the intent of State law meant to encourage not discourage local production and sale. To clarify further, we are not stating that a brewpub or SCP be allowed to brew or manufacture under second location, however they must be allowed to sell at retail. The rule needs clarification in order to direct Liquor Commissions to allow businesses to thrive across the State. The current State law is in place to do so and the directive needs to be made.

We have worked extensively with various LC departments and are confident in the language working for us all.

Thank you for the opportunity to offer these comments in support of the passage of HB2411.

Sincerely,



Garrett W. Marrero
CEO/Founder

Kauai Beer Company

James Guerber
4265 Rice Street
Lihue, HI 96766
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jim@kauaibeer.com



HB2411, H.D.2

Relating to Intoxicating Liquor; Growlers, Satellite Location, Direct Shipping

Senate Committee on Commerce, Consumer Protection and Health
Tuesday, April 3, 2018 at 9:35 a.m. Conference Room 229

Chair Rosalyn Baker, Vice Chair Jill Tokuda, and Members of the Senate Committee on Commerce, Consumer Protection, and Health

Position: **Support with amendments**

Offering amendments

- 1) Use of terminology for satellite location rather than second location
- 2) Allow class 18 licensees to manufacture up to 125 thousand barrels of malt beverages
Page 4, line 20, insert: (1) (A) Shall manufacture not more than 125 thousand barrels

My name is Jim Guerber and I am the President of the Kauai Beer Company, located in downtown Lihue, Kauai on Rice Street. We have been in business here since 2006 and began formally serving beer in September 2013. We have been instrumental in the effort to revitalize our downtown and are widely recognized for our contribution in that regard. We are in the process of renovating an adjacent space, which will dramatically enhance our ability to serve a larger customer base, increase production and increase our personnel, which is presently 34 full and part-time personnel.

The Kauai Beer Company supports HB2411, H.D.2 because it addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales, relating to the second location clause and the growler law. Additionally, passage of this bill will expand the current direct shipping laws to include Hawaii's breweries and distillers.

The following offers more details on the aforementioned three items:

Second location clause – Satellite Location

Provides more consistency and uniformity for craft beer establishments across the state. Breweries start up with a manufacturing location and when they expand to a second location, will want to sell their retail products at the new establishment, including the ability to sell at a second location under the same trade name in another county.

This bill promotes local manufacturing. Hawaii's craft breweries have more opportunities to get their products in the marketplace with this bill because it enables the retail sale of craft brewing products at a second properly licensed location, including when the primary manufacturing and second location are not in the same county.

Consistency in the Growler law

Growlers, crowlers, and other types of reusable and recyclable containers are very popular with our customers. Sales of our craft beer products in these containers continue to increase. We support the use of environmentally friendly container materials and expansion of the term growler to recyclable or reusable container.

The definition of growler is currently inconsistent for our business and our customers. We support using growler to mean "a recyclable and/or reusable container up to one gallon in size"

Direct Shipping

Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer out of state. This bill is proactive in providing an opportunity for direct shipping to new markets and a wider customer base.

Direct shipping increases the viability of small craft breweries by allowing export of our products to our current brewery fans and potential new customers.

Direct shipment of wine is already allowed. Expanding the statute to allow defined amounts of beer, spirits and wine under the term liquor achieves parity across all three categories of beverage alcohol, expanding marketplace options for Hawaii's beverage alcohol manufacturers.

Thank you for the opportunity to provide testimony in support of HB2411, H.D.2.

Sincerely,

Jim Guerber
President
Kauai Beer Company



April 1, 2018

HB2411, H.D.2

Relating to Intoxicating Liquor; Growlers, Satellite Location, Direct Shipping

Senate Committee on Commerce, Consumer Protection and Health
Tuesday, April 3, 2018 at 9:35 a.m. Conference Room 229

Chair Rosalyn Baker, Vice Chair Jill Tokuda, and Members of the Senate Committee on Commerce, Consumer Protection, and Health

Position: **Support with amendments**

I'm writing on behalf of our local family-owned and operated business, Kauai Island Brewing Co. in support of **HB2411 HD2** which clarifies various items in current liquor laws; namely the satellite location clause, and the growler law. Additionally, passage of this bill will expand the current direct shipping laws to include Hawaii's breweries and distilleries.

Satellite Location Clause

Bill HB2411, H.D. 2 provides more consistency and uniformity for craft beer producers across the state. We have seen small craft breweries in Hawaii start up in a first manufacturing location to begin producing their craft beer and then expand to a satellite location. As the brewery establishes a satellite location they often want to sell their retail canned and bottled products at the new establishment. This includes wanting to sell retail products at a satellite location under the same trade name in another county.

This bill promotes local manufacturing. Hawaii's craft breweries have more opportunities to get their products in the marketplace with this bill because it enables the retail sale of craft brewing products at a satellite properly licensed location, including when the primary manufacturing and second location are not in the same county.

Location other than primary manufacturing premises

Hawaii's craft breweries are increasing in number with the addition of new start up brewery businesses and expansion of existing businesses. Breweries may have an initial or primary manufacturing premises and expand with a new establishment, sometimes in a second county. The "satellite location" clause is meant to address inconsistencies where the second location may not be a production facility, to allow activities such as retail sales under the same trade name without requiring another manufacturing or Class 14 license. A brewery business may have no intention of manufacturing at the satellite location, but still have the desire to carry out retail sales of their products at their second

Brewery Location: 4350 Waialo Rd, Port Allen, HI 96705

Mailing Address: PO Box 215, Elele, HI 96705

www.kauaiislandbrewing.com

establishment. **This would be default not require the same class of license (14, 18) but rather a restaurant or retailer class license as no production would occur on site.** We support HB2411 HD2 with amendments which seeks to address and clarify inconsistencies.

Growler Clarification

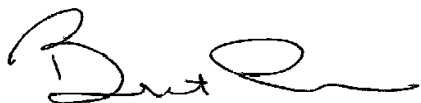
Current law is confusing as to the size that a growler can be sold in. In one place it specifies growler as up to “one-half gallon” but in next paragraph referring to recyclable containers states “one gallon”. The original law was written when only glass growlers were available. Due to the growth of craft beer across the United States vendors now offer options in aluminum, stainless, plastic, ceramic and etc. We’re proposing a simplification of 2 paragraphs into one where a growler be defined as a recyclable container up to one gallon in size.

Direct Shipping

Hawaii has specific Direct Shipping laws allowing the direct shipping of wine by wineries. This means a winery can send direct to consumer in Hawaii or outside the State. The system exists to allow reciprocity; in short if Hawaii want to allow shipping to other States, Hawaii must allow those States to ship to consumers here. Taxes must be paid, licenses issued, proper shipping rules ensuring proper age of recipient and etc. We are seeking the change in these rules to allow the same rights afforded to Wineries be conferred to Hawaii’s breweries and distilleries as we manufacture locally and wish to export our products directly. The majority of smaller breweries do not have access to distribution as they are often too small to attract a wholesaler partner. We feel that it is imperative to their survival that access be given to retail to consumers around the world. This serves to increase the viability of a small craft brewery and to increase Hawaiian exports bringing attention to the growing brewing scene in Hawai’i. In order to accomplish this we feel that HRS 281-33.6 can expand upon its direct shipping rules to allow reciprocity for not just wine but beer and spirits as well. This would also achieve fairness and parity across the three categories of beverage alcohol.

Thank you for the opportunity to offer these comments.

Sincerely,



Bret Larson
President, Kauai Island Brewing Company, LLC.
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bret@kauaiislandbrewing.com



Beer Lab HI

Derek Taguchi

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HB2411, H.D.2

Relating to Intoxicating Liquor; Growlers, Satellite Location, Direct Shipping

Senate Committee on Commerce, Consumer Protection and Health
Tuesday, April 3, 2018 at 9:35 a.m. Conference Room 229

Chair Rosalyn Baker, Vice Chair Jill Tokuda, and Members of the Senate Committee on Commerce, Consumer Protection, and Health

Position: **Support with amendments**

Offering amendments

- 1) Use of terminology for satellite location rather than second location
- 2) Allow class 18 licensees to manufacture up to 125 thousand barrels of malt beverages
Page 4, line 20, insert: (1) (A) Shall manufacture not more than 125 thousand barrels

My name is Derek Taguchi I live in Honolulu, Oahu and I am the CFO at the Beer Lab HI brewery doing business in Honolulu, Oahu. Our brewery began in 2016 with 3 employees. We now provide 12 jobs in Hawaii.

We at Beer Lab HI support HB2411, H.D.2 because this change will allow us to create additional store front locations to sell our beer without being impacted with additional liquor licenses and additional taxes. This rule change will also allow us to bottle and can our products for our customers to take home without having to get labeling approval from the federal government.

There will be a positive impact to our brewery because it will streamline the licensing and processes to allow us to concentrate on operating our business and giving back to the community.

We believe HB 2411, H.D.2 will serve to accomplish these goals of the Hawaii craft beer industry.

Beer Lab HI supports HB2411, H.D.2 which addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

Satellite locations - second location clause

HB2411, H.D.2 provides more consistency and uniformity for craft beer producers across the state. We have seen small craft breweries in Hawaii start up in a first manufacturing location to begin producing their craft beer and then expand to a second satellite location. If no manufacturing is intended for the second location, proper licensing would be expected for the type of establishment, but a manufacturing license should not be needed for the new establishment if no craft beer production occurs there.

This bill simplifies expansion to a satellite location when the primary manufacturing and second location carrying out retail sales are not in the same county. Craft beer producers often want to sell their canned and bottled retail products at the second outlet where no manufacturing takes place.

HB2411, H.D.2 allows more opportunities for Hawaii's craft beer manufacturers to get their products into the marketplace.

Consistency in the Growler law

Growlers, crowsers, and other types of reusable or recyclable containers are very popular with our customers. Most growlers were made from glass when customers first began to use them. Sales of our craft beer products in these containers continue to increase. We support environmentally friendly practices at our brewery and would like to have the term growler expanded to include recyclable or reusable container.

The definition of growler is currently inconsistent for our business and can be confusing for our craft beer customers. We support using growler to mean a container not to exceed one gallon.

Direct Shipping

Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer out of state. This bill is proactive in providing an opportunity for direct shipping to new markets and a wider customer base.

Direct shipping would allow reciprocity for Hawaii's producers with other states. Taxes are still paid, licenses issued, and proper shipping rules would be followed. HB2411, H.D.2 increases the viability of small craft breweries by allowing export of our products to our current brewery fans and potential new customers.

Direct shipment of wine is already allowed. Expanding the statute to allow defined amounts of beer, spirits and wine under the term liquor achieves parity across all three categories of beverage alcohol, expanding marketplace options for Hawaii's beverage alcohol manufacturers.

Mahalo for your consideration. We urge you to pass this bill.

Thank you for the opportunity to provide testimony in support of HB2411, H.D.2



April 2, 2018

HB2411, H.D.2
Relating to Intoxicating Liquor; Growlers, Satellite Location, Direct Shipping

Senate Committee on Commerce, Consumer Protection and Health
Tuesday, April 3, 2018 at 9:35 a.m. Conference Room 229

Chair Rosalyn Baker, Vice Chair Jill Tokuda, and Members of the Senate Committee on Commerce, Consumer Protection, and Health

Position: **Support with amendments**

Offering amendments

- 1) Use of terminology for satellite location rather than second location
- 2) Allow class 18 licensees to manufacture up to 125 thousand barrels of malt beverages
Page 4, line 20, insert: (1) (A) Shall manufacture not more than 125 thousand barrels

My name is Geoffrey Seideman, I live in Hawaii Kai, Oahu, and I am the Owner and Brewer of Honolulu BeerWorks brewery in Kaka'ako. Mahalo for the opportunity to submit testimony, I apologize that I could not be there in person as my growing business needs me present. I am writing on behalf of our local family-operated business, Honolulu Beerworks, in support **HB2411 H.D.2** which addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

Second location clause

Bill HB2411, H.D. 2 provides more consistency and uniformity for craft beer establishments across the state. Breweries start up with a manufacturing location and when they expand to a second location, will want to sell their retail products at the new establishment, including the ability to sell at a second location under the same trade name in another county.

This bill promotes local manufacturing. Hawaii's craft breweries have more opportunities to get their products in the marketplace with this bill because it enables

Honolulu Beerworks
328 Cooke St, Honolulu HI. 93813
808-589-2337

the retail sale of craft brewing products at a second properly licensed location, including when the primary manufacturing and second location are not in the same county.

Consistency in the Growler law

Growlers, crowlers, and other types of reusable and recyclable containers are very popular with our customers. Sales of our craft beer products in these containers continue to increase. We support the use of environmentally friendly container materials and expansion of the term growler to recyclable or reusable container.

The definition of growler is currently inconsistent for our business and our customers. We support using growler to mean a container not to exceed one gallon.

Direct Shipping

Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer out of state. This bill is proactive in providing an opportunity for direct shipping to new markets and a wider customer base.

Direct shipping increases the viability of small craft breweries by allowing export of our products to our current brewery fans and potential new customers.

Direct shipment of wine is already allowed. Expanding the statute to allow defined amounts of beer, spirits and wine under the term liquor achieves parity across all three categories of beverage alcohol, expanding marketplace options for Hawaii's beverage alcohol manufacturers.

Honolulu Beerworks is a small, independent craft brewery located in the heart of Kaka'ako. We opened in 2014 with 18 employees and have undergone 3 expansions since then. We now currently employ 36 and have our eyes on expanding again in the near future.

Mahalo for your consideration. We urge you to pass this bill.

Thank you for the opportunity to provide testimony in support of Bill HB2411, H.D. 2

Sincerely,

Geoffrey Seideman

Owner/Brewer

Honolulu Beerworks
328 Cooke St, Honolulu HI. 93813
808-589-2337



Lanikai Brewing Company
175 Hamakua Drive, Unit C
Kailua, Hawaii 96734
www.lanikaibrewing.com

1/31/2018

RE: HB 2411 HD2 Relating to intoxicating liquor.

Aloha Chair, Vice Chair as well as all members of the CPH committee,

Lanikai Brewing Company is a locally owned and operated Craft Brewery here on Oahu and we are in support of HB2411.

We are supportive of the Second location Clause as this will allow manufacturers like ourselves to open more locations across the state while keeping a single manufacturing facility. As the costs and process of creating a licensed manufacturing facility are high, it is logical that we can grow our manufacturing facilities larger to become more cost efficient and produce more products. While a process exists to allow us to create other manufacturing facilities on other islands, its cost prohibitive and negatively stunts growth to have multiple breweries all within the same distribution region. We are supportive that we can brew on one island and be properly permitted on any other license class on another island in a more clear and seamless manner. We request that the second locations be available under the same Brand but are not required to be the same license type.

We are supportive of the Growler Clarification as the current law is slightly confusing with flip-flopping between package sizing. This clarification allows more modern container packages also that did not exist previously. By making it a simple clarification of Up to 1 gallon, and a recyclable container it eliminates the ambiguity.

We are supportive of Direct Shipping as this will create parity among wine, spirits and beer. Reciprocity exists where to ship beer, wine or spirits to another State, Hawaii would allow beer, wine or spirits to be shipped in (includes new tax revenue, new licenses, as well as protective provisions for age verification). My company is a great example. We currently are working to export our 100% Hawaii made beer to the Mainland and beyond. However, due to Hawaii's imbalance between importing and exporting, there are no "less than container" loads for cold shipping. Therefore, for us to be able to open new markets, it requires us to sell 10-20 Pallets of product (Hundreds of thousands in value) and ship it to the new location. This is a giant financial risk as it does not allow us to methodically test new market and grow into them in a more fiscally responsible manner.

By Direct Shipping, we could prove to distributors that the market place is prepared for our products with concrete data to de-risk the opportunity for us as well as our future partners all while still growing jobs in Hawaii and expanding our distribution.

Thank you for the opportunity to send testimony. This bill will absolutely create new jobs here in Hawaii, strengthen our Made in Hawaii brand value for locals and visitors, as well as allow the industry to flourish and expand. Further, due to the costs of manufacturing here locally, this would allow us small business owners to be more competitive on the national scale furthering growth of jobs here in Hawaii.

Lanikai Brewing Company is an Island Inspired® authentic Hawaiian craft beer company making 100% of our brews here in Hawaii. We take our cues from premium, local, rare, and exotic ingredients grown by local farmers and foraged across the Pacific to bring you bold and flavorful beers that you will find nowhere else utilizing Hawaiian terroir. **Please note that variances in growing season conditions can impact batch-to-batch flavor and aroma profiles.

‘Ōkole Maluna,

Steven R Haumschild

Steve Haumschild, MBA
CEO & Brewmaster
Certified Cicerone®
Lanikai Brewing Company, Island Inspired™ Craft Beer



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April 2, 2018

Senate Committee on Commerce, Consumer Protection and Health
Tuesday, April 3, 2018 at 9:35 a.m. Conference Room 229

HB2411, H.D.2
Relating to Intoxicating Liquor; Growlers, Satellite Location, Direct Shipping

Senate Committee on Commerce, Consumer Protection and Health
Tuesday, April 3, 2018 at 9:35 a.m. Conference Room 229

Chair Rosalyn Baker, Vice Chair Jill Tokuda, and Members of the Senate Committee on
Commerce, Consumer Protection, and Health

Position: **Support with amendments**

Offering amendments

- 1) Use of terminology for satellite location rather than second location
- 2) Allow class 18 licensees to manufacture up to 125 thousand barrels of malt beverages
Page 4, line 20, insert: (1) (A) Shall manufacture not more than 125 thousand barrels

REAL a gastropub was founded initially in 2012 with 18 original employees as a community gathering place serving local cuisine and hand-crafted beers. We are relocating, rebuilding our flagship and incorporating a 7BBL brewery named Bent Tail Brewing Company into our new location at Keauhou Lane in Kakaako. We will be able to grow into a team of 40 Honolulu residents that sells award winning beers throughout Oahu and with a focus on using local sources for our food as we have since our opening and now add this principal to our beer. We have done this in the face of significant challenges to growth at all levels; financial, shipping, taxation, legislative and more. Changes like this bill can help us continue our success and help others to do the same. We appreciate the on-going support of all individuals and legislators who support issues which enable local manufacturers and businesses to thrive in Hawaii.

Growler containers

Current statute is confusing with growlers described as half gallon and as one gallon. REAL a gastropub / Bent Tail Brewing Company supports standardizing and simplifying the definition of growler to mean a container of up to one gallon. Initially growlers were made from glass. As their popularity has increased, growlers are now made from a wider range of environmentally friendly reusable or recyclable materials. We support terminology that reflects this change in container materials, defining growler as a recyclable or reusable container.

Location other than primary manufacturing premises

Hawaii's craft breweries are increasing in number with the addition of new start up brewery businesses and expansion of existing businesses. Breweries may have an initial or primary manufacturing premises and expand with a new establishment, sometimes in a second county. The "satellite location" clause is meant to address inconsistencies where the satellite location may not be a production facility, to allow activities such as dispensing and retail sales under the same trade name without requiring another production license. Often a small brewery can produce enough beer to support two dispensing and retailing locations thus allowing the small brewer to utilize some efficiency as an economy of scale. Original investments in even small production facilities can be enormous and multiple income streams from the economy of scale can help support small local manufacturers. A brewpub or small craft producer license holder may have no intention of manufacturing at the satellite location, but still have the desire to carry out dispensing and retail sales of their products at their satellite establishment. This would, by default, not require the same class of license (14, 18) but rather a restaurant or retailer class license as no production would occur on site. We support HB 2411 H.D.2 which seeks to address and clarify inconsistencies and expands retail and dispense operations of local craft brewers.

Direct shipment of liquor by producers

HB 2411 H.D.2 proposes to expand HRS 281-33.6 direct shipping rules to allow reciprocity for not just wine, but also to include beer and spirits. Direct shipment of wine is already allowed. Expanding the statute to allow defined amounts of beer, spirits and wine under the term liquor achieves parity across all three categories of beverage alcohol.

Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer in or out of State. HB 2411 H.D.2 is proactive in providing an opportunity for Hawaii's craft beer businesses to offer products through direct sales to new markets and a wider customer base. These are breweries that often cannot find wholesaler partners yet deserve access to market.

Direct shipping increases the viability of small craft breweries by allowing export of our products manufactured in Hawaii to our current brewery fans and potential new customers. We support HB 2411 H.D.2 that fosters expanded marketplace options for Hawaii's beverage alcohol manufacturers.

Hawaiian manufacturing and producers operate under the highest cost conditions of any State. This has served to limit the availability of true, locally produced selections and give rise to a host of "faux-Hawaiian" products. As an isolated State we must invest in local manufacturing, these are jobs with good wages and benefits that can provide careers for our residents. Further if Hawaii is to continue to compete in the world of tourism it is important for us to deliver an authentic Hawaiian experience in our products; this bill helps us to continue on our path of recent growth and success.

Mahalo for your consideration, We urge you pass this bill. Thank-you for the opportunity to provide testimony in support of HB 2411 H.D.2.

Sincerely,

Troy Terorotua

Troy Terorotua
Founder & Owner
REAL a gastropub / Bent Tail Brewing Co
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WAIKIKI BREWING COMPANY

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HB2411, H.D.2

Relating to Intoxicating Liquor; Growlers, Satellite Location, Direct Shipping

Senate Committee on Commerce, Consumer Protection and Health
Tuesday, April 3, 2018 at 9:35 a.m. Conference Room 229

Chair Rosalyn Baker, Vice Chair Jill Tokuda, and Members of the Senate Committee on Commerce, Consumer Protection, and Health

Position: **Support with amendments**

Offering amendments

- 1) Use of terminology for satellite location rather than second location
- 2) Allow class 18 licensees to manufacture up to 125 thousand barrels of malt beverages
Page 4, line 20, insert: (1) (A) Shall manufacture not more than 125 thousand barrels

My name is Joe Lorenzen. I live in Honolulu, on the island of Oahu, and I am a partner in and Brewmaster of Waikiki Brewing Company with business locations in Waikiki and in Kaka'ako.

We **SUPPORT HB 2411, HD2** for the following reasons:

The second location clause allows for us to increase our business (and therefore increase jobs and tax revenues) by allowing us to perform the same business operations at multiple licensed premises including other counties. This bill supports local manufacturing by allowing Hawaiian craft breweries more opportunities to get their product into the marketplace.

The clause that creates consistency in the definition of growlers allows for clarity for both retailers and consumers. Growlers are popular with consumers due to the sustainability of filling a re-usable container with beer. This law would help to add consistency to the definition of a growler while also allowing for new types of re-usable containers to be used, which further encourages sustainability by promoting re-usable containers as opposed to disposable.

The direct shipping clause allows new markets for Hawaiian craft brewers. While wine producers already enjoy the ability to ship their products direct to consumers, brewers and spirit producers do not. This bill allows for parity across all three categories of beverage alcohol, with producers able to increase revenues and manufacturing jobs in Hawaii by selling their products to fans in other states.

Mahalo for your consideration. We urge you to pass this bill.

Thank you for the opportunity to provide testimony in support of HB 2411, HD2.

Sincerely,

Joe P. Lorenzen



April 1, 2018

To: The Honorable Chair Baker, Vice Chair Tokuda and Members of the Committee on Commerce, Consumer Protection, and Health

From: Kona Brewing Co.
Mary Rait; Director, Regulatory Compliance and Government Relations

RE: HB2411 HD2; Relating to Intoxicating Liquor; **In Support – with an amendment**
April 3, 2018; Conference Room 229

Kona Brewing Co. appreciates the opportunity to provide testimony on a bill that advances the craft brewing industry in Hawaii. Kona Brewing Co. **supports the intent** of HB2411 HD2 with one proposed amendment.

Kona Brewing Co. runs our flagship brewery out of Kailua-Kona, Hawaii, and currently produces more than 12,000 barrels of beer per year on island. The company was started by a father and son team in 1994, who had a dream to create fresh, local island brews made with spirit, passion, and quality. Starting this spring, Kona Brewing Co. will be expanding our pub and brewery operations in Hawaii to include a new state-of-the-art, 30,000 square-foot facility. In addition to creating more local jobs, this expansion will increase our annual on-island production capacity from 12,000 to 100,000+ barrels of malt beverages. Kona Brewing Co. is proudly invested in the future of Hawaii, and therefore feels passionate about promoting the craft beer industry and advocating for environmental responsibility and sustainability.

HB2411 HD2 proposes to amend the production limits for class 18 (§281-31(r)(1)) license holders (page 4, line 20) from 60,000 barrels to 100,000 barrels of malt beverages. Kona Brewing Co. recognizes the importance of increasing this limit to accommodate the expected growth of the craft beer industry in Hawaii and are in support of the bill's intent. However, we believe this amount falls short of the potential growth of craft beer in the state and propose to increase the limit to 125,000 barrels of malt beverages. States like Arizona, Illinois, and New Mexico have set limits as high as 200,000 barrels. Increasing Hawaii's barrel limit to 125,000 would help promote growth, create good jobs, and improve economic development statewide so Hawaii's craft brew industry can innovate and thrive. Mahalo for the opportunity to provide testimony on HB2411 HD2.

Sincerely,

A handwritten signature in cursive script that reads "Mary Rait".

Mary Rait
Kona Brewing Co.