

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



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To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways and Means

From: Isaac W. Choy, Director
Department of Taxation

Date: February 26, 2021
Time: 9:30 A.M.
Place: Via Video Conference, State Capitol

Re: S.B. 946, S.D. 1, Relating to Commercial Property Rent Relief

The Department of Taxation (Department) offers the following comments regarding S.B. 946, S.D. 1, for your consideration.

S.B. 946, S.D. 1, creates a commercial rent relief grant program to be funded by federal funds. Under this measure applications are submitted to and reviewed by the Department. The counties, in cooperation with the Department, are responsible for administering the grant program. The bill is effective on July 1, 2021.

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.

The Department does not have the resources or the capacity to administer a grant program. In addition, the Department is concerned about the potential conflict between its duties administering State taxes and operating a grant program. The Department respectfully requests that a more appropriate agency be designated to operate the grant program.

Finally, if the measure intends for the Department to provide otherwise confidential tax information for the purpose of qualifying for the grant, the Department suggests inserting a provision that allows the sharing of confidential tax information to the agency administering the grant program.

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



**Testimony to the Senate Committee on Ways and Means
Friday, February 26, 2021 at 9:30 A.M.
Written Testimony**

RE: SB 946, SD 1, RELATING TO COMMERCIAL PROPERTY RENT RELIEF

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 946, SD 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 survey¹ 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.

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



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February 26, 2021

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON SB 946, SD1
RELATING TO COMMERCIAL PROPERTY RENT RELIEF

Conference Room 211
9:30 AM

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, 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 SB 946, SD1, 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 3 through 5 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 have 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.

Friday, February 26, 2021

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Committee on Ways and Means (WAM)

Strong Support for Senate Bill 946 Relating to a Commercial Rent Relief Program

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee on Ways and Means (WAM):

Thank you for the opportunity to submit testimony for Senate Bill 946. 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, Senate Bill 946 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. Senate Bill 946 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. 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 Senate Bill 946. 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

3RD

HAWAI‘I
COMMERCIAL
RENT SURVEY

IBMHAWAII 



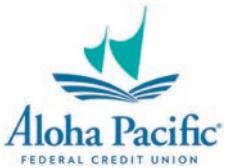
JANUARY 2021

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.

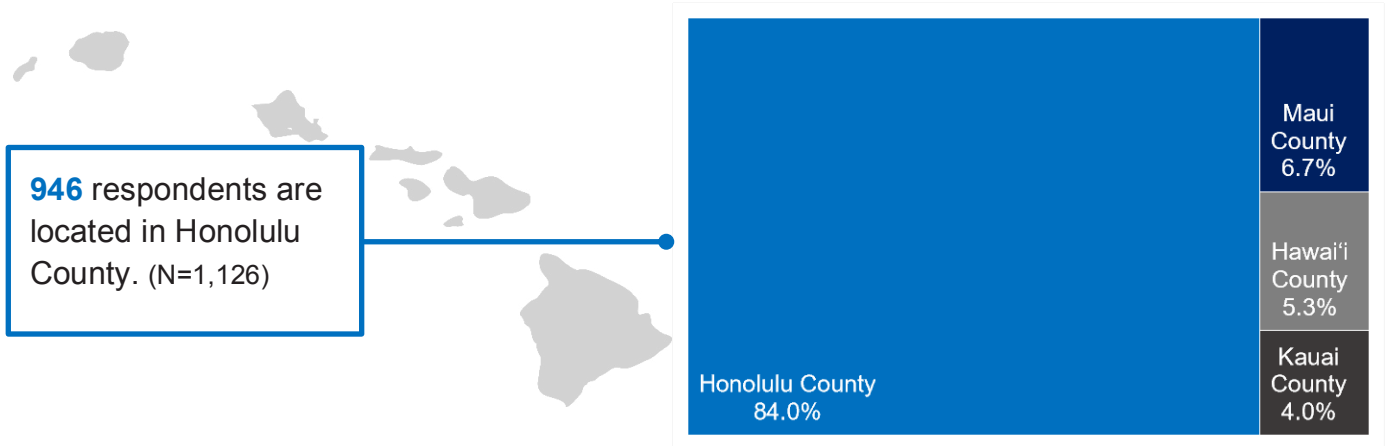
Sincerely,

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

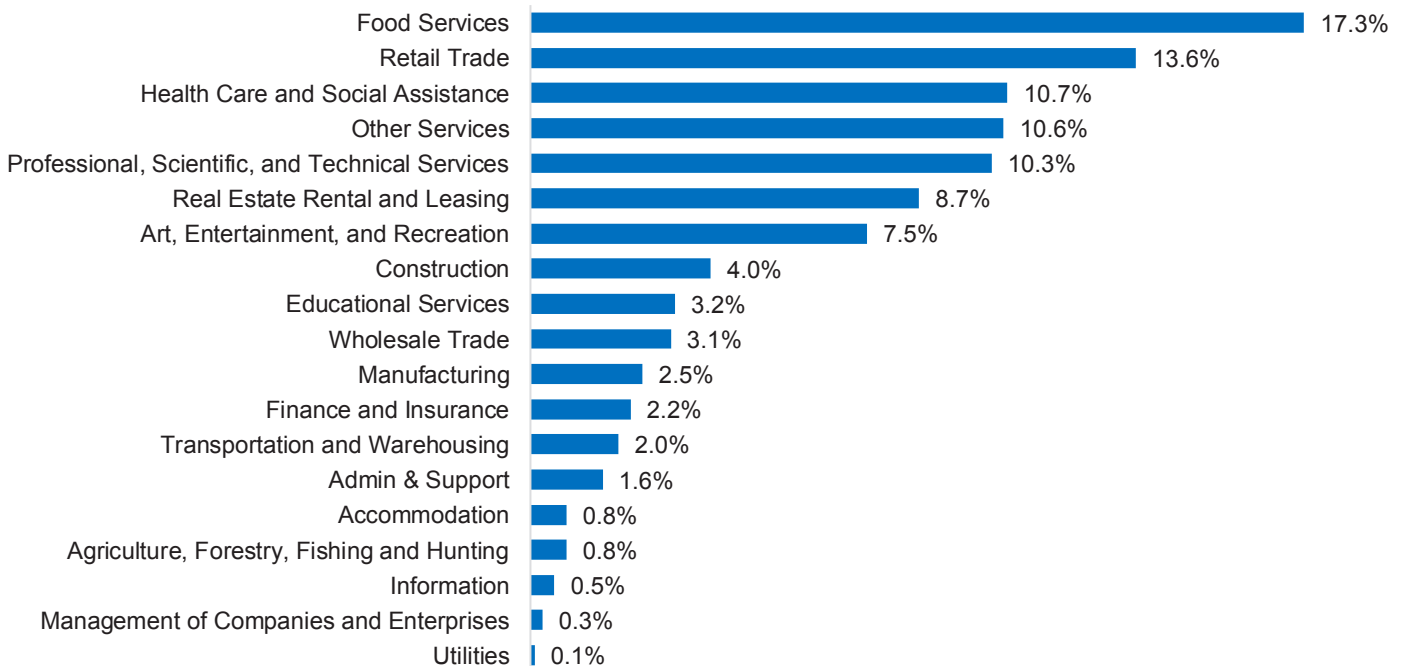


Q4 Survey Respondents

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



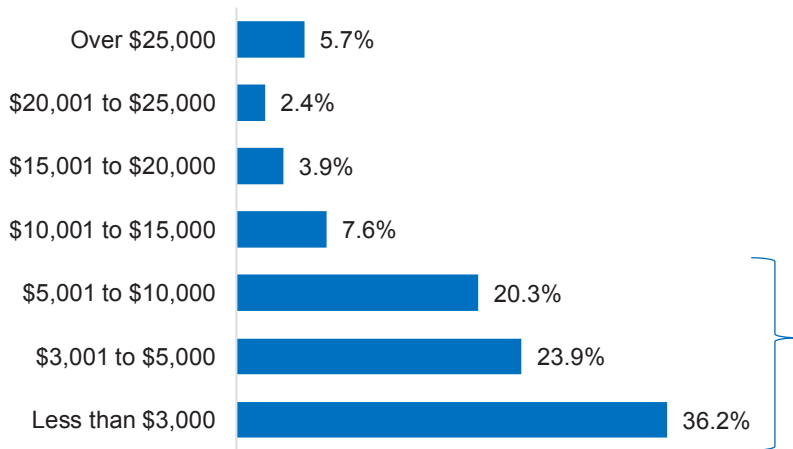
30.9% are in the Food Services and Retail Trade industries. (N=1,114)



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)

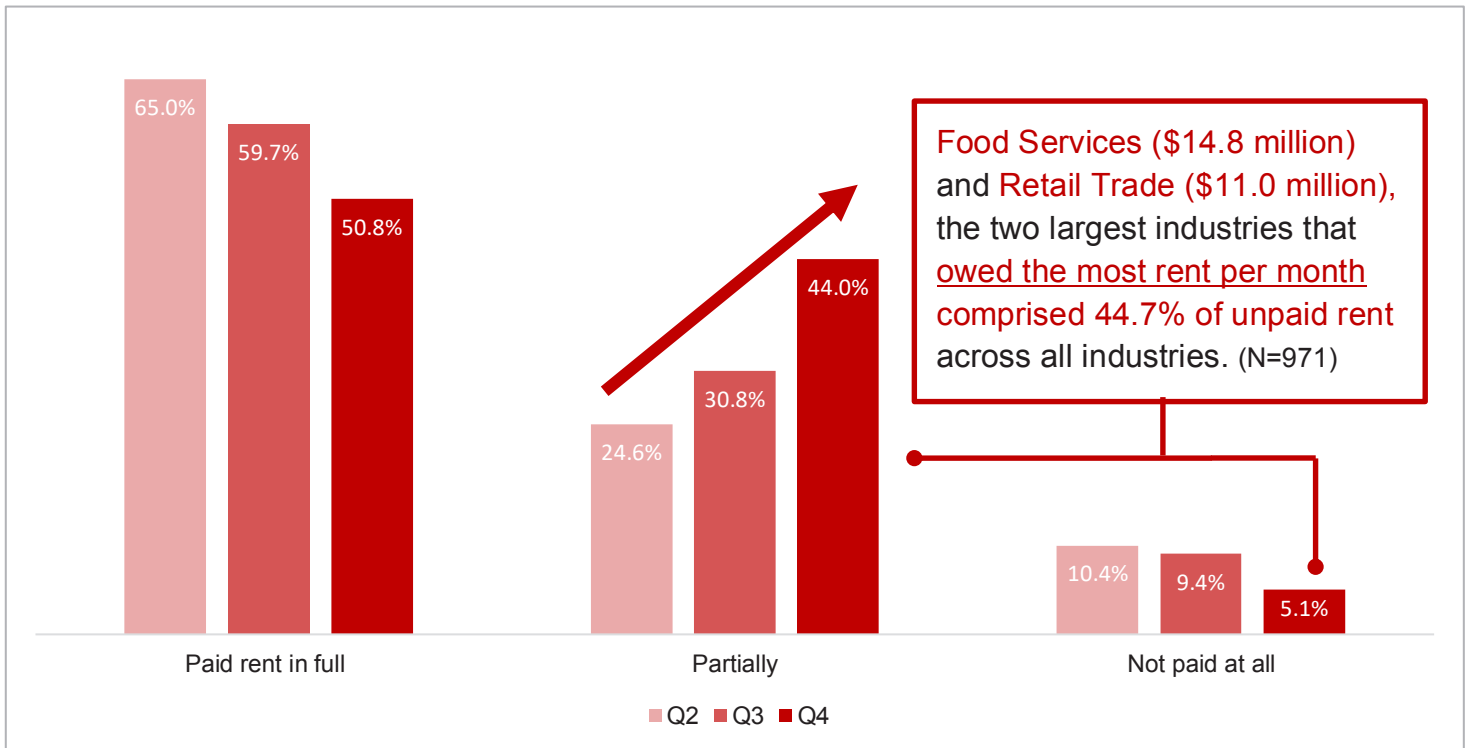
77.4% do not pay percentage rent above their base rent. (N=968)

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)

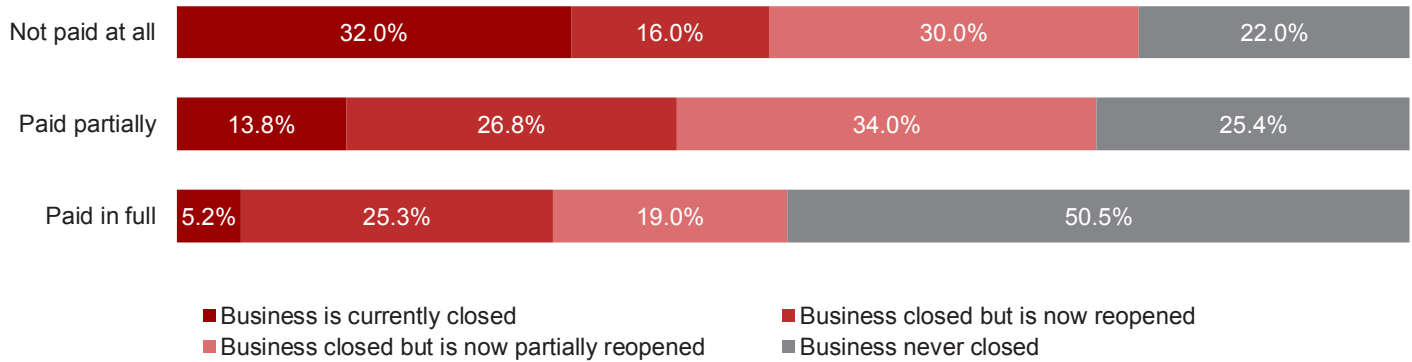


The statewide estimated total rent owed per month is **\$57 million in Q4 (vs. \$59 million in Q3)**. (N=971)

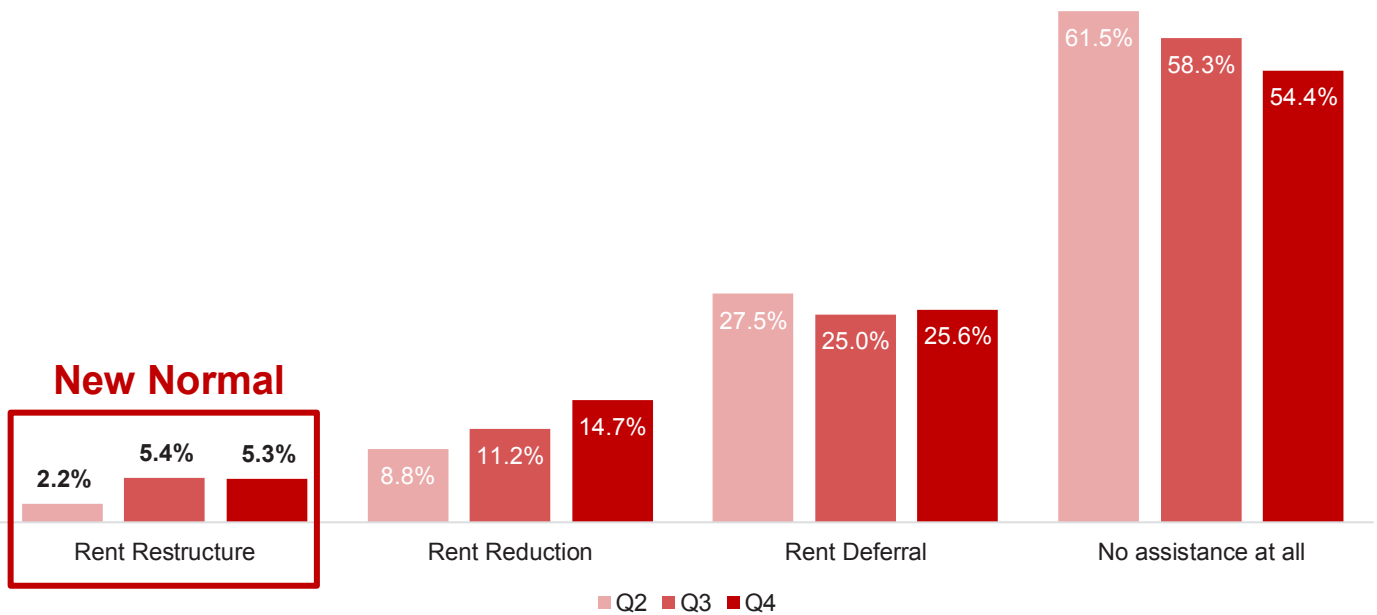
- **\$46 million** in partially unpaid rent (assuming 50% of rent was paid).
- **\$11 million** in fully unpaid rent.



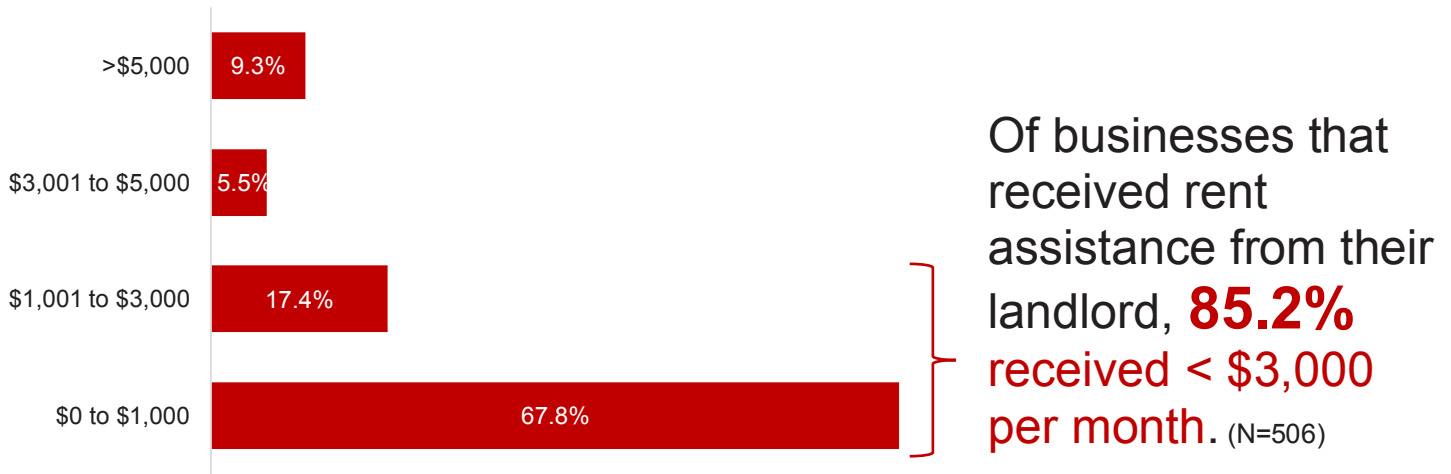
32.0% that have not paid rent at all are currently closed. (N=978)



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)

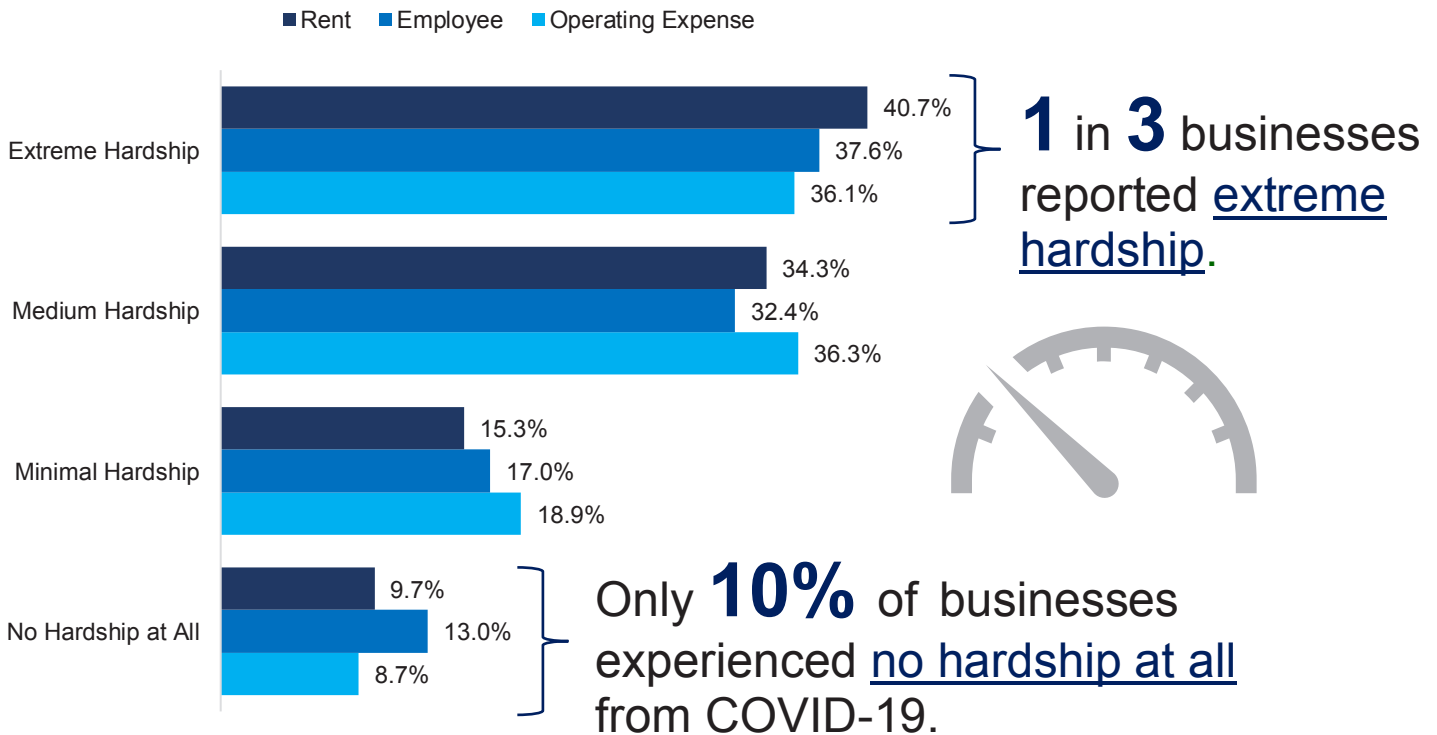
38.8% did not close.

24.9% closed but have now reopened.

25.7% closed but have now partially reopened.

10.7% closed and remain closed.

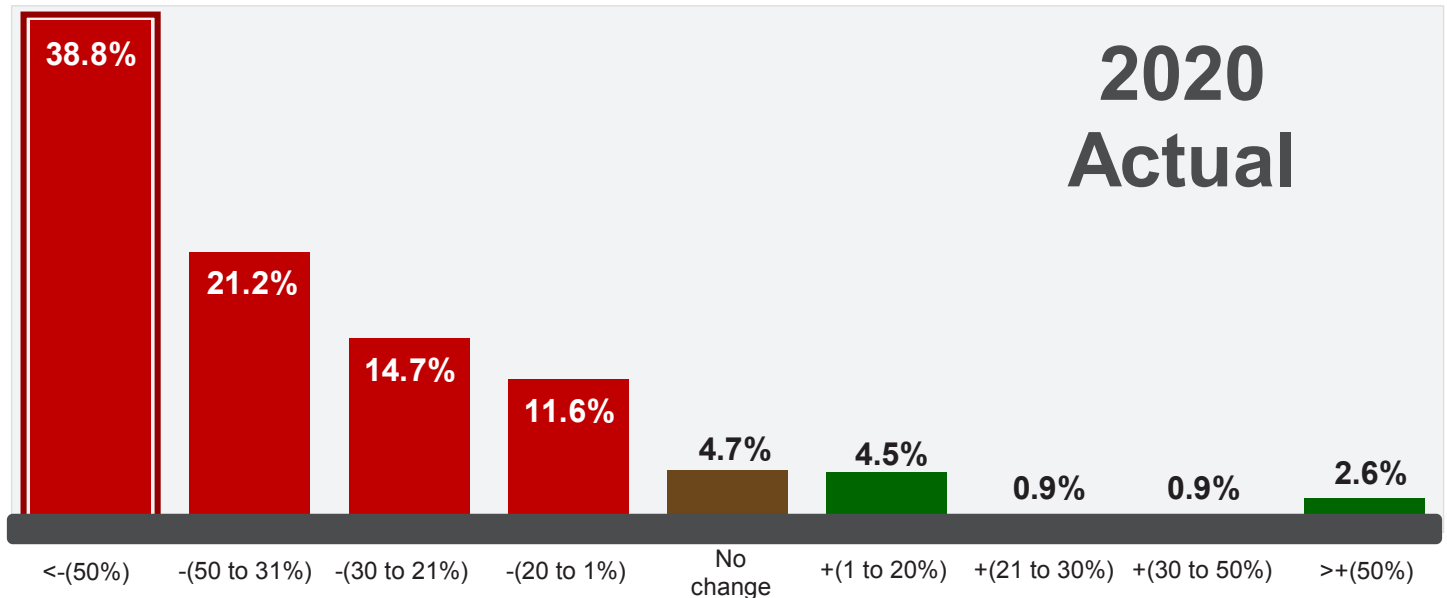
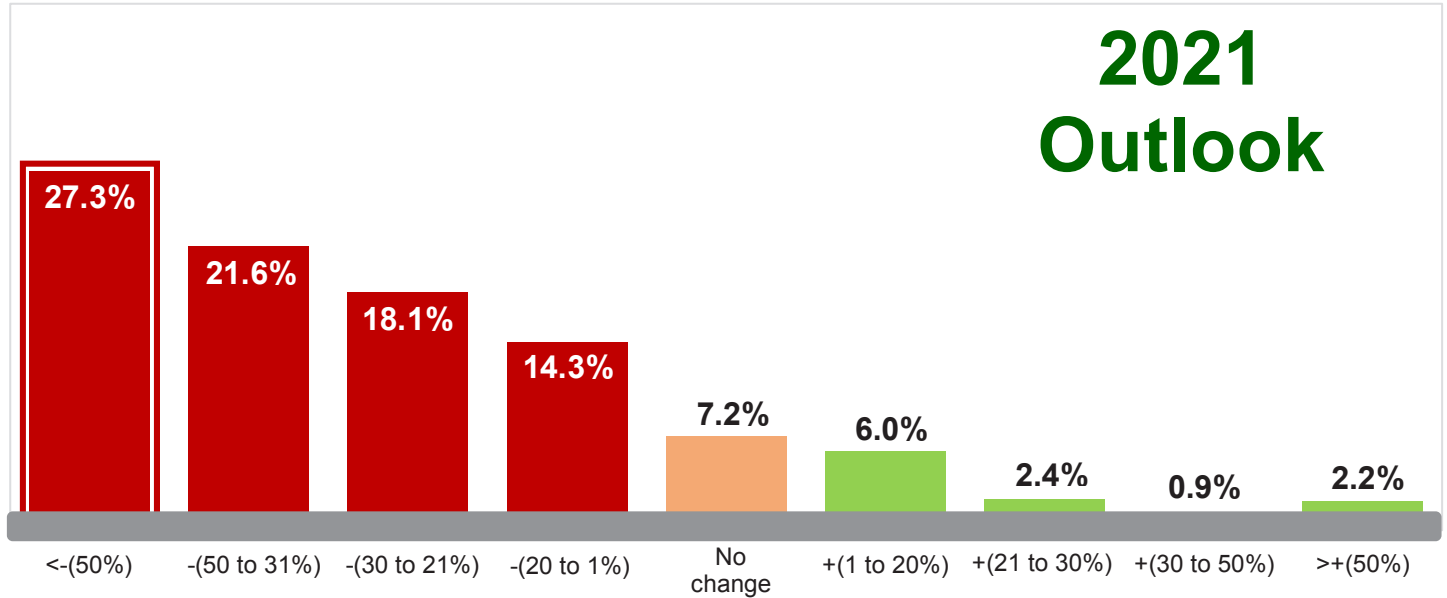
Majority of businesses reported some degree of hardship imposed by COVID-19 on their ability to pay rent (**90.3%**), employees (**87.0%**), and operating expenses (**91.3%**).



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)



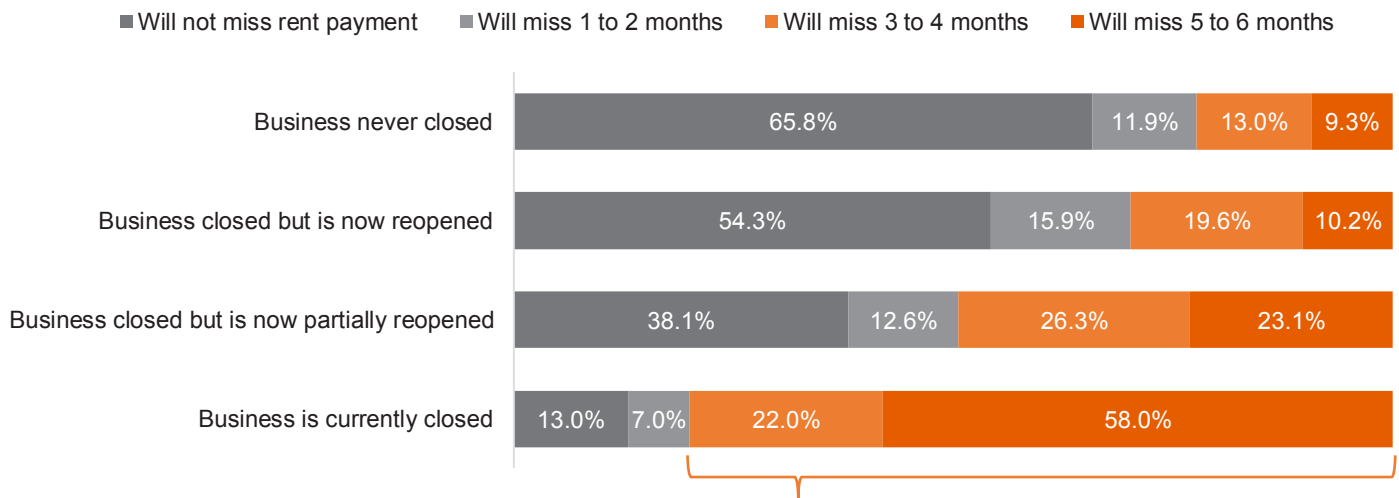
27.3% expect revenue to **decline > 50%** in 2021 (N=851) vs. **38.8%** of businesses saw revenue **decline of > 50%** in 2020. (N=1,017)

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)

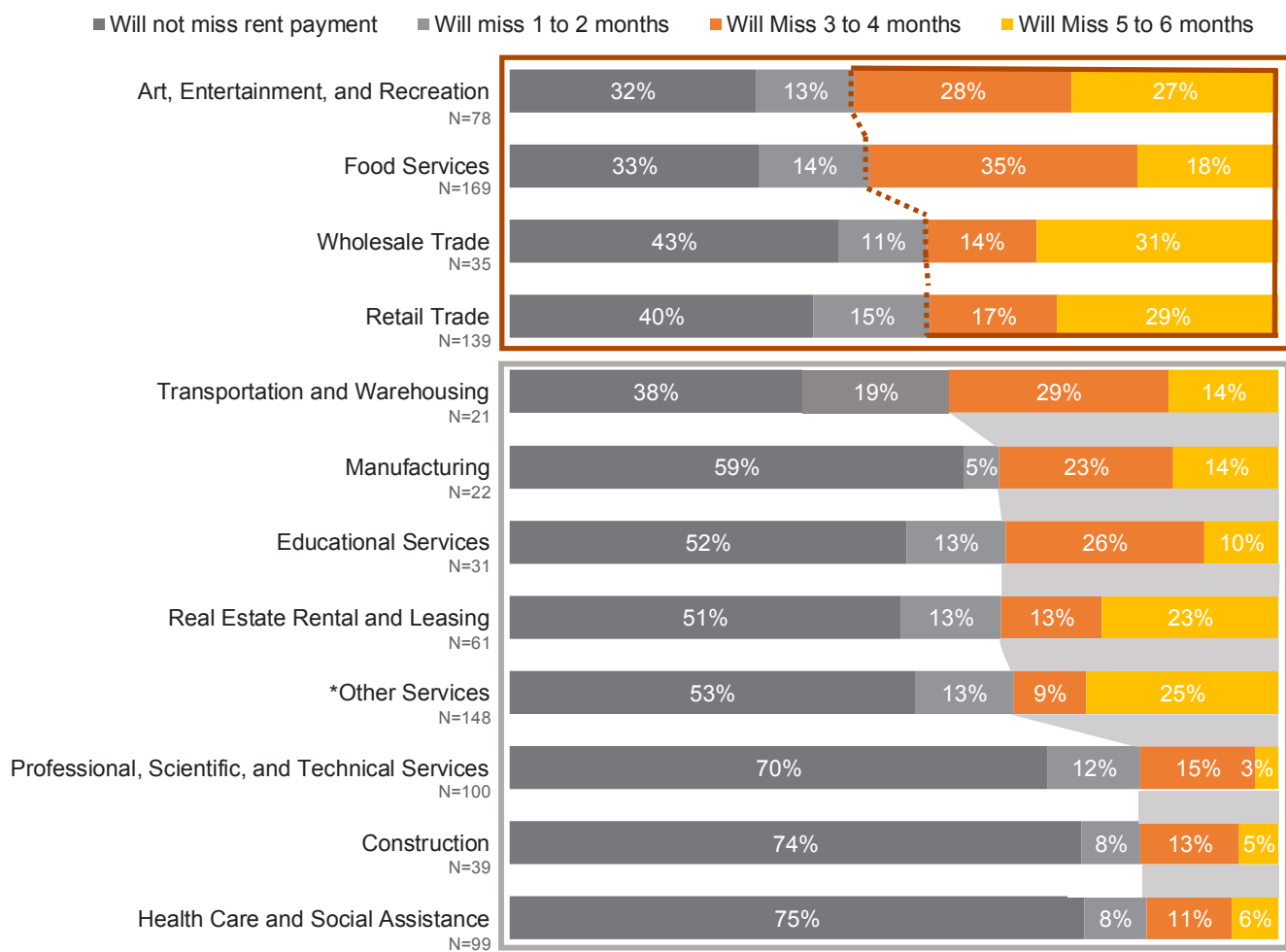


8 in 10 businesses that are currently closed **expect to miss at least 3 to 6 months of full rent payments** between January and June 2021. (N=946)



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)



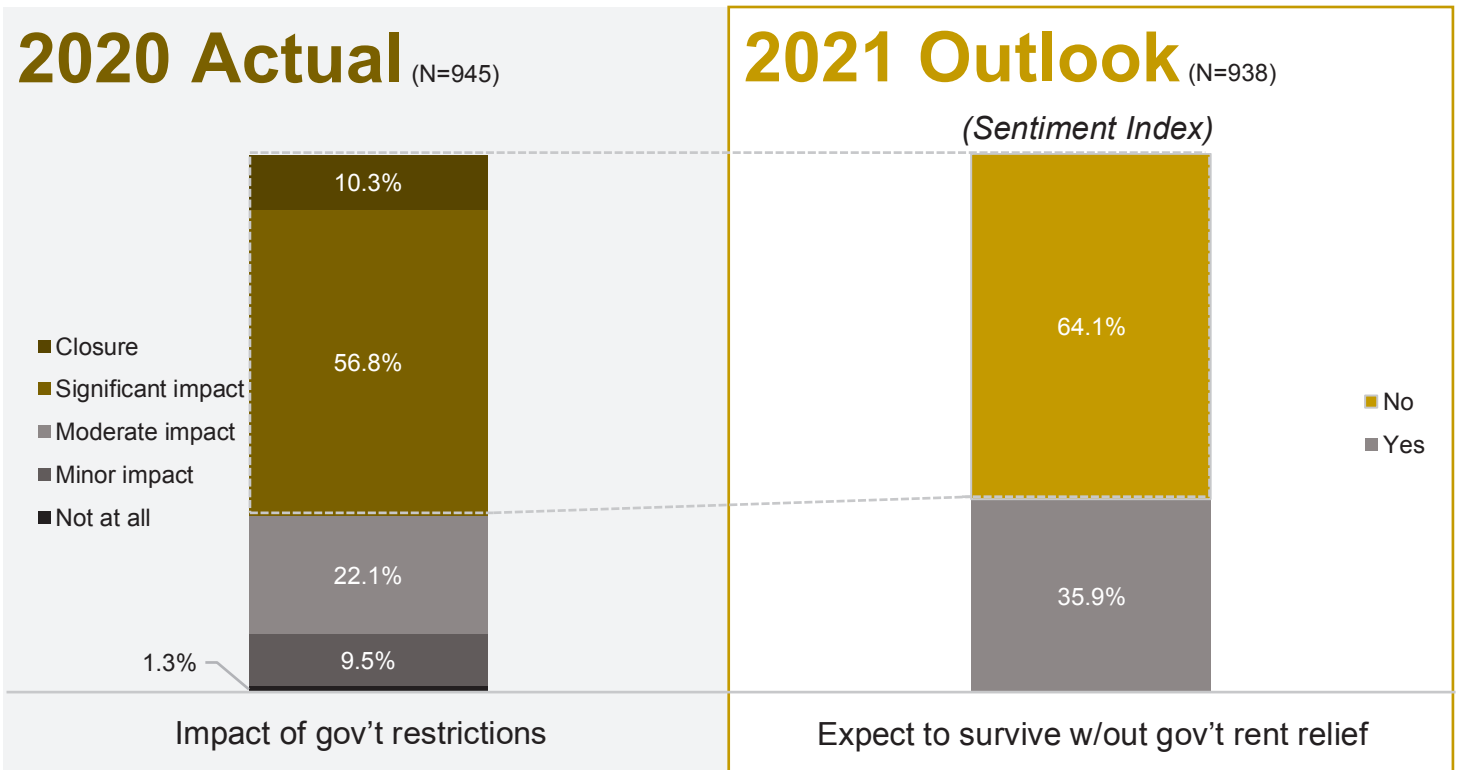
*Other Services includes (Utilities, Management of Companies, Information, Agriculture, Accommodation, Admin & Support of Companies, Finance & Insurance)

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

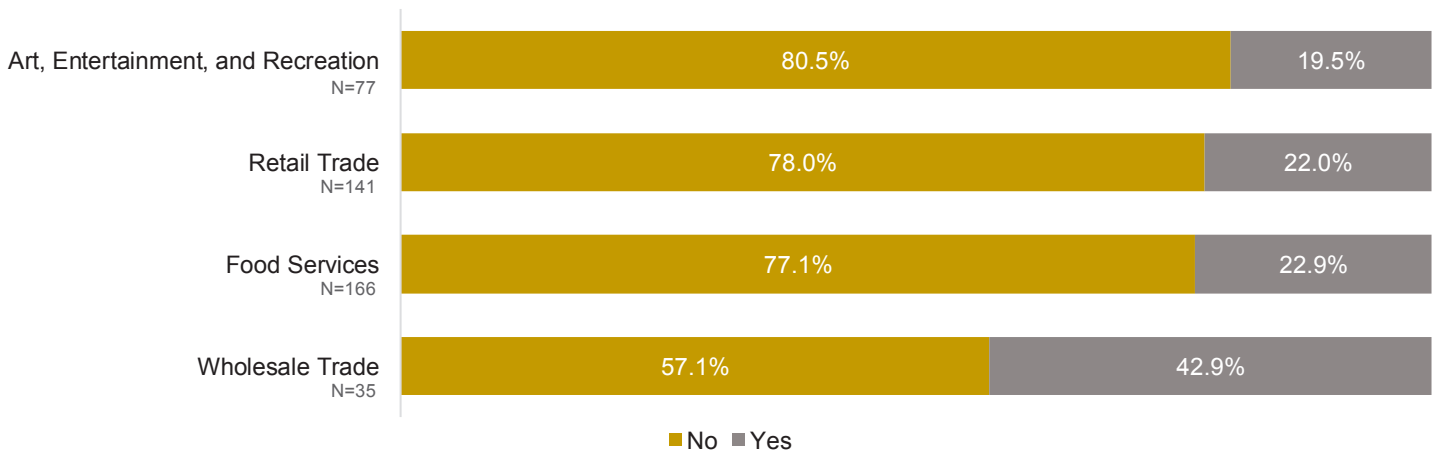
2 in **3**

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)

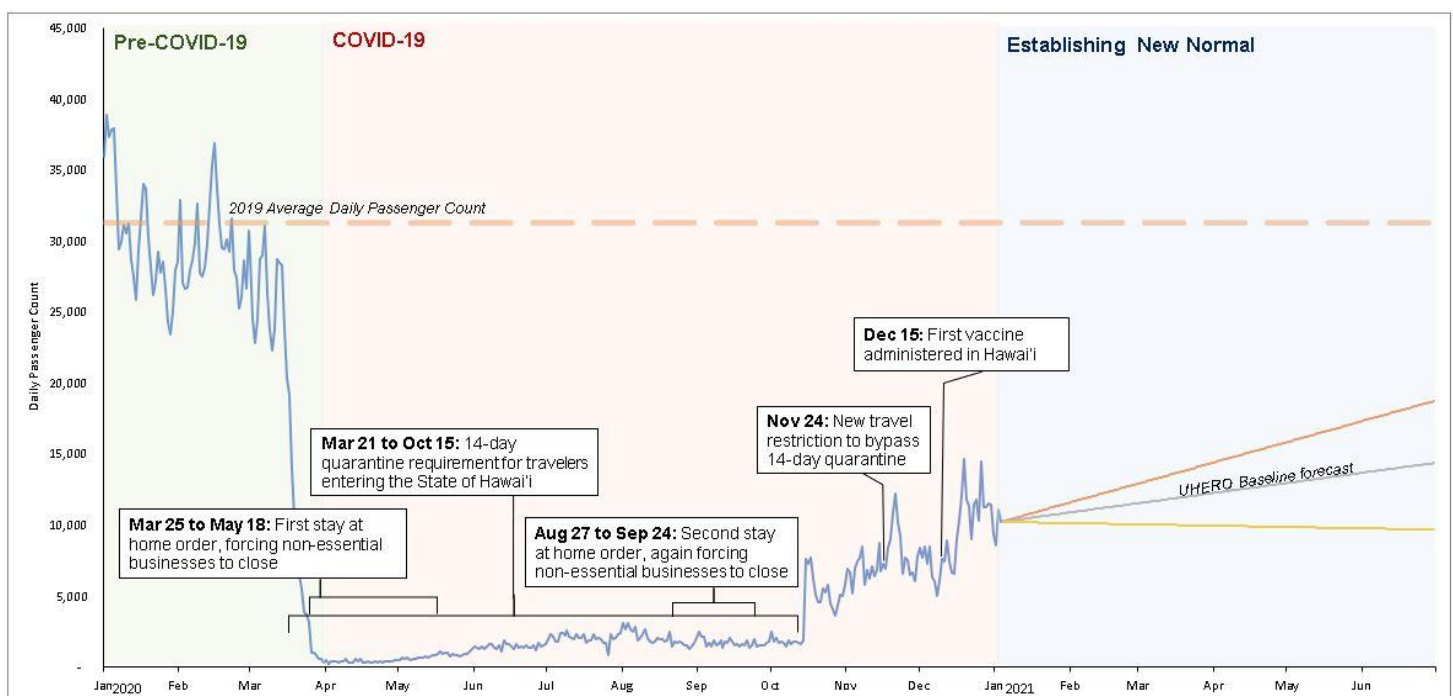


Conclusion

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 years¹ 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.



¹ "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





Eggs 'n Things Hawaii Inc. DBA Eggs 'n Things
339 Saratoga Road,
Honolulu, HI 96815
www.eggsthings.com

February 26, 2021

Senator Donovan M. Dela Cruz, Chair

Senator Gilbert S.C. Keith-Agaran, Vice Chair

Committee on Ways and Means (WAM)

Re: Senate Bill 946 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 Senate Bill 946.

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 almost 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 government-funded aid such as this 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 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 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 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.

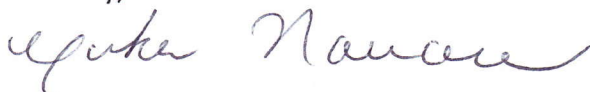
Almost a year into this Pandemic, more and more businesses have closed it's doors permanently, and it is frightening and heartbreaking to see the State, especially places like Waikiki so empty, so quiet, with growing number of homeless people in front of all these closed businesses and vacant commercial 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 Senate Bill 946 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,

A handwritten signature in cursive script that reads "Yuka Nawano".

Yuka Nawano

President & CEO / Eggs 'n Things Hawaii Inc.

yucanfbih@gmail.com

February 26, 2021

The Honorable Donovan Dela Cruz, Chair
Senate Committee on Ways and Means
Via Videoconference

RE: S.B. 946, SD1, Relating to Commercial Property Rent Relief

HEARING: Friday, February 26, 2021, at 9:30 a.m.

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee,

I am Ken Hiraki, Director of Government Affairs, testifying on behalf of the Hawai'i Association of REALTORS® (“HAR”), the voice of real estate in Hawai'i, and its over 10,000 members. HAR **supports** Senate Bill 946, SD1, which establishes a commercial rent relief grant program. Requires that the commercial rent relief grants be given priority for moneys received through federal funding.

Due to the devastating global COVID-19 pandemic, through no fault of their own, businesses have been severely impacted. Reduced visitor arrivals has also caused significant decline in revenue and has devastated our local economy. Unfortunately, we have seen our favorite local restaurants or local retail stores and small businesses close their doors and more are at the brink of closing or unable to pay their rent.

Rent remains one of the largest fixed costs for a business. As such, HAR believes that the commercial rent relief grant will help landlords and our local businesses who are struggling to make ends meet.

Mahalo for the opportunity to testify.



COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

February 25, 2021

The Honorable Senator Donovan Dela Cruz
The Honorable Senator Gilbert Keith-Agaran
Senate Committee on Ways and Means

RE: **SB946 SD1 - RELATING TO COMMERCIAL PROPERTY RENT RELIEF**
Hearing date: Friday, February 26, 2021 at 9:30 AM

Aloha Chair Dela Cruz, and Members of the Committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii to provide **SUPPORT** on SB946 SD1. 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.

SB 946 SD1 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. SB 946 SD1 appropriates an unspecified amount out of the State's general revenues for fiscal years 2021-2022 and 2022-2023 subject to the federal government providing stimulus payments to the state. The measure further appropriates an unspecified amount out of the State's out of the emergency and budget reserve fund for fiscal years 2021-2022 and 2022-2023.

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.

The Honorable Senator Donovan Dela Cruz
The Honorable Senator Gilbert Keith-Agaran
Senate Committee on Ways and Means
February 25, 2021
Page 2

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 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.

SB 946 SD1 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,

A handwritten signature in black ink, appearing to read "Catherine Camp", written over a horizontal line.

Catherine Camp, President
NAIOP Hawaii



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
FRIDAY, FEBRUARY 26, 2021 AT 9:30 A.M.**

To The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and
Members of the Committee on Ways and Means,

SUPPORT SB946 SD1 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 SB946 SD1.

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

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.



LATE

“Advancing the Commercial Property Management Industry through Education,
Networking and Advocacy”

Testimony to the Hawaii State Senate Committee on Ways and Means

February 26, 2021

9:30 a.m.

Hawaii State Capitol – Conference Room 211 & Videoconference

RE: Senate Bill 946 SD1 Relating to Commercial Property Rent Relief

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran and Members of the Committee,

Thank you for the opportunity to submit testimony on Senate Bill 946 SD1.

We are the Building Owners and Managers Association of Hawaii (BOMA Hawaii) testifying in **support of Senate Bill 946**, which would establish a Commercial Rent Relief Grant Program and would require that the commercial rent relief grants be given priority for funds received through federal funding.

BOMA Hawaii is a non-profit trade association with a membership that includes many commercial property owners and building managers. BOMA Hawaii is well aware of the many challenges facing the business community. Many of our members continue to operate properties that lease to businesses providing goods and services throughout the pandemic. We experience and witness firsthand the effects of COVID-19 on our commercial tenants. We are listening to tenant requests for help, working with them to find rent relief solutions that sustain their businesses, and supporting their efforts to obtain financial assistance through government programs. We note that the limitations set forth in this bill may limit its availability to many commercial property owners.

Small commercial businesses are the heart of Hawaii’s economy, and in times where they are financially fragile, we believe that we must do what we can to prop them up. Therefore we support the intent of this bill and we are generally supportive of measures that foster collaborative solutions between commercial property owners and tenants rather than broad restrictive regulation on commercial property owners.

Thank you for the opportunity to testify on SB 946 SD1.

Sincerely,

Nicole Nakano
2021 BOMA Hawaii President



1050 Bishop St. PMB 235 | Honolulu, HI 96813
P: 808-533-1292 | e: info@hawaiiifood.com

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*

TO:
Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair



FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 26, 2021
TIME: 9:30am
PLACE: Via Videoconference

RE: SB946 SD1 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.

LETTER TEMPLATE

Oahu Coffee & Sodaworks, Inc.
Dbá Morning Brew Café'
600 Kailua Road Suite 120
Kailua, HI 96734
Morning Brew Kaka'ako
685 Auahi Street Suite 113
Honolulu, HI 96813



February 26, 2021

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Committee on Ways and Means (WAM)

Re: Senate Bill 946 to Establish a Commercial Rent Relief Grant Program

To Whom It May Concern,

Thank you for the opportunity to submit testimony. My name is Peter Anderson, I'm the owner of Morning Brew Kailua and Morning Brew Kaka'ako. I am in total support of Senate Bill 946.

We were in the midst of celebrating our 25th anniversary in March at our Kailua location when the Covid pandemic reached our island shores and forced the inevitable shut down. In less than a month's time our revenue dropped by nearly 90%!

Despite some 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, many of which are the backbone of our local economy, could result in the loss of thousands of jobs and adversely affect tax revenue for many years.

In many cases, businesses, especially restaurants, retail, and entertainment venues are facing reduced capacity due to social distancing 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, appearing to read 'Peter C. Anderson', with a large, stylized initial 'P' and a long horizontal flourish extending to the right.

Peter C. Anderson
Owner
Morning Brew Cafe
Pca555@live.com
808-392-3192
520 Lunalilo Home Road #329
Honolulu, HI 96825



TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 26, 2021

Re: SB 946 SD1 Relating to Commercial Property Rent Relief

Good morning Chair Dela Cruz and members of the Senate Committee on Ways and Means. 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** SB 946 SD1 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 appropriates an unspecified amount to the emergency and budget reserve fund for the Commercial Landlord-Tenant Grant Program.

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 keep their doors open and their employees employed.

While many took advantage of the 1st 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 2nd 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 any of the local government grants.

The 3rd 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.

LATE

SB-946-SD-1

Submitted on: 2/25/2021 5:01:07 PM
Testimony for WAM on 2/26/2021 9:30:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|--------------|--|--------------------|--------------------|
| Greg Maples | Testifying for Hawaii Restaurant Association | Support | No |

Comments:



February 26, 2021

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Committee on Ways and Means (WAM)

Re: Senate Bill 946 to Establish a Commercial Rent Relief Grant Program

To Whom It May Concern,

Thank you for the opportunity to submit testimony. My name is Greg Maples, I am the Chairman of the Hawaii Restaurant Association. I am in support of Senate Bill 946.

The following represents my thoughts on this bill.

- 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 reduced capacity due to social distancing 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,

Greg Maples

Chairman Hawaii Restaurant Association

Director of Restaurant Services at Polynesian Cultural Center

Adjunct Professor Brigham Young University Hawaii

Gregmaples@me.com

Cell: 615-293-1004



HILTON HAWAIIAN VILLAGE
2005 Kalia Road
Honolulu, HI 96815
808-946-0850 Office Phone
808-941-1392 Office Fax



February 26, 2021

Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Committee on Ways and Means (WAM)

Re: Senate Bill 946 to Establish a Commercial Rent Relief Grant Program

To Whom It May Concern,

Thank you for the opportunity to submit testimony. My name is Robert Bach, General Partner of RTPHHV LP, owner of above 2 restaurants. I am in support of Senate Bill 946.

- 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 reduced capacity due to social distancing 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 this testimony and for all your efforts to serve the people of Hawaii as our elected leaders.

Respectfully yours,

A handwritten signature in black ink that reads "Robert A. Bach". The signature is written in a cursive style with a large, stylized initial 'R'.

Robert A. Bach
General Partner
RTPHHV LP, a Hawaii Limited Partnership

Email Address: pizzabach2002@yahoo.com
Phone Number: (650) 740-2787



HAWAI'I LODGING & TOURISM
ASSOCIATION



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

Committee on Ways and Means
Senate Bill 946, Senate Draft 1: Relating to Commercial Property Rent Relief

Chair Dela Cruz 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 on 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. These small businesses have suffered as a result of the COVID-19 pandemic and the resulting 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 Senate Bill 946, Senate Draft 1.**

Thank you for the opportunity to offer this testimony.

The Honorable Donovan M. Dela Cruz, Chair; The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways and Means

From: Melissa Bow Kaimuki Business Professional Association President

LATE

Date: February 26, 2021

Time: 9:30 A.M.

Place: Via Video Conference, State Capitol

Re: S.B. 946, S.D. 1, Relating to Commercial Property Rent Relief

Dear Senators,

My name is Melissa Bow. I own my small business Via Gelato in Kaimuki and I am the president of Kaimuki Business Professional Association (KBPA). I am writing in support of SB 946 SD1 on behalf of KBPA.

Many small businesses that are struggling cite rent as their number 1 concern due to the personal guarantee they signed pre-Covid that puts them on the hook for 100% of their rent for their entire lease term regardless of the pandemic. They wonder how their landlord can expect 100% of rent with such reduced ability to make income due to government restrictions and why 100% of rent is necessary for the landlord to collect particularly during a pandemic.

Conversely, there are businesses in Kaimuki that have reported they are "making it" and are confident they can continue to make it because their landlord has already worked with them on **reducing and forgiving** portions of their rent to a manageable amount especially during the months of shutdown. This has allowed them to keep their employees and concentrate on their business. I think those success stories of landlord and tenant working together are so important because, it clearly shows a correlation between landlord tenant negotiations and survival and recovery of small businesses.

We support SB 946, but we also hope that these suggested amendments to this bill can be added to protect the commercial tenants, which we think is the heart of the matter and the bulk of the research points to small business tenant suffering:

- Temporarily protect commercial tenants against eviction for 1 year if the grounds for such eviction is a default due to Covid-19
- Prohibiting late fees and interest for non-payment due to Covid-19 hardships for the duration of the state of emergency
- Allowing small business and non-profit commercial tenants the right to renegotiate their leases and the ability to terminate their leases if no agreement can be reached and capping the maximum amount that the landlord can collect at 2 months' rent.
- Prohibiting landlords from harassing, intimidating, threatening, or retaliating against a commercial tenant

We think that putting into law protections for commercial tenants which have already passed in SB563 in **addition** to rent relief through grants will yield the best outcomes of small business survival. We think that protections plus relief will result in landlords and tenants working together so that we all have a chance to survive this pandemic and so that the limited funds go the farthest to aid everyone in need.

With gratitude,
Melissa Bow
President KBPA
Owner, Via Gelato
kaimukibusiness@gmail.com



My name is Andrew Le I am the chef/proprietor of The Pig and the Lady in Chinatown and Piggy Smalls in Kakaako Ward Village.

Covid-19 and the government mandates and shutdowns have totally limited the way we operate the restaurants. Our business model is not designed to work with such limitations. Our revenue is 25% of what it was pre-Covid and we had to let go 80% of our staff and all take pay cuts.

Going take out forced us to change the style of food and also lower our prices. On top of that, most customers demanded delivery, which we no longer have enough staff to do that. So we are forced to go with companies like Bitesquad & DoorDash. As you may know, the margins for profit in restaurants are razor thin. Because of the drastic loss of revenue, we have been in the red.

Our landlords have not provided the rent relief we need and any sign of help isn't coming. Even with the support of the government PPP Loan, we have still lost more than \$200k. For a small business, that is an incredible impact.

We have not received a rent reduction. We have reached out to our landlords but it has taken months for them to reply, every time with no viable solution on their end. *Deferral is not an option for us.* With COVID lasting so long we don't see how we could ever pay back the months of deferred rent so we support SB 946 SD1.

We currently are in default of the lease since we have inconsistently paid our rent. **Rent relief alone will not solve the tremendous pile of challenges that we are dealing with, but any rent relief aid plus rent forgiveness helps a little. If rent was reduced to 5% of our gross income we could make it work.**

Since we are a restaurant, if we go out of business, other small businesses such as farmers, ranchers, fisherman, sommeliers, etc, will be impacted. Our community relies on us to keep our doors open so we can continue to provide jobs and help keep our co-producers afloat. If we do not survive, it will definitely have a negative financial ripple effect.

Really hope that government is sending a Hail Mary move to help us all!

Sincerely,
Andrew Le



My name is Grant Fukuda, Owner, Golden Hawaii Barbershop on Waiialae Ave in Kaimuki.

We are months behind on our rent payment (we made some partial payments). Weeks leading up to the shutdowns, customers were not wanting to get haircuts due to high Covid numbers so our business slowed down by around 70%.

We don't have rent reduction, just rent deferral with us having to pay as much as we can per month so I support SB 946 SD1. Our landlords are nice and we aren't feeling any imminent threat of eviction. However, the only way we are able to keep our doors open is we have other full-time employment (also affected by Covid-19) that allows us to still own and operate this business. Small businesses really need help with grants and landlords need to work with tenants on rent reduction. Reducing our rent to paying 30% of our gross income would help.

Mahalo,

Grant Fukuda



My name is Jill Hatch owner of Sugarcane in Kaimuki. I specialize in locally (Made in Hawaii) products and carry product lines from over 150 local artist and companies. If Sugarcane goes out of business these artist and companies would all be affected as well as my 2 full time employees and 2 part time employees.

My business has been severely affected by Covid-19 and government shutdowns and restrictions. We have been closed off and on since March 2020 for a total of 4 months. Even during the one-month span that we were allowed (and felt safe) to open we were only doing about 25% of our normal sales due to the Covid 19 outbreak and the mandates and restrictions that have come along with it.

There is no possible way that I will be able to get back into business and pay my bills without some type of government assistance, grant or payout. That is why I support SB 946 SD1 for rent relief and I would like it to require *actual* rent forgiveness - not just passing on the grant that was given to the landlord and requiring me to pay 100% of the rest as I already do. If rent was reduced to even 50% of Sugarcane's gross income, we would be able to make it.

I am a single mother of 4 (3 attending UH) and this business is my sole income. I have completely depleted my savings account keeping it open this far.

My landlord will absolutely not give me any type of assistance with the rent. I have still been paying it each month out of my children college savings accounts. If I do not receive assistance soon I will run out of money and risk completely losing my business as well as being able to help my children finish school.

Sincerely,
Jill Hatch



I am Marie Lau, the owner of Hokulani Bake Shop in Kakaako.

The onset of COVID has taken away our larger orders for larger gatherings and celebrations, as well as some wholesale accounts as those businesses have not been able to operate. We have also seen reduced foot traffic in our area of business.

We have only had a rent deferral for 3 months, which took over a month to negotiate because the office is based in California. **Rent is our largest and most fixed cost (with CAM and electric included). Rent is one of the biggest relievers if there is additional help of reduction, reimbursement and/or deferral.** This is why I support SB 946 SD1.

For Hokulani, 15% of our gross income towards total Rent would be do-able for my business.

Luckily, our landlord has negotiated with me about the rent. If they didn't negotiate with me I would not be able to continue on as I normally do, serving high quality cupcakes and fully employing all my employees who want to work, their full normal amount.

If we were to go under, first and foremost it would mean the loss of jobs /income for myself and my employees. The supply chain would then move down to affecting local distributors and of course empty space for my landlord. I don't foresee a lot of new owners trying to open up a brick and mortar in the next year or so.

Again, I'm very grateful for my landlord working with me on rent and I have a positive attitude towards Hokulani being able to survive this because of this and our strong customer following for our high quality cupcakes.

I hope that this information helps you to see why rent relief and rent negotiations are so important to the survival of a small business like mine.

--Marie Lau



My name is Keola Warren; and I own Moké's Bread and Breakfast in Kaimuki.

Covid has been exceptionally detrimental to restaurants. Our business is unfortunately no exception. We have seen a loss of over 60% in sales. We have been jerked around with opening, closing, reopening, and reclosing, reopening. The rules and mandates have often been ambiguous and last minute. There does not seem to be a solid action plan by those in charge and communication between government and small businesses is either non-existent or haphazard. We have had to lay off staff and offer remaining staff members reduced hours. We have endured this for this entire year. If my rent was 15% of my gross income, I could survive. Help through this grant that SB 946 SD 1 suggests, would be great. Our landlord has offered some assistance but it is not nearly enough for us to continue to operate.

As a restaurant we work with over a dozen different vendors in food production, distribution, commercial cleaners, farmers, web developers, social media, and specialty goods. All of these businesses, many small and local, would be gravely affected if we are unable to survive.

Without rent **abatement** many of these businesses will die before this can become a reality.

The small businesses of Hawaii are its lifeblood. They create community, build relationships, and provide jobs for our people. We are essential and vital to the future of Hawaii and preserving its genuine nature.

Aloha,
Keola Warren

The Honorable Donovan M. Dela Cruz, Chair; The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and Members of the Senate Committee on Ways and Means

From: Kristie Ou Tai Pan Dim Sum

Date: February 26, 2021

Time: 9:30 A.M.

Place: Via Video Conference, State Capitol

Re: S.B. 946, S.D. 1, Relating to Commercial Property Rent Relief

Dear Senators,

I am Kristie Ou, my parents own Tai Pan Dim Sum. I would like to provide my support to SB 946 SD1 but also by comments because I do not believe rent relief grants is enough.

Since the COVID-19 pandemic has washed over our communities, we have seen anywhere from a 40% to 60% decrease in patronage. Despite previously being so busy on a weekend that we had lines out the door, people are skeptical of leaving their homes now. While this skepticism is understood, it hurts small businesses such as a restaurant like ours.

Specifically, with the idea of **rent, which has remained static through this time, we are struggling with our bills. If we have decreased revenue that is more than half, how can we be expected to pay the same rent? But for fear of eviction or having our operations shut down, we simply do not have the luxury of *not* paying our rent. We know we are not the only business in the Chinatown Cultural Plaza who is struggling at this time to keep up with the bills of our landlord and we seek for our government to please step in and mandate adjustments that may save small businesses in our community.** Our hearts ache to see another business's door close after years of serving their patrons.

Hawaii is a very small business centric state. How can it be that our state does not cover the bases of protecting us local people? Instead, you protect large corporations and those who have funds to survive this pandemic. We small businesses have no resources to combat this pandemic other than the money out of our own pockets. Should we have to put up our homes? Our assets? Everything, just to keep a local business running? Why are we not protected by our state who has been famously known for advertising its small businesses and local community as a FEATURE of paradise living to tourists? Many businesses have already closed forever, after 10+ years of serving their community. Will you continue to allow this to happen?

I am in favor of SB 946 SD1 to provide more federal and/or state funding for businesses who can prove that the economics of profit margins have drastically declined. Even more specifically, we should be considering small businesses owned by immigrants who do not have a strong understanding of policies and have no guides to get them through this pandemic. Where are our resources for that? Chinese, Korean, Filipino, etc.-owned businesses should be supported with translation services. I'm sure many did not even know it possible to receive SBA grants.

Sincerely,

Kristie Ou

The Honorable Donovan M. Dela Cruz, Chair; The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and Members of the Senate Committee on Ways and Means

From: Steve Haumschild owner Lanikai Brewing Company

Date: February 26, 2021

Time: 9:30 A.M.

Place: Via Video Conference, State Capitol

Re: S.B. 946, S.D. 1, Relating to Commercial Property Rent Relief

Dear Senators,

My name is Steve Haumschild I own Lanikai Brewing Company.

Small business is the backbone of our community where we hire locally and support a broad network of local people and products. The pandemic has crushed many families and we need relief for our largest bills like rent; so I support SB946 SD1. I think that restaurants, bars, and gyms need this the most.

I also need to share my comments that despite Covid and State laws prohibiting certain businesses from operating, and limiting businesses, under the current laws, commercial tenants are ***still liable for the rent the entire period of the signed lease.*** Even if they go out of business today, legally they can be required by law and by the landlord to pay not only any rent unpaid before going out of business, but also for the rest of the lease term even while not occupying the space.

That is why I think we need not just this measure for such limited rent relief, but we need more. We need government protection. If you have the power to shut down a business, you can stop the payments to the landlords. Furthermore, businesses are not essential versus non-essential. Businesses should all be able to operate SAFELY.

Sincerely,

Steve Haumschild

The Honorable Donovan M. Dela Cruz, Chair; The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and Members of the Senate Committee on Ways and Means

From: Daniel Kaanana Vice Chair Kāne'ohe Neighborhood Board

Date: February 26, 2021

Time: 9:30 A.M.

Place: Via Video Conference, State Capitol

Re: S.B. 946, S.D. 1, Relating to Commercial Property Rent Relief

Dear Senators,

My name is Daniel Kaanana; I serve on the Kāne'ohe Neighborhood Board and I support SB 946 SD1. Our neighborhood board also passed a resolution supporting commercial tenant protections because the small "mom and pop" businesses we grew up with are quickly facing dangerous circumstances where costs to simply survive are quickly becoming too much to bear. They need protection and rent relief.

I worry that these fixtures in our community will succumb to the pain of the pandemic, and be replaced by big box retailers, and large restaurant chains that will only grow bigger as we dive deeper into this economic rut. I'm concerned about many small businesses across Hawai'i - it seems as if there are businesses each day that are either in the newspaper or on social media that are having to shut down.

The current predicament we are facing is more than just one between landlords and their small business tenants. It's the fate of local businesses we've known since our childhood years. It's the **personal guarantee that will cripple a person well into their retirement years**. It's the difference between forcing both parties to the table to talk and do what's right, versus allowing the power of one to crush the last remainder of life in the other.

Do what is right; make it about the people, not just about the money. Those landlords should be made whole - on fair terms. **Stripping business owners and their families of everything to their name is not right**. And if you don't support relieving tenants of this burden and protecting them from their landlords, by default, you choose to turn your backs on the small businesses that have propped up our communities for generations.

With other states providing us with case studies, we can build and learn from their experiences to find a quality compromise that will protect both our local small businesses and the interests of our landlords who have also taken a hit with the pandemic.

Rather than focus on raising taxes, why aren't we encouraging more entrepreneurship? Why have so much unnecessary regulation and red tape? Why not incentivize our people to start their own new businesses? Seeing as businesses are the economic vehicle that ultimately supports tax revenues, wouldn't it make sense to increase the amount of people engaging in commerce?

Sincerely,
Daniel Kaanana

Dear Senators,

My name is Summer Shiigi, District 1 (Ala Moana Area) / Oahu. I am writing in support of SB 946 SD1 but I also want you to know that I strongly supported SB 563 that prohibits commercial landlords from initiating eviction or collecting rent from commercial tenants that have been adversely affected by Covid-19 because the two go hand in hand and are both needed.

I own a small women's clothing company called Ten Tomorrow - we manufacture our own line here in Honolulu and have a retail location in Kaimuki.

Pre-Covid my revenue came mostly from in-person shopping, my biggest fear is not being able to make rent while we try to navigate the changing landscape of retail. Rent is my biggest expense by far and on a good month, is still takes away 50% of my sales. I was lucky enough to get some federal and state grants but those were used up in a matter of a couple months. I think the pandemic will affect brick and mortar for years. My rent also increases every year, which pre-covid may have been manageable as business was expected to grow every year; but now I'm just trying to survive and any increase in expenses hurts deeply.

I was lucky to get rent breaks when the state mandated retail to shut down; however landlords refuse to come to the negotiating table to discuss revising lease terms or rates in the long run now that we are allowed to operate. I feel this bill coupled with commercial tenant protections will help give small businesses some sense of security or leverage to at least discuss options. Everyone is affected by the pandemic and landlords should not be able to operate as if everything is the same.

I know that California, Washington and Oregon have all signed a Western States pact and have already created emergency laws to protect small business and non-profit commercial tenants in April 2020. This precedent should only make it more clear that this is something necessary for Hawaii.

Small businesses make up a lot of the economy here and a lot are owned by individuals or families that will not survive the demise of the business. I, myself, had to have my parents sign my business lease agreement as guarantors - if my business fails, it affects more than just me and my staff. In the long run, I would like legislature to start looking at lease agreements in general and how unfair our state, in particular can be to small business commercial tenants. We become LLCs just to be forced to have personal guarantors on commercial leases.

Sincerely,

Summer Shiigi

contact@tentomorrow.com



My name is Danny Kaaialii, I own Encore Saloon and The Daley; both are in Chinatown.

Shutdowns and limitations on operations have been devastating. We have been closed for a total of two months with no sales and still numerous expenses:

- Rent
- Utilities
- Business insurance
- Health insurance
- Permits and licenses, etc.

The time we have been open, sales are down 65%. **We are posting a total loss of \$100k** for one of my businesses.

I have been in communication with Landlord regarding rent. They offered 25% rent reduction for three months. While we are grateful for this assistance it simply isn't enough. At this time we are \$33k behind in rent and CAM charges. So I support SB 946 SD1.

Until business returns to normal pre-COVID levels **we will not be able to survive with this looming back rent expense over our heads.** We are exploring all options at this time including possible closure.

I supported the City and County Resolution 20-208, SB 563 and now SB 946 because we need rent relief because as I said, the amount the Landlord has granted us while appreciated is not enough. If our rent was reduced to 5% of our gross income we could make it.

Please be transparent and communicate well when moving forward.

Sincerely,
Danny Kaaialii



9/9/2020

Re: Rent Relief and Rent Forgiveness

The Honorable Donovan M. Dela Cruz, Chair; The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and Members of the Senate Committee on Ways and Means

My name is Olivier Vetter; the owner of Bean About Town llc in Kaimuki. I speak French, pardon my English. Bean About Town is a specialty coffee shop that not only serves great coffee but we roast it ourselves and sell at the right price as well.

The first lockdown was more about unknown what we were facing: anxiety of our customers, family and staffs, 8 weeks of no incomes and the fears of loosing our customers and business and investments.

The second lockdown come at same time has schools and perhaps less or more anxious but business-wise we have not recovered the speculation of progress into our business and at a loss each of every weeks... We still try to keep ourselves afloatno rent reduction, no electricity reduction, no insurance. No reduction of any kinds or fund have been offer to landlord or any of those below to offer us a reduction ...

Our landlord has not offer any reduction we want to keep a good relationship in case of the worse (forgiveness of lease in case we have to shut down and walk away) our landlord did offer a deferral but we rejected and preferred to have deferral with a time plan to pay back, rather than pay back the full sum in September with the possibility of not been able to do so or increase our financial trouble... so I turn back the deferral... our landlord did buy from us some gift card and was a very nice gesture ... the rent deduction is related to the business situation and our rate is base on location, square footage along what we can achieve but today none are related and a deduction of rent and expense will make us survive long term

We do think the rent is a massive issue along with other expenses to run our business and grant should have been offer for those individuals to offer us reduction. I support SB 946 SD1.

Sincerely,
Olivier Vetter



Re: Rent Relief and Rent Forgiveness, Percentage Rent

The Honorable Donovan M. Dela Cruz, Chair; The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and Members of the Senate Committee on Ways and Means

My name is Liz Schwartz. I own Coffee Talk in Kaimuki and we have been there for 25 years.

I support SB 946 SD1, but I need to share with you why this is just the beginning of what we need. Due to Covid and government mandates and shutdowns, my business income has gone from 100% to 20%.

I have used my savings from my profits in 2019 to continue to pay all my employees and remain open, but I can't do this much longer. I have run out of money. I cannot pay full rent and everything else. If I can't pay my rent, I will have to close. If I can't make it, all of my employees, vendors, and the community will be affected.

If could negotiate my rent to 20% of my gross income, Coffee Talk would be able to survive.

Please try to help us. We are desperate.

-Liz Schwartz



The Honorable Donovan M. Dela Cruz, Chair; The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and Members of the Senate Committee on Ways and Means

My name is Mellissa Cedillo of Elena's Filipino Restaurant in Waipahu.

We have been serving our Community for 47 years. Our Small Family Business needs help in order to survive this pandemic in the long run. We want to keep serving our Mom's Recipes to future generations. To share our food and our Filipino culture in our Beautiful State of Hawaii.

I have 20 Employees, they will be affected and their families, our Family and our Elderly Parents

We did not receive any assistance from our Landlord yet. I support SB 946 SD 1 we need help.

Mellissa Cedillo

FIGHTING EEL

MADE IN HAWAII

My name is Rona Bennett I own Fighting Eel in Chinatown, Waikiki, Kahala Mall, and Kailua.

I have been trying to negotiate our 4 stores' rents and keep our employees working. We negotiated our rent with three of our 4 landlords. We had to hire a lawyer for one landlord. We only negotiated until September 2020.

It has been extremely stressful and difficult. It is pretty depressing for us and I'm totally worried about our employees losing their jobs. Any help with rent would really lighten this burden. Our sales are down from last year, but we are doing everything we can to make up the difference with promos etc...

Rent relief would be so helpful to so many people right now. So I support SB 946 SD1. I hope it will make a difference in making it through this pandemic although I don't know what the grant amount will be. It is so expensive in Hawaii; it would be nice if our government helped us when we really needed it. I am really concerned about people losing jobs and possibly becoming homeless.

Sincerely,
Rona Bennett

Dear Senators,

My name is Wainani Arnold; I live in Pālolo, O'ahu and I am the owner of Wainani Wellness Center in Kaimuki. My small business offers Pilates, yoga, and other health and wellness modalities. We were in the category of businesses that was required to be closed the most and we took a huge hit. Of course, we are concerned about being able to make rent with the restrictions in place and our limited capacity to see clients. We understand that it is a sacrifice for the greater good, but unfortunately it doesn't change the reality that we are not able to make rent. If it were not for grants and loans we would have had to close by this point so I support SB 946 SD1. I also strongly supported SB 563 that prohibits commercial landlords from initiating eviction or collecting rent from commercial tenants that have been adversely affected by Covid 19 because it's just the right thing to do!!!

Let's not be the last state on board to protect small business and non-profit commercial tenants. In the end, it's these businesses that will uphold local communities. It's the micro-action to the macro-picture.

Aloha,

Wainani Arnold

info@wainaniwellness.com



My name is Jana Higa, Owner of Blue Bird Jewelry Hawaii.

I opened my first retail location on February 7, 2020. I was only open for 6 weeks before Covid. I elected to close one week early before the first shut down and 2 weeks early before the current stay at home order as I did not want to risk my health (I'm a one-woman show - I make the jewelry, I am the only one at the boutique), as well as the health of my family and customers.

My sales numbers after retail reopened on May 15th were at 15%-20% of what they were before Covid.

I have been fortunate in several ways...my boutique is 175 square feet so my rent is relatively low. AND I did receive assistance from the City & County Recovery and Relief Grant. I also received PUA for the 8 weeks that we were closed between March and May. Without that assistance, I would not have been able to pay my personal bills or my rent/utilities.

My landlord has not provided any type of rent relief or deferral and I was not able to use my security deposit in lieu of one month's payment. Because of social distancing guidelines, I can only have 1 person in the boutique at a time and have had to turn people away. When I offer to take their info to text then when the space is empty and safe for entry, they say they will just come back but oftentimes don't return. Jewelry is really difficult to sell online - it's best done in person. Pictures never do the pieces justice since you aren't able to see the sparkle and shine. Buying jewelry is an emotional experience and very personal. Not being able to try on jewelry is hindering to sales.

Although Landlord has not provided any sort of rent relief, because my space is so small and because I received money from the City & County grant, I am current with my rent payments. I should be able to pay my rent for the rest of the year but worry about if I will be able to continue to pay if there isn't additional financial assistance from the city or state so I support SB 946 SD1 because any help is appreciated. With all craft fairs cancelled in the foreseeable future and minimal online jewelry sales, the boutique will be the only real opportunity to sell my merchandise.

Please have more financial assistance programs for small business.

If my small business is not able to survive, it would impact me and my husband personally - we may not be able to pay our personal bills and I would not be able to pay off my business debt. If my rent was 20% of my gross income, I think that would be do-able for my business.

Sincerely,

Jana Higa



My name is Lana Gronwald, Jules + Gem Hawaii, Founder and Owner in Kaimuki.

Covid and the government mandates have deeply affected our retail establishment. Due to the stay at home mandates, our retail sales are down 80% for the year now. We have barely been able to cover our overhead costs and let alone operate to stay open.

Luckily, we've received a rent deferral during the initial Covid phase back in April and May. We are now in repayment phase of those months. We would not have been able to have paid our rent during those months if our landlord did not offer a deferral. Rent is the highest expense in our business. We can't operate without the space and if we can't afford it, then we will have to shutdown. This is why I support SB 946 SD 1 because we need help with paying rent. Even better would be if I could negotiate our rent to 10% of our gross income, then we for sure would be able to survive.

I currently employ three people. If our business didn't survive they would lose their positions and the livelihood for their families.

Sincerely,

Lana Gronwald



My name is Keola Naka'ahiki Rapozo - Fitted Hawaii in Kaka'ako Ala Moana.

I have two locations:

- Retail location 0 breaks
- Warehouse location we been in default since March

I support SB 946 SD1, but in order to survive, we would need our rent reduced to 50% our gross income AT LEAST! Running a business in this state is very difficult!

I believe we should be allowed to act responsibly as citizens and business owners. We care for our customers and understand kuleana. Conducting business, engaging in positive moral building acts would strengthen overall sentiment.

- Keola Naka'ahiki Rapozo



I am Kiani Wong, the President/CEO of Kaka'ako Kasuals in Kaka'ako. This business is over 30 years old. We've made countless connections within our community in the many years that we've been in business. Internally, we employ seven full-time employees that need the income to support their families. Externally, we've started to nourish our community partnerships within Kaka'ako and that impact would be felt. We purchase many of our supplies locally. We use local shipping companies for our inter island deliveries. The impact would really resonate through the community if we did not survive.

Our wholesale footwear business has been greatly impacted by the pandemic shutdown. We're largely tourism based, even though we sell to a wide variety of retailers, so during the initial shutdown our business was roughly about 90% down. That includes online efforts that we were making. Many of the small local businesses that we supplied to are still not open. Although there was a bump in sales, we were fortunate to hit 30% of our normal sales during June. July, August and this start of September saw our numbers plummet back down to 5-10% of our normal sales revenue.

I have been able to get rent deferral for a certain time period. I am not in default but once my repayment period comes around I will be hard hit. My business will be starting to recover but we'll have a huge amount of rent to repay all at once. I am not able to say much else due to ongoing negotiations/agreements with our landlord. But I do support SB 946 SD1 to get some help with paying this.

If rent was 10% of my company's gross income, I would be able to make it. I am in support of this effort as long as proper small business tenant protections are in place and landlords are required to provide rent forgiveness.

We're all doing our best to stay healthy, stay safe and stop the spread. But local small businesses are hurting so badly and we desperately need relief. Rent relief, PPE support, economy stimulus. Our bills haven't stopped just because we've been shut down. We've done our best to adapt to the new normal that we've found ourselves in but we can't do it alone. Mahalo.

Sincerely,
Kiani Wong



My name is Melissa Jasniy; I am the co-founder of Issa de' mar in Kaka'ako. We have a retail shop in South Shore Market in Ward Village and we have been forced to shutdown for several months per the mandates. A huge part of our income due to no tourists has been completely decimated.

We added in scrubs & masks to our lease terms legally. We went out of our way to buy them & embroider them per page 11, #15 of the Mayors guidelines to be deemed essential. All of this and two cops came in today, cited us and shut us down.

Due to the square footage of our shop when we are allowed to be open we can only have 3 people in our shop at one time. Our income has drastically changed and we haven't received any rent relief from our landlords. If this continues we will be forced to close our doors and go bankrupt.

Our landlords at a Howard Hughes have given us zero rent relief. They offered to defer the two months of forced closure in April & May to the end of our lease term, but the full amount will still need to be paid.

We need rent relief and rent forgiveness; so, I support SB 946 SD1.

We are a small locally run business; it is myself and my business partner that run the show. If we go bankrupt, we would be directly affected, as well as paying our student loans and our mortgages.

Sincerely,
Melissa Jasniy



I am Malia Murphey, the Owner of Raised By The Waves in Kahuku.

Covid and the government mandates have directly impacted our business since the end of March of 2020. **Our income has dropped by 50%-80%** as compared to last year and the first 3 months of 2020 (which were 40% busier than 2019).

We are struggling to stay afloat and losing money staying open right now with the shutdown in place just the same as when the first shutdown happened. Our income during shutdown is 80% of what we usually make.

We are not making enough to pay our bills, if it wasn't for the loans and relief money we got, we would of gone out of business and this is only our second year open. So as a new business, it's been more than challenging and the state has no idea how their orders are affecting small businesses that make Hawai'i what it is.

We have employees who are on salary and we have employees who are making money to pay for school and essentials to survive. Right now our income is not even making enough to pay our employees in full. We have had to cut back hours and shifts and make adjustments wherever we can to save money.

We are the reason tourists come here and if they don't press the issue to find solutions and distribute money for only locally owned small businesses to stay alive then their going to have an angry population and more issues than they could imagine. Our government officials all need to be investigated, I don't understand where all the money is going; clearly not enough money to help locally owned small businesses survive.

We were offered 2 months half rent in April and May but that was it and we had to pay it back by 2021 in May. But we are just surviving on our loan and relief money to continue to pay our rent and other expenses to stay open. **We are not making enough to survive on our own.**

If they allowed free rent until this Covid State of Emergency was over that could help so many businesses. Or if they actually gave each locally owned small business enough money for rent and expenses to stay afloat we could continue to push through.

It just seems so uncertain and the government's rules are hypocritical and make absolutely no sense during this lockdown. This shows me they do not care about the local businesses of Hawai'i, we need an entire new government elected.

You have failed our people and communities. We are baffled on the decisions you “leaders” are making in this time. Stop being greedy, think about the people who are struggling!

Put yourselves in others’ shoes who are struggling and maybe then you would start to make a change and use money that you were given from us to actually make a positive difference. I want answers on what your government plans are for the next 5 months in Hawai’i.

Sincerely,
Malia Murphey

My name is Marisol Plazas and I own a business in Kaimuki.

No rent reduction, no rent deferral, and it's an extra pressure that should not be put on either a person or a business that is struggling.

I think the government should help by supporting the workers financially by allowing them to be on snap and other programs to relieve large stressors.

Also, to help implement a decrease in everyone's rent in the state not just the grant with SB 946 SD1. We are ALL struggling, we don't want to see big corporations swoop in and take away small business locations so help them and us by supporting everyone financially and finding other ways outside of tourism to allow our economy to survive this mess. Honestly, ya'll haven't done squat to help anyone financially except the snap program. There are students who just graduated but can't find jobs and can't apply for unemployment, there are people who don't have it made like you to ensure job security. So do your jobs and help.

Marisol Plazas



My name is Rich Kim; the General Manager for MC Auto Body & Paint in Kalihi.

Our business is closely tied to the tourism industry here in the islands. In addition to serving the local community we service a large volume of rental car fleet vehicles. For decades we have proudly considered ourselves a key part in contributing essential services to the visitor industry as well as providing good jobs for our staff.

With our sales down 80 plus percent, we are very anxious about long-term viability. The high cost of rent in Hawaii has made conducting business in the islands challenging even in good times.

I support a grant for rent relief, but even with the support of federally subsidized grants and loans the high cost of our lease payments will soon make it impossible to stay in business. We have made painful cuts to reduce our expenses to the bare minimum but that is not enough.

Our landlord granted us a 1-month deferral in April which we are already beginning to pay off in installments. This essentially means we are now paying more monthly while sales are down further than the early days of the pandemic shutdown. It's clear to us that we need support from the federal and state level immediately for businesses like ours to survive.

We have already furloughed or laid off 80 percent of our staff in hopes of bringing them back eventually. **That means 8 families with income and benefits severely affected.** Owners and management have reduced pay to 50 percent for the first 4 months and now we are taking no salary. **Our business activity impacts more than a dozen other businesses we purchase and sublet materials, parts, and services upwards of 500,000 a year.**

The burden should be shared more equitably.

Sincerely,
Rich Kim



The Honorable Donovan M. Dela Cruz, Chair; The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and Members of the Senate Committee on Ways and Means

I am Dara Tawarahara, co-owner Kuleana Fitness, located in Moilili.

We've tried the digital workouts and we've begged our members to basically donate their monthly bills but sales have dropped 80%.
We are nowhere near where we need to be to pay our rent.

We've been in business for 10 years.

We should be celebrating, **but we might not make it to next month!** A few of my coaches lost their "regular" jobs and have picked up hours coaching while they can.

Now, what will they have?

I am writing to let you know how much rent relief and rent forgiveness would help my business so I support SB946 SD1.

Sincerely,
Dara Tawarahara



Re: Rent Relief and Rent Forgiveness

The Honorable Donovan M. Dela Cruz, Chair; The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and Members of the Senate Committee on Ways and Means

Aloha, my name is Audrey Larson CEO of Auds and Ends LLC in Kaimuki.

I have a small rental space in Kaimuki and it was reduced slightly during the first shut down but having to pay rent on a space you can't use when you are making less than a half of your normal income is devastating. I support SB 946 SD1.

I have been extremely limited on my ability to make a living. Trade shows and pop up events were 50% of my business and wholesale was another 25%. I sold to hotel gift shops so after all the hotels have been shut down I lost a lot of revenue.

If my rent was reduced to 15% of my gross income, I could make it.

If my business doesn't survive I'm not sure what we will do. It's not like I can even just go out and find a different place of employment right now. I have an 11 year-old son that I need to provide for and now home school and get exercised without exposing him to this virus. It's just a lot of pressure to keep everything afloat.

Please help us. We need rent breaks. We need Pandemic assistance. We need everything we can get to keep the Hawaii economy going.

Mahalo,

Audrey Larson



My name is Joy Nishikawa; the owner of Pure Joy Day Spa in Honolulu.

As a locally owned spa in Honolulu for over 17 years, I find my business at risk. With overhead increased to abide by safety regulations and then shut down again, the financial strain is enormous. Like most businesses, rent is one of our biggest expenses. I have no way of generating income to pay rent if I am not allowed to operate. It's devastating to say the least.

Our landlord has been supportive and compassionate yet despite numerous attempts for abatement, we were not successful. They did defer and I have to pay back everything by the end of the year. I paid full rent + \$500 + more this month.

I understand commercial properties are struggling as well, since many rely on rent to operate, they can't just forgive everyone's rent. They too have ongoing overhead to cover. Commercial property business owners are faced with their own share of challenges through this. This is why I support SB 946 SD1.

I currently have 8 employees most with families of their own, one in particular has a husband who's out of work, and another already taking a loan out. Some have been with me from the day I opened. They are loyal, hardworking women who I value like my own family. As it is, I personally don't make much. I do this because I believe in it, I love my clients, and know we provide a sanctuary of wellness, I provide jobs, and I show my kids the importance of hard work and giving back to the community. We are trying our best for the right reasons and hope we can continue.

Another idea I have is tax breaks for small business owners. This is a serious issue. If small businesses close and all these jobs are lost, everyone will be affected.

Sincerely,
Joy Nishikawa



My name is Nalani McLaughlin, owner of Red Pineapple in Ward Center, Kakaako.

I have had this dream store for 14 years. We have been a part of the retail community by helping and growing other new businesses/dreamers and entrepreneurs by giving them shelf space. For many makers and dreamers we were their first retail location.

We are in no way essential. We do luxury gifts and gift basket deliveries. We have been heavily impacted by the shut down and restrictions. I am in NO WAY against the rules and regulations of our government and the efforts to control the spread. I see the necessity for sure. I continue to believe that our leaders are doing their best with the information they have.

That being said we have been devastated. About two weeks before the shut down we noticed an immediate slowdown while people were panic buying and literally looking for toilet paper.

During the first shut down we were not sure if we even should be delivering gift baskets for new babies and new home owners as we know these things are not essential. We delivered what we could. Normally we deliver DAILY to Waikiki hotels. - Locally made baskets filled with ALL locally sources goodies. We have now not seen that for 6 months. During the summer we have a surge of regulars that make up our snowbirds and part time summer residence. We have not seen any of them.

When we were allowed to open back up we saw a trickle of residents trying their best to "support local" and "buy local" and "shop small" we saw a lot of fear and uncertainty. We hear of so many who are laid off and not sure if their job will come back. Buying is very hesitant. Our online store has helped. However we are operating at about 20%.

Here we are again...shut down number two....well it seems like we are just sinking farther away from small goals we had set for the fourth quarter. Black Friday may now have a new meaning for many retailers. **For most retailers all your holiday merchandise is shipping right now, and has to be paid for. We have cancelled all our orders.** Moreover it is hard to compete from HAWAII with the internet. I can only speak for my own dream business...it has always been about the story telling and in-store experience and the Aloha and beautiful customer service...that our customers keep coming back for. **If you were not already present and actively competing in the internet arena it is hard to make up enough ground to cover an 85% drop in walk in business.**

This trend of small locally owned stores and restaurants closing has me worried we will soon be like every other town overrun by big box. No charm all chains. We are going to take the Hawaiian out of Hawaii and for sure the companies I buy for my

store you will NOT see on Target or Walmart shelves so they too will be at a loss and just another bankrupt or closed dream of some other local man or woman. What a shame. We need help. We need to keep jobs here, we need to keep small business alive so the up coming thinkers and doers and dreamers can come here and build that wonderful small business they have in their dreams.

Due to the lack of income and the rent, I am in severe default. My landlord loves sending me default letters. They offered me deferment but had to pay full rent. We only got deferment offered for the months we were totally closed. We would have had to pay full for these two weird months in between the two shut downs. I have not YET been threatened with eviction but I have been told I am in default of my lease. I have been paying 10% of my sales since March. I thought that was fair. That is what I can pay under these circumstances while still paying my power bill and expenses like insurance.... I would love to walk away and find a space where a landlord wanted a business like mine.

I support SB 946 but we need landlord grace... I am very angry I testified IN FAVOR of the Ward neighborhood when they had a hearing to get their neighborhood plans approved. Now it all is like a show...they use Hawaiian names on their buildings and talk about the mana, the land and the aina they love to inject all of this ALOHA to show they belong...now they have the power to literally help and they are not choosing to.

My Landlord is really the one who has the ability to keep an entire vibrant neighborhood alive. This is why rent **forgiveness** is necessary in addition to rent relief aid money.

If I go bankrupt and lose my business I have everything to lose. The landlord will sue me and I will lose my townhouse I live in. Two other staff would be impacted...one has two kids. More than that, about 30 local vendors would have one less place to sell their wares. What a tragedy that would be for all of us.

Sincerely,
Nalani McLaughlin

Dear Senators,

My name is Rena Shishido; I live in Pacific Heights, Oahu. I own the film company We Go Film.

I've talked to many business owners that had a very difficult time last year. Now we are in 2021 and the pandemic still influencing all of our lives, I can't believe that some small businesses still have to pay full rent while having restrictions and regulations on how they operate their space. As I hear about more local businesses closing down, I'm afraid it's not going to just "go back to normal" once the pandemic is over. Without help, these businesses are going to be gone forever. I completely believe that the safety of our state is very important and if these businesses have to operate at less capacity that's understandable but that is the very reason why they need to be protected against evictions!

I supported SB 563 that prohibits commercial landlords from initiating eviction or collecting rent from commercial tenants that have been adversely affected by Covid 19 and I now support SB 946 SD1. Local businesses need help, especially for gyms, cafes, and restaurants that weren't able to operate at full capacity!! They should have some sort of rent relief. Even after they've been allowed to open up again, they're still playing catch up from the closures and decrease in customers from last year. I can't even imagine how they can keep up with the rent. I don't want to see our local businesses suffer as big companies continue to do just fine on our island.

Hawaii has relied on tourism and this should be a wake up call that we need each other and the community to thrive. Without the help of the state, the only businesses that are going to survive are the ones from the mainland. The fact that other states have already created emergency laws in April 2020 to protect against commercial evictions should be encouragement that Hawaii can and should do the same.

Best,

Rena Shishido

wegofilm@gmail.com

LATE

SB-946-SD-1

Submitted on: 2/25/2021 2:31:09 PM

Testimony for WAM on 2/26/2021 9:30:00 AM

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------|--------------|--------------------|--------------------|
| Becky Gardner | Individual | Support | No |

Comments:

I support this bill. The Kaimuki Neighborhood Board, to which I'm a member, unanimously passed a resolution in August 2020 on this very matter. The lionshare of input and drafting was done by the Kaimuki Business & Professional Association. For your information, please see the final page for an enumeration of a variety of approaches to provide commercial lease relief - akin to what has been proposed in the bills that have been introduced this session on this matter: SB946 SD1, SB563, and HB581. It's my understanding that 3-4 other Neighborhood Boards have since passed substantially similar resolutions - demonstrating significant community support.

Commerical lease relief is desperately needed by our local struggling businesses and the families they support. There are many creative ways we can provide this relief. The proposal in this bill is one promising approach. Thank you for the opportunity to provide testimony on this very important measure.

Text of Kaimuki NB reso:

"URGING ALL BRANCHES OF GOVERNMENT OF THE STATE OF HAWAII AND THE CITY & COUNTY OF HONOLULU TO ENGAGE IN EMERGENCY MEASURES TO PROTECT COMMERCIAL TENANTS

WHEREAS, small businesses comprise 44% of all national economic activity; and

WHEREAS, according to an April 2020 study conducted by National Bureau of Economic Research, researchers found that "many small businesses are financially fragile . . . the median business has more than \$10,000 in monthly expenses and less than one month of cash on hand."

WHEREAS, small businesses of 50 employees or less comprise 90% of all businesses in Hawaii, indicating that Hawaii's economic activity is predominantly dependent on the success of its small, local businesses; and

WHEREAS, the pandemic has had a severe and unprecedented impact on Hawaii's economy, causing numerous small businesses to significantly reduce or shut down operations; and

WHEREAS, the prevalence and spread of COVID-19 cases is growing exponentially in Hawaii, and the uncertain nature of its effects on public health and business activity threaten prolonged economic disruption due to further pending lockdowns and shutdowns of businesses; and

WHEREAS, according to a July 2020 survey on Commercial Rent conducted by the Department of Business and Economic Development and Tourism (DBEDT Study) and other organizations, the businesses most heavily affected by the pandemic from April – June were food services & drinking places, retail, accommodations, arts, entertainment, and recreation; and

WHEREAS, according the DBEDT Study, 44% of respondents indicated they have not paid any rent at all from April – June 2020, and are currently closed; and

*WHEREAS, the DBEDT Study also reported that smaller landlords have granted rent reductions, forgiveness and/or opportunities for rent restructuring and negotiations; however, a study conducted by Cushman & Wakefield ChaneyBrooks, a commercial real estate organization, found that of the seven largest landlords in Hawaii - representing 70% of the Hawaii State-wide commercial spaces - **none have given rent forgiveness or rent reductions** for the month of April; and*

WHEREAS, according to a survey of local businesses conducted by the Kaimuki Business and Professional Association, several businesses were able to renegotiate their rent obligations; and of all respondents receiving rent reductions, their rent was reduced to 15% or less of their gross income; and

WHEREAS, the pandemic and its economic aftermath has sparked a national dialogue on ways to protect commercial tenants, with a large focus on enacting a temporary national moratorium on small business debt collections; and

WHEREAS, several jurisdictions across the country have taken measures to protect commercial tenants, which include, but are not limited to enacting and ordering moratoriums and freezes on foreclosures, evictions, repossessions, utility disconnects, garnishments, default judgments, concessions of judgments, administrative offsets, negative credit reporting; and

WHEREAS, California, Oregon, and Washington created a “Western States Pact” to coordinate their approach to reopening their states’ economies while mitigating the effects of COVID-19 on public health, where efforts include a range of measures from all three branches of their governments at many levels to assist small businesses with their commercial lease obligations, which include executive orders and proclamations by governors and mayors, ordinances by legislative bodies, and policies and rules by Judiciary administrators; now therefore, and

BE IT RESOLVED, by the Kaimuki Neighborhood Board, that the uncertain nature of the COVID-19 pandemic, and the swift, devastating economic disruption and prolonged

effect it has had on Hawaii's small businesses must be met with not only aid but by other emergency measures to enable these businesses to stop the bleeding, remain financially solvent, and ultimately have a chance to survive, with the recovery and survival of the entire Hawaii economy tied with it; and

BE IT FURTHER RESOLVED, among the emergency measures that need to be taken and/or considered include the following:

- 1. A temporary moratorium on commercial evictions and/or foreclosures if non-payment is due to COVID-19;*
- 2. Discouraging the use of security deposits to pay for unpaid rent and requiring tenants to replenish that security deposit if applied towards rent;*
- 3. Prohibiting late fees and interest for non-payment due to COVID-19 hardships;*
- 4. Allowing commercial tenants affected by COVID-19 the right to renegotiate their leases, or terminate them if after 30 days of good faith negotiation, no agreement can be reached;*
- 5. Mandating Rent Caps for COVID-distressed businesses to at no more than 15% of the tenant's gross income unless pre-pandemic rent is lower; and limiting the final maximum rent due so it is based on the public occupancy mandated by government orders (e.g. – if the business space occupancy is reduced to 50% of normal capacity, rent should not be more than 50% the pre-pandemic lease rate; and total rent forgiveness in the event of a total lock-down unless the tenant is liable for paying the operating expenses and property taxes of the landlord);*
- 6. Prohibiting repossessions, garnishments, default judgments, concessions of judgments, administrative offsets, and negative credit reporting if non-payment is due to COVID;*
- 7. Prohibiting landlords from exercising the "Personal Guarantee" provisions of leases to hold non-tenants liable;*
- 8. Relieving landlords of certain property tax obligations that drive their demand for tenant rents;*
- 9. Allowing appropriate emergency measures to be applied retroactively; and*

BE IT FINALLY RESOLVED that copies of this resolution be transmitted to the Governor, Members of the Legislature, and the Chief Justice of the Judiciary of the State of Hawaii; as well as the Mayor and Council Members of the City and County of Honolulu.