



# Chamber of Commerce HAWAII

*The Voice of Business*

## Testimony to the Senate Committee on Commerce and Consumer Protection Tuesday, February 9, 2021 at 9:30 A.M. Via Videoconference

### **RE: SB 946, RELATING TO COMMERCIAL PROPERTY RENT RELIEF**

Chair Baker, Vice Chair Chang, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 946, which establishes a commercial rent relief grant program and requires that the commercial rent relief grants be given priority for moneys received through federal funding.

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

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

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

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

Thank you for this opportunity to provide testimony.

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

**Joe's Grill Express  
3131 N Nimitz Highway # 109  
Honolulu, HI 96819**

February 9, 2021

Senator Rosalyn H. Baker, Chair  
Senator Stanley Chang, Vice Chair  
Committee on Commerce and Consumer Protection (CPN)

**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. Our names are Cris and Charla Prado, and we are in support of Senate Bill 946.

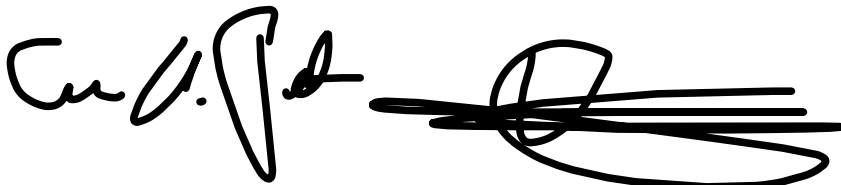
- Despite financial relief in 2020 and even with the second round of PPP, businesses hardest hit by COVID-19 will not survive in 2021 without additional government-funded commercial rent relief. The impact of losing these hardest hit businesses could result in the loss of thousands of jobs and keep tax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

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

Thank you again for the opportunity to submit testimony and for all of your efforts to serve the people of Hawaii as our elected leaders. Our best wishes and prayers always for everyone.

Thank you in advance for your time and consideration, we look forward to our testimony to be included in decision making on Senate Bill 946.

With our Best, Aloha, and Gratitude always,

The image shows two handwritten signatures in black ink. The first signature on the left is 'Cris and Charla Prado' written in a cursive, stylized font. The second signature on the right is a more abstract, scribbled signature.

Cris and Charla Prado  
Leaders  
Joe's Grill Express  
Joesgrillexpres@gmail.com  
Telephone: 808-349-0904

February 9, 2021

Senator Rosalyn H. Baker, Chair  
Senator Stanley Chang, Vice Chair  
Committee on Commerce and Consumer Protection (CPN)

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

To Senator Baker and members of the Committee on Commerce and Consumer Protection:

Thank you for the opportunity to submit testimony in support of Senate Bill 946. My name is Karl Yoneshige and I am the President & CEO of HawaiiUSA Federal Credit Union. Our credit union has 132,000 members, some of whom are business owners and also landlords of commercial properties. As you are aware, businesses have been struggling to survive in the COVID-19 pandemic, and there is residual impact on their employees. The majority of these businesses have had to close or partially close for the past ten months. The resulting lack of sufficient revenue has caused many of these businesses to fail paying rent, but they would still owe the entire ten months of back rent. While most commercial landlords are deferring rent, the result is higher future rent obligations for tenant businesses. For example, 3-6 months of rent deferral could increase rent by 25-50% for the next 1-2 years for the tenant business.

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

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

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

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

Senator Rosalyn H. Baker, Chair  
Senator Stanley Chang, Vice Chair  
Committee on Commerce and Consumer Protection (CPN)  
February 9, 2021  
Page 2

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

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

Karl Yoneshige  
President & CEO  
HawaiiUSA Federal Credit Union

KY:dkg



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

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Testimony to the Hawaii State Senate Committee on Commerce and Consumer Protection

February 9, 2021

9:30 a.m.

Hawaii State Capitol – Conference Room 229

RE: Senate Bill 946 Relating to Commercial Property Rent Relief

Aloha Chair Rosalyn Baker, Vice-Chair Stanley Chang and Members of the Committee,

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

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.

Sincerely,

Nicole Nakano  
2021 BOMA Hawaii President



## WUB HAWAII • OKINAWAN CHAMBER OF COMMERCE

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February 9, 2021

Senator Rosalyn H. Baker, Chair  
Senator Stanley Chang, Vice Chair  
Committee on Commerce and Consumer Protection (CPN)

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

The Honorable Senator Rosalyn Baker, Senator Chang

Thank you for the opportunity to submit testimony. My name is John Tasato and I am in support of Senate Bill 946.

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

In many cases, businesses, especially restaurants, retail, and entertainment venues are facing ½ to 2/3 reduced capacity in the new normal with the same or an even higher rent caused by rent deferral. Even if business capacity is not a factor, the deteriorating economic climate due to job losses and reduced visitor arrivals for an extended period is causing significant decline in business revenue.

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

We believe the Program will serve as an essential catalyst for small businesses and landlords to work together as we migrate into the new normal.

Without help, the burden of old lease rents (based on previous market conditions) during a post-coronavirus economic recovery are unbearable for small businesses.

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



## WUB HAWAII • OKINAWAN CHAMBER OF COMMERCE

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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,

John Tasato

Vice President, WUB Network, Advisor WUB Hawaii

Okinawa Chamber of Commerce Hawaii

Email: [jtasato@gmail.com](mailto:jtasato@gmail.com)

Phone: (808) 398-3343





P.O. Box 253, Kunia, Hawai'i 96759  
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February 9, 2021

HEARING BEFORE THE  
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

**TESTIMONY ON SB 946**  
RELATING TO COMMERCIAL PROPERTY RENT RELIEF

Via Videoconference  
Conference Room 229  
9:30 AM

Aloha Chair Baker, Vice Chair Chang, 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**, 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 has drastically decreased demand for local agricultural products. Although support for local agriculture is strong, and everyone seems to agree that Hawaii should be more self-sufficient, many farmers have lost their customers and their cash flow. They have had to lay off workers and are struggling to make ends meet. Some may be forced to shut down entirely. We hope that funds will be available soon to prevent this tragedy.

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

February 9, 2021

**The Honorable Rosalyn H. Baker, Chair**

Senate Committee on Commerce and Consumer Protection

Via Videoconference

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

**HEARING: Tuesday, February 9, 2021, at 9:30 a.m.**

Aloha Chair Baker, Vice Chair Chang and Members of the Committees,

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 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.



**MW Group, Ltd.**  
Real Estate Development

**LATE**

February 9, 2021

Senator Rosalyn H. Baker, Chair  
Senator Stanley Chang, Vice Chair  
Committee on Commerce and Consumer Protection (CPN)

**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 Brian Wong and I am the Chief Operating Officer for MW Group, Ltd. I am in support of Senate Bill 946.

We have all heard and seen first-hand the devastation caused by the pandemic to our business community. The combination of the pandemic and the resulting government shutdown mandates have crippled Hawaii's economy, particularly restaurants, bars, retail stores and gyms. Landlords and Tenants enter into lease arrangement based on the belief that they are partners. For the past year, we have strived to find ways to help support our tenants as best we can, however there is only so much we can do. Landlord and Tenants both need financial assistance for this partnership to work.

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. This would become an important process to kick start the economic recovery and one of many vitals way 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,

Brian Wong  
Chief Operating Officer  
MW Group, Ltd.  
bwong@mwgroup.com  
Phone Number 808-275-5328

**LATE**



539 Kailua Rd #103 • Kailua, HI • 808.262.8183 • admin@globalvillagehawaii.com

February 9, 2021

Senator Rosalyn H. Baker, Chair  
Senator Stanley Chang, Vice Chair  
Committee on Commerce and Consumer Protection (CPN)

**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 Debbie Hopkins, part-owner of Global Village in Kailua. I am in support of Senate Bill 946.

During the first few months of the pandemic, we have watched our revenue decrease over 70%. Despite qualifying for PPP, EIDL and C & C Honolulu Cares Act grant, we would not have made it unless our landlord Alexander & Baldwin Windward Hawaii allowed us to renegotiate our lease. Landlords that are willing to work with tenants will benefit from 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 ½ to 2/3 reduced capacity in the new normal with the same or an even higher rent caused by rent deferral. Even if business capacity is not a factor, the deteriorating economic climate due to job losses and reduced visitor arrivals for an extended period is causing significant decline in business revenue.
- The Commercial Rent Relief Grant Program (the "Program") is designed to pass rent relief forward. Using federal money, the State would allow eligible business tenants to qualify for the lesser of 3% of 2019 taxable revenue or three months of full rent. Money would be paid directly to landowners to ensure the money is used for its intended purpose.
- We believe the Program will serve as an essential catalyst for small businesses and landlords to work together as we migrate into the new normal.

- Without help, the burden of old lease rents (based on previous market conditions) during a post-coronavirus economic recovery are unbearable for small businesses.
- While the Program cannot require landowners to renegotiate leases, we believe a bi-product of the goodwill developed from the landlord-tenant dialogue is that landowners will be more inclined to set new and reasonable expectations going forward and to start renegotiating or at least amending leases in a sustainable manner.
- This would become an important process to kick start the economic recovery and one of many vital ways we can emerge out of the pandemic together, protect the banking system, preserve jobs, generate tax revenue, and sustain government budgets.

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

Thank you,

Debbie Hopkins  
Part-owner  
Global Village, Kailua  
admin@globalvillagehawaii.com



**LATE**

TESTIMONY OF TINA YAMAKI, PRESIDENT  
RETAIL MERCHANTS OF HAWAII  
February 9, 2021

**Re: SB 946 Relating to Commercial Property Rent Relief**

Good morning Chair Baker and members of the Senate Committee on Commerce and Consumer Protection. 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 Relating to Commercial Property Rent Relief. This measure establishes a Commercial Rent Relief Grant Program; and requires that the commercial rent relief grants be given priority for moneys received through federal funding.

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

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

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

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

Mahalo again for this opportunity to testify.



**LATE**

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

February 9, 2021

Senator Rosalyn H. Baker, Chair  
Senator Stanley Chang, Vice Chair  
Committee on Commerce and Consumer Protection (CPN)

**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 approximately 90% compared to 2019. Although our sales dropped significantly, the rent obligations remain the same, making it extremely difficult to hang on as day goes by.

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

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

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

The Program is designed to pass rent relief forward. Using federal money, the State would allow eligible business tenants to qualify for the lesser of 3% of 2019 taxable revenue or three months of full rent. Money would be paid directly to landowners to ensure the money is used for its intended purpose. We believe a 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](mailto:yucanfbih@gmail.com)



**LATE**

**SB-946**

Submitted on: 2/8/2021 11:24:08 AM

Testimony for CPN on 2/9/2021 9:30:00 AM

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

Comments:

Good morning Chair Baker and members of the Senate Committee on Commerce and Consumer Protection. I am Neil Ishida, Director of Government Affairs of ABC Stores. I appreciate this opportunity to testify.

ABC Stores **STRONGLY SUPPORT** SB 946 Relating to Commercial Property Rent Relief. This measure establishes a Commercial Rent Relief Grant Program; and requires that the commercial rent relief grants be given priority for moneys received through federal funding.

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

In many cases, businesses, especially restaurants and retailers are facing 1/2 to 2/3 reduced capacity in the new normal with the same or an even higher rent caused by rent deferral. Also, the deteriorating economic climate due to reduced visitor arrivals for an extended period is causing significant decline in business revenue.

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

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

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

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

Thank you again for the opportunity to submit testimony.



**LATE**

February 9, 2021

Senator Rosalyn H. Baker, Chair  
Senator Stanley Chang, Vice Chair  
Committee on Commerce and Consumer Protection (CPN)

**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 Steven Lau, CFO for Fun Factory, and 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 ½ to 2/3 reduced capacity in the new normal with the same or an even higher rent caused by rent deferral. Even if business capacity is not a factor, the deteriorating economic climate due to job losses and reduced visitor arrivals for an extended period is causing significant decline in business revenue.
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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 'Steven Lau', with a long horizontal flourish extending to the right.

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

**LATE**



February 9, 2021

Senator Rosalyn H. Baker, Chair  
Senator Stanley Chang, Vice Chair  
Committee on Commerce and Consumer Protection (CPN)

**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 Linda Fernandez, President of Retail Entertainment Concepts, Inc. dba Jungle Fun Island, and 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 ½ to 2/3 reduced capacity in the new normal with the same or an even higher rent caused by rent deferral. Even if business capacity is not a factor, the deteriorating economic climate due to job losses and reduced visitor arrivals for an extended period is causing significant decline in business revenue.
- The Commercial Rent Relief Grant Program (the "Program") is designed to pass rent relief forward. Using federal money, the State would allow eligible business tenants to qualify for the lesser of 3% of 2019 taxable revenue or three months of full rent. Money would be paid directly to landowners to ensure the money is used for its intended purpose.
- We believe the Program will serve as an essential catalyst for small businesses and landlords to work together as we migrate into the new normal.
- Without help, the burden of old lease rents (based on previous market conditions) during a post-coronavirus economic recovery are unbearable for small businesses.
- While the Program cannot require landowners to renegotiate leases, we believe a bi-product of the goodwill developed from the landlord-tenant dialogue is that landowners will be more inclined to set new and reasonable expectations going

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

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

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

Thank you,

A handwritten signature in black ink, appearing to read 'Linda Fernandez', with a long horizontal line extending to the right.

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



**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**LATE**

**HEARING BEFORE THE SENATE COMMITTEE ON  
COMMERCE AND CONSUMER PROTECTION  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 229  
TUESDAY, FEBRUARY 9, 2021 AT 9:30 A.M.**

To The Honorable Rosalyn H. Baker, Chair;  
The Honorable Stanley Chang, Vice Chair; and  
Members of the Committee on Commerce and Consumer Protection,

**SUPPORT SB946 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.

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.

**SB-946**

Submitted on: 2/8/2021 7:33:26 PM

Testimony for CPN on 2/9/2021 9:30:00 AM

**LATE**

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Blair Suzuki	Testifying for Suzuki Properties, LLC	Support	No

Comments:

Mahalo for allowing me to submit testimony on SB946 relating to commercial property rent relief. I am in STONG SUPPORT of SB946.

I have worked with Ryan Tanaka and members of the business community to assess the impact of the Covid-19 pandemic on our commercial business community for the last 10 months. We have done 3 surveys of the business community and each continues to highlight the struggles that businesses are facing to pay rent. No relief has come from the federal government, State of Hawaii, or at the county level to help with this. Out of the billions and billions of dollars allocated to help with Covid-19 economic impacts, none has reached the business community in the form of commercial rent relief.

There is a clear need for this money. Businesses are struggling and will continue to close unless you pass this bill. Please take action where the federal govt and counties have failed to do so. The business community relies on it.

Mahalo,

Blair Suzuki

Owner, Suzuki Properties, LLC





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

Committee on Commerce & Consumer Protection  
Senate Bill 946: Relating to Commercial Property Rent Relief

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

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

This measure would provide both parties of the landlord-tenant relationship the necessary support for businesses to remain afloat long enough for our industry to revive itself in a meaningful way. **For this reason, HLTA supports Senate Bill 946.**

Thank you for the opportunity to offer this testimony.



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 Commerce and Consumer Protection  
Senator Rosalyn H. Baker, Chair  
Senator Stanley Chang, Vice Chair



FROM: HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

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

RE: SB946 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.

**SB-946**

Submitted on: 2/8/2021 11:28:35 PM

Testimony for CPN on 2/9/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mark R. Hagadone, Ph.D., FACFE	Individual	Support	No

Comments:

8 February 2021

**LATE**

Senator Rosalyn H, Baker, Chair,

Senator Stanley Chang, Vice Chair

Members of the Committee on Commerce and Consumer Protection

Thank you for this opportunity to submit testimony. My name is Mark Hagadone, and I am in support of Senate Bill 946.

- The Commercial Rent Relief 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.
- I believe the Program will serve as an essential catalyst for small businesses and landlords to work together as we migrate into the new normal. This is the hallmark of living in Hawaii, we work together for a common good.
- Without this help, the burden of old lease rents (based on previous market conditions) during a post-coronavirus economic recovery may become unsustainable for small businesses.
- While this Program cannot (and should not) 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 adjusted and reasonable expectations going forward and to start renegotiating by amendment, existing and new leases in a sustainable manner.
- I encourage the Committee to push this Bill forward ultimately for passage into law.

Senators, there are no single deep pockets in this mess. Remember that this situation was created in substantial part by a lockdown mentality arguably, excessively driven by the governance of fear. This bill would become an important process to kick start the economic recovery together, in unison, while protecting the banking system, preserve

jobs, generate tax revenue, and sustain our government. Let start working together for a better future. The people of Hawaii deserve nothing less.

Thank you for the hard work you do for each and everyone of us. Thank you for who you are and what you do.

Mark Hagadone, Ph.D., FACFE

[hagadone@techexprts.com](mailto:hagadone@techexprts.com)



**Ale Stake LLC.**



February 9, 2021

Senator Rosalyn H. Baker, Chair  
Senator Stanley Chang, Vice Chair  
Committee on Commerce and Consumer Protection (CPN)

**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 in support of Senate Bill 946.

As an owner of a local small business the past year has been difficult. 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  $\frac{1}{2}$  to  $\frac{2}{3}$  reduced capacity in the new normal with the same or an even higher rent caused by rent deferral. Our profit margins have decreased by over 50%, yet our rent has stayed the same. 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.

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 be 'TG' or similar initials, written in a cursive style.

Timothy Golden  
Partner  
Village Bottle Shop & Tasting Room  
[tim@villagebeerhawaii.com](mailto:tim@villagebeerhawaii.com)

Tuesday, February 9, 2021

Senator Rosalyn H. Baker, Chair  
Senator Stanley Chang, Vice Chair  
Committee on Commerce and Consumer Protection (CPN)

**LATE**

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

Dear Chair Baker, Vice Chair Chang, and members of the Committee on Commerce and Consumer Protection (CPN):

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](http://www.tinyurl.com/hcrs3). Some of the survey highlights include but are not limited to:

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



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

Small businesses employ over half of the private sector, supporting hundreds of thousands of jobs and households on Oahu. They drive innovation and are the backbone of our economy. There is an even more profound and long-term positive impact of 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](mailto:ryan@ibmhawaii.com)



**3<sup>RD</sup>** HAWAI‘I  
**COMMERCIAL  
RENT SURVEY**

IBMHAWAII 

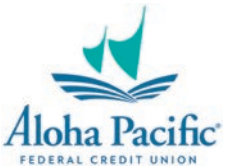
**JANUARY 2021**

# Mahalo

to our partners for making this survey possible



HAWAII EXECUTIVE collaborative





*Aloha,*

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

Survey findings:

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

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

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

Please contact me if you have any questions or concerns.

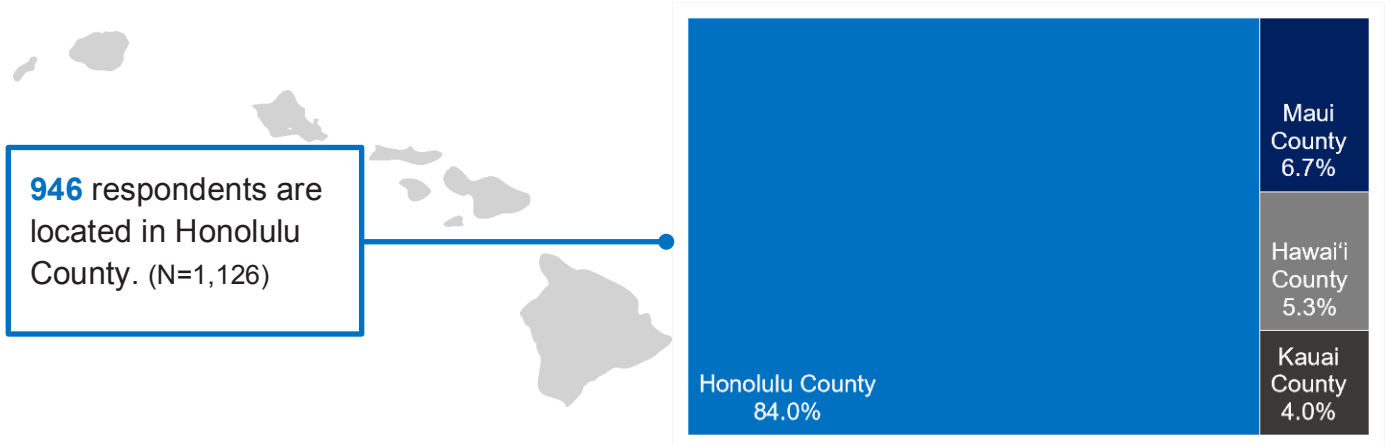
Sincerely,

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

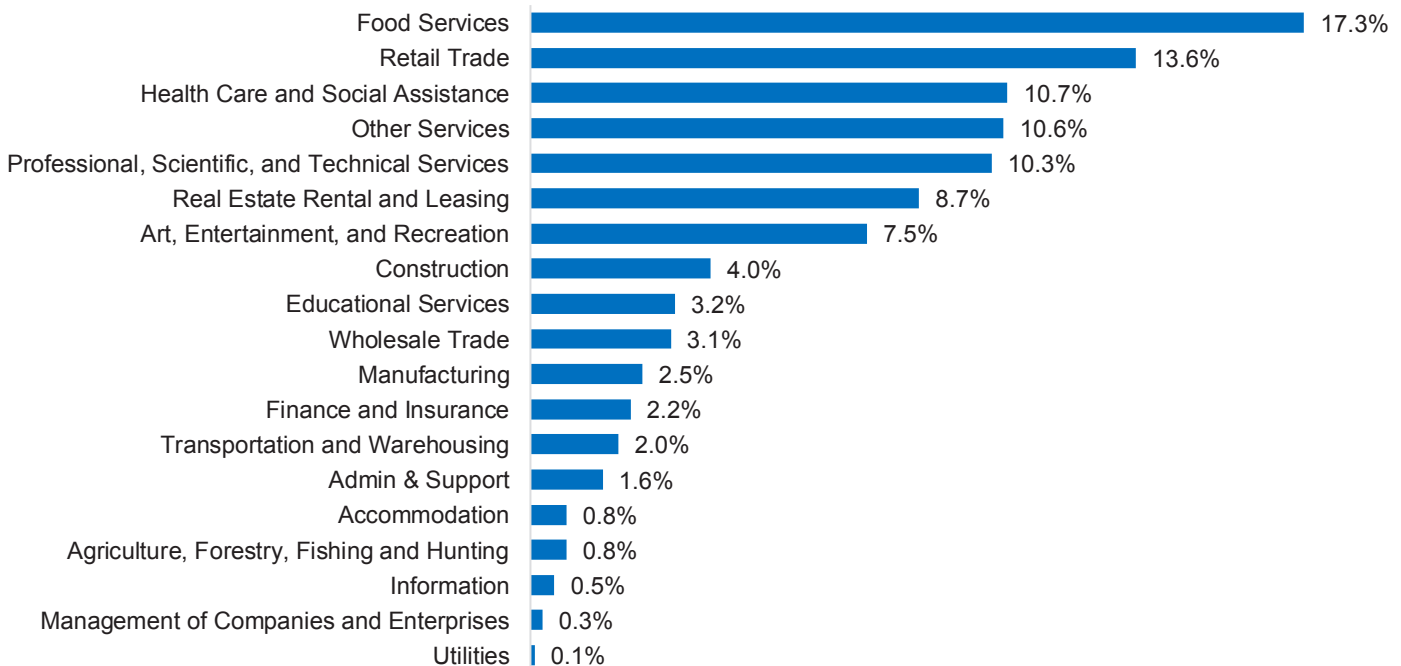


# Q4 Survey Respondents

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



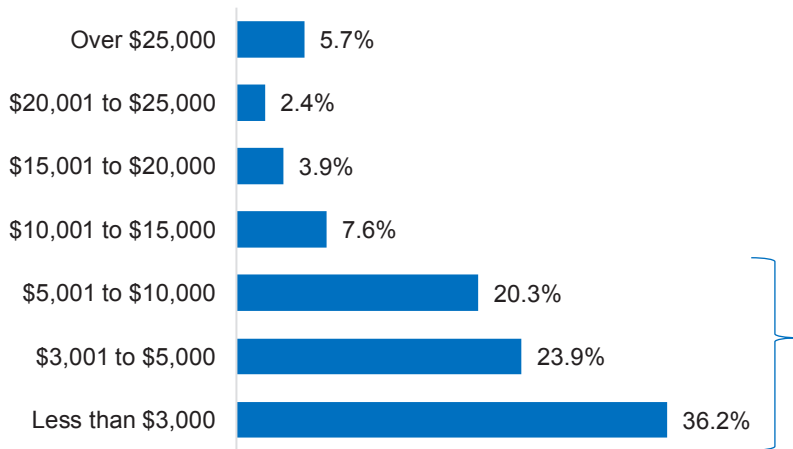
**30.9%** are in the Food Services and Retail Trade industries. (N=1,114)



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

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

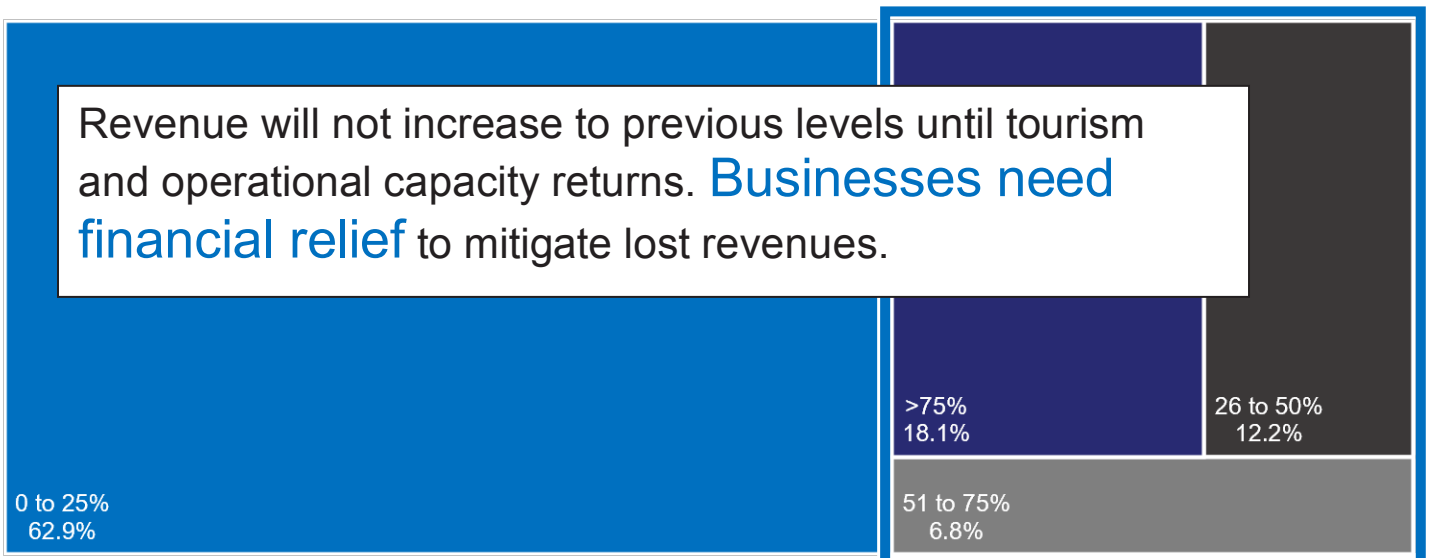
**78.8%** are tenants in buildings whose property owner is located within the State of Hawai'i. (N=1,001)



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

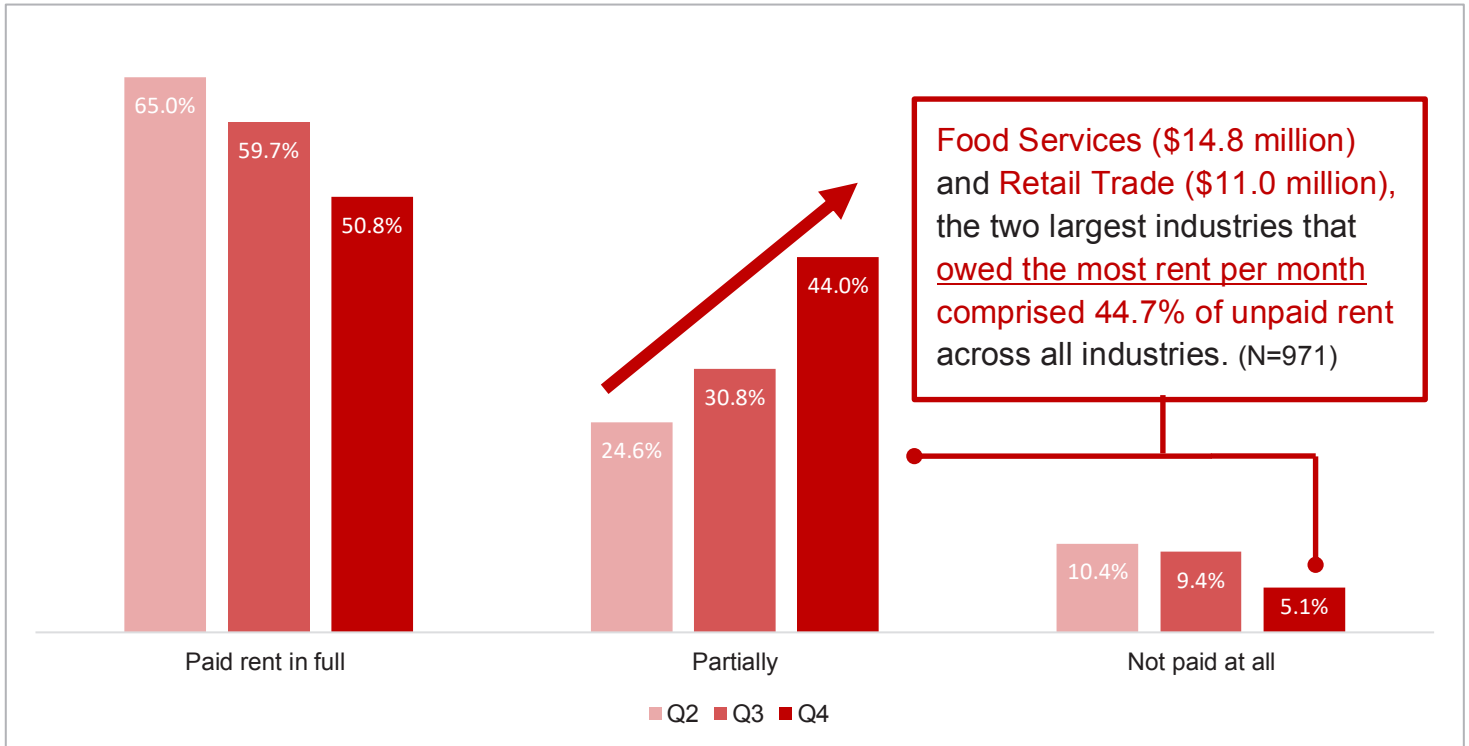
**77.4%** do not pay percentage rent above their base rent. (N=968)

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



# Q4 Rent: COVID-19 Impact & Relief

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

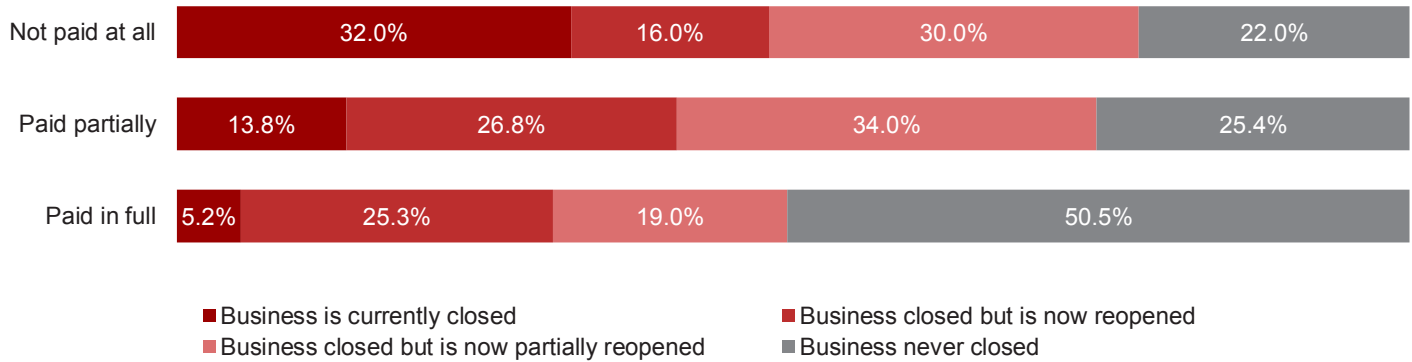


The statewide estimated total rent owed per month is **\$57 million in Q4 (vs. \$59 million in Q3)**. (N=971)

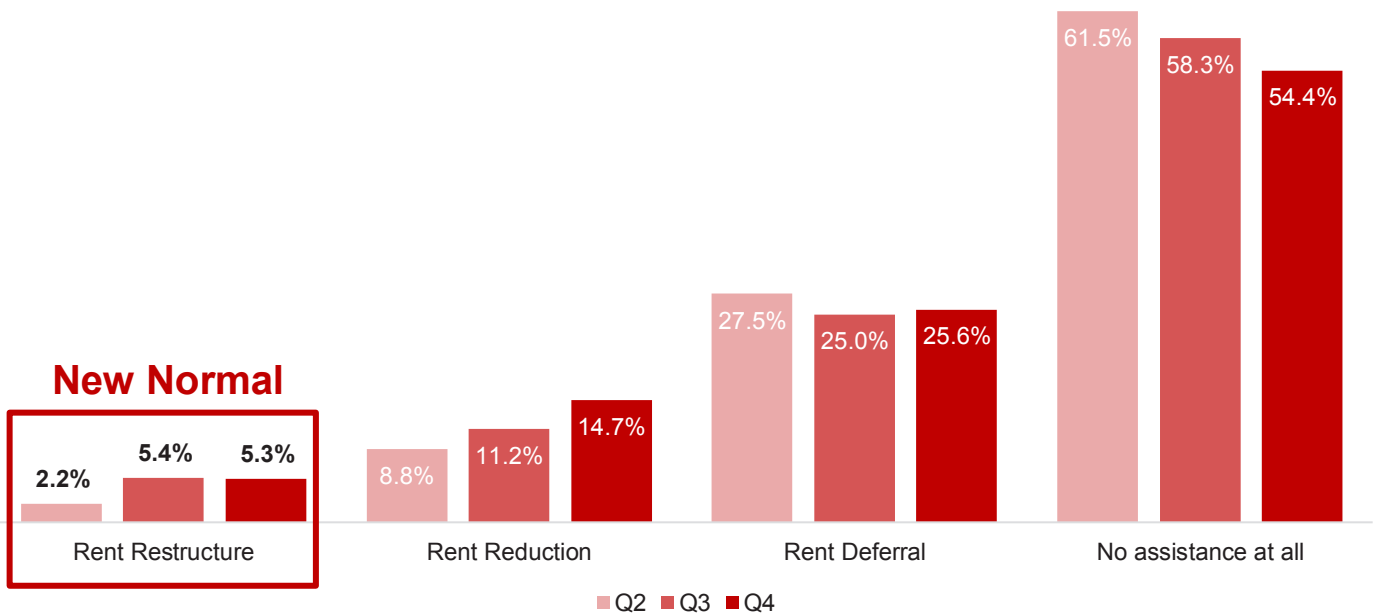
- **\$46 million** in partially unpaid rent (assuming 50% of rent was paid).
- **\$11 million** in fully unpaid rent.



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

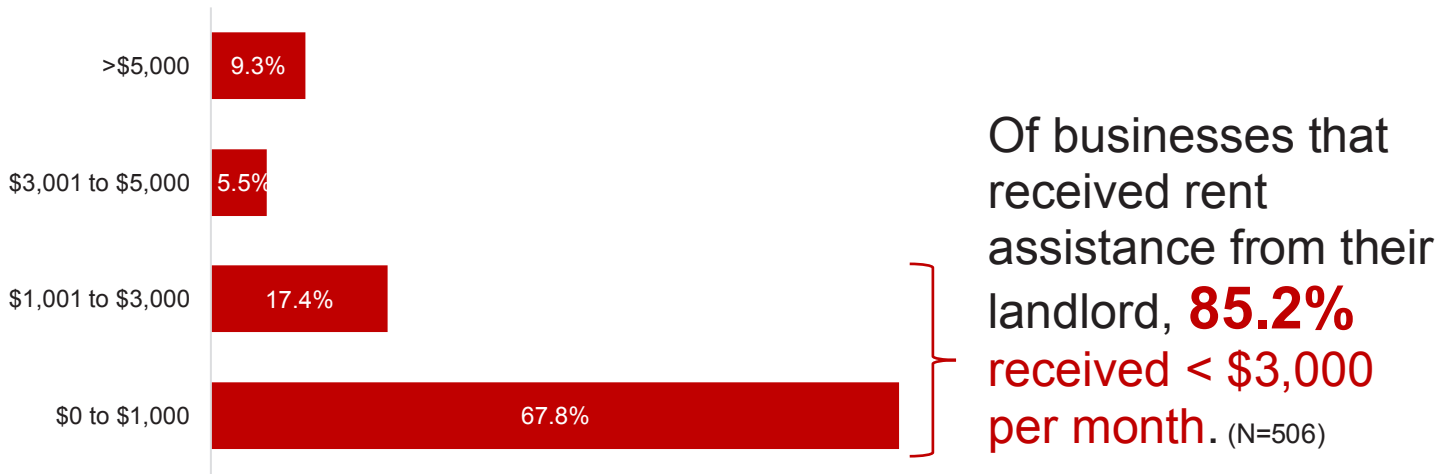


**54.4%** have not received any rental assistance at all from their landlord. Rent deferral was the most common form of rental assistance over rent reduction and rent restructure. (N=1,059)



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





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

**2 in 3**  
Entertainment  


**6 in 10**  
Retail  


**2 in 3**  
Restaurants  


**Current Business Assistance**

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

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

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

# Q4 Impact of COVID-19 on Revenue & Operations

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

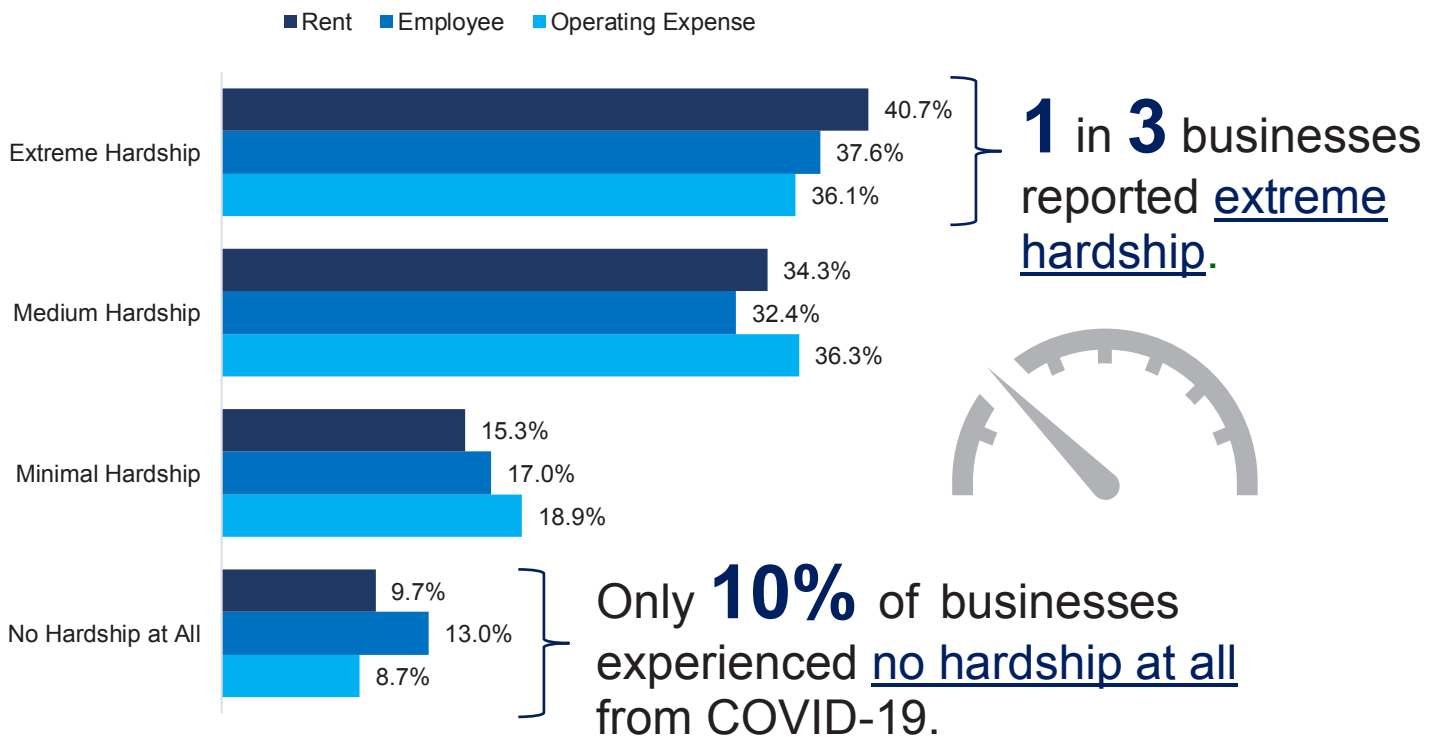
**38.8%** did not close.

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

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

**10.7%** closed and remain closed.

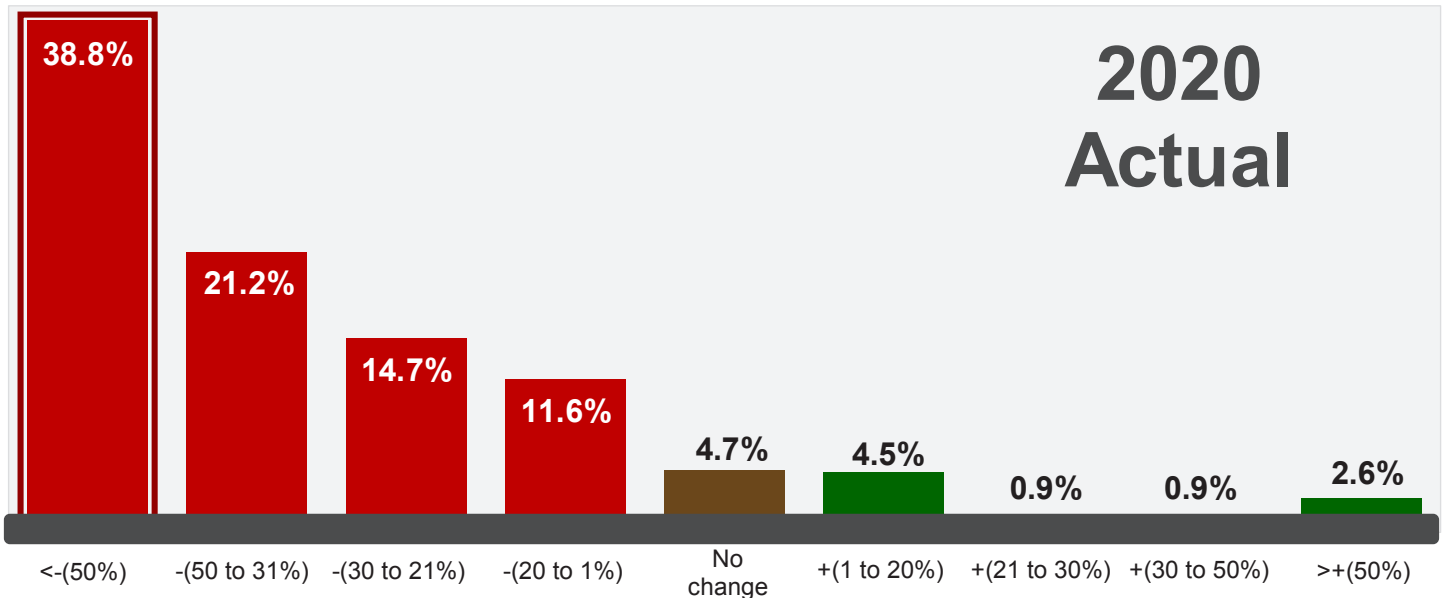
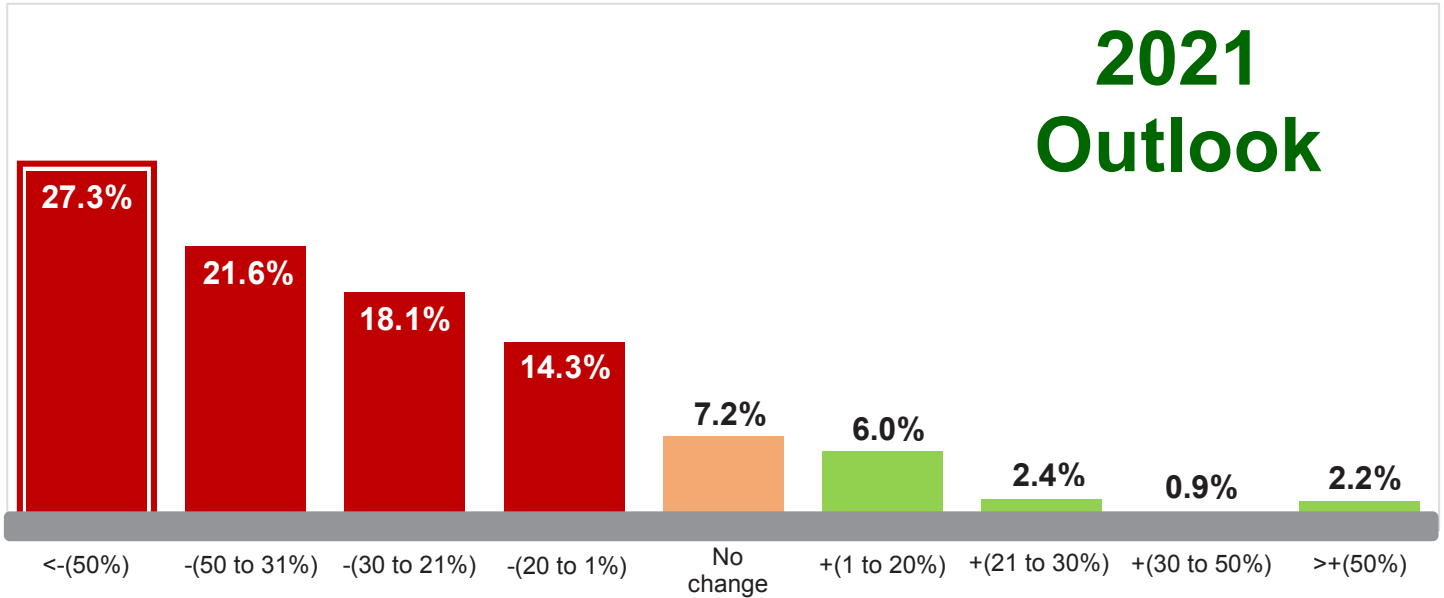
Majority of businesses reported some degree of hardship imposed by COVID-19 on their ability to pay rent (**90.3%**), employees (**87.0%**), and operating expenses (**91.3%**).



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

# Q4 Business Outlook: New Normal

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



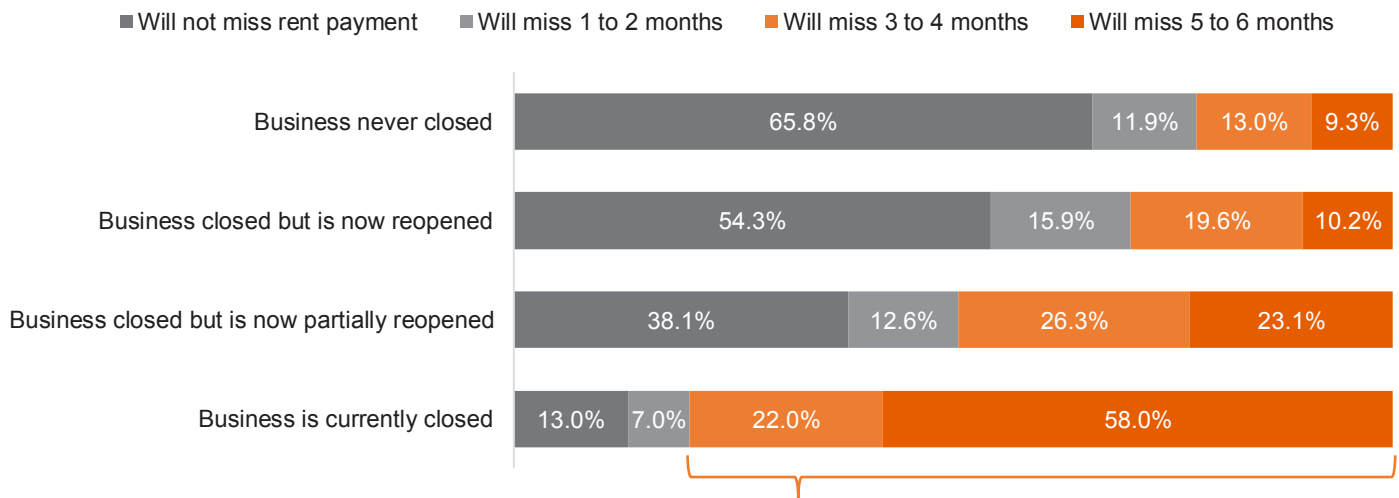
**27.3%** expect revenue to **decline > 50%** in 2021 (N=851) vs. **38.8%** of businesses saw revenue **decline of > 50%** in 2020. (N=1,017)

# Q4 Rent Outlook: New Normal

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

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

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

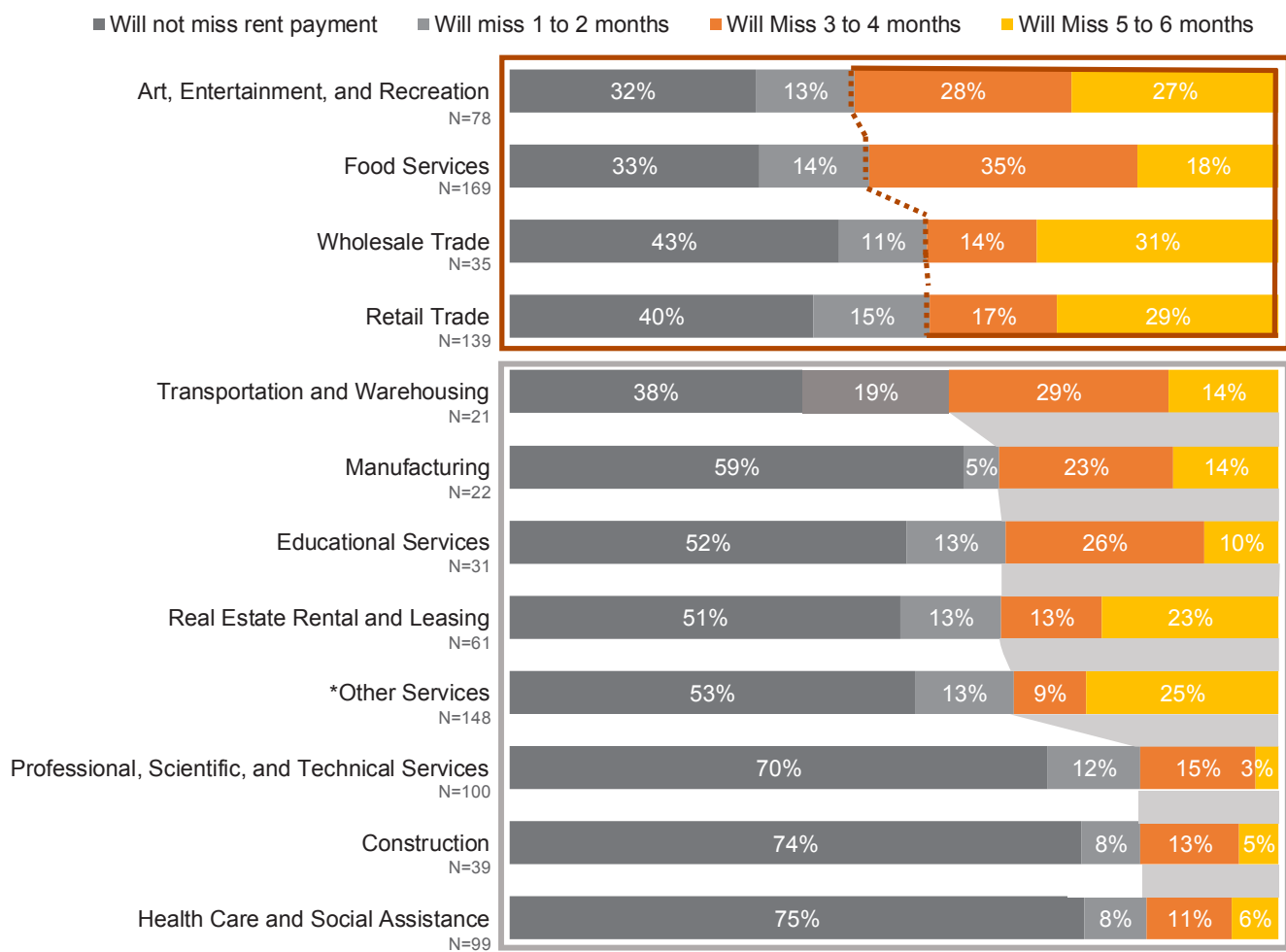


**8 in 10** businesses that are currently closed **expect to miss at least 3 to 6 months of full rent payments** between January and June 2021. (N=946)



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

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



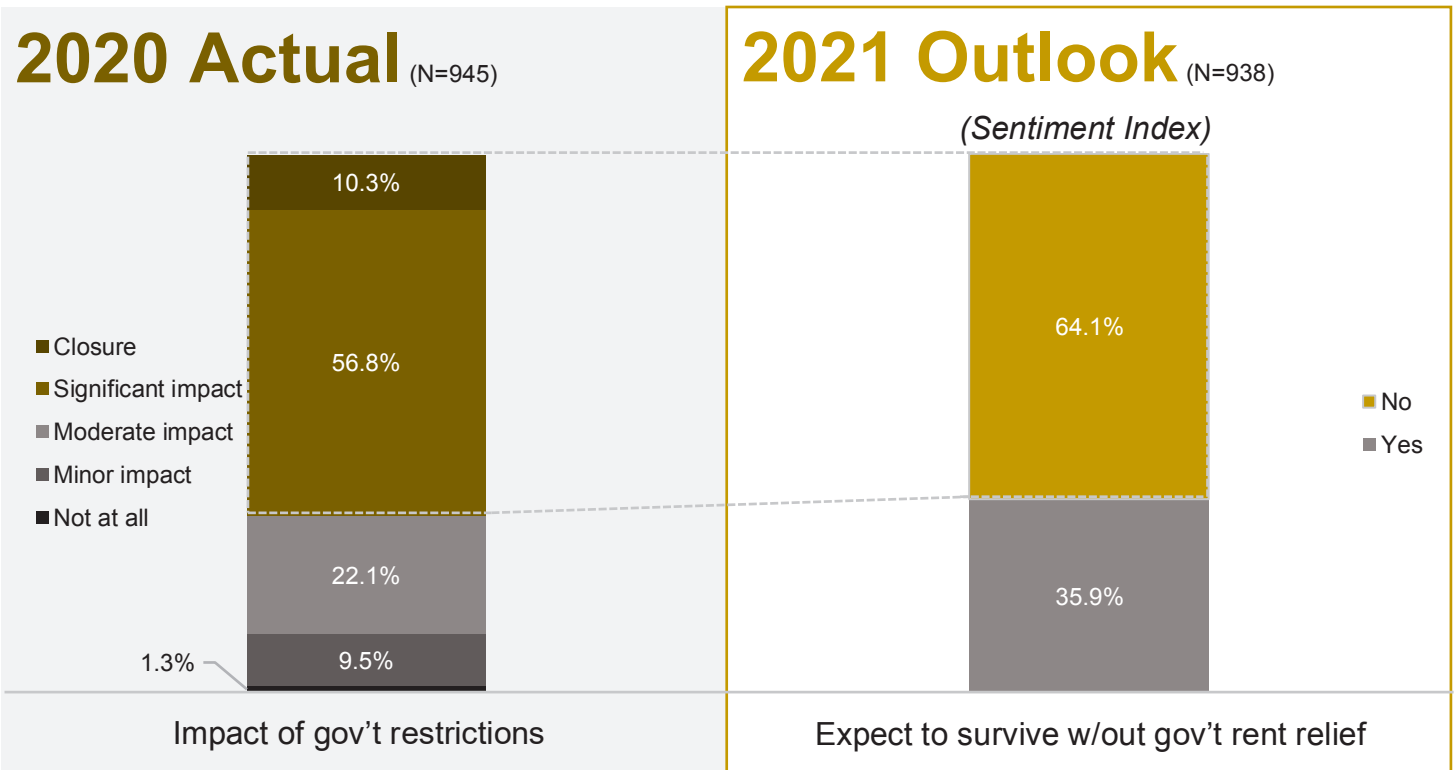
\*Other Services includes (Utilities, Management of Companies, Information, Agriculture, Accommodation, Admin & Support of Companies, Finance & Insurance)

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

# Q4 Survivability Outlook: New Normal

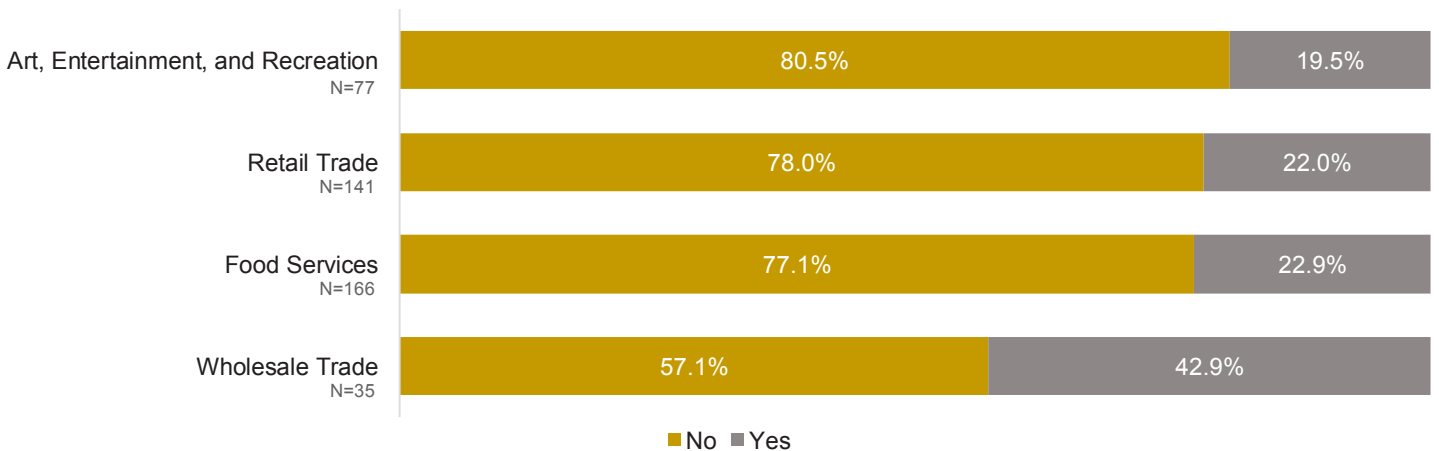
**2** in **3**

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



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

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



# Conclusion

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

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

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



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

