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Holly Kessler, Membership Director Relations

March 20, 2020

Dear Governor Ige,

As fears of COVID-19 continue, we are thankful for your compassionate and supportive leadership through these unknown times. We realize you are making difficult decisions to keep all of us and our loved ones safe. The Hawai'i Restaurant Association, is writing to you as a plea for help and expedient action.

This week's directive for all Hawai'i restaurants to cease dine-in operations and close all bars and clubs, while necessary for public health and safety is having a very swift and deleterious impact on restaurant sales. All bars and clubs are immediately impacted. Many restaurants that serve hot pot, yakiniku, and buffets are not able to offer take out food and have zero income. Most other full service restaurants serving take out meals are experiencing sales decreases of up to 80%.

Our industry will not survive the upcoming weeks without significant assistance from our state government and, more directly, your personal involvement and help. We need our state government to take an active role in guiding us through these challenging next months and ensuring that a variety of financial safety nets are in place to make sure the restaurant industry can survive while and after they comply with the state directive and aid in improving the safety of our community.

Restaurants are a low margin business, buying food that is perishable. Many restaurants have accrued extensive labor costs in preparation for the hours, days, and in the case of preserved foods, even weeks in advance. Many of us do not have the infrastructure or menus to pivot and depend on takeout and delivery sales. While we are scrambling to create these new business models, time is running out every day as our cash reserves deplete. In many cases, restaurants only have a few weeks of reserve cash to rely on. Time is of the essence.

In addition, many are responsible to pay for their employees' health insurance during this time, at a huge cost. In addition, many third-party delivery services do not have the infrastructure to support the huge influx of restaurants that will need their services.



Takeout and delivery only cannot support our immediate or future cash needs. Our costs are much higher than the income takeout and delivery can generate, and our bills are due now.

We have discussed the following ideas and believe their implementation would greatly increase the chances of our industry's survival. Given that your office directed all restaurants in Hawai'i to cease dine-in operations, the state should impose programs and policies such as the following to mitigate the adverse impact COVID-19 and the mandates are having on our business's viability. Seriously consider any and all of the following actions to include in a business sustainment package.

- Call for abatement of rent and mortgage payments (with incentives, if necessary) from all landlords and lending institutions, respectively, starting in March and until the mandate is lifted and the economy recovers sufficiently.
- Abatement of sales tax in Q1 and Q2.
- Abatement of payroll tax in Q1 and Q2.
- Relax and forgive late payment fines and fees on GET for up to the next 6 months.
- Make dollar for dollar tax credits available to employers who provide and pay for employee health insurance during layoffs.
- Call for statewide abatement of utilities and municipal fees effective March 15 and until 60 days after mandate is lifted.
- Call for payment processors to waive merchant fees in Q2.
- Pay unemployment to all restaurant employees 100% of their average wages over 2 quarters.
- Temporarily authorize the sale of un-opened alcoholic beverages in original containers for off premise sale by on-premise only restaurant and bar club licensees.
- Forgive employers' unemployment insurance rate increases.
- Call for the state's health insurance providers to extend health benefits for all employees with current employer paid health insurance who are laid off; or cover COBRA expenses.



- Consider increasing the Tip Credit up to \$5 resulting in a \$6.10 employer paid wage as long as the tipped employee's total hourly wage is at least \$17 per hour in order to decrease layoffs and provide livable wages beyond the minimum wage to all staff.

In addition, we ask that you be as careful and considerate as possible when introducing new mandates specific to independent small businesses under 500 employees that could potentially deplete our funds further rather than support our ability to re-open and operate as normal. We are discussing additional remedies for our industry and trust that you and the legislators will provide the necessary leadership to help our industry navigate to better times.

We realize this list is long and there are hurdles to overcome in their implementation, but they are all necessary to increase our chances of survival and therefore our ability to continue to employ and provide for our dedicated staff. Protecting our employees means also making sure they have jobs to return to when this pandemic is over. We trust that you will make the right decisions and act swiftly to save our businesses.

Did you know that in Hawai'i there were:

- 3,665 eating and drinking place locations in 2018 ?
- \$5.6 billion in estimated sales in restaurants in 2018 ?
- 98,900 restaurant & food service jobs in 2019 = 15% of employment in the state?

As members of the hospitality community, we're programmed to take care of others and are ready to help our community in this time of need, but this time we are also asking you to protect and support us. The industry that has been a cornerstone of our economy and feeding Hawai'i for the last century is facing an existential threat. Time is short to provide the necessary remedies to save it.

Respectfully,

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

Tom Jones

Chairman

The Hawai'i Restaurant Association