



March 11, 2018

House Committee on Economic Development & Business
Wednesday, March 14th, 2018, 9:30am
State Capitol, Conference Room 309

Re: **SB2711 SD1**, RELATING TO INTOXICATING LIQUOR, SUPPORTING TESTIMONY

Aloha Chair Evans, Vice Chair Keohokalole, and Members of the Committee on Economic Development and Business.

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 **SB2711** 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 "Satellite Location" clause (as we now call it) 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.

Second Location Clause aka “Satellite Locations”

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 concur with a majority of the comments of LC and would support with a discussion as to how they work into the overall goal. Recently we had the opportunity to meet with all county Liquor Departments and I believe we have a much deeper understanding together and support each other in these pursuits.

I am however concerned that in one case LC has stated that the location would need the same class of license. This would make no sense whatsoever. A Class 2 Restaurant or Class 4 Retailer license should be required. A Class 14 or 18 is specific to brewing beer on site and is a hybrid retail/manufacturing license. The 14 and 18 classes require proper zoning, Federal Brewers Notices, Wine Permits and Distillers Permits that are extremely cumbersome and expensive to secure. Further, the second location clause would be completely unnecessary because as a 14 or 18 you already have the rights that the second location clause allows, thereby negating the need for this clause at all. Again, we have been and will continue to work with the various liquor commissions to find the right language so long as we can accomplish the goal and support Hawaii manufacturing jobs and authentic local production and sale. Again this relates to selling at retail not brewing in the Second Location.

Thank you for the opportunity to offer these comments.

Sincerely,



Garrett W. Marrero
CEO/Founder

Handcrafted Ales & Lagers Brewed with Aloha
605 Lipoa Parkway, Kihei, HI 96753
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Kauai Beer Company

James Guerber

4265 Rice Street

Lihue, HI 96766

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March 11, 2018

House Committee on Economic Development & Business

Wednesday, March 14th, 2018, 9:30am

State Capitol, Conference Room 309

Re: SB2711 SD1 RELATING TO INTOXICATING LIQUOR,
SUPPORTING TESTIMONY

Aloha Chair Evans, Vice Chair Keohokalole, and Members of the Committee on Economic Development and Business.

Position: **Support**

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 SB2711 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 SB2711.

Sincerely,

Jim Guerber
President
Kauai Beer Company



Taps & Apps LLC.

Christopher Overton

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TapsandAppsHawaii@gmail.com

SB 2711 S.D.1, Relating to Intoxicating Liquor
House Committee on Economic Development and Business
Wednesday March 14, 2018 at 9:30 a.m. Room 309

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the House Committee on Economic Development and Business,

Position: **Support**

My name is Christopher Overton and I am the General Manager/Owner of the Taps and Apps Brewpub located in Mililani, HI. Our brewery began in 2015 with 20 employees. We now provide 35 jobs in Hawaii.

We support SB 2711 S.D.1 because it is a bill that will directly affect us and our brewpub.

This change will allow our operations to continue along our current path and will improve work flow and efficiency. Should our Brewpub choose to expand soon, it will promote faster growth and incur less expenses to small businesses like ours.

There will be a positive impact to our brewery because it will increase efficiency and promote expansion with less cost to our business and other small businesses like ours.

(I / Brewery Name) support SB2711, S.D.1 which addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

Satellite locations - second location clause

SB2711 S.D.1 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 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 under the same trade name 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.

SB2711 S.D.1 allows more opportunities for Hawaii's craft beer manufacturers to get their products into the marketplace.

Consistency in the Growler law

Growlers, crowlers, 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. SB2711, S.D. 1 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 SB 2711, S.D.1.



March 12, 2018

SB 2711 S.D.1, Relating to Intoxicating Liquor
House Committee on Economic Development and Business
Wednesday March 14, 2018 at 9:30 a.m. Room 309

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the House Committee on Economic Development and Business,

Position: **Support**

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 **SB2711 S.D.1** which addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

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.

Satellite locations - second location clause

SB2711 S.D.1 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 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 under the same trade name are not in the

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

same county. Craft beer producers often want to sell their canned and bottled retail products at the second outlet where no manufacturing takes place.

SB2711 S.D.1 allows more opportunities for Hawaii's craft beer manufacturers to get their products into the marketplace.

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. SB2711, S.D. 1 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 SB2711 S.D.1.

Sincerely,

Geoffrey Seideman

Owner/Brewer

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**LIQUOR COMMISSION
CITY AND COUNTY OF HONOLULU**

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March 12, 2018

The Honorable Cindy Evans, Chair
The Honorable Jarrett Keohokalole, Vice Chair
and Members of the Committee on
Economic Development & Business

Hearing: Wednesday, March 14, 2018
9:30 AM; Room 309

Position: Comments on SB 2711 SD1, Relating to Intoxicating Liquor

Dear Chair Evans, Vice Chair Keohokalole, and Members:

The Liquor Commission, City and County of Honolulu (Commission), appreciates the opportunity to submit testimony providing comments on Senate Bill 2711 SD1, 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. On both the original version of Senate Bill 2711 and the companion House Bill 2411, we submitted comments on parts of Section 1 in order to determine the appropriate method of licensing the secondary location.

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 a secondary location(s) in a second county if "... *licensed* ... within the county of operation." This *licensing* language properly 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 *licensing* the secondary location in the county of operation would appear to be unnecessary.

¹Public 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.

We were advised of the reason why a "branded" second location of a different class would be commercially advantageous to existing Brewpubs and SCP Pubs. For example, a Brewpub operating in Honolulu County could establish a similarly branded Restaurant in another county, featuring Brewpub products, and thus expanding the brand identity in both counties. A Public Hearing for the second location would be a costly and time-consuming process, which existing Brewpubs and Small Craft Producer Pubs understandably wish to avoid. At this point, however, *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. As such, the proposed language exempting the second location licensing process from the public hearing requirements (pages 4-5, new subparagraph (d) and page 9, new subparagraph (d)) does not accurately reflect the consensus of the four counties on this issue.

The Liquor Commission appreciates the opportunity to provide testimony on Senate Bill 2711 SD1, Relating to Intoxicating Liquor.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Franklin Don Pacarro, Jr.", written in a cursive style.

FRANKLIN DON PACARRO, JR.
Administrator

FDP:ACH



506 Keawe Street
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March 12, 2018

House Committee on Economic Development and Business
Wednesday March 14, 2018 at 9:30 a.m. Room 309

SB 2711 S.D. 1, Relating to Intoxicating Liquor
House Committee on Economic Development and Business
Wednesday March 14, 2018 at 9:30 a.m. Room 309

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the House Committee on Economic Development and Business,

Position: **Support**

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.

Locations other than primary manufacturing premises – Satellite locations

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 satellite establishment, sometimes in a second county. The "second location" clause is meant to address inconsistencies where the second location may not be a production facility, but to be a satellite location 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 satellite 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 second location, but still have the desire to carry out dispensing and retail sales of their products at their second 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 SB 2711 S.D. 1 which seeks to address and clarify inconsistencies and expands retail and dispense operations of local craft brewers.

Direct shipment of liquor by producers

SB 2711 S.D. 1 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. SB 2711 S.D. 1 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 SB 2711 S.D. 1 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 SB 2711 S.D. 1.

Sincerely,

Troy Terorotua

Troy Terorotua

Founder & Owner

REAL a gastropub / Bent Tail Brewing Co

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Lanikai Brewing Company
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3/12/2018

RE: SB 2711 SD1 Relating to intoxicating liquor.

Aloha Chair, Vice Chair as well as all members of the Committee on Economic Development and Business.

Lanikai Brewing Company is a locally owned and operated Craft Brewery here on Oahu and we are in support of SB2711.

My name is Steve Haumschild, and I live in Kailua, Hawaii. We are supportive of the Second location Clause aka "Satellite locations" 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



KAUAI ISLAND BREWING CO.

PORT ALLEN, HAWAII

March 12, 2018

SB 2711 S.D.1, Relating to Intoxicating Liquor
House Committee on Economic Development and Business
Wednesday March 14, 2018 at 9:30 a.m. Room 309

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the House Committee on Economic Development and Business,

I'm writing on behalf of our local family-owned and operated business, Kauai Island Brewing Co. in support of **SB2711 SD1** 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.

Why are the clarifications necessary?

Satellite Location Clause

Bill SB2711 SD1 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 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 satellite 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 satellite location may not be a production facility, to allow activities such as retail sales under the same trade name without requiring another brewery license (TTB Brewers Notice). 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 establishment. **This would be default to not require the same class of license (14,**

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

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18) but rather a restaurant or retailer class license as no production would occur on site. We support SB2711 SD1 which seeks to address and clarify inconsistencies.

Growler Clarification

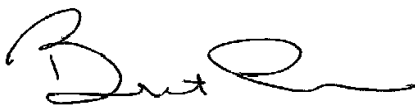
Current law is confusing as to the size that a growler can be sold in. In one place it specifies growler as up to “one-half gallon” but in next paragraph referring to recyclable containers states “one gallon”. The original law was written when only glass growlers were available. Due to the growth of 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,



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SB 2711 S.D.1, Relating to Intoxicating Liquor
House Committee on Economic Development and Business
Wednesday March 14, 2018 at 9:30 a.m. Room 309

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the House Committee on Economic Development and Business,

Position: **Support**

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.

Additionally, we are in the construction stages of a second location opening within the next year which will expand our breweries capability to supply the local market.

Beer Lab HI supports SB 2711 S.D.1 because simplifying and providing more consistency for craft beer producers help aid our breweries ability to expand reach across the local market.

This change will allow our brewery to maintain operation in two locations where beer is produced only at one location but sold in a second location extending our footprint and encouraging brand recognition of our product to more consumers. This will allow customers more convenient access to the brewery's various beer offerings as well.

There will be a positive impact to our brewery because it will allow our brewery to continue to grow and gain exposure helping grow not only our business but of the craft beer community in Hawaii.

Beer Lab HI supports SB2711, S.D.1 which addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

Satellite locations - second location clause

SB2711 S.D.1 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 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 under the same trade name 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.

SB2711 S.D.1 allows more opportunities for Hawaii's craft beer manufacturers to get their products into the marketplace.

Consistency in the Growler law

Growlers, crowlers, 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. SB2711, S.D. 1 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 SB 2711, S.D.1.



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March 13, 2018

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House Committee on Economic Development and Business
Wednesday March 14, 2018 at 9:30 a.m. Room 309

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the House Committee on Economic Development and Business,

Position: **Strong Support**

Big Island Brewhaus was founded initially in 2008 with 9 original employees as a community gathering place serving local cuisine and hand-crafted beers. We have grown into a team of 40 Big Island residents that sells award winning beers throughout Hawaii and is focused on using local sources for our food and 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 ongoing support of all individuals and legislators who support issues which enable local manufacturers and businesses to thrive in Hawaii.

I wish I could be present at this hearing in Honolulu, but I need to be present at my business during this hearing. Thank-you for reading my testimony, I look forward to supporting in person as I am able.

Consistency in the Growler law

Growlers, crowlers, 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.

Second location clause

Bill SB2711 S.D.1, 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 location. As the brewery establishes a second 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 second location under the same trade name in another county.

This bill promotes local manufacturing, allowing even a small manufacturer in Hawaii to make use of their own economy of scale. 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.

Direct shipment of liquor by producers

SB2711 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. SB2711 S.D.1 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 SB2711 S.D.1 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 SB2711 S.D.1.

Sincerely,
Thomas D. Kerns
Thomas Kerns
Founder & Brewer
Big Island Brewhaus
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Cindy Goldstein
Executive Director
Hawaiian Craft Brewers Guild
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Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the House Committee on Economic Development and Business,

Position: **Support**

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.

SB2711 S.D.1 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 SB2711 S.D.1 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 SB2711 S.D. 1 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 SB2711, S.D. 1 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. SB2711 H.D.1 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

SB2711, S.D. 1 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. SB2711 S.D. 1 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 SB2711, S.D. 1 that fosters expanded marketplace options for Hawaii's beverage alcohol manufacturers.

The Hawaiian Craft Brewers Guild appreciates consideration of SB2711, S.D.1 and we urge you to pass this bill. Thank you for the opportunity to provide testimony in support.

Homebrew in Paradise

Bill Sumrow

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Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the House Committee on Economic Development and Business,

Position: **Support**

My name is Bill Sumrow, I live in Honolulu, Oah and I am a Co-Founder of the Broken Boundary Brewery, LLC a brewery in planning located in Kalihi, Oahu. Our business began is planned to open later this year with 5 new employees

Broken Boundary Brewery supports SB2711, S.D.1 which addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

Satellite locations - second location clause

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This bill simplifies expansion to a satellite location when the primary manufacturing and second location carrying out retail sales under the same trade name 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.

SB2711 S.D.1 allows more opportunities for Hawaii's craft beer manufacturers to get their products into the marketplace.

Consistency in the Growler law

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

The definition of growler is currently inconsistent for businesses serving craft beer and can be confusing for 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. SB2711, S.D. 1 increases the viability of small craft breweries by allowing export of our Hawaii products to 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 SB 2711, S.D.1.

SB-2711-SD-1

Submitted on: 3/13/2018 9:13:25 AM

Testimony for EDB on 3/14/2018 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:



WAIKIKI BREWING COMPANY

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House Committee on Economic Development and Business

Wednesday March 14, 2018 at 9:30 a.m. Room 309

Chair Cindy Evans, Vice Chair Jarrett Keohokalole, and members of the House Committee on Economic Development and Business,

Position: Support

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 SB 2711 S.D. 1 for the following reasons:

The satellite 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 SB 2711 S.D. 1

Sincerely,

Joe P. Lorenzen



March 13, 2018

To: The Honorable Chair Evans, Vice Chair Keohokalole and Members of the Committee on Economic Development and Business

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

RE: SB2711 SD1; Relating to Intoxicating Liquor; **In Support – with an amendment**
March 14, 2018; Conference Room 309

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 SB2711 HD1 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.

SD2711 SD1 proposes to amend the production limits for class 18 (§281-31(r)(1) license holders (page 5, line 7) 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 promote increased growth of craft brewing, create good jobs, and help Hawaii continue to be an industry leader.

Mahalo for the opportunity to provide testimony on SB 2711 SD1.

Sincerely,

Mary Rait
Kona Brewing Co.