



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
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Statement of
MIKE MCCARTNEY
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE

Friday, February 24, 2021
2:00 PM
State Capitol, Conference Room 308

In consideration of
HB1324, HD2
RELATING TO COMMERCIAL PROPERTY RENT RELIEF.

Chair Luke, Vice Chair Cullen and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) offers comments on HB1324, HD2, which creates a commercial rent relief grant program to be funded by federal funds. Under this measure applications are submitted to and reviewed by DBEDT. The counties, in cooperation with DBEDT, are responsible for administering the grant program.

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

Our comments are as follows:

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

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

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

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
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To: The Honorable Sylvia Luke, Chair;
The Honorable Ty J.K. Cullen, Vice Chair;
and Members of the House Committee on Finance

From: Isaac W. Choy, Director
Department of Taxation

Date: February 24, 2021

Time: 2:00 P.M.

Place: Via Video Conference, Hawaii State Capitol

Re: H.B. 1324, H.D. 2, Relating to Commercial Property Rent Relief

The Department of Taxation (Department) offers the following comments regarding H.B. 1324, H.D. 2, for your consideration.

H.B. 1324, H.D. 2, creates a commercial rent relief grant program to be funded by federal funds. The proposed grant program allows owners of property classified as commercial, hotel and resort, or industrial under county real property tax classifications to be eligible for a grant not to exceed 3% of taxable revenue derived from the property in 2019; annualized taxable revenue for tenants established before March 30, 2020 and with less than twelve months operating history; or three months of full rent, whichever is less. H.B. 1324, H.D. 2, has a defective effective date of July 1, 2050.

As written in H.D. 2, the Department of Business, Economic Development, and Tourism (DBEDT) is the administering agency of the program. Similarly, DBEDT is granted authority to audit or investigate all grant applications under this measure.

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

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



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Wednesday, February 24, 2021 at 2:00 P.M.
Written Testimony**

RE: HB 1324, HD 2, RELATING TO COMMERCIAL PROPERTY RENT RELIEF

Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 1324, HD 2, 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 2020, 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 Survey update shows widespread hardship for local businesses

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



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e-mail info@hfbf.org; www.hfbf.org

February 24, 2021

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON HB 1324, HD2
RELATING TO COMMERCIAL PROPERTY RENT RELIEF

Conference Room 308
2:00 PM

Aloha Chair Luke, Vice-Chair Cullen, and Members of the Committee:

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

The Hawaii Farm Bureau supports HB 1324, HD2, 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 5 through 8 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.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON FINANCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 308
WEDNESDAY, FEBRUARY 24, 2021 AT 2:00 P.M.**

To The Honorable Sylvia Luke, Chair;
The Honorable Ty J.K. Cullen, Vice Chair; and
Members of the Committee on Finance,

SUPPORT HB1324 HD2 RELATING TO COMMERCIAL PROPERTY RENT RELIEF

Aloha, my name is Pamela Tumpap. I am the President of the Maui Chamber of Commerce, in the county most impacted by the COVID-19 pandemic in terms of our dependence on the visitor industry and corresponding rate of unemployment. I am writing share our support of HB1324 HD2.

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.

HB-1324-HD-2

Submitted on: 2/22/2021 6:30:11 PM

Testimony for FIN on 2/24/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Blair Suzuki	Suzuki Properties, LLC	Support	No

Comments:

To Chair Luke, Vice Chair Cullen and members of the committee,

Mahalo for allowing me to submit testimony on HB1324 relating to commercial property rent relief. I am in STONG SUPPORT of HB1324.

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 Hawaii 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

HB-1324-HD-2

Submitted on: 2/22/2021 7:37:09 PM

Testimony for FIN on 2/24/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Becky Erickson	Blue Ginger	Support	No

Comments:

February 24, 2021

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
Committee on Finance (FIN)

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

To Whom It May Concern,

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

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

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

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

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

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

Thank you,

Becky Erickson
Owner

Blue Ginger
808-446-8091

HB-1324-HD-2

Submitted on: 2/22/2021 9:06:02 PM

Testimony for FIN on 2/24/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Garrett W. Marrero	Maui Brewing Co.	Support	No

Comments:

Aloha all,

mahalo for the chance to testify. We are in support of any relief that gives hawaii's small businesses a chance of survival. we have all been damaged extensively as a result of the covid pandemic and the restrictions that have crippled our businesses.

it is far easier to resuscitate a business thats on life support than one that is dead.

mahalo for considering helping the businness that have supported the economy for years and will be the only answer to recovery.



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

February 24, 2021

Representative Sylvia Luke, Chair

Representative Ty J.K. Cullen, Vice Chair

Committee on Finance (FIN)

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

To Whom It May Concern,

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

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

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

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

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

The Program is designed to pass rent relief forward. Using federal money, the State would allow eligible business tenants to qualify for the lesser of 3% of 2019 taxable revenue or three months of full rent. Money would be paid directly to landowners to ensure the money is used for its intended purpose. We believe a 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 [House Bill 1324 to Establish a Commercial Rent Relief Grant Program](#) is approved, and business owners could somehow survive so that the employees who have been furloughed and the visitors /customers would still have all these places to come back to.

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

Sincerely,



Yuka Nawano

President & CEO / Eggs 'n Things Hawaii Inc.

yucanfbih@gmail.com

February 24, 2021

The Honorable Sylvia Luke, Chair
House Committee on Finance
Via Videoconference

RE: H.B. 1324, HD2, Relating to Commercial Property Rent Relief

HEARING: Wednesday, February 24, 2021, at 2:00 p.m.

Aloha Chair Luke, Vice Chair Cullen, 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** House Bill 1324, HD2, which establishes a commercial rent relief grant program. Requires that the commercial rent relief grants be given priority for moneys received through federal funding. Appropriated funds.

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 small retail stores and business have to 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.

February 24, 2021

Representative Sylvia Luke, Chair
Representative Ty J. K. Cullen, Vice Chair
Committee on Finance (FIN)

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

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

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

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

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

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

hawaiiusafcu.com

Representative Sylvia Luke, Chair
Representative Ty J. K. Cullen, Vice Chair
Committee on Finance (FIN)
February 24, 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

Presentation to The
Committee on Finance
February 24, 2021 at 2:00 PM
State Capitol Conference Room 308
VIA VIDEOCONFERENCE

Testimony in Support of HB 1324, HD 2

TO: The Honorable Sylvia Luke, Chair, Committee on Finance
The Honorable Ty J.K. Cullen, Vice Chair, Committee on Finance
Members of the Committee

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

HBA supports the concept of HB 1324, HD2, as it seeks a balance between the needs of fee owners of the land, commercial tenants, commercial lessors, and lenders who have financed their needs.

Grants under this bill will serve to foster lease mitigation to aid lenders, landlords, and tenants who have suffered losses during this pandemic.

We do note that in section 2, it says the grant should be made to “the owners of property classified as commercial, hotel, and resort, or industrial under county real property tax classifications . . .” Thus, the grant will go to the fee simple owner of the land and in some cases, the owner of the land has not suffered egregious harm compared to the owner of a shopping mall, who has leased the land from the owner, as well as the shopping mall tenant who has subleased space in the shopping mall.

To provide for that situation, consideration should be given to amend the language on page 3, lines 16 and 17, to read: “. . . purposes or [lease] their property is used or occupied by [to] commercial or industrial tenants, if applicable;”.

Further, on page 4, in lines 4 thru 7, the language could be amended to read: “. . . commercial or industrial tenants who occupy the property under a lease or sublease at the time of submittal of the grant . . .”.

On page 5, in subsection 2, consideration should be given to change the requirement from a 40% decline in taxable revenue to a 25% decline in taxable revenue to be consistent with the 25% decline in revenue under the PPP loan guidelines for eligibility for a second PPP loan.

On page 5, subsection 6 providing that the “business” is not publicly traded raises questions whether tenants of Ward Village and Pearlridge Center would be eligible to receive a grant because the owner

of the respective malls are publicly traded, although in the case of PearlrIDGE Center, the land is not owned by a publicly traded entity.

Thank you for the opportunity to submit this testimony supporting HB 1324, HD 2, with comments, and please let us know if we can provide further information.

Neal K. Okabayashi
(808) 524-5161



February 24, 2021

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
Committee on Finance (FIN)

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

To Whom It May Concern,

Thank you for the opportunity to submit testimony. I'm the owner of a restaurant in downtown Kailua. I am in support of House Bill 1324.

- Despite financial relief in 2020 and even with the second round of PPP, businesses hardest hit by COVID-19 will not survive in 2021 without additional government-funded commercial rent relief. The impact of losing these hardest hit businesses could result in the loss of thousands of jobs and keep tax revenue low for many years.
- In many cases, businesses, especially restaurants, retail, and entertainment venues are facing $\frac{1}{2}$ to $\frac{2}{3}$ reduced capacity in the new normal with the same or an even higher rent caused by rent deferral. 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

D'Vine Kailua Wine Bar
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808.762.3996

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,

Maureen Nelson
Co-Owner/General Manager
D'Vine Kailua Wine Bar
maureen@dvinekailua.com

D'Vine Kailua Wine Bar
573 Kailua Road, Suite 106
Kailua, HI 96734
808.762.3996



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

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

House Committee on Finance
House Bill 1324, HD2: Relating to Commercial Property Rent Relief

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

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

This measure would provide both parties of the landlord-tenant relationship the necessary support for businesses to remain afloat long enough for our industry to revive itself in a meaningful way. **For this reason, HLTA supports House Bill 1324, HD2.**

Thank you for the opportunity to offer this testimony.



1050 Bishop St. PMB 235 | Honolulu, HI 96813
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Executive Officers

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

TO:
Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 24, 2021
TIME: 2pm
PLACE: Via Videoconference

RE: HB1324 HD2 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.



COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

February 23, 2021

The Honorable Representative Sylvia Luke, Chair
The Honorable Representative Ty Cullen, Vice Chair
House Committee on Finance

RE: **HB 1324 HD2- Establish a Commercial Rent Relief Grant Program**
Hearing date: Friday, February 24, 2021 at 2:00PM

Aloha Chair Luke, and members of the committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii to provide **SUPPORT** on HB 1324, HD2. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals. NAIOP Hawaii strongly supports the development of housing for Hawaii residents at all levels of income, especially affordable housing projects.

HB 1324, HD2 establishes a Commercial Rent Relief Grant Program (the "Program") and requires that the commercial rent relief grants be given priority for moneys received through federal funding. The grant program is designed for owners of property classified as commercial, hotel and resort, or industrial to be eligible for a grant not to exceed three per cent (3%) of taxable revenue for commercial tenants derived from the property in 2019. Further, owners of hotel and resort classified property shall only be eligible for a grant proportionate to the portion of the property that is leased to tenants operating a commercial business on the subject property. Any money from the Program would be paid directly to landowners to ensure the money is used for its intended purpose.

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

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

The Honorable Representative Sylvia Luke, Chair
The Honorable Representative Ty Cullen, Vice Chair
House Committee on Finance
February 23, 2021
Page 2

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

HB 1324, HD2 would allow for the Program to serve as an important step in kick starting Hawaii's economic recovery. The Program will enable our state to emerge out of the pandemic together, protect the banking system, preserve jobs, generate tax revenue, and sustain government budgets.

Mahalo for your consideration,



Catherine Camp, President
NAIOP Hawaii

HAWAI‘I EXECUTIVE collaborative

February 23, 2021

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
Committee on Finance (FIN)

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

Dear Chair Luke, Vice Chair Cullen, and members of the committee,

Thank you for the opportunity to submit testimony in **SUPPORT** of HB1324 to Establish a Commercial Rent Relief Grant Program.

The Hawai‘i Executive Collaborative is a 501c3 nonprofit organization that is comprised of a group of leaders from all sectors committed to driving collective action to address our community’s toughest challenges.

Throughout 2020, The Hawai‘i Executive Collaborative partnered with the State Department of Business, Economic Development and Tourism (DBEDT) and other business organizations to conduct three surveys over the course of 2020 to assess the economic hardship being faced by our Hawai‘i small businesses.

The surveys found that 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. 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.

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.

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 Commercial Property Landlord-Tenant Real Property Tax 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.

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 bill is the collective effort of over a year’s worth of work and collaboration by the business community, government, and community leaders.

During these challenging times, The Hawai’i Executive Collaborative believes that our community and business leaders must work together to help those in our community most affected by the current pandemic. Programs like these are critical to providing support to our businesses most in need.

Mahalo again for the opportunity to submit testimony and for all of your efforts to serve the people of Hawai’i as our elected leaders.

Thank you,

A handwritten signature in black ink, appearing to read "Lynelle Marble". The signature is fluid and cursive, with a prominent initial "L" and "M".

Lynelle Marble
Executive Director
Hawai’i Executive Collaborative
lynellem@hawaiiexecutivecollaborative.org

HB-1324-HD-2

Submitted on: 2/23/2021 2:36:04 PM

Testimony for FIN on 2/24/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Nicole Nakano	BOMA Hawaii	Support	No

Comments:

Aloha Chair Luke, Vice Chair Cullen, and Members of the House Committee on Finance,

BOMA Hawaii supports HB1324 HD2, which establishes a commercial rent relief grant program to be administered by the department of business, economic development, and tourism and requires that the commercial rent relief grants be given priority for moneys received through federal funding.

Mahalo for the opportunity to testify.

Nicole Nakano

2021 BOMA Hawaii President

Rock 'n Fun

February 24, 2021

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
Committee on Finance (FIN)

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

To Whom It May Concern,

Thank you for the opportunity to submit testimony. My name is Scott Fernandez, Manager of Rock N Fun LLC, and I am in support of House Bill 1324.

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

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

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

Thank you,

A handwritten signature in black ink that reads "Scott Fernandez". The signature is written in a cursive, flowing style.

Scott Fernandez

Manager

Rock N Fun LLC

ksfernandez@ekfernandez.com

(808) 682-5767



February 24, 2021

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
Committee on Finance (FIN)

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

To Whom It May Concern,

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

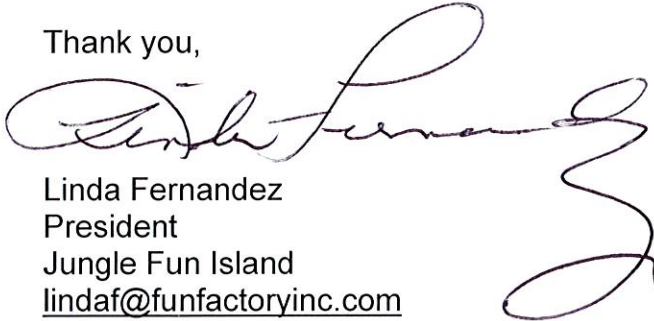
- Despite financial relief in 2020 and even with the second round of PPP, businesses hardest hit by COVID-19 will not survive in 2021 without additional government-funded commercial rent relief. The impact of losing these hardest hit businesses could result in the loss of thousands of jobs and keep tax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

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

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

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

Thank you,

A handwritten signature in black ink, appearing to read "Linda Fernandez", with a large, stylized flourish extending downwards and to the right.

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



**TESTIMONY OF TINA YAMAKI, PRESIDENT
RETAIL MERCHANTS OF HAWAII**

February 24, 2021

Re: HB 1324 HD2 Relating to Commercial Property Rent Relief

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

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

We **STRONGLY SUPPORT** HB 1324 HD 2 Relating to Commercial Property Rent Relief. This measure establishes a commercial rent relief grant program to be administered by the department of business, economic development, and tourism; requires that the commercial rent relief grants be given priority for moneys received through federal funding; appropriates funds; and is effective 7/1/2050.

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

While many took advantage of the 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 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.

Wednesday, February 24, 2021

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
Committee on Finance (FIN)

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

Dear Chair Luke, Vice Chair Cullen, and members of the Committees on Finance:

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

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

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

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

- Operate in a physical commercial space.

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

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

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

- Among our 1,126 respondents – most of which were restaurant and retail business owners – monthly unpaid rent was calculated at \$57 million. This back rent is piling up at a staggering pace and with the 14-day travel quarantine extended for seven months and the new travel restriction requiring a negative test in hand upon arrival, tourism-facing businesses that were fighting to survive and reopen multiple times will need some kind of lifeline to survive.
- We also surveyed the time period from January to June 2021, and the survey showed 4 in 10 businesses expect to miss between 3 to 6 months of full rent. The survey was to help determine whether current financial aid programs are enough for the universe of businesses and to diagnose the outstanding need after these various programs are accounted for. This means 40% of businesses may not be able to pay any rent for the first half of this year per their current lease agreement. This is because compared to 2019, 39% of businesses reported that they saw > 50% revenue decline in 2020, and 27% expect > 50% revenue decline in 2021. Back rent for disproportionately impacted businesses will continue to accumulate going forward.
- We then looked at new lease terms, and only 5% were able to restructure their lease. This rent restructuring allows businesses and landlords to redefine parameters and set

new expectations to accommodate for ever changing market conditions. In many cases, businesses, especially restaurants and entertainment venues are facing ½ to 2/3 reduced capacity in the new normal with the same or an even higher rent caused by rent deferral. Even if business capacity is not a factor, the deteriorating economic climate due to job losses and reduced visitor arrivals is causing significant decline in business revenue. This unbearable burden of back rent piling up along with an unrealistic future rent obligation is why so many businesses are closing.

- In the third survey, we learned from a new question that without government-funded commercial rent relief, 64% of businesses do not expect to survive in 2021. Despite financial relief in 2020 and even with the second round of PPP, businesses hardest hit by COVID-19 will not survive in 2021 without additional government-funded commercial rent relief. The impact of losing these hardest hit businesses could result in the loss of thousands of jobs and keep tax revenue low for many years.

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

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

Sincerely,

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



3RD HAWAI‘I
COMMERCIAL
RENT SURVEY

IBMHAWAII 

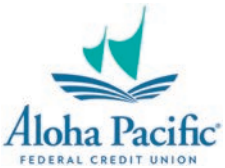
JANUARY 2021

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.

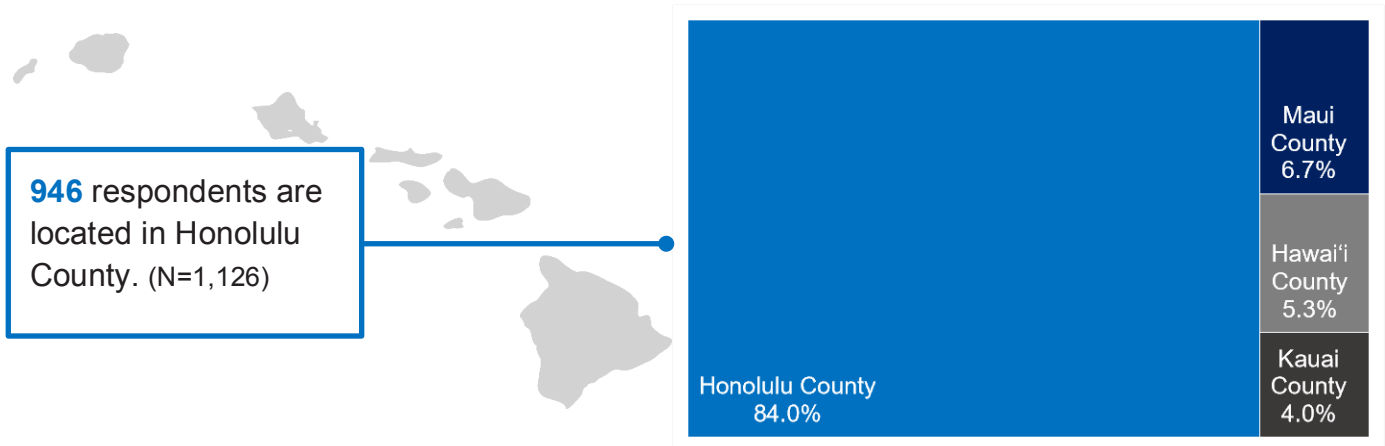
Sincerely,

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

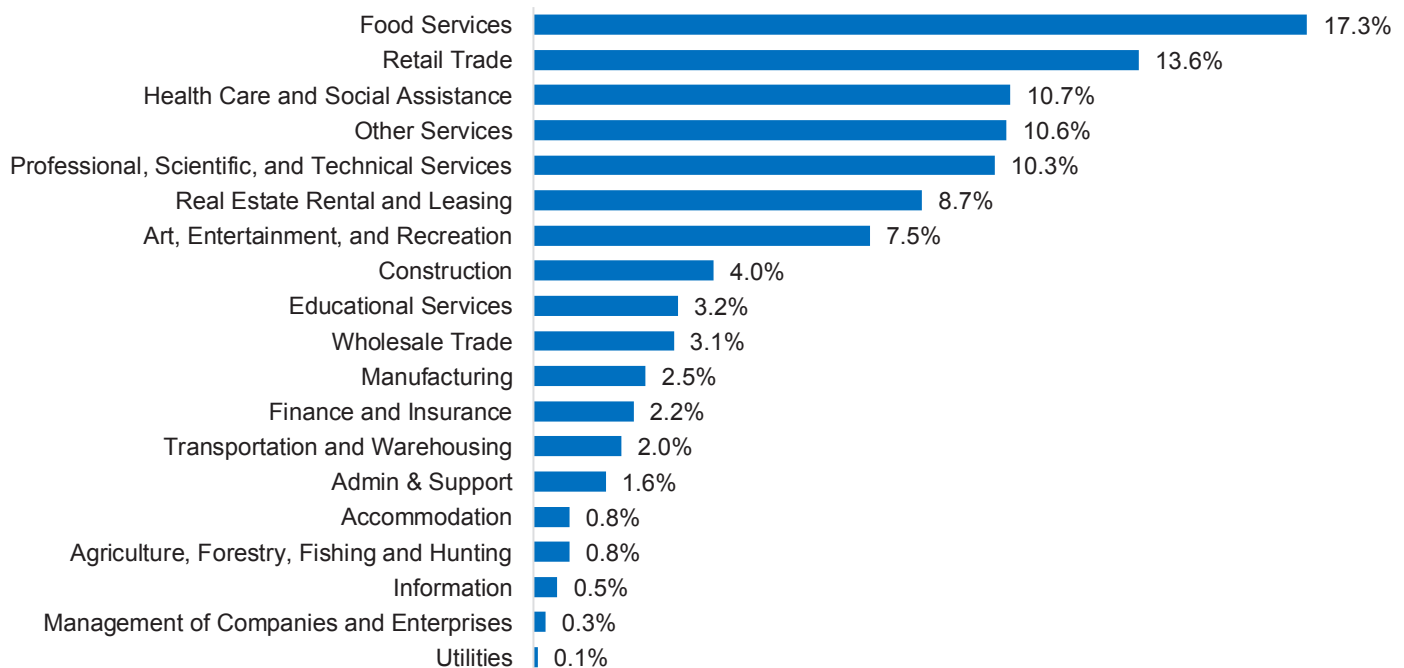


Q4 Survey Respondents

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



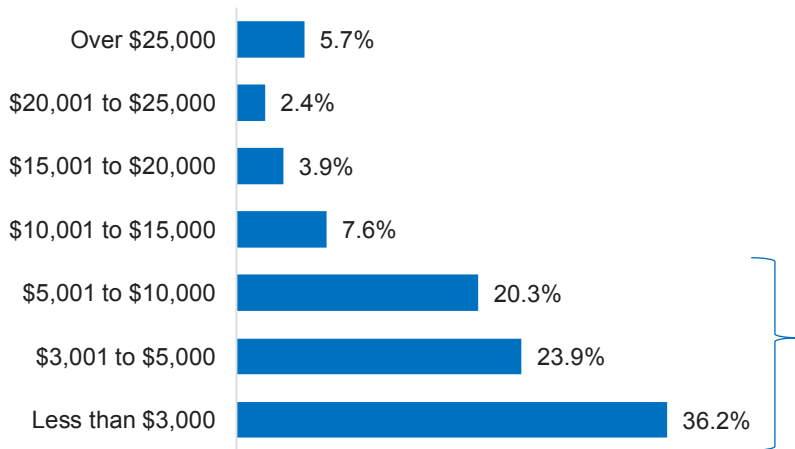
30.9% are in the Food Services and Retail Trade industries. (N=1,114)



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)

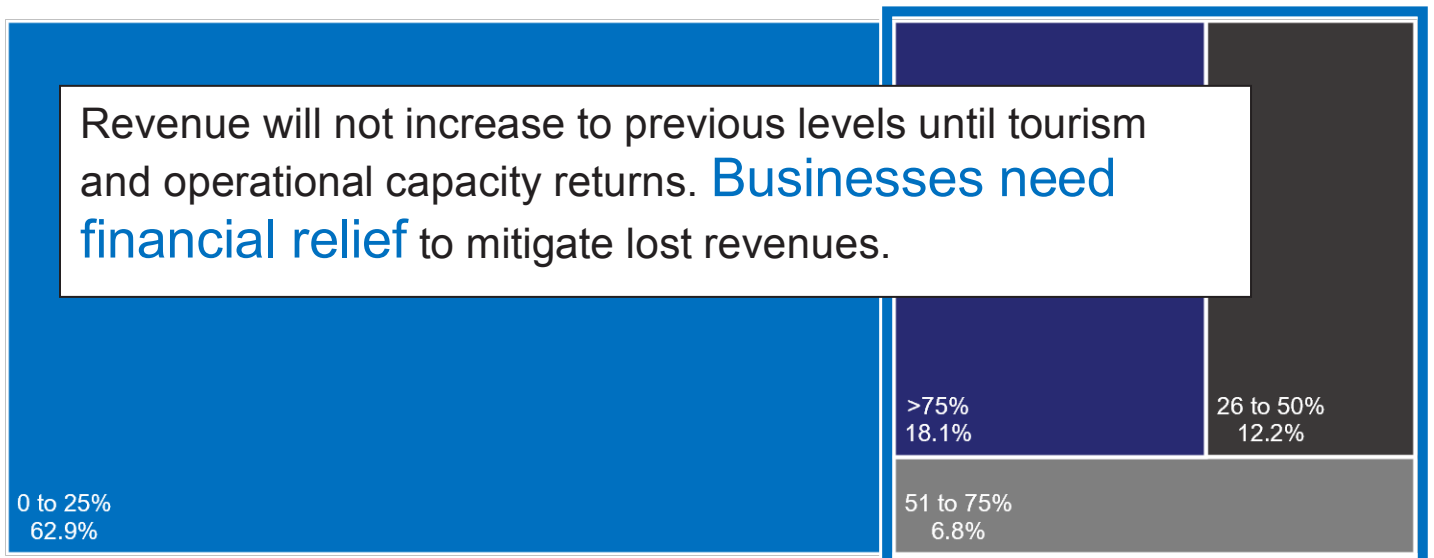
78.8% are tenants in buildings whose property owner is located within the State of Hawai'i. (N=1,001)



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

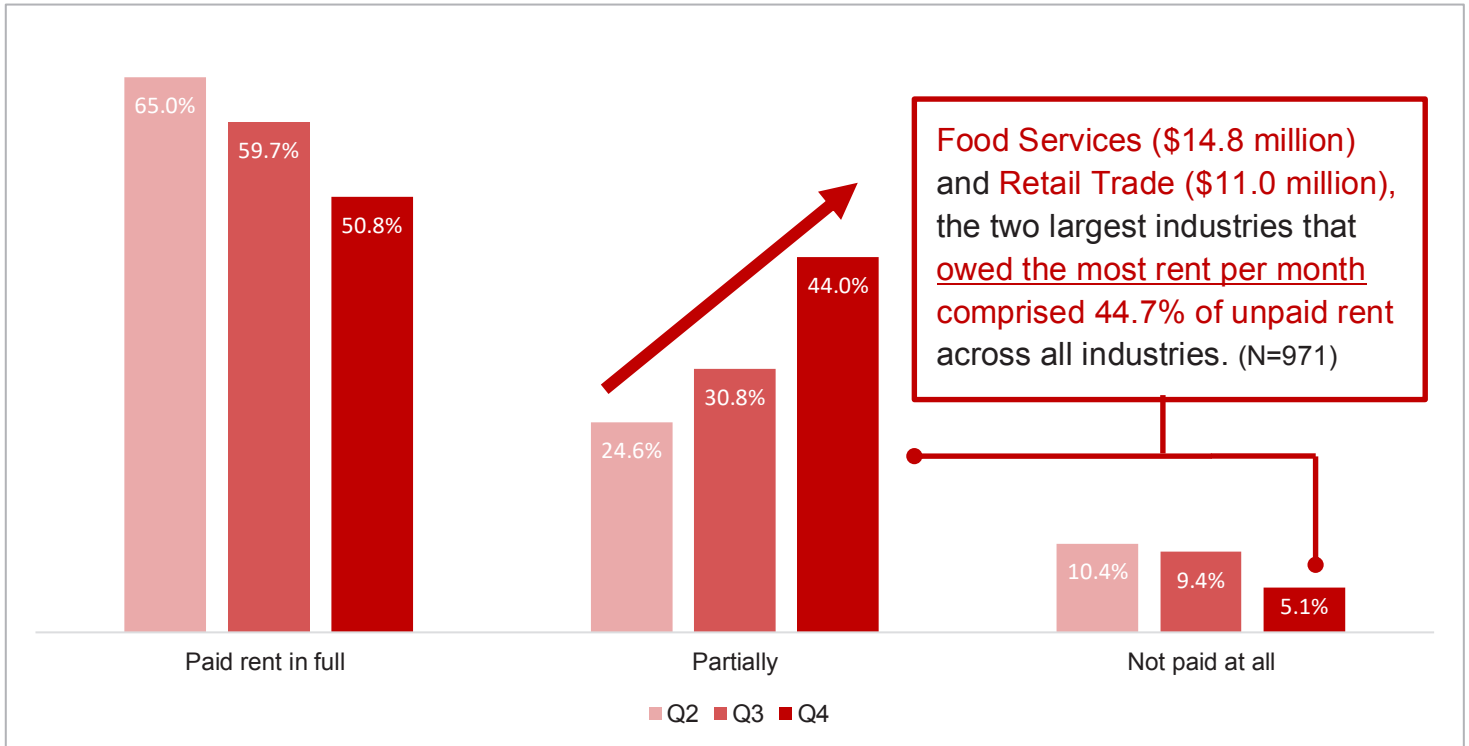
77.4% do not pay percentage rent above their base rent. (N=968)

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)

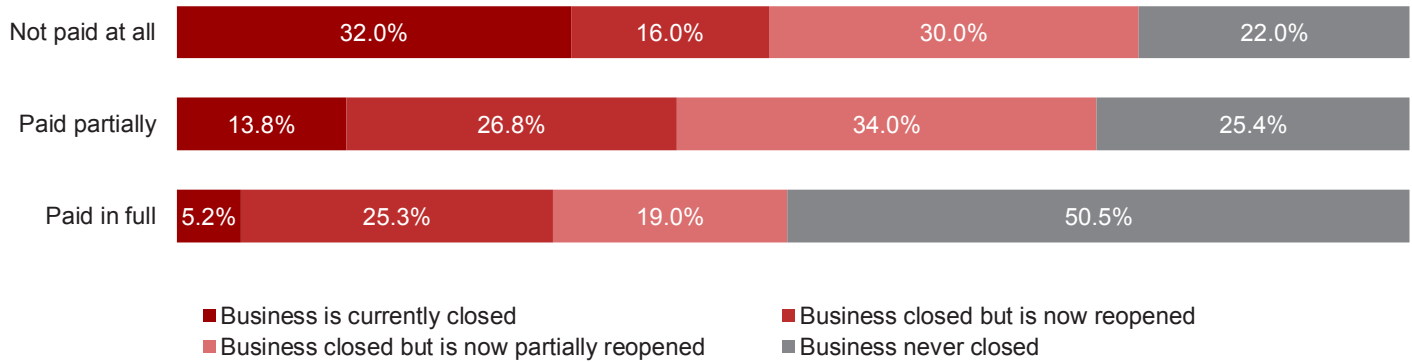


The statewide estimated total rent owed per month is **\$57 million in Q4 (vs. \$59 million in Q3)**. (N=971)

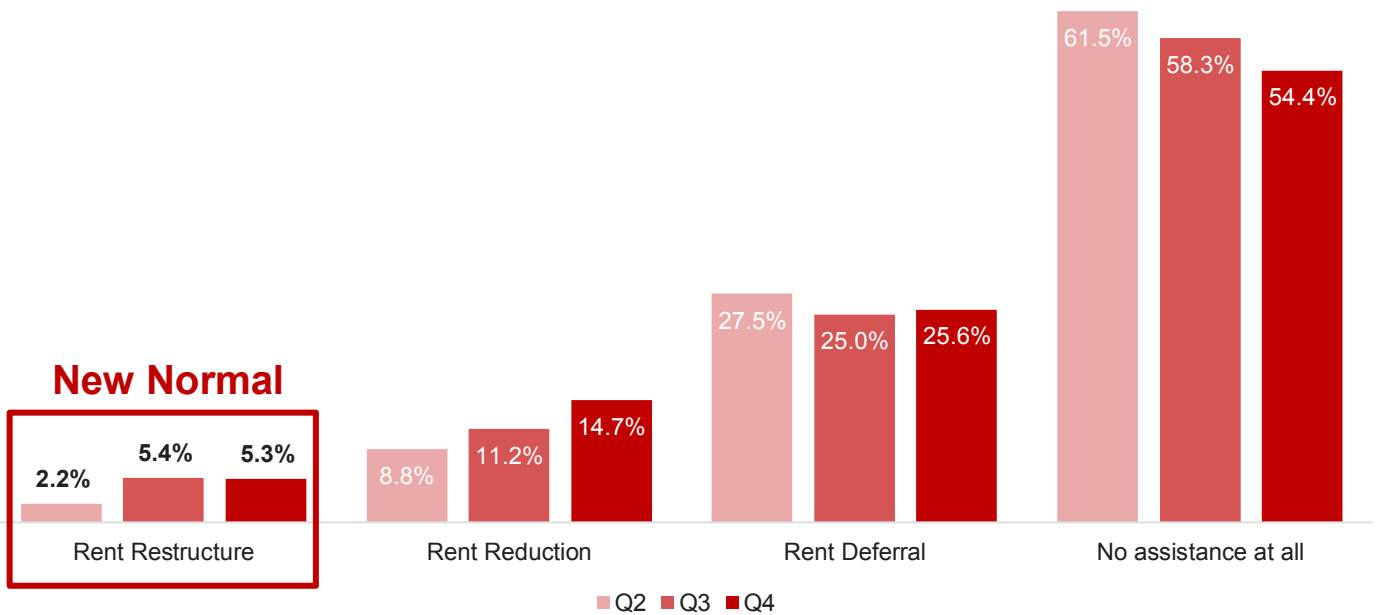
- **\$46 million** in partially unpaid rent (assuming 50% of rent was paid).
- **\$11 million** in fully unpaid rent.



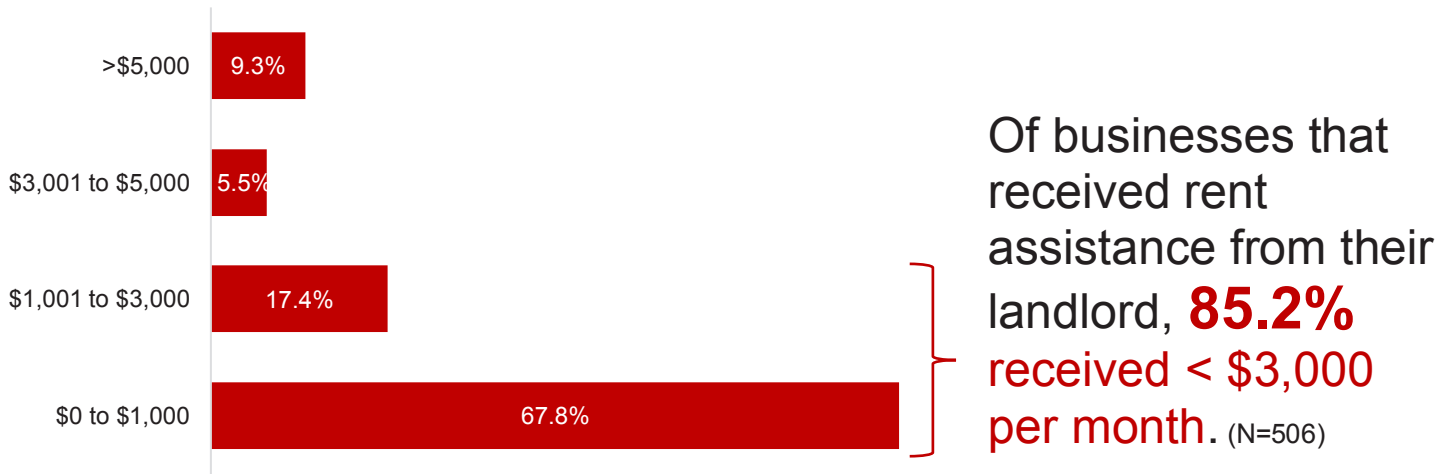
32.0% that have not paid rent at all are currently closed. (N=978)



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)

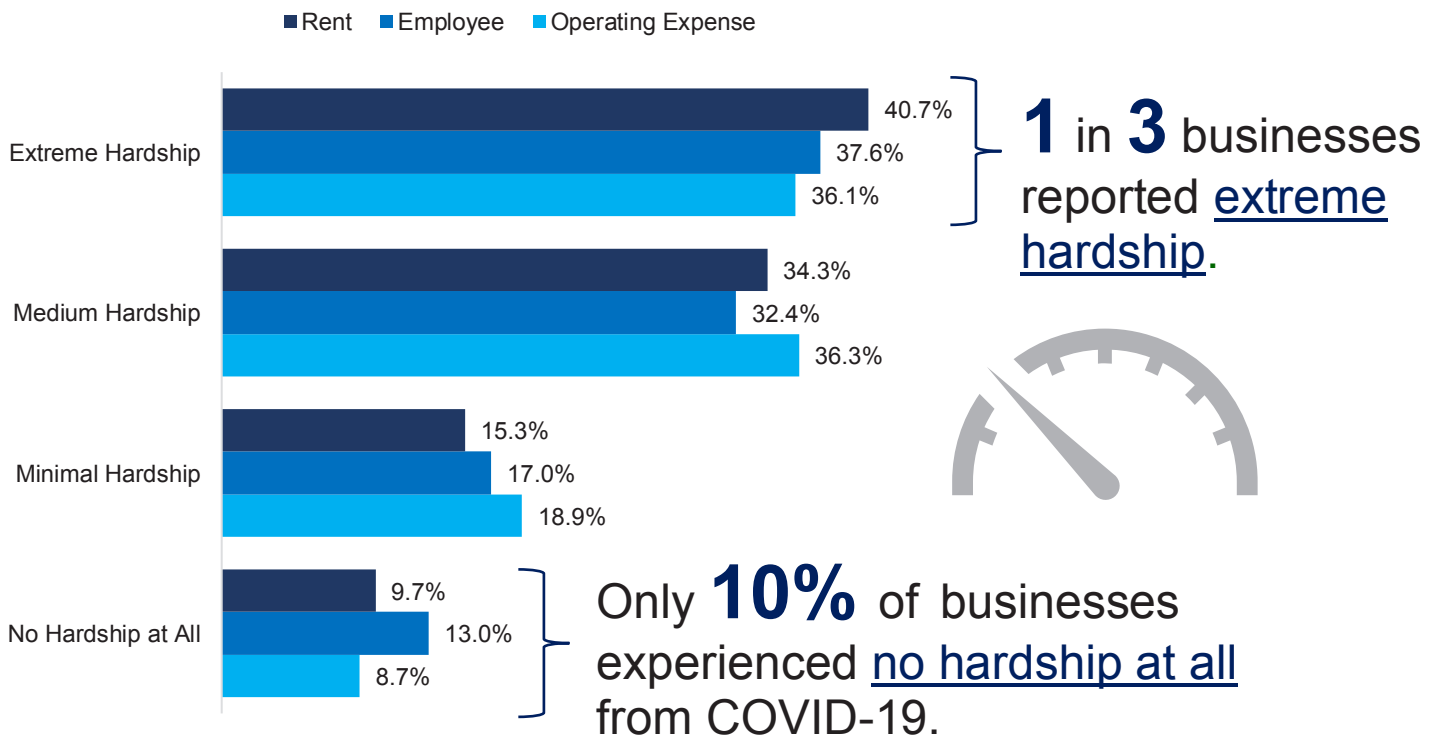
38.8% did not close.

24.9% closed but have now reopened.

25.7% closed but have now partially reopened.

10.7% closed and remain closed.

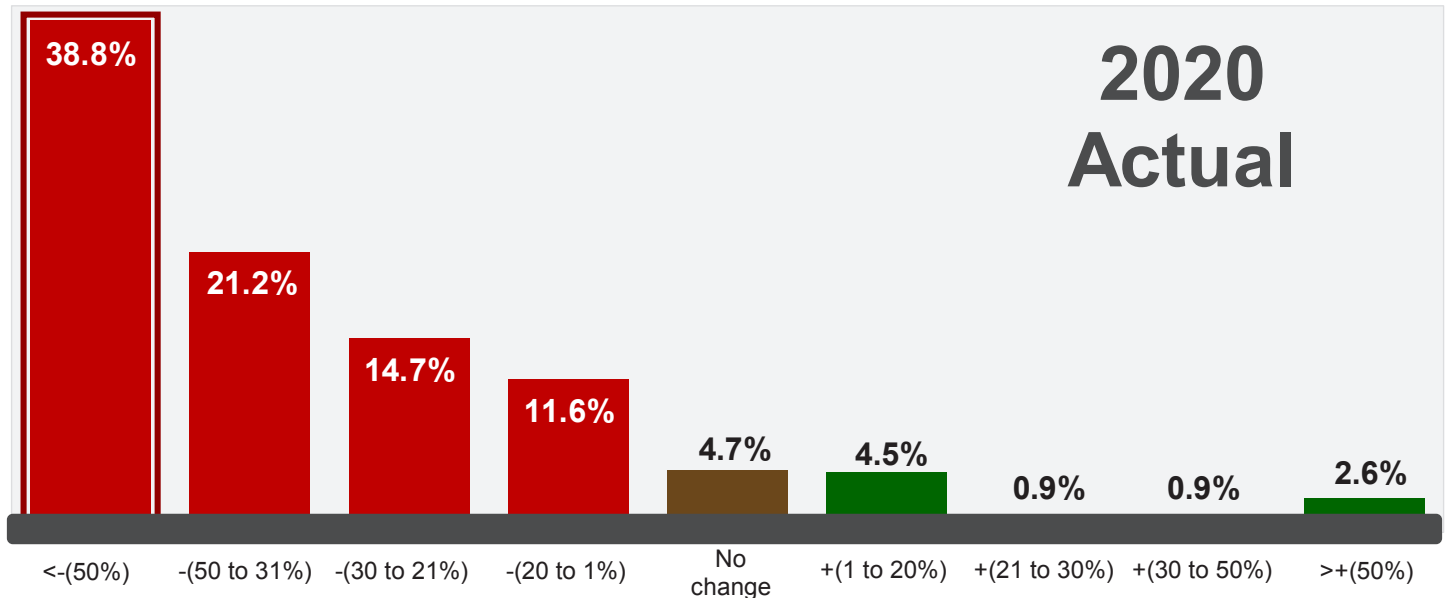
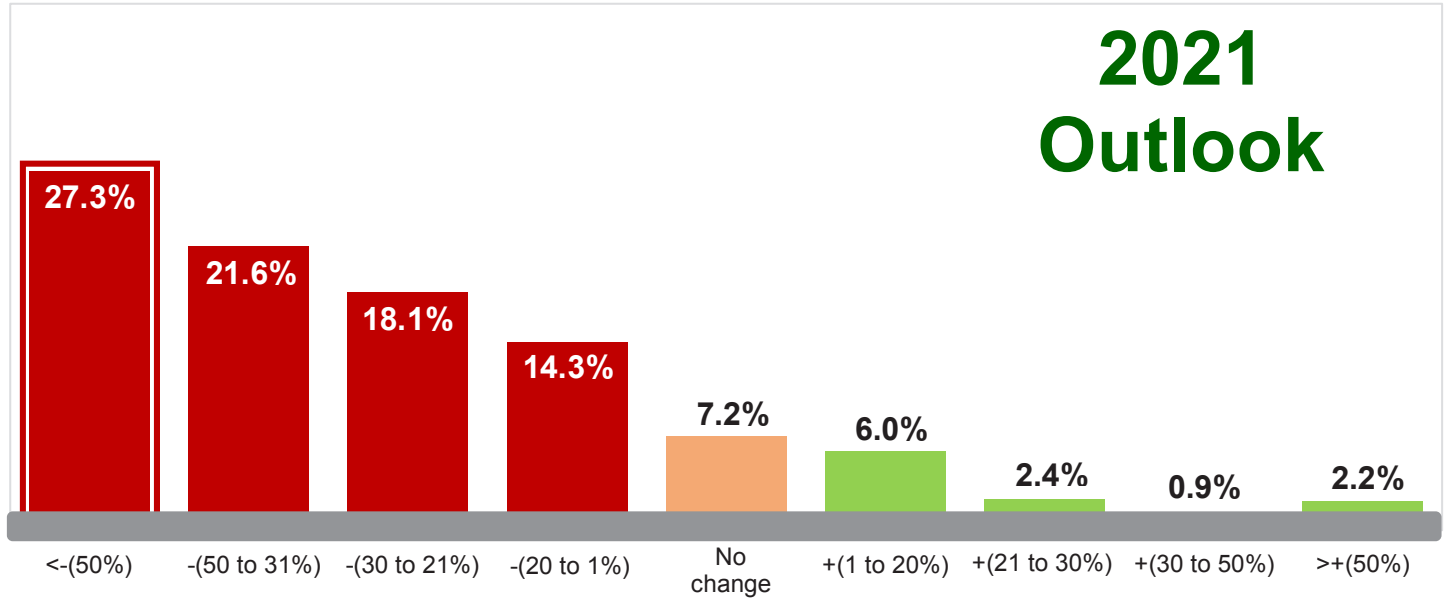
Majority of businesses reported some degree of hardship imposed by COVID-19 on their ability to pay rent (**90.3%**), employees (**87.0%**), and operating expenses (**91.3%**).



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)



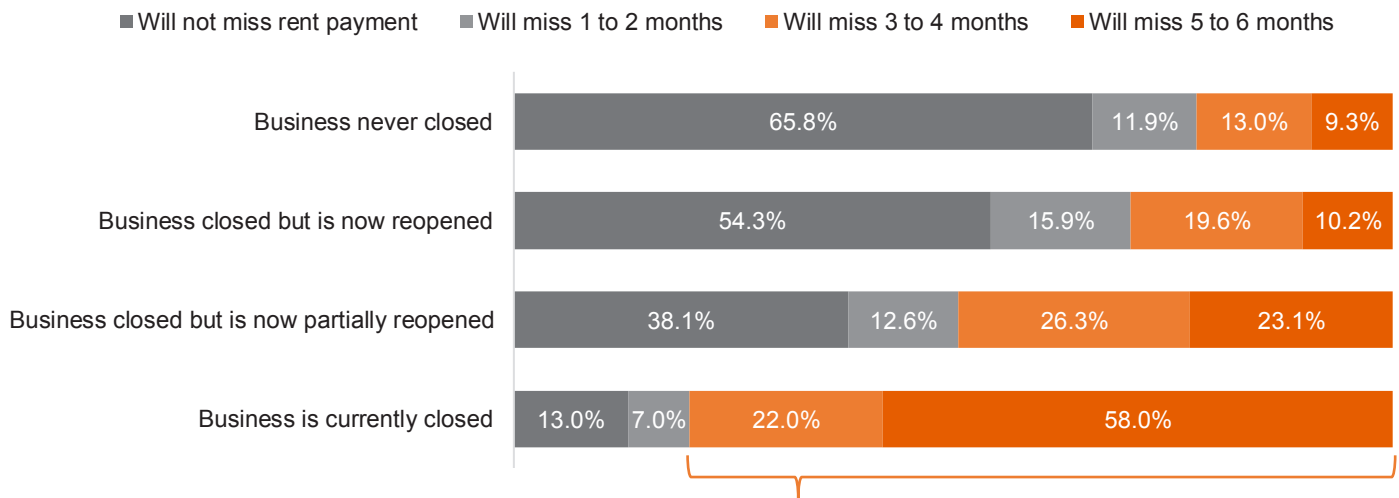
27.3% expect revenue to **decline > 50%** in 2021 (N=851) vs. **38.8%** of businesses saw revenue **decline of > 50%** in 2020. (N=1,017)

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)

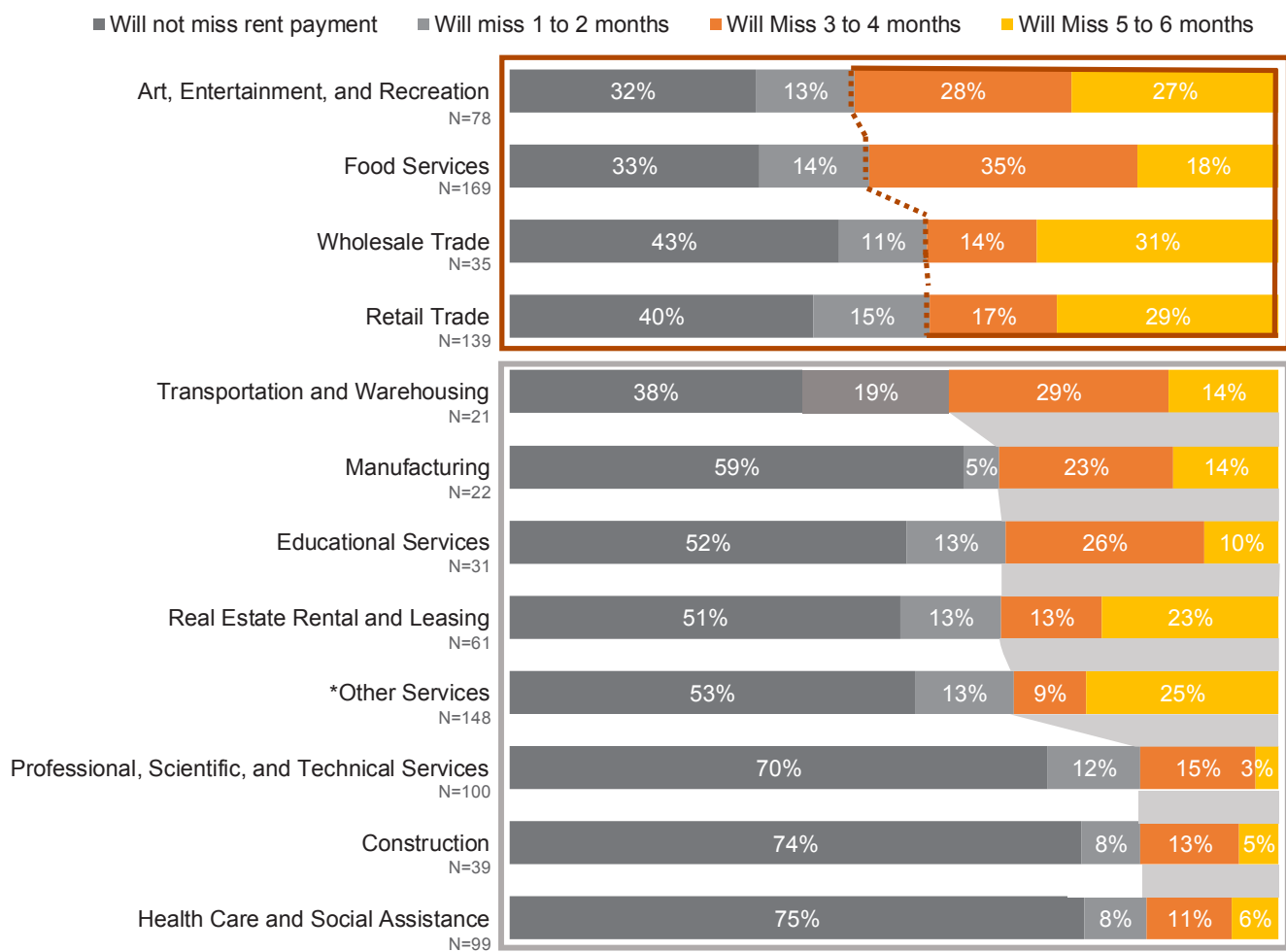


8 in 10 businesses that are currently closed **expect to miss at least 3 to 6 months of full rent payments** between January and June 2021. (N=946)



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)



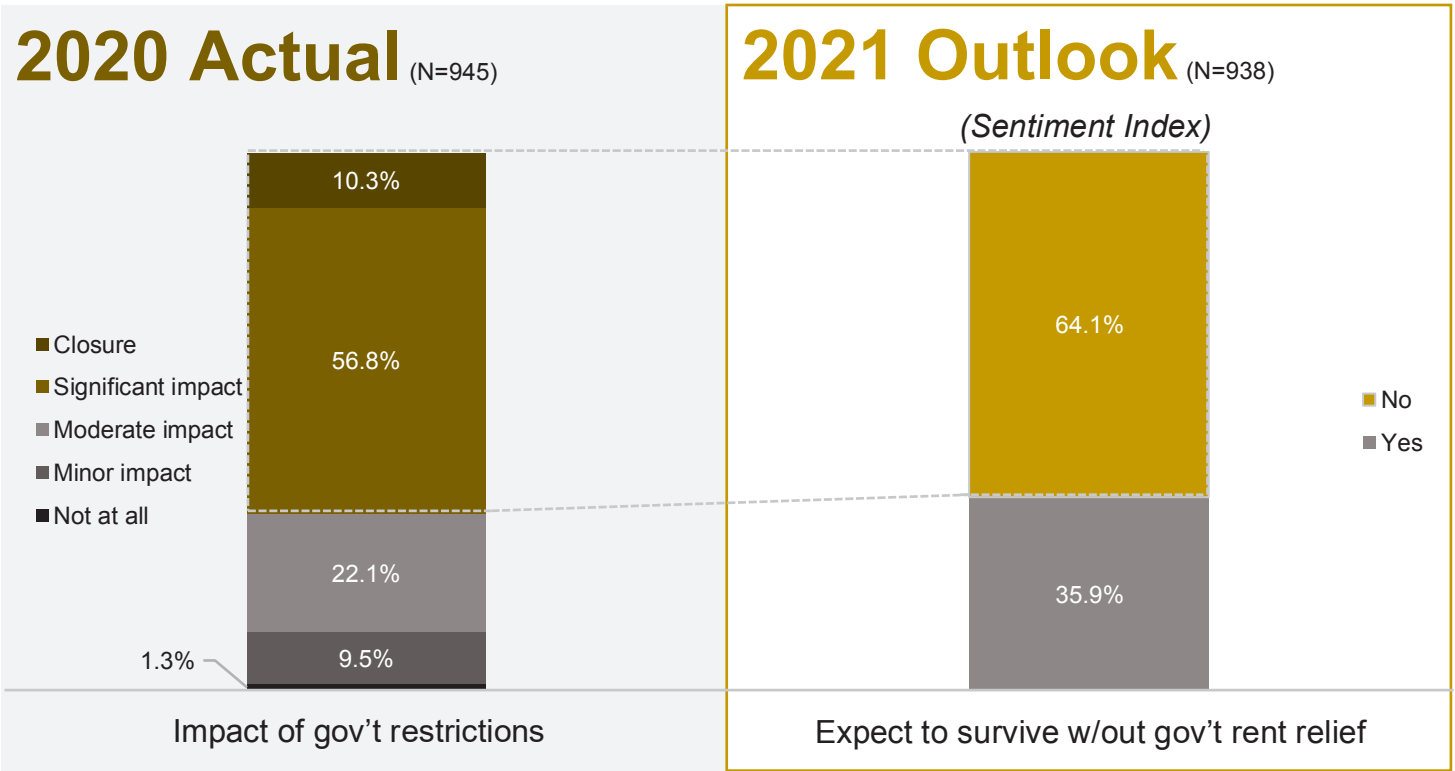
*Other Services includes (Utilities, Management of Companies, Information, Agriculture, Accommodation, Admin & Support of Companies, Finance & Insurance)

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

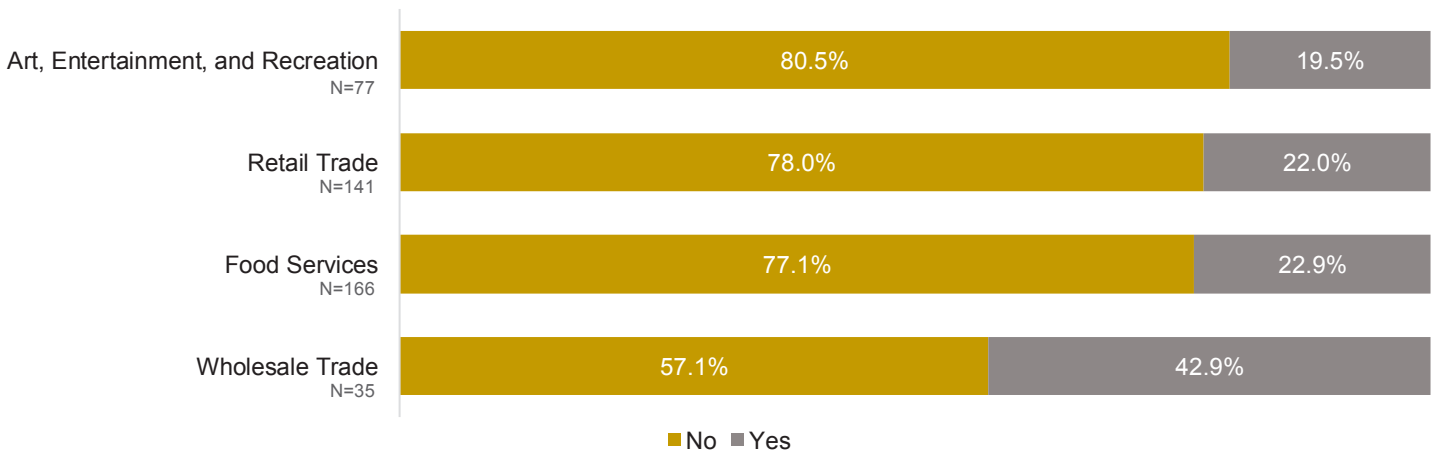
2 in **3**

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



HB-1324-HD-2

Submitted on: 2/23/2021 10:00:54 AM

Testimony for FIN on 2/24/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ruston Utu	Individual	Support	No

Comments:

Covid-19 has impacted a lot more than we could ever imagine. I think this would really help those who were and are still extremely affected especially within our local small businesses. Small businesses here on the island have become a favorite local spot for people to eat at or shop at and they become a part of the communities they are located in. It's unfortunate to see them close since they cannot keep up with the rent. With this rent relief it would really help keep small business afloat for a lot longer.