

The Hawai'i Restaurant Association
SELECT COVID-19 COMMITTEE ON ECONOMY AND FINANCIAL PREPAREDNESS
HRA Economic Business Recovery Plan

Meeting: Monday, April 13, 2020

Financial Preparedness and Recovery Actions that will help Hawai'i's restaurants survive the economic storm and return to business viability afterward.

EXECUTIVE MANDATE (Mayoral & Gubernatorial)

- 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. This should have been done immediately and needs action now.
- Allow all Liquor License holders that had current TAX Clearance status as of 3/31/2020 to renew liquor licenses in May/June provided they provide all other documentation and a plan to pay past due taxes by 8/31/2020.
- Relax and forgive late payment fines and fees on unpaid GET for up to the next 6 months. Business must file and submit plans to make payments.

LEGISLATION

- Abatement of 2020 Q1 and Q2 GET payments for restaurants, hotels other businesses forced to discontinue their main business by Government mandate.
- Abatement of 2020 Q1 and Q2 State Payroll Taxes.
- Make dollar for dollar tax credits available to employers who provide and pay for employee health insurance during layoffs.
- Postpone minimum wage increase for 2 years. It will take the industry at least that long to fully recover
- Increase the Tip Credit to \$5 resulting in a \$6.10 employer paid wage as long as the tipped employee's total hourly income is at least \$17 per hour in order to decrease layoffs and provide livable wages beyond the minimum wage to all staff. This will help bring full-service restaurants up to speed and return Servers to work earning tips faster. Most will want to work for tips without regard to minimum wage.

BUSINESS & ECONOMIC INFLUENCE

- Call for abatement and or forbearance 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.
- The larger commercial shopping center landlords are already indicating that they are not inclined to forgive and or reduce rent rates. Determining if COVID-19 qualifies as Force Majeure described in leases will likely be litigated across the nation. Landlords are counting on PPP to provide businesses with capital to pay their lease rents. The

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ability to put everyone back to work to meet that need will be more than challenging.

- Call for statewide abatement of utilities and municipal fees effective March 15 and until 60 days after mandate is lifted.
- Call for banks payment processors to waive merchant fees in Q2.

EMPLOYMENT & SBA PPP

- Payroll Protection Plan PP Employment vs Unemployment Benefits – State Unemployment Benefits are 100% of an employee's pay up to the limit PLUS the Fed government Supplemental payment of \$600 per week per person which equates to \$15 per hour. This means that many employees are making more than double their regular earnings per week. This will make it extremely difficult to call them back to work as it reduces their current net income for staying home. PPP based on 2.5 times the company's avg monthly payroll (wages, salaries, benefits and health insurance) funds can be used to pay somewhat higher wage when we return employees is not enough to compete with the \$600 weekly "bonus".
- Additionally, the Families First Coronavirus Response Act provides tax benefits and direct reimbursement for 80 hours of mandated sick leave and easy access to 10 weeks of paid FMLA during the crisis. However, employers may find it hard to get employees back to work as verification of the sickness or need for the leave will likely be difficult for the employer to ascertain and in favor of the employee.
- The 75%-25% forgiveness provision for payroll to non-payroll expenses will hamstring full-service restaurants that are not operating dining rooms now and for the foreseeable future. Their ability to use the 25% towards Lease Rent, Mortgage Insurance and Utilities with a skeleton staff and with some operators spending 50% or more on their leases depends on bringing employees back to work. As we can clearly see the way we do business will not be the same in the foreseeable future.
- Companies approved for PPP loan/grants are going to need more flexibility in using the PPP funding. The 8 weeks from the origination date to use the proceeds from the loan is a formidable requirement. When Hawaii currently has a "stay in place" mandate till April 30th and possibly longer, it doesn't make business sense to hire back a full staff when business will only be in the beginning stages of recover. We need to right-size our staff according to our sales so we can guide our business through the ramp up period which will probably last a lot longer than we anticipate and sustain and grow our business once again. There may also be new guidelines stipulated by the state in seating density and occupancy counts in full-service restaurants reducing our maximum sales capacity after reopening.

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- Originally the PPP loan term was 10 years and now it seems to be down to 2 years with a 6-month deferral. Thereby, reducing the likelihood that a business will use the funds for employment and just pay any unused loans back on the first payment.

HEALTH INSURANCE

- Make dollar for dollar tax credits available to employers who provide and pay for employee health insurance during layoffs.
- Direct the Insurance Commissioner to have Health Insurance providers cover the premiums of all employees laid off as a result of the State and County restaurant closure, social distancing and work from home mandates and work with employers to catch up on premiums over the next 6 months.

ECONOMIC RECOVERY

- Hold off on unemployment insurance rate increases for at least 1 year.
- None or reasonable seating, distancing, occupancy, density restrictions upon re-opening dining rooms.
- Unemployment Office aid in returning laid off employees to work, DOL to accept and track notification of re-hire offers to laid off employees by Employers.
- Other?

BUSINESS INTERPTION INSURANCE

- We need Hawaii's state leaders to become our advocate and follow suit with other states by requiring insurance companies to cover the business interruption during this time.
- Many restaurants business continuity claims have been denied because it does not cover a pandemic or viral contamination. We argue that our dining rooms are closed by government decree rather than a contamination of the businesses. Other states have taken action including legislative activity in New York, Massachusetts, New Jersey and Ohio as restaurant groups are leaning on state and local governments to help the industry weather this devastating time. The National Restaurant Association has sent letters to state governors, imploring the officials to help foodservice employers stay afloat. Obliging insurers to honor business disruption policies held by restaurants that shut down at the direction of state or municipal officials. The legislation introduced in the Massachusetts Senate by state Sen. James Eldridge would entitle any business employing fewer than 150 employees to payment under their business interruption policies if COVID-19 was the reason for their closure. The businesses would be compensated for as long as an emergency social distancing decree from Gov. Charlie Baker remains in effect.