

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



ISAAC W. CHOY  
DIRECTOR OF TAXATION

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
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To: The Honorable Aaron Ling Johanson, Chair  
The Honorable Lisa Kitagawa, Vice Chair  
and Members of the House Committee on Consumer Protection & Commerce

From: Isaac W. Choy, Director  
Department of Taxation

Date: February 12, 2021  
Time: 2:00 P.M.  
Place: Via Video Conference, Hawaii State Capitol

**Re: H.B. 1324, H.D. 1, Relating to Commercial Property Rent Relief**

The Department of Taxation (Department) offers the following comments regarding H.B. 1324, H.D. 1, for your consideration.

H.B. 1324, H.D. 1, creates a commercial rent relief grant program to be funded by federal funds. The proposed grant program allows owners of property classified as commercial, hotel and resort, or industrial under county real property tax classifications to be eligible for a grant not to exceed 3% of taxable revenue derived from the property in 2019; annualized taxable revenue for tenants established before March 30, 2020 and with less than twelve months operating history; or three months of full rent, whichever is less. H.B. 1324, H.D. 1, has a defective effective date of July 1, 2050.

The Department appreciates the amendment by the joint House Committees on Pandemic & Disaster Preparedness, and Economic Development to change the administering agency for the commercial rent relief grant program from the Department to the Department of Business, Economic Development, and Tourism (DBEDT). However, the Department notes that Section 2(e) of H.D. 1, subjected all grant applications to audit or investigation at the discretion of the Department. It would not be appropriate for the Department to order the examination or audit of a grant application as it is not the administering agency. In addition, the Department does not have the resources to audit a grant applications.

Finally, Section 2(f) of H.D. 1, allows the Department to provide DBEDT with confidential tax information for the purpose of determining the eligibility for a grant pursuant to this measure. With this authority, the Department will be able to share otherwise confidential tax information with DBEDT for the purpose of qualifying for the grant under this measure.

Thank you for the opportunity to provide comments on this measure.



## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE  
GOVERNOR

MIKE MCCARTNEY  
DIRECTOR

CHUNG I. CHANG  
DEPUTY DIRECTOR

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Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804  
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Statement of  
**MIKE MCCARTNEY**  
Director

Department of Business, Economic Development, and Tourism  
before the

### HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Friday, February 12, 2021  
2:00 PM  
State Capitol, Conference Room 329

In consideration of  
**HB1324, HD 1**  
**RELATING TO COMMERCIAL PROPERTY RENT RELIEF.**

Chair Johanson, Vice Chair Kitagawa and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) offers comments on HB1324, HD1, which creates a commercial rent relief grant program to be funded by federal funds. Under this measure applications are submitted to and reviewed by DBEDT. The counties, in cooperation with DBEDT, are responsible for administering the grant program.

The proposed grant program allows owners of property classified as commercial, hotel and resort, or industrial under county real property tax classifications to be eligible for a grant not to exceed 3 percent of taxable revenue derived from the property in 2019; annualized taxable revenue for tenants established before March 30, 2020, and with less than twelve months operating history; or three months of full rent, whichever is less.

Our comments are as follows:

- DBEDT recognizes the difficult position of commercial landlords to balance the need to support their small business tenants struggling with rent because of the COVID-19 pandemic, with the viability of their own operations including keeping their own employees employed. To underscore this issue, the most recent

statewide commercial rent survey results for the 2020 Q4 period, which DBEDT's Research & Economic Analysis Division (READ) helped design, revealed that nearly 50 percent of Hawaii's businesses did not pay their full rent expense and this figure has steadily increased since the first survey issued for the 2020 Q2 period.

- DBEDT further acknowledges the efforts undertaken by many commercial landlords to ease the burden placed upon their small business tenants including lease renegotiation, rent deferment, and rent reduction; however, survey results indicate that only 5 percent, 26 percent, and 15 percent of businesses, respectively, received such assistance. Uncertainty about the duration and desire of tourism's return amid the ongoing pandemic exacerbate the issue of mounting rent expenses.
- The proposed measure allocates federal funds for a grant program for landowners to provide rental relief to their commercial tenants. This will help streamline grants since there are fewer landowners than businesses and reduce the burden of requiring small businesses to apply directly for relief.
- If the intent of this measure is to help businesses survive, DBEDT recommends adding language to prevent tenant evictions or other retributive action in exchange for the grants received by landowners under this program.

Thank you for the opportunity to testify.



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#### Executive Officers

**Joe Carter**, Coca-Cola Bottling of Hawaii, *Chair*  
**Charlie Gustafson**, Tamura Super Market, *Vice Chair*  
**Eddie Asato**, The Pint Size Corp., *Secretary/Treas.*  
**Lauren Zirbel**, HFIA, *Executive Director*  
**John Schlif**, Rainbow Sales and Marketing, *Advisor*  
**Stan Brown**, Acosta Sales & Marketing, *Advisor*  
**Paul Kosasa**, ABC Stores, *Advisor*  
**Derek Kurisu**, KTA Superstores, *Advisor*  
**Beau Oshiro**, C&S Wholesale Grocers, *Advisor*  
**Toby Taniguchi**, KTA Superstores, *Advisor*

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TO:  
Committee on Consumer Protection and Commerce  
Rep. Aaron Ling Johanson, Chair  
Rep. Lisa Kitagawa, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

DATE: February 12, 2021  
TIME: 2pm  
PLACE: Via Videoconference

RE: HB1324 HD1 Relating to Commercial Property Rent Relief

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

Hawaii's business community is facing unprecedented challenges, and the future remains uncertain. We have already seen dozens of local businesses close their doors for good, and hundreds more are under threat of having to close. Thousands of jobs have disappeared. All over our state businesses of all sizes are working tirelessly to try and meet these challenges, to keep their doors open, to continue to provide jobs, and to serve the people of Hawaii.

Establishing the Commercial Rent Relief Grant Program is an important investment in our economy. Evictions, business closures, and layoffs are outcomes that we all want to avoid. The Grant Program is designed to pass rent relief forward. Using federal money, the State would allow eligible business tenants to qualify for the lesser of 3% of 2019 taxable revenue or three months of full rent. Money would be paid directly to landowners to ensure the money is used for its intended purpose. We believe the Program will serve as an essential catalyst for small businesses and landlords to work together to set manageable expectations for the new normal.

We thank you for the opportunity to testify.



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February 12, 2021

HEARING BEFORE THE  
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

**TESTIMONY ON HB 1324, HD1**  
RELATING TO COMMERCIAL PROPERTY RENT RELIEF

Conference Room 329  
2:00 PM

Aloha Chair Johanson, Vice-Chair Kitagawa, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic, and educational interests of our diverse agricultural community.

**The Hawaii Farm Bureau supports HB 1324, HD1**, which recognizes that due to the ongoing COVID-19 pandemic, commercial landowners need financial support to continue their efforts to keep small businesses open and people in Hawaii employed. The measure provides for a rental relief program using federal funds to help commercial property owners who are experiencing significant financial hardship to provide rent forgiveness to their tenants.

HFB greatly appreciates the concern for Hawaii's farmers, expressed on page 7, lines 4 through 6 of the bill, regarding the expansion of the program to benefit farmers by including agricultural properties, as additional federal funding becomes available. The closures of restaurants, schools, hotels, and other businesses over the last eleven months has drastically decreased demand for local agricultural products. Although support for local agriculture is strong, and everyone seems to agree that Hawaii should be more self-sufficient, many farmers have lost their customers and their cash flow. They have had to lay off workers and are struggling to make ends meet. Some may be forced to shut down entirely. We hope that funds will be available soon to prevent this tragedy.

Thank you for considering our concerns and for your continued support of Hawaii agriculture.



**TESTIMONY OF TINA YAMAKI, PRESIDENT  
RETAIL MERCHANTS OF HAWAII  
February 12, 2021**

**Re: HB 1324 HD1 Relating to Commercial Property Rent Relief**

Good afternoon Chair Johanson and members of the House Committee on Consumer Protection and Commerce. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901, RMH is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, local, national, and international retailers, chains and everyone in between.

We **STRONGLY SUPPORT** HB 1324 HD 1 Relating to Commercial Property Rent Relief. This measure establishes a commercial rent relief grant program. Requires that the commercial rent relief grants be given priority for moneys received through federal funding, and appropriated funds.

The retail industry has been one of the hardest hit during the pandemic. Since the pandemic, those retailers who were deemed non-essential were forced to close their businesses for months due to government orders. Those on Oahu were forced to close their businesses a second time with no income from online sales unless they were fulfilling the orders from home. Retailers have also had to endure an almost 50% rate increase in interisland shipping. Many stores who rely directly on the visitors are not opening until the customer base returns – if they can hold on that long. They have also reduced their staff, taken pay-cuts and more to survive.

While many took advantage of the 1<sup>st</sup> round of PPP loans hoping that they will be able to turn it into a grant, they are finding that it is difficult to change the loan to a grant. As a result, they are not applying for the 2<sup>nd</sup> round of PPP financing. Many retailers are unable take on more debt. For some they have already used up their life savings as well as their children's college funds and some have even sold their home. For many their sales are down 70% or more compared to 2019. Those local retailers who made more than \$5 million in 2019 were not able to access local government grants.

The 3<sup>rd</sup> Commercial Lease Rent survey from data collected between December 1 and 31, 2020 revealed:

- One in 10 Hawaii businesses permanently closed over the course of the pandemic, and 67 percent were impacted significantly by government restrictions.
- From April through December 2020, 50 percent of businesses did not pay their rent in full.
- Three in 10 businesses expected to miss three full rent payments between October and December 2020, and more than half expected to miss at least one full rent payment between January and June 2021.
- Tourism accounts for at least one-quarter of the overall revenue of 37 percent of Hawaii businesses.
- 86 percent of businesses saw their annual revenue decrease in 2020, and 82 percent expect a decrease in 2021 as well.

Retailers like many businesses are struggling to survive and to keep their employees employed. This measure would help so many local businesses in need.

Mahalo again for this opportunity to testify.



# Chamber of Commerce HAWAII

*The Voice of Business*

**Testimony to the House Committee on Consumer Protection & Commerce  
Friday, February 12, 2021 at 2:00 P.M.  
Via Videoconference**

**RE: HB 1324, HD 1, RELATING TO COMMERCIAL PROPERTY RENT RELIEF**

Chair Johanson, Vice Chair Kitagawa, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 1324, HD 1, which establishes a commercial rent relief grant program and requires that the commercial rent relief grants be given priority for moneys received through federal funding.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

In August, the Chamber, in partnership with UHERO and other organizations released findings to a survey<sup>1</sup> about the ongoing impacts of the COVID-19 pandemic within the business community. It was found that despite the slow reopening of the kama'aina economy, business revenue has remained significantly depressed with nearly 20% of businesses having no revenue and another 20% reported earning less than half of their baseline monthly revenue. The survey further found that nearly 51% of businesses surveyed indicated either additional cuts would be needed, or their business would not survive if the restrictions remained in place.

Since the survey, subsequent restrictions, government proclamations and orders continue to exacerbate Hawaii's economic recovery efforts, especially in the commercial rental environment. We recognize that both lessors and lessees have absorbed much of unpaid rents but that cannot last. Restaurant and bar restrictions, capacity limitations, and shortage of tourists have plagued the commercial rental community that struggle to pay rent with no customers, or revenue, coming in.

This program will help to serve as an essential catalyst for businesses and landlords to work together during the pandemic through the assistance of federal funding and enabling legislation.

Thank you for this opportunity to provide testimony.

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<sup>1</sup> <https://uhero.hawaii.edu/survey-update-shows-widespread-hardship-for-local-businesses/>



February 12, 2021

Representative Aaron Ling Johanson, Chair  
Representative Lisa Kitagawa, Vice Chair  
Committee on Consumer Protection & Commerce (CPC)

**Re: House Bill 1324 to Establish a Commercial Rent Relief Grant Program**

To Representative Johanson and members of the Committee on Consumer Protection & Commerce:

Thank you for the opportunity to submit testimony in support of House Bill 1324. My name is Karl Yoneshige and I am the President & CEO of HawaiiUSA Federal Credit Union. Our credit union has 132,000 members, some of whom are business owners and also landlords of commercial properties. As you are aware, businesses have been struggling to survive in the COVID-19 pandemic, and there is residual impact on their employees. The majority of these businesses have had to close or partially close for the past ten months. The resulting lack of sufficient revenue has caused many of these businesses to fail paying rent, but they would still owe the entire ten months of back rent. While most commercial landlords are deferring rent, the result is higher future rent obligations for tenant businesses. For example, 3-6 months of rent deferral could increase rent by 25-50% for the next 1-2 years for the tenant business.

Senate Bill 946 would establish a Commercial Rent Relief Grant Program (the "Program"), which is designed to pass rent relief forward. Using Federal money, the State would allow eligible business tenants to qualify for the lesser of 3% of 2019 taxable revenue or three months of full rent. The grant would be paid directly to landlords to ensure that the grant funds are used for its intended purpose. The Program will serve as an essential catalyst for small businesses and landlords to work together to prevent eviction, which would impact the landlord with losses and empty spaces for a sustained period while the economy recovers. While the Program cannot require the landlords to renegotiate leases, the bi-product of the grant will be dialogue with the tenant businesses and possibly set new and reasonable expectations in renegotiating leases in a sustainable manner.

Here is the estimated impact of the Commercial Rent Relief Grant Program:

- Average total benefit of \$25,000 to eligible small businesses
- Average equivalent of 13 weeks of full rent abatement
- Benefiting an estimated 7,350 businesses and 62,000 jobs (residents)
- Savings of \$670 million in annual unemployment insurance benefits from jobs surviving.
- Annual discretionary spending of \$333 million from the jobs surviving

[hawaiiusafcu.com](http://hawaiiusafcu.com)

Representative Aaron Ling Johanson, Chair  
Representative Lisa Kitagawa, Vice Chair  
Committee on Consumer Protection & Commerce (CPC)  
February 12, 2021  
Page 2

This bill would become one of the important processes to ignite the economic recovery and one of the many vital ways we can emerge out of the pandemic, protecting the banking system, preserving jobs, generating tax revenue and sustain government budgets.

Thank you for the opportunity to submit testimony and for all of your efforts to serve the people of Hawaii during the most challenging period in our lifetime.

Karl Yoneshige  
President & CEO  
HawaiiUSA Federal Credit Union

KY:dkg



February 12, 2021

Representative Aaron Ling Johanson, Chair  
Representative Lisa Kitagawa, Vice Chair  
Committee on Consumer Protection & Commerce (CPC)

**Re: House Bill 1324 to Establish a Commercial Rent Relief Grant Program**

To Whom It May Concern,

Thank you for the opportunity to submit testimony. My name is Steven Lau, CFO for Fun Factory, and I am in support of House Bill 1324.

- Despite financial relief in 2020 and even with the second round of PPP, businesses hardest hit by COVID-19 will not survive in 2021 without additional government-funded commercial rent relief. The impact of losing these hardest hit businesses could result in the loss of thousands of jobs and keep tax revenue low for many years.
- In many cases, businesses, especially restaurants, retail, and entertainment venues are facing ½ to 2/3 reduced capacity in the new normal with the same or an even higher rent caused by rent deferral. Even if business capacity is not a factor, the deteriorating economic climate due to job losses and reduced visitor arrivals for an extended period is causing significant decline in business revenue.
- The Commercial Rent Relief Grant Program (the "Program") is designed to pass rent relief forward. Using federal money, the State would allow eligible business tenants to qualify for the lesser of 3% of 2019 taxable revenue or three months of full rent. Money would be paid directly to landowners to ensure the money is used for its intended purpose.
- We believe the Program will serve as an essential catalyst for small businesses and landlords to work together as we migrate into the new normal.
- Without help, the burden of old lease rents (based on previous market conditions) during a post-coronavirus economic recovery are unbearable for small businesses.
- While the Program cannot require landowners to renegotiate leases, we believe a bi-product of the goodwill developed from the landlord-tenant dialogue is that landowners will be more inclined to set new and reasonable expectations going

forward and to start renegotiating or at least amending leases in a sustainable manner.

- This would become an important process to kick start the economic recovery and one of many vital ways we can emerge out of the pandemic together, protect the banking system, preserve jobs, generate tax revenue, and sustain government budgets.

Thank you again for the opportunity to submit testimony and for all of your efforts to serve the people of Hawaii as our elected leaders.

Thank you,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Steven Lau  
CFO  
Fun Factory, Inc.  
steven@funfactoryinc.com  
(808) 682-5767



Eggs 'n Things Hawaii Inc. DBA Eggs 'n Things  
339 Saratoga Road,  
Honolulu, HI 96815  
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February 12, 2021

Representative Aaron Ling Johanson, Chair

Representative Lisa Kitagawa, Vice Chair

Committee on Consumer Protection & Commerce (CPC)

**Re: House Bill 1324 to Establish a Commercial Rent Relief Grant Program**

To Whom It May Concern,

Thank you for the opportunity to submit testimony. I am **STRONGLY IN SUPPORT** of House Bill 1324.

My name is Yuka Nawano, and I have been the owner of restaurant Eggs 'n Things since 2008. We have 4 locations on Oahu. Due to the Stay at Home orders, travel restrictions and reduced capacity resulting from the decisions made by our government leaders in reaction to the COVID-19, our 2020 annual sales have decreased by approximately 90% compared to 2019. Although our sales dropped significantly, the rent obligations remain the same, making it extremely difficult to hang on as day goes by.

The minimal financial relief in 2020 and even the second round of PPP are just not enough for many of us to survive in 2021, without additional aid such as government-funded commercial rent relief.

Needless to say, the Hawaii economy is heavily reliant on tourism and without the international visitors, it is impossible for businesses, especially restaurants and the rest of the hospitality/service industry to stay afloat and recover carrying on the heavy burden of rents, which are based on pre-COVID19 market conditions.

This is why we/I believe the Commercial Rent Relief Grant Program (the "Program") will serve as an essential catalyst for small businesses and landlords to work together as we migrate into the new normal.

The Program is designed to pass rent relief forward. Using federal money, the State would allow eligible business tenants to qualify for the lesser of 3% of 2019 taxable revenue or three months of full rent. Money would be paid directly to landowners to ensure the money is used for its intended purpose. We believe a by-product of the goodwill developed from the landlord-tenant dialogue is that landowners will be more inclined to set new and reasonable expectations going forward and to start renegotiating or at least amending the leases in a sustainable manner.

This would become an important process to kick start the economic recovery and one of many vital ways we can emerge out of the pandemic together, protect the banking system, preserve jobs, generate tax revenue, and sustain government budgets.

Almost a year into this Pandemic, more and more businesses have closed it's doors permanently, and it is frightening and heartbreaking to see the State, especially places like Waikiki so empty, so quiet, with growing number of homeless people in front of all these closed businesses and vacant commercial properties.

Eggs 'n Things has been around since 1974, founded by local couple late Jerry and Jan Fukunaga. I fell in love with the restaurant and this Island during my first trip to Hawaii 30 years ago. When the founder decided to retire, I promised them that I would do everything I can to carry on the legacy, to continue "Serving Quality Food in the Spirit of Aloha ". We have done and are doing everything we possibly can to keep this promise, staying afloat while complying with all the restricted operations and safety protocols. However, not knowing how much longer we must endure until the current restrictions are lifted, enabling international tourism to resume and for our economy to start recovering, it has come to a point where we just cannot get through this without more assistance from the city and state.

I sincerely hope that our desperate plea for help is heard, and this [House Bill 1324 to Establish a Commercial Rent Relief Grant Program](#) is approved, and business owners could somehow survive so that the employees who have been furloughed and the visitors /customers would still have all these places to come back to.

Thank you again for the opportunity to submit testimony and for all your efforts to serve the people of Hawaii as our elected leaders. Please stay safe.

Sincerely,



Yuka Nawano

President & CEO / Eggs 'n Things Hawaii Inc.

[yucanfbih@gmail.com](mailto:yucanfbih@gmail.com)



February 12, 2021

Representative Aaron Ling Johanson, Chair  
Representative Lisa Kitagawa, Vice Chair  
Committee on Consumer Protection & Commerce (CPC)

**Re: House Bill 1324 to Establish a Commercial Rent Relief Grant Program**

To Whom It May Concern,

Thank you for the opportunity to submit testimony. My name is Linda Fernandez, President of Retail Entertainment Concepts, Inc. dba Jungle Fun Island, and I am in support of House Bill 1324.

- Despite financial relief in 2020 and even with the second round of PPP, businesses hardest hit by COVID-19 will not survive in 2021 without additional government-funded commercial rent relief. The impact of losing these hardest hit businesses could result in the loss of thousands of jobs and keep tax revenue low for many years.
- In many cases, businesses, especially restaurants, retail, and entertainment venues are facing ½ to 2/3 reduced capacity in the new normal with the same or an even higher rent caused by rent deferral. Even if business capacity is not a factor, the deteriorating economic climate due to job losses and reduced visitor arrivals for an extended period is causing significant decline in business revenue.
- The Commercial Rent Relief Grant Program (the "Program") is designed to pass rent relief forward. Using federal money, the State would allow eligible business tenants to qualify for the lesser of 3% of 2019 taxable revenue or three months of full rent. Money would be paid directly to landowners to ensure the money is used for its intended purpose.
- We believe the Program will serve as an essential catalyst for small businesses and landlords to work together as we migrate into the new normal.
- Without help, the burden of old lease rents (based on previous market conditions) during a post-coronavirus economic recovery are unbearable for small businesses.
- While the Program cannot require landowners to renegotiate leases, we believe a bi-product of the goodwill developed from the landlord-tenant dialogue is that landowners will be more inclined to set new and reasonable expectations going

forward and to start renegotiating or at least amending leases in a sustainable manner.

- This would become an important process to kick start the economic recovery and one of many vital ways we can emerge out of the pandemic together, protect the banking system, preserve jobs, generate tax revenue, and sustain government budgets.

Thank you again for the opportunity to submit testimony and for all of your efforts to serve the people of Hawaii as our elected leaders.

Thank you,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Linda Fernandez  
President  
Jungle Fun Island  
[lindaf@funfactoryinc.com](mailto:lindaf@funfactoryinc.com)  
(808) 682-5767



Friday, February 12, 2021

Representative Aaron Ling Johanson, Chair  
Representative Lisa Kitagawa, Vice Chair  
Committee on Consumer Protection & Commerce (CPC)

## **Strong Support for House Bill 1324 Relating to a Commercial Rent Relief Program**

Dear Chair Johanson, Vice Chair Kitagawa, and members of the Committees on Consumer Protection & Commerce:

Thank you for the opportunity to submit testimony for House Bill 1324. I'm part of a broad group of representatives from the business community that believes this **Commercial Rent Relief Program** (the "Program") will serve as an essential catalyst for small businesses and landlords to work together as we migrate into the new normal. Without help, the burden of old lease rents (based on pre-COVID-19 market conditions) during a post-coronavirus economic recovery are unbearable for small businesses.

I see the impacts firsthand: my financial consulting company specializes in real estate and corporate finance, with clients that include employee-owned companies with diversified land and business holdings. And, I am personally vested in the issue as a born-and-raised local person who cares about his community and wants to alleviate the suffering caused by COVID-19.

Our group has been helping develop this Legislative Proposal since April 2020. The Program is designed to pass rent relief forward. Once the State of Hawaii receives additional funding from the federal government, House Bill 1324 proposes to carve out financial support to commercial landlords and their business tenants to provide a vital bridge so they can get to voluntary resolution and negotiate out any lingering issues. Using federal money, the State would allow eligible business tenants to qualify for the lesser of 3% of 2019 taxable revenue or three months of full rent. Money would be paid directly to landowners to ensure the money is used for its intended purpose.

Despite financial relief in 2020 and even with the second round of PPP, businesses hardest hit by COVID-19 will not survive in 2021 without additional government-funded commercial rent relief. From October 15 to Thanksgiving 2020, there was optimism on increasing visitor arrivals; however, the nationwide surge in infections and mortality caused people to stay at home. Although January 2021 tourism numbers remain low, we're entering a phase where vaccination could eventually become sufficiently widespread and the light at the end of the economic tunnel is apparent. House Bill 1324 creates a way to identify businesses that are being hardest hit by the ongoing pandemic and reduce the uncertainty of accumulating back rent. Key aspects of eligibility to this Program include:

- Operate in a physical commercial space.
- > 40% decline in taxable revenue between two comparative periods.
- Majority owner(s) must attest to be:
  - o (1) A Hawai'i resident(s) and business must be located in the State of Hawai'i.
  - o (2) Are not publicly traded or a national and international chain unless they are a locally-owned franchise location(s).
- Currently open or if business is unable to open due to government restrictions, owner attests they plan to re-open.

While the Program cannot require landowners to renegotiate leases, we believe a bi-product of the goodwill developed from the landlord-tenant dialogue is that landowners will be more inclined to set new and reasonable expectations going forward and to start renegotiating or at least amending leases in a sustainable manner.

COVID-19 is a tremendous pandemic with no end yet in sight. Policymakers in Hawaii remain focused on lowering the number of new, daily COVID-19 cases in an effort to keep the contagion curve flat for public safety, while the economic impact of government-imposed restrictions is secondary. To better understand the economic impact, our coalition, with the expertise of DBEDT's Chief State Economist Dr. Eugene Tian, conducted the third quarterly Hawaii Commercial Rent Survey in December. The full report can be downloaded at [www.tinyurl.com/hcrs3](http://www.tinyurl.com/hcrs3). Some of the survey highlights include but are not limited to:

- Among our 1,126 respondents – most of which were restaurant and retail business owners – monthly unpaid rent was calculated at \$57 million. This back rent is piling up at a staggering pace and with the 14-day travel quarantine extended for seven months and the new travel restriction requiring a negative test in hand upon arrival, tourism-facing businesses that were fighting to survive and reopen multiple times will need some kind of lifeline to survive.
- We also surveyed the time period from January to June 2021, and the survey showed 4 in 10 businesses expect to miss between 3 to 6 months of full rent. The survey was to help determine whether current financial aid programs are enough for the universe of businesses and to diagnose the outstanding need after these various programs are accounted for. This means 40% of businesses may not be able to pay any rent for the first half of this year per their current lease agreement. This is because compared to 2019, 39% of businesses reported that they saw > 50% revenue decline in 2020, and 27% expect > 50% revenue decline in 2021. Back rent for disproportionately impacted businesses will continue to accumulate going forward.

- We then looked at new lease terms, and only 5% were able to restructure their lease. This rent restructuring allows businesses and landlords to redefine parameters and set new expectations to accommodate for ever changing market conditions. In many cases, businesses, especially restaurants and entertainment venues are facing ½ to 2/3 reduced capacity in the new normal with the same or an even higher rent caused by rent deferral. Even if business capacity is not a factor, the deteriorating economic climate due to job losses and reduced visitor arrivals is causing significant decline in business revenue. This unbearable burden of back rent piling up along with an unrealistic future rent obligation is why so many businesses are closing.
- In the third survey, we learned from a new question that without government-funded commercial rent relief, 64% of businesses do not expect to survive in 2021. Despite financial relief in 2020 and even with the second round of PPP, businesses hardest hit by COVID-19 will not survive in 2021 without additional government-funded commercial rent relief. The impact of losing these hardest hit businesses could result in the loss of thousands of jobs and keep tax revenue low for many years.

Small businesses employ over half of the private sector, supporting hundreds of thousands of jobs and households on Oahu. They drive innovation and are the backbone of our economy. There is an even more profound and long-term positive impact of House Bill 1324. On average, small businesses generate \$1.1 million in annual revenue. Implementing the Program, in combination with other innovative policy, if the State of Hawaii could protect over 7,000 of its eligible employer establishments from permanently closing, it would rescue 62,000 jobs and save ~\$330 million in GE and income tax revenue along with similar savings in annual unemployment insurance benefit payouts. This would allow more discretionary spending from jobs surviving to circulate in the economy.

Thank you again for the opportunity to submit testimony and for all of your efforts to serve the people of Hawaii as our elected leaders.

Sincerely,

Ryan Tanaka  
President  
Island Business Management, LLC  
[ryan@ibmhawaii.com](mailto:ryan@ibmhawaii.com)



# 3<sup>RD</sup> HAWAI'I COMMERCIAL RENT SURVEY

IBMHAWAII 

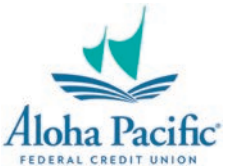
JANUARY 2021

# Mahalo

to our partners for making this survey possible



HAWAII EXECUTIVE collaborative





*Aloha,*

As we move into 2021 with cautious optimism, we can reflect on last year's economic devastation caused by COVID-19. How bad is it out there? Which areas of our economy were hit the hardest? Will people have jobs to return to? The Third Hawai'i Commercial Rent Survey answers these questions and continues to diagnose how businesses are faring with commercial rent. 1,126 Hawai'i business owners shared their feedback; as we expected, the commercial rent situation continues to worsen.

Survey findings:

- From April through December 2020, 50% of businesses did not pay rent in full.
- Only 5% of businesses have restructured their lease, and only 14% received rent reduction.
- Over half expect to miss at least one full rent payment between January and June 2021.
- More than 80% of businesses saw revenue decline in 2020, and more than 80% expect their annual revenue to decline in 2021.
- 2 in 3 businesses were significantly impacted or closed by government restrictions in 2020. Nearly the same number of businesses do not expect to survive in 2021 without government-funded commercial rent relief.

Congress' second stimulus package won't address the nine months of accumulating back rent many small businesses disproportionately suffer from. And vaccines are out now, but it won't be until mid to late 2021 that enough Americans are inoculated. Leading economists expect daily visitor arrivals and employment to recover deep into 2022 or later.

We need to keep tracking this issue so that we can provide lawmakers with hard data to back up our request for commercial rent relief. Thank you for once again taking a few minutes out of your day to fill out the survey. Also, mahalo to the contributors who helped us spotlight the need for commercial rent relief, including our partners who made this series of quarterly surveys possible. As Hawaiian scholar Mary Kawena Pukui said, *E kuahui like i ka hana. Let everybody pitch in and work together.*

Please contact me if you have any questions or concerns.

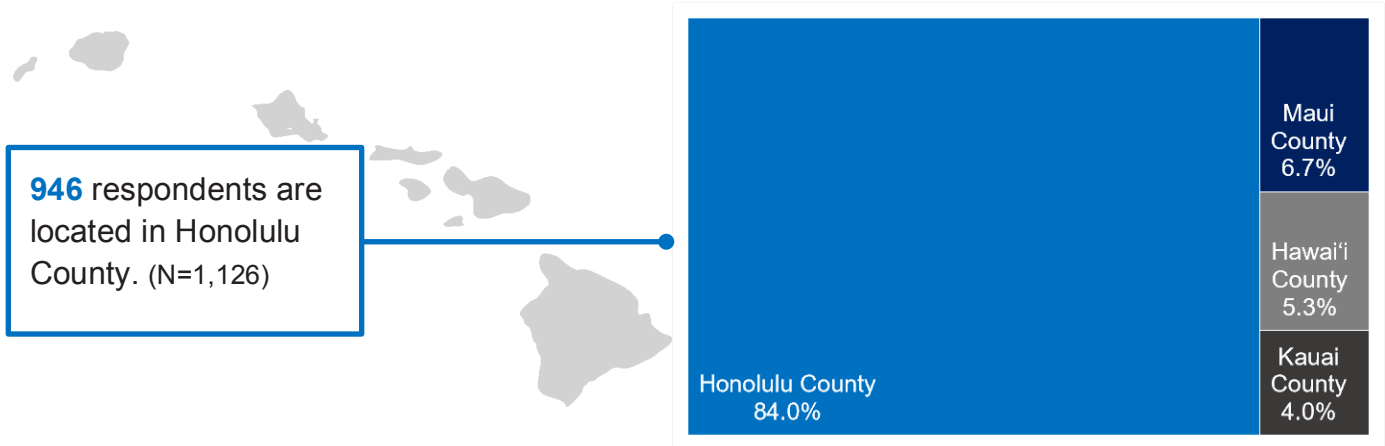
Sincerely,

Ryan Tanaka  
President  
Island Business Management, LLC  
ryan@ibmhawaii.com

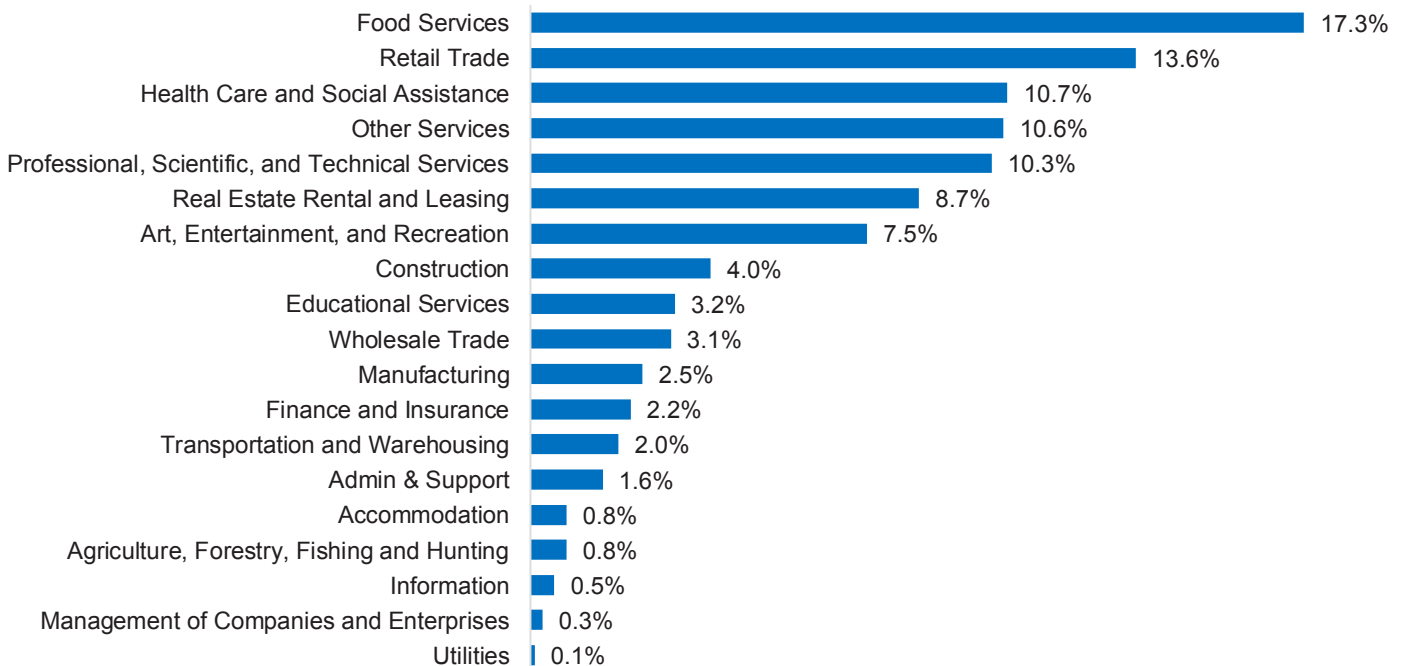


# Q4 Survey Respondents

**1,126** total business respondents over the **4** counties in Hawai'i broken down into **19** primary industries.



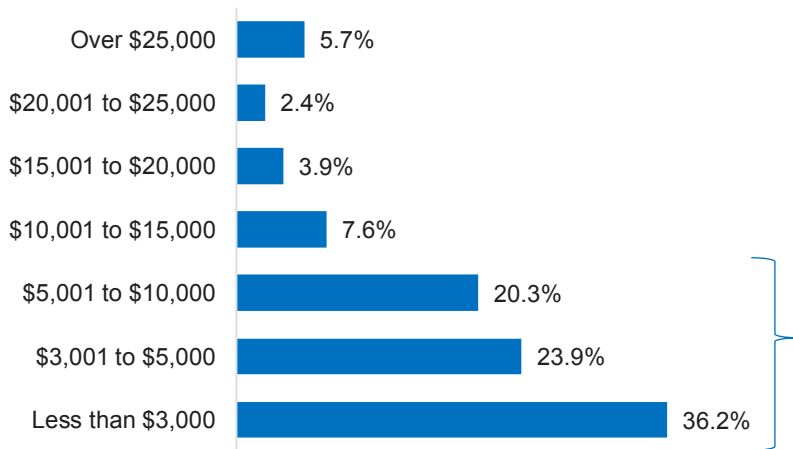
**30.9%** are in the Food Services and Retail Trade industries. (N=1,114)



**72.3%** earned less than \$1 million in estimated annual revenue in 2019. (N=1,063)

**94.7%** employed under 50 full-time equivalent employees as of the end of 2019. (N=1,090)

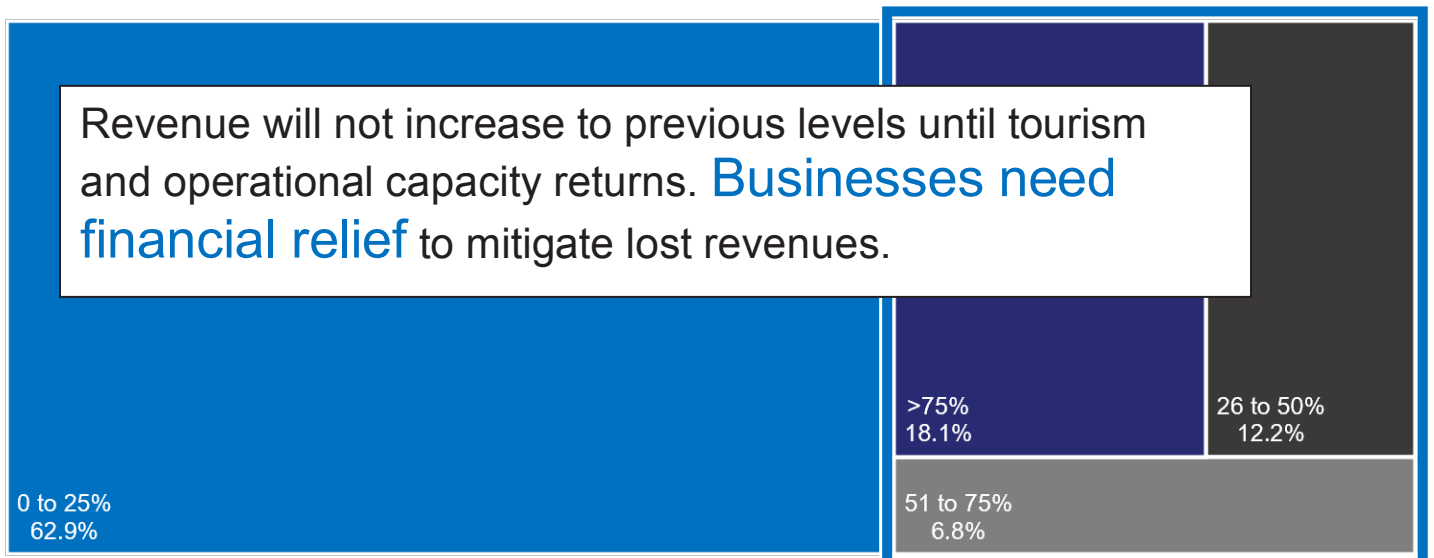
**78.8%** are tenants in buildings whose property owner is located within the State of Hawai'i. (N=1,001)



**80.4%** have monthly base-rent payments less than or equal to \$10,000. (N=965)

**77.4%** do not pay percentage rent above their base rent. (N=968)

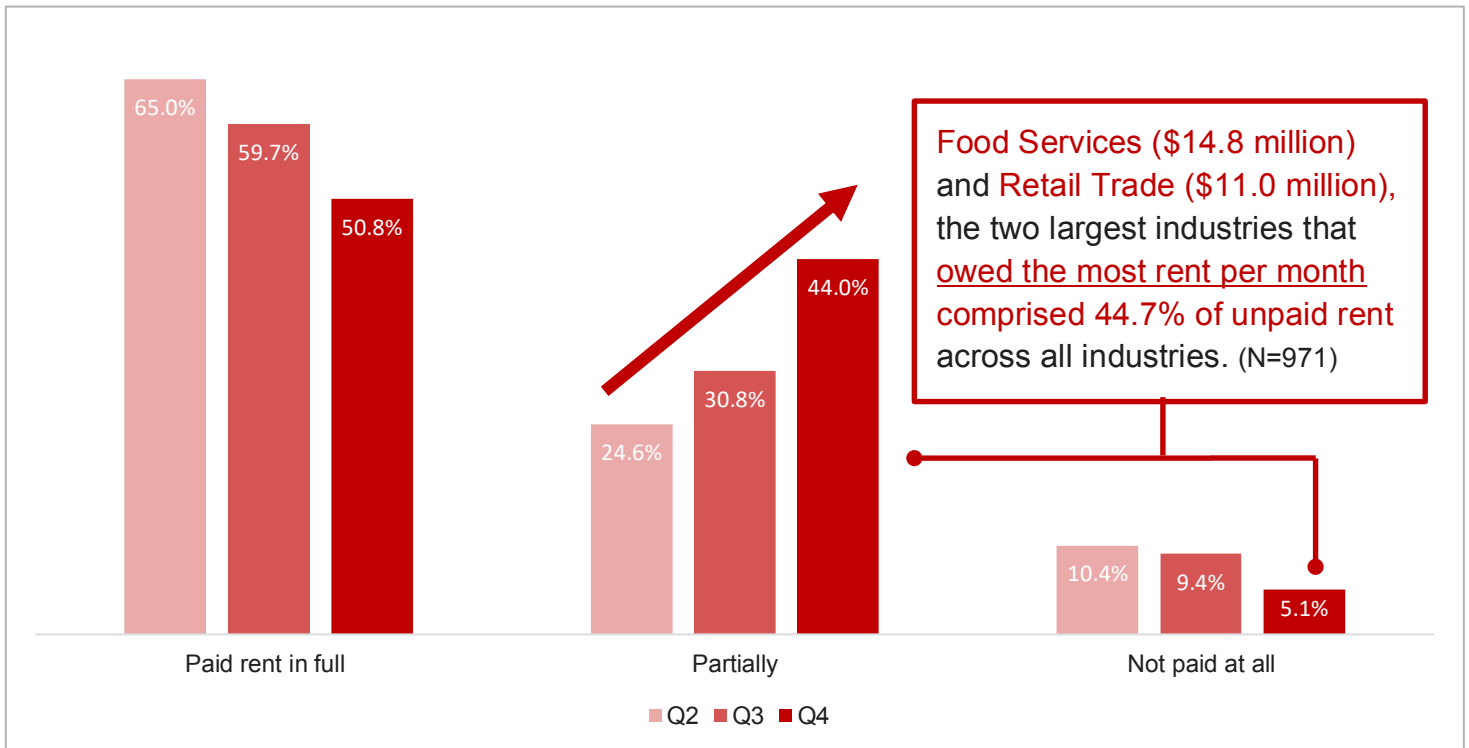
**37.1%** report >25% of their revenue comes from tourism. (N=1,004)





# Q4 Rent: COVID-19 Impact & Relief

From April through December 2020, **49.1%** of businesses **did not pay rent in full**, and **5.1%** did not pay rent at all. (N=980)

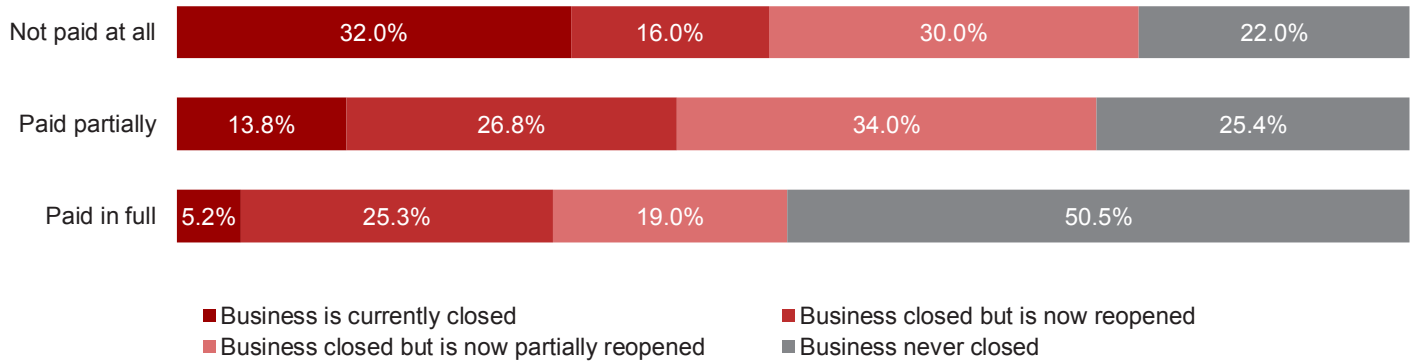


The statewide estimated total rent owed per month is **\$57 million in Q4 (vs. \$59 million in Q3)**. (N=971)

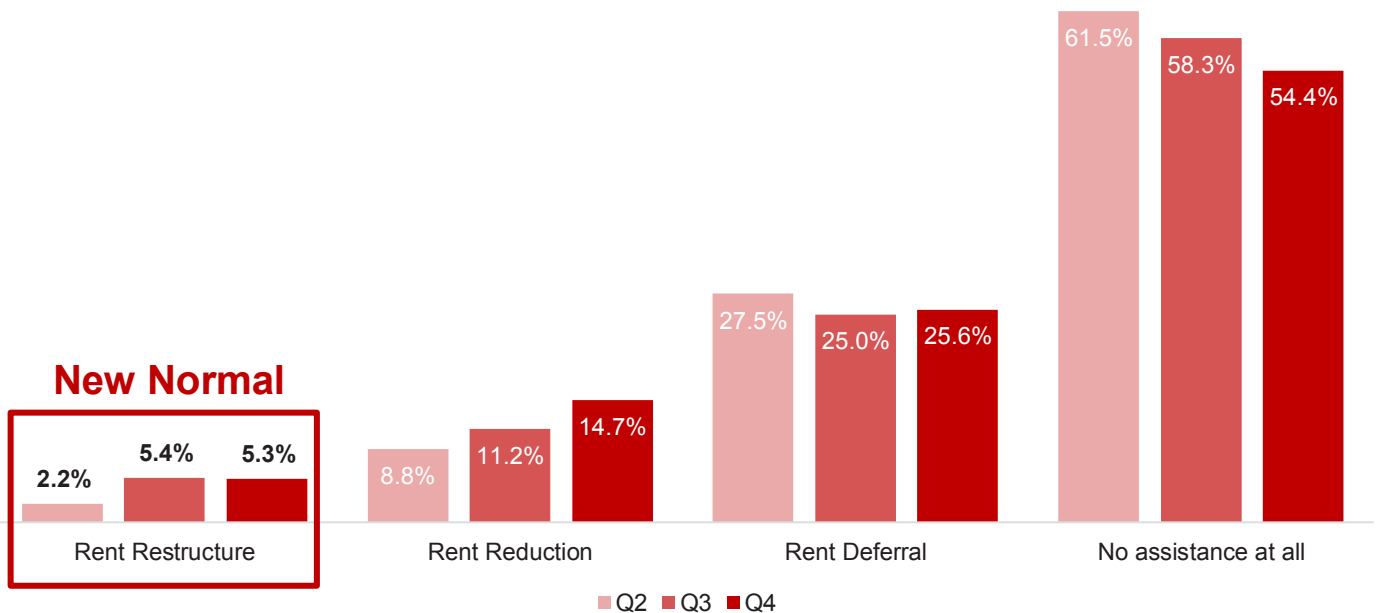
- **\$46 million** in partially unpaid rent (assuming 50% of rent was paid).
- **\$11 million** in fully unpaid rent.



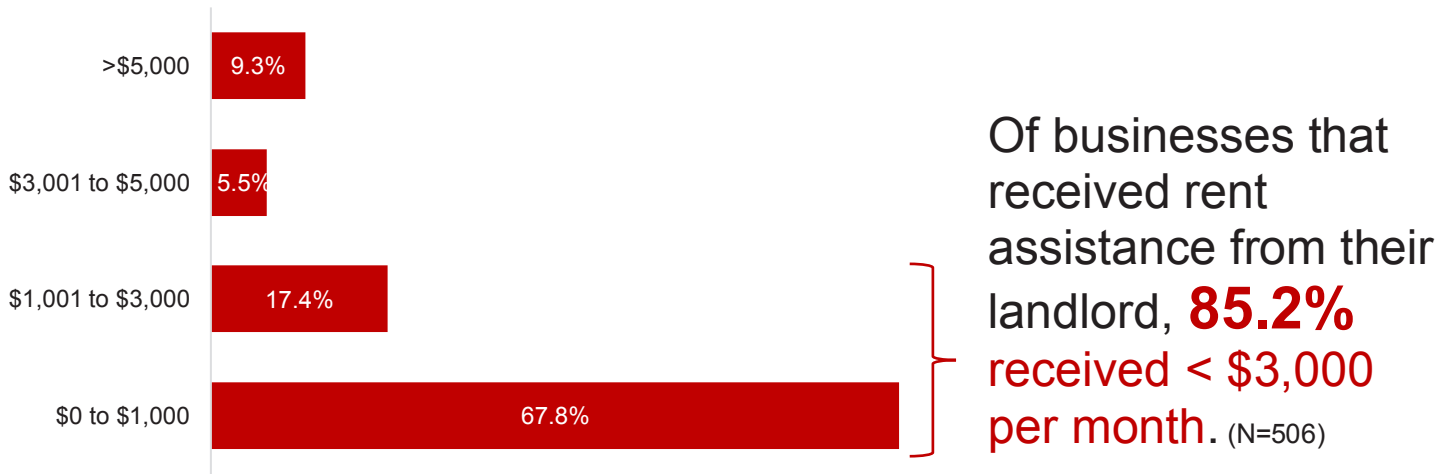
**32.0%** that have not paid rent at all are currently closed. (N=978)



**54.4%** have not received any rental assistance at all from their landlord. Rent deferral was the most common form of rental assistance over rent reduction and rent restructure. (N=1,059)



Only **5.3%** of rental agreements have been restructured as businesses enter the **new normal**. (N=1,059)



**Businesses expected to miss at least one full rent payment between January to June 2021:**

**2** in **3**  
Entertainment  


**6** in **10**  
Retail  


**2** in **3**  
Restaurants  


**Current Business Assistance**

**83.5%** received financial support from PPP and/or the Small Business Administration relief programs. (N=951)

**74.3%** received assistance from their counties' grant programs to small businesses. (N=950)

**18.6%** received loan deferrals from their bank. (N=944)

# Q4 Impact of COVID-19 on Revenue & Operations

COVID-19 continues to impact Hawai'i's economy as **61.2%** of businesses closed due to the pandemic, and as **36.3%** of businesses remain closed or have only partially reopened. (N=1,013)

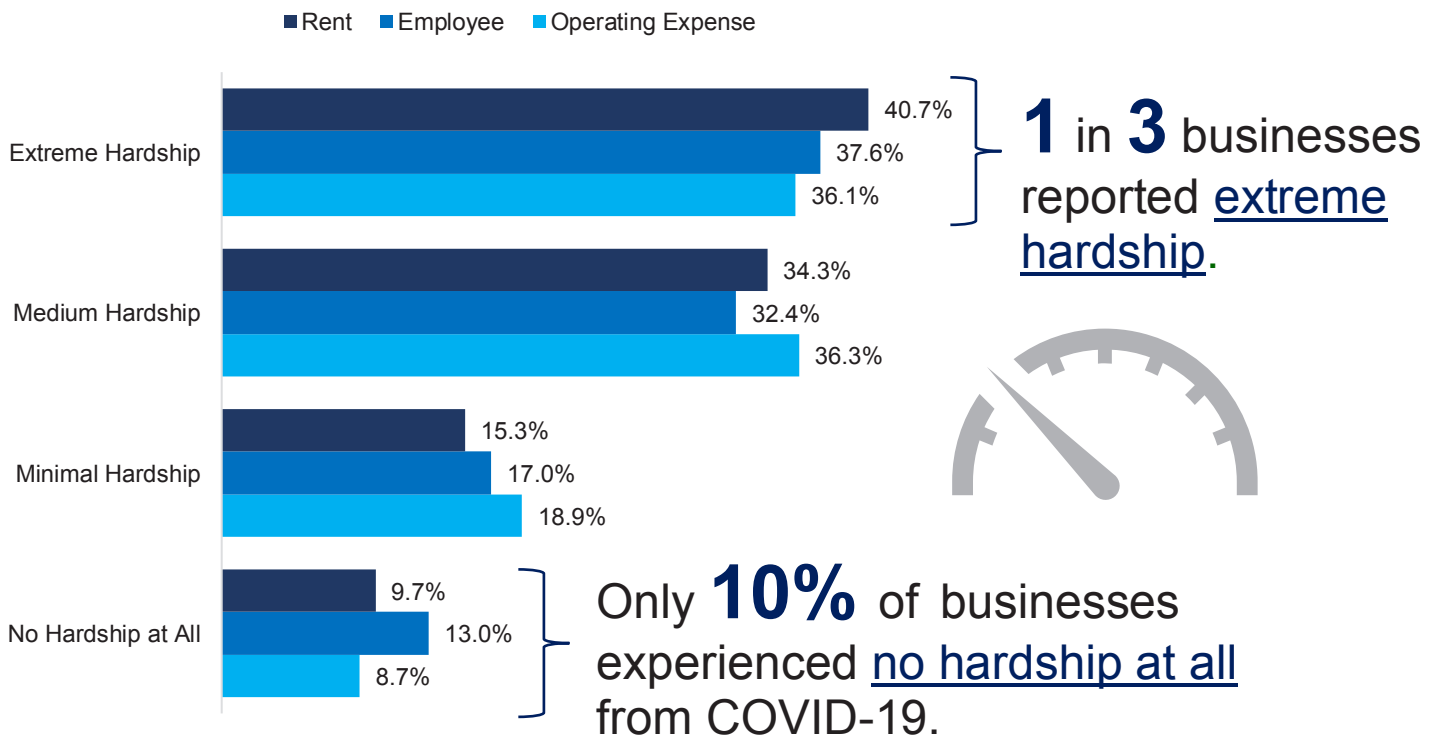
**38.8%** did not close.

**24.9%** closed but have now reopened.

**25.7%** closed but have now partially reopened.

**10.7%** closed and remain closed.

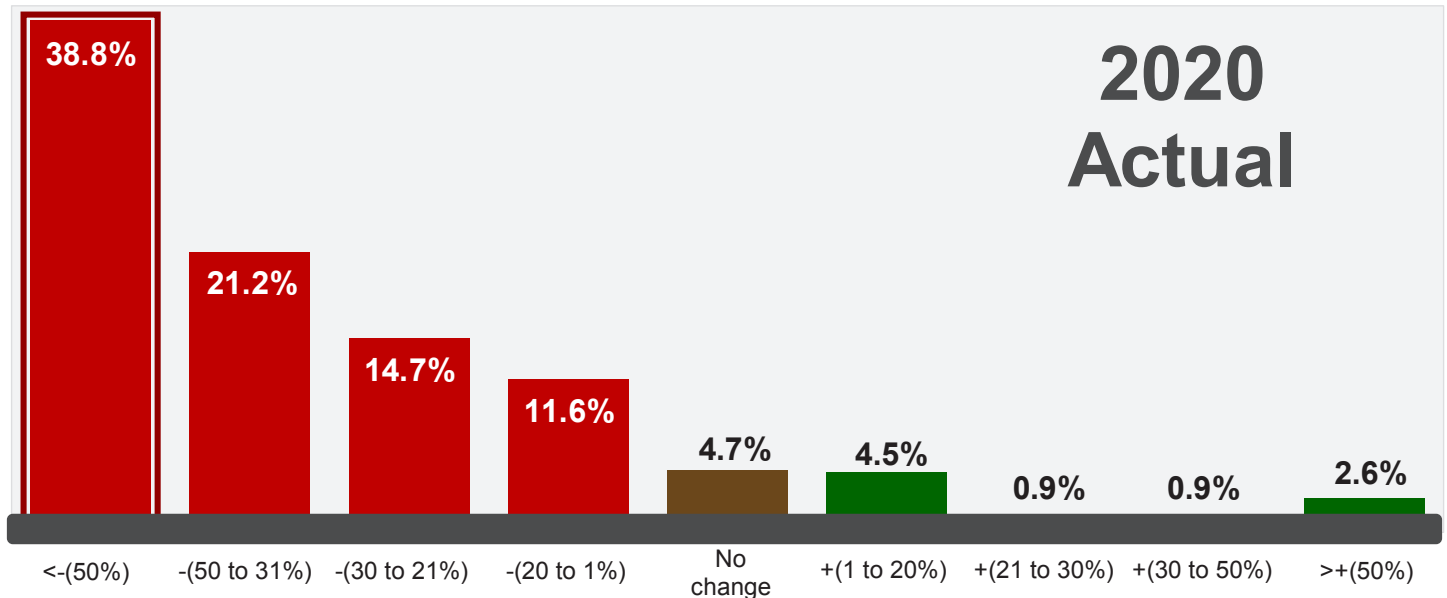
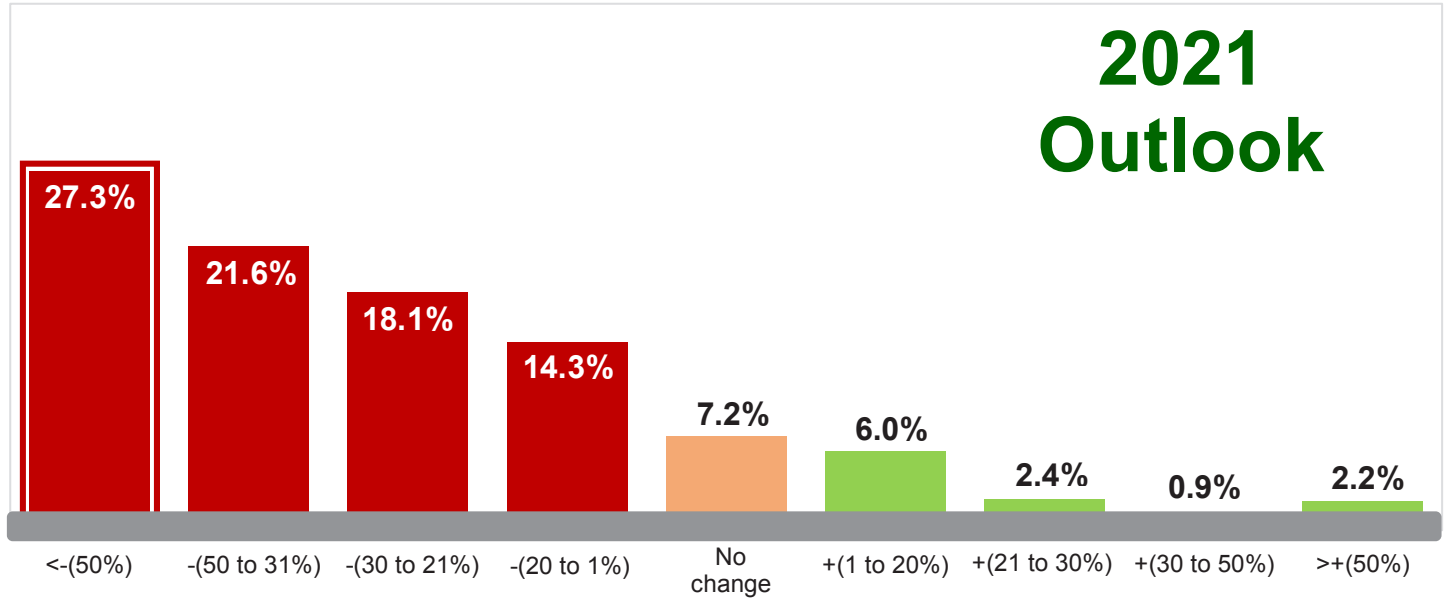
Majority of businesses reported some degree of hardship imposed by COVID-19 on their ability to pay rent (**90.3%**), employees (**87.0%**), and operating expenses (**91.3%**).



**No Hardship at All** = 100% able to pay; **Minimal Hardship** = greater than 90% probability of being able to pay; **Medium Hardship** = 75-89% probability of being able to pay; **Extreme Hardship** = less than 75% probability of being able to pay

# Q4 Business Outlook: New Normal

**81.3%** expect their annual revenue to **decline** in 2021 (N=851) vs. **86.4%** of businesses saw revenue **decline** in 2020. (N=1,017)



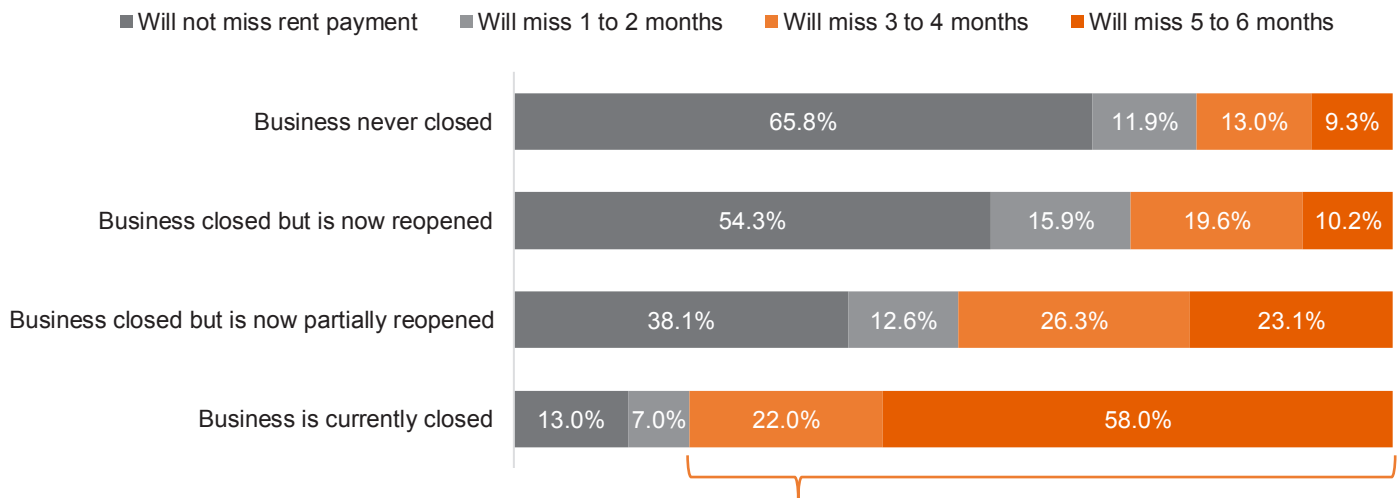
**27.3%** expect revenue to **decline > 50%** in 2021 (N=851) vs. **38.8%** of businesses saw revenue **decline of > 50%** in 2020. (N=1,017)

# Q4 Rent Outlook: New Normal

Comparing results between the three Hawai'i Commercial Rent Surveys illustrates the **increasing need for commercial rent assistance**. More businesses expect to miss increased amounts of commercial rent and for longer periods, including businesses previously able to pay rent. The percentage of businesses expecting to miss commercial rent payments increased significantly for all categories.

The approval of COVID-19 vaccines in December with plans for accelerated distribution to the general public in 2021 has improved economic forecasts. However, the recovery is expected to be slow and gradual until the latter part of 2021. Significant improvement of business conditions and commercial rent assistance can't come soon enough for those currently behind and expecting to miss more rent payments. Businesses have permanently closed their doors and laid off employees in 2020 due to the **commercial rent burden compounded with the realities of doing business in the new normal**.

**Over half (50.2%)** of businesses expect to miss at least one full rent payment between January and June 2021. (N=942)

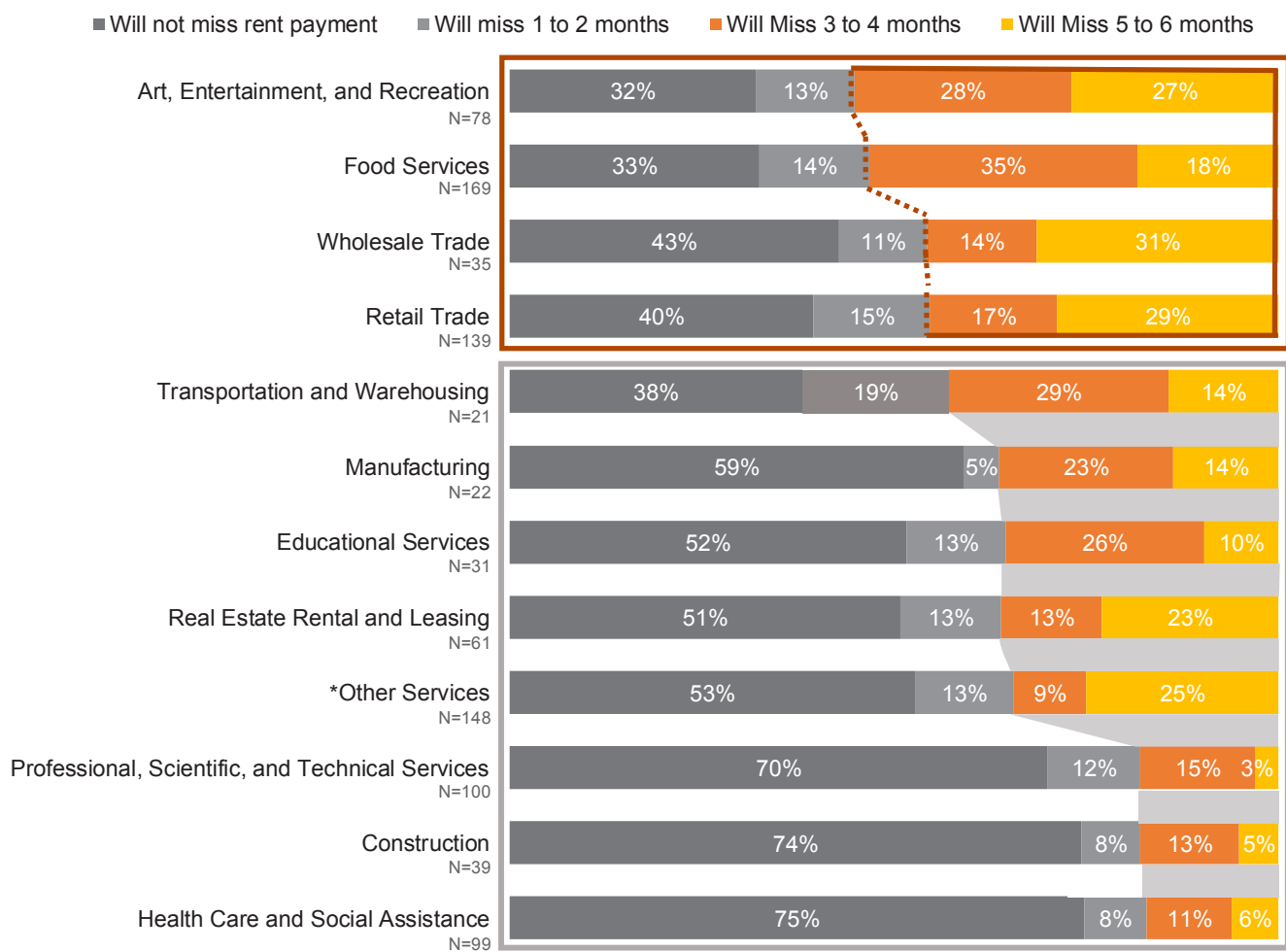


**8 in 10** businesses that are currently closed **expect to miss at least 3 to 6 months of full rent payments** between January and June 2021. (N=946)



**4 in 10** businesses expect to miss 3 to 6 months of full rent payments between January and June 2021. (N=942)

**4 of 19** primary industries expect half of their businesses to miss 3 to 6 months of full rent payments between January and June 2021. (N=942)



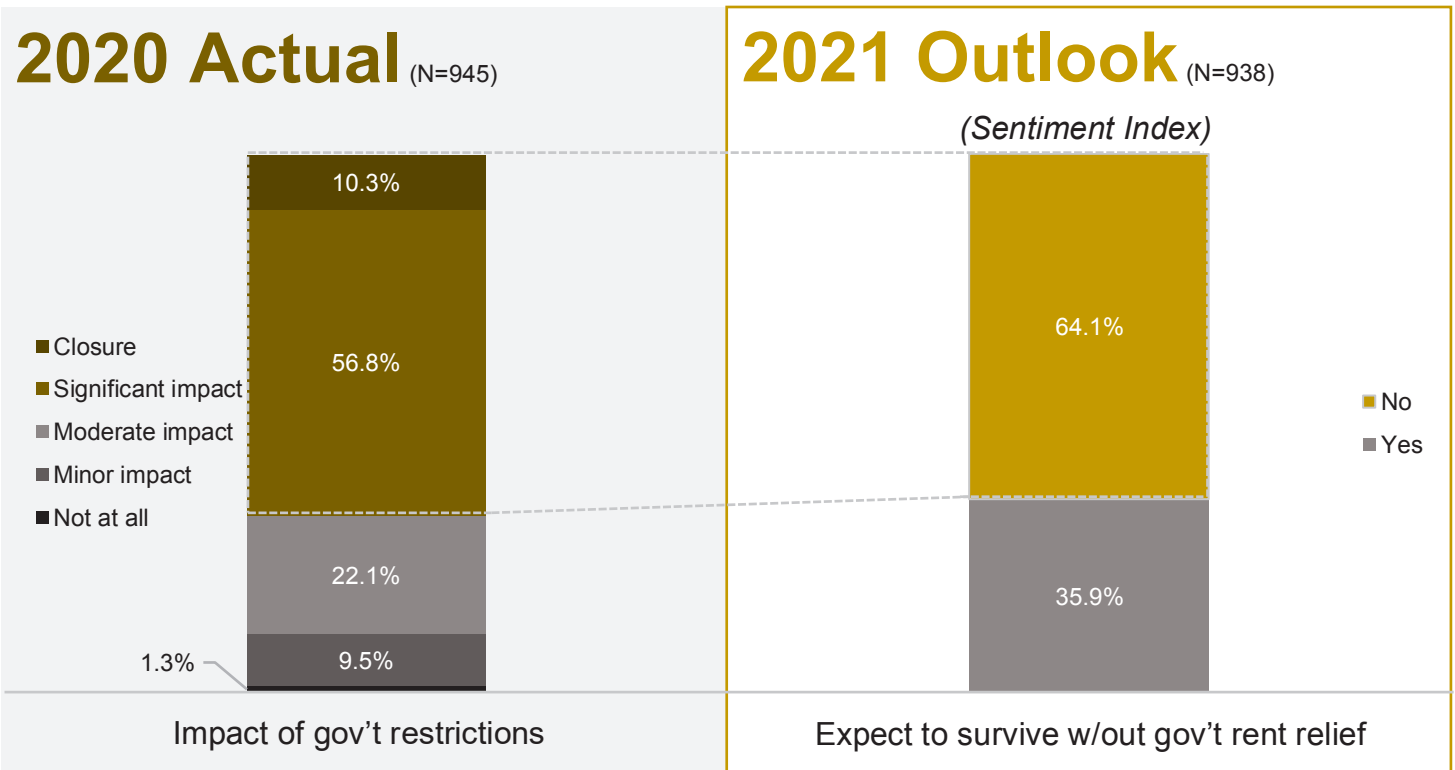
\*Other Services includes (Utilities, Management of Companies, Information, Agriculture, Accommodation, Admin & Support of Companies, Finance & Insurance)

**1 in 4** businesses in the remaining 15 industries expect to miss 3 to 6 months of full rent payments between January and June 2021. (N=942)

# Q4 Survivability Outlook: New Normal

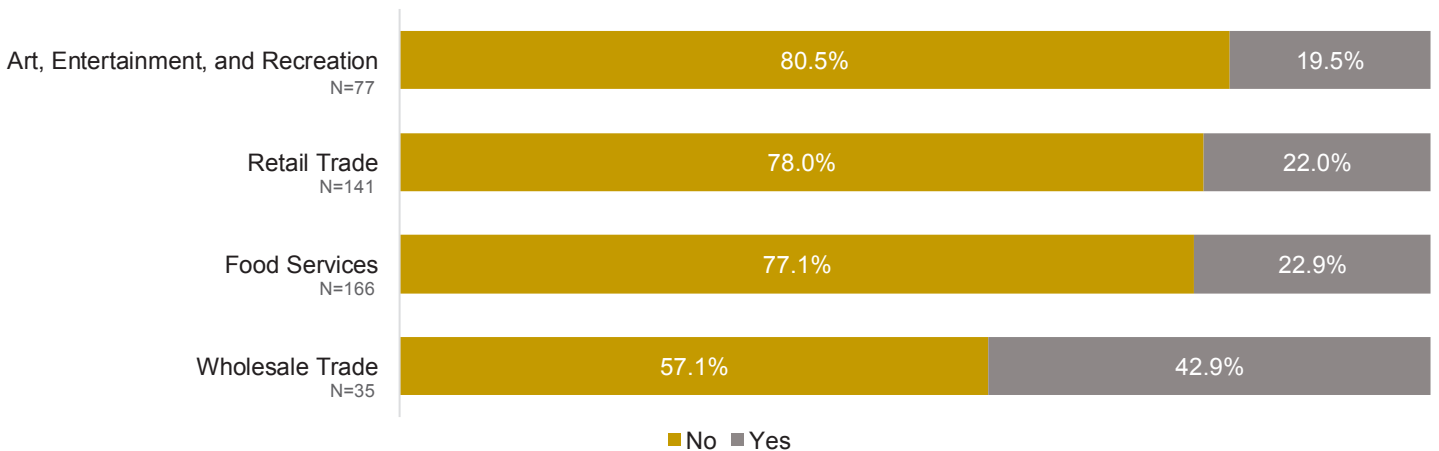
**2** in **3**

businesses were significantly impacted or closed due to government restrictions in 2020. Nearly the same number of businesses do not expect to survive in 2021 without government commercial rent relief.



Within the 4 most impacted industries, **3** in **4** do not expect to survive in 2021 without government commercial rent relief.

These 4 industries employ > 1/3 of our state's workforce. (N=938)





# Conclusion

Businesses used government stimulus funds to finance a portion of their expenses in 2020 but the amount and timing of financial support was too little, too late and many businesses have already closed their doors permanently. Businesses limping into Q4 2020 have started to see revenues increase, but are still significantly burdened by accumulating debt and expenses resulting from severe government restrictions considerably reducing generating capability.

**Businesses have not been able to pay rent, continue to add to their rent burden, and expect to miss further rent payments in 2021.** As tourism remains below pre-COVID-19 levels over the next three to five years<sup>1</sup> and with safety regulations affecting business capacity and service, businesses already operating with thin margins continue to struggle to break even before adding deferred payments of accumulating back rent.

**Commercial Rent relief will be necessary for many businesses to survive,** and lease restructuring would allow landlords and tenants to redefine lease terms that reflect market conditions in the new normal. Financial aid for commercial landowners would help incentivize them to do so.



<sup>1</sup> "UHERO Annual Hawai'i forecast with global outlook: Mainland COVID-19 surge means a bleak winter, but vaccines promise 2021 growth" UHERO, December 11, 2020



Presentation To The  
Committee on Consumer Protection & Commerce  
February 12, 2021 at 2:00 PM  
State Capitol Conference Room 329

**Testimony in Support of HB 1324, HD 1**

TO: The Honorable Aaron Ling Johanson, Chair, Committee on Consumer Protection & Commerce  
The Honorable Lisa Kitagawa, Vice Chair, Committee on Consumer Protection & Commerce  
Members of the Committee

My name is Neal K. Okabayashi, Executive Director of the Hawaii Bankers Association (HBA). HBA represents the Hawaii banks and two from the continent with branches in Hawai'i.

HBA supports the concept of HB 1324, HD1, as it seeks a balance between the needs of commercial tenants, commercial lessors, and lenders who have financed the needs of the tenants or lessors.

While there have been attempts at lease mitigation as shown by a Commercial Rent Survey in a Pacific Business News article on January 29, 2021, which survey showed that in the fourth quarter of 2020, rent restructures were 5.3%, rent reductions were 14.7% and rent deferrals was 25.6%; additional aid would be welcome.

When commercial tenants cannot pay rent or there is a form of lease mitigation, commercial landlords may not be able to pay their loan payments in full, and one sign that landlords are mitigating leases is the amount of loan concessions made by banks to landlords, which are, in part, due to the tenant's inability to pay rent. One Hawaii bank noted in its second quarter 2020 financial statement that their COVID-19 related short-term loan and lease concessions was \$1.1 billion for the commercial segment. Logically, some of those concessions made by the bank to commercial borrowers was due to the landlord's lease mitigations or rental losses.

We do have one comment on the language of the bill. In section 2, it says the grant should be made to "the owners of property classified as commercial, hotel, and resort, or industrial under county real property tax classifications . . ." Thus, the grant will go to the owner of the land.

The complex dilemma in crafting this measure is to assure ourselves that the grant will go to the person who suffered losses due to Covid-19. If the tenant does not pay the rent in full or in part, it is the landlord that bears the loss. However, in some situations, the landlord is not the owner of the property, but is a lessee or tenant of the owner under a lease with the owner of the land. The lessee acts as the 'de facto' owner because it may develop the hotel, restaurant, retail establishment or office building, construct it, negotiate the lease with the tenant, collect the rent, and agree to the lease mitigation. The owner may have no duties regarding the land, other than collecting the rent, paying real property tax and insurance (although those obligations are often passed on to the lessee), and perhaps paying the owner's mortgage to the lender, if there is any mortgage. In summary, it is a somewhat complex issue to craft language to accurately forward the grant to the right person who

suffered the loss but given the defective effective date, there is time for stakeholders to further discuss the proper drafting of this worthwhile bill.

Thank you for the opportunity to submit this testimony supporting on HB 1324, HD 1, with comments, and please let us know if we can provide further information.

Neal K. Okabayashi  
(808) 524-5161



COMMERCIAL REAL ESTATE  
DEVELOPMENT ASSOCIATION  
HAWAII CHAPTER

February 11, 2021

The Honorable Representative Aaron Johanson, Chair  
The Honorable Representative Lisa Kitagawa, Vice Chair  
Committee on Consumer Protection and Commerce

RE: **HB 1324 HD1- Establish a Commercial Rent Relief Grant Program**  
**Hearing date: Friday, February 12, 2021 at 2:00PM**

Aloha Chair Johanson, and members of the committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii to provide **SUPPORT** on HB 1324, HD1. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals. NAIOP Hawaii strongly supports the development of housing for Hawaii residents at all levels of income, especially affordable housing projects.

HB 1324, HD1 establishes a Commercial Rent Relief Grant Program (the "Program") and requires that the commercial rent relief grants be given priority for moneys received through federal funding. The grant program is designed for owners of property classified as commercial, hotel and resort, or industrial to be eligible for a grant not to exceed three per cent (3%) of taxable revenue for commercial tenants derived from the property in 2019. Further, owners of hotel and resort classified property shall only be eligible for a grant proportionate to the portion of the property that is leased to tenants operating a commercial business on the subject property. Any money from the Program would be paid directly to landowners to ensure the money is used for its intended purpose.

Hawaii commercial businesses are in dire need of additional financial relief. Despite financial support in 2020 including a second round of PPP, businesses hardest hit by COVID-19 will not survive in 2021 without additional government-funded commercial rent relief. Many businesses are still struggling with the deteriorating economic climate due to job losses and reduced visitor arrivals for an extended period causing significant decline in business revenue. The impact of losing these hardest hit businesses could result in the loss of thousands of jobs and keep tax revenue low for many years to come.

NAIOP believes the Program will serve as an essential catalyst for small businesses and landlords to work together as we begin to recover from the impacts of COVID-19. While the Program cannot require landowners to renegotiate leases, we

The Honorable Representative Aaron Johanson, Chair  
The Honorable Representative Lisa Kitagawa, Vice Chair  
Committee on Consumer Protection and Commerce  
February 11, 2021  
Page 2

believe it will encourage the landlord-tenant dialogue resulting in landowners being more inclined to set new and reasonable expectations going forward and to start renegotiating or amending leases in a reasonable manner. Without help, the burden of old lease rents during a post-coronavirus economic recovery are unbearable for small businesses.

HB 1324, HD1 would allow for the Program to serve as an important step in kick starting Hawaii's economic recovery. The Program will enable our state to emerge out of the pandemic together, protect the banking system, preserve jobs, generate tax revenue, and sustain government budgets.

Mahalo for your consideration,



Catherine Camp, President  
NAIOP Hawaii

**HB-1324-HD-1**

Submitted on: 2/11/2021 2:44:06 PM

Testimony for CPC on 2/12/2021 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Becky Erickson	Blue Ginger	Support	No

Comments:

**BLUE GINGER DESIGN**

February 11, 2021

Representative Aaron Ling Johanson, Chair

Representative Lisa Kitagawa, Vice Chair

Committee on Consumer Protection & Commerce (CPC)

**Re: House Bill 1324 to Establish a Commercial Rent Relief Grant Program**

To Whom It May Concern,

1. you for the opportunity to submit testimony. I am the owner of Blue Ginger, a Hawaii company in business for 37 years with retail stores on 4 islands. I am in support of House Bill 1324.

We had to close our 8 stores for 7 months in 2020 and even with a PPP loan we have continued to struggle to keep our business alive. Even a second PPP loan is not going to be enough to keep our business going until visitors fully return again to Hawaii. We still have many employees that we have not been able to bring back to work.

We believe that the Commercial Rent Relief Grant Program will help to keep retail businesses alive by helping to pay some of our rents and therefore helping our landlords as well. If we are not able to stay in business it will be a loss of much tax revenue for the state, the loss of jobs for 50 employees, and the loss of rental income to our 8 landlords.

Without government help, the burden of the high rents for Hawaii businesses will put many small, privately owned retailers out of business.

We believe this Program will create a better relationship between our landlords and ourselves, and hopefully they will be more willing to negotiate better rents moving forward to keep us in their properties.

Thank you again for the opportunity to submit testimony and for all of your efforts to serve the people of Hawaii as our elected leaders.

Thank you,

Becky Erickson

Owner

Blue Ginger

808-446-8091





**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON  
CONSUMER PROTECTION & COMMERCE  
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 329  
FRIDAY, FEBRUARY 12, 2021 AT 2:30 P.M.**

To The Honorable Aaron Ling Johanson, Chair;  
The Honorable Lisa Kitagawa, Vice Chair; and  
Members of the Committee on Consumer Protection & Commerce,

**SUPPORT HB1324 HD1 RELATING TO COMMERCIAL PROPERTY RENT RELIEF**

Aloha, my name is Pamela Tumpap. I am the President of the Maui Chamber of Commerce, in the county most impacted by the COVID-19 pandemic in terms of our dependence on the visitor industry and corresponding rate of unemployment. I am writing share our support of HB1324 HD1.

When Maui County worked on distributing CARES Act funding, they partnered with the Maui Chamber of Commerce to assist impacted businesses who needed this type of relief. We know the need for commercial rent relief continues and recovery is projected to be slow. Therefore, we wholeheartedly support this program.

Mahalo for your consideration of our testimony and ask that you please pass this bill.

Sincerely,

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



**HAWAI'I LODGING & TOURISM**  
**A S S O C I A T I O N**

Testimony of  
Mufi Hannemann  
President & CEO  
Hawai'i Lodging & Tourism Association

Committee on Consumer Protection & Commerce  
House Bill 1324, HD1: Relating to Commercial Property Rent Relief

Chair Johanson and members of the Committee, mahalo for the opportunity to submit testimony on behalf of the Hawai'i Lodging & Tourism Association, the state's largest private sector visitor industry organization.

The Hawai'i Lodging & Tourism Association—nearly 700 members strong, representing more than 50,000 hotel rooms and nearly 40,000 lodging workers —advocates for a diverse lodging industry that includes countless resort properties that serve as landlords to businesses of all types including eateries, small businesses, and retail outlets. UHERO estimates that more than 1,400 local businesses have closed their doors permanently due to the COVID-19 pandemic with another 2,000 suspending their operations at least temporarily. These businesses have suffered as a result of the pandemic and the ensuing stagnation of our local tourism economy. Many have been closed for months without any revenue stream with which to cover their rent payments. The inability to cover these payments is an additional source of stress on an already foundering sector of the economy.

This measure would provide both parties of the landlord-tenant relationship the necessary support for businesses to remain afloat long enough for our industry to revive itself in a meaningful way. **For this reason, HLTA supports House Bill 1324, HD1.**

Thank you for the opportunity to offer this testimony.

R Fit, LLC  
560 N Nimitz Hwy #117B  
Honolulu, HI 96817

February 12, 2021

Representative Aaron Ling Johanson, Chair  
Representative Lisa Kitagawa, Vice Chair  
Committee on Consumer Protection & Commerce (CPC)

Re: House Bill 1324 to Establish a Commercial Rent Relief Grant Program

To Whom it May Concern,

Thank you for the opportunity to submit testimony. My name is Quirino Remigio, Jr, and I am the owner and operator of R Fit, LLC, a boutique strength and conditioning gym in Honolulu. I am in support of House Bill 1324.

In January of last year, 2020, my business was thriving with 60 group training clients and 10 personal training clients. We were set to have our best year since opening in 2015. Most people say, if you're able to make it to your fifth year as an entrepreneur, your business has a great chance of longevity. When COVID-19 hit in March 2020, we were able to think outside of the box and provide the best on-line strength and conditioning training we could provide to our clients while being limited to whatever household items were available to them, not realizing the length of COVID closures. Prices for home-gym equipment sky rocketed with the new demand, and clients began to spend money out of pocket to acquire equipment already in our gym to maintain their health and fitness gains. This trend, in addition to the unfortunate lay-offs and financial burdens of our local families, severely affected our clients' ability to pay for their membership. We couldn't blame them, of course. Our membership quickly depleted, and with that, our ability to pay our overhead rent. We applied and received the first round PPP which covered one month's rent and one paycheck for myself, the single employee. That came and went and is considered a loan, something I must still pay back if the loan forgiveness doesn't go through.

Today, I am grateful to be hanging on by the grace of God and the loyalty of 34 total clients. Yes, we are currently operating at less than half of what we were operating at pre-COVID. Our past rent is still due. Our City and County Property Taxes are still due. The costs for utilities and cleaning equipment are still due. And last but surely not the least, our clients still need us to support them in their health journeys. We continue to provide on-line classes along with added in-person classes to accommodate for the small class sizes allowed. Barely being able to pay myself as the only employee, you can imagine the time and energy it takes to run my gym while also being away from my family. It is very taxing, but my family and I agree that R Fit is worth it.

The benefits of HB 1324 would be tremendous to not only my business, but to so many of us in the fitness industry. We believe in the health and wellness of our community and know that what we do is essential. This bill will help many of us stay alive and continue our work to improve the quality of life for the people of Hawai'i. We didn't work this hard for this long, to only get this far. With rent relief going straight to our landlords, I can focus on my main vision, and that's the health and wellness of the people.

Thank you for the opportunity to submit testimony and for all of your efforts to serve the people of Hawai'i as our elected leaders.

R Fit, LLC  
560 N Nimitz Hwy #117B  
Honolulu, HI 96817

Mahalo and God bless,  
Quirino "Reno" Remigio, Jr  
Owner/Operator  
R Fit, LLC  
[r.fit.hawaii@gmail.com](mailto:r.fit.hawaii@gmail.com)  
(808)673-1060

**HB-1324-HD-1**

Submitted on: 2/11/2021 9:15:50 AM

Testimony for CPC on 2/12/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Neil Ishida	ABC Stores	Support	No

Comments:

**Re: HB 1324 to Establish a Commercial Rent Relief Grant Program**

Good morning Chair Aaron Ling Johanson and members of Committee on Consumer Protection & Commerce. I am Neil Ishida, Director of Government Affairs of ABC Stores. I appreciate this opportunity to testify.

ABC Stores **STRONGLY SUPPORT** HB 1324 Relating to Establish a Commercial Property Rent Relief Grant Program. This measure establishes a Commercial Rent Relief Grant Program; and requires that the commercial rent relief grants be given priority for moneys received through federal funding.

Despite financial relief in 2020 and even with the second round of PPP, businesses hardest hit by COVID-19 will not survive in 2021 without additional government-funded commercial rent relief. The impact of losing these hardest hit businesses could result in the loss of thousands of jobs and keep tax revenue low for many years.

In many cases, businesses, especially restaurants and retailers are facing ½ to 2/3 reduced capacity in the new normal with the same or an even higher rent caused by rent deferral. Also, the deteriorating economic climate due to reduced visitor arrivals for an extended period is causing significant decline in business revenue.

The Commercial Rent Relief Grant Program (the “Program”) is designed to pass rent relief forward. Using federal money, the State would allow eligible business tenants to qualify for the lesser of 3% of 2019 taxable revenue or three months of full rent. Money would be paid directly to landowners to ensure the money is used for its intended purpose.

We believe the Program will serve as an essential catalyst for businesses and landlords to work together as we migrate into the new normal. Without help, the burden of old lease rents (based on previous market conditions) during a post-coronavirus economic recovery are unbearable for businesses.

While the Program cannot require landowners to renegotiate leases, we believe a bi-product of the goodwill developed from the landlord-tenant dialogue is that landowners will be more inclined to set new and reasonable expectations going forward and to start

renegotiating or at least amending leases in a sustainable manner. This would become an important process to kick start the economic recovery and one of many vital ways we can emerge out of the pandemic together, preserve jobs, generate tax revenue, and sustain government budgets.

Thank you again for the opportunity to submit testimony.