

Bill 10 (2022), CD1
Testimony



Lanikai Brewing Company
175 Hamakua Drive, Unit C
Kailua, Hawaii 96734
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Relating to Bill 010(22), CD1

Aloha Chair Elefante, Vice Chair Kia'aina, and members of the Honolulu City Council Zoning and planning committee,

My name is Steve Haumschild. I am an Oahu resident and the Founder/Owner/Brewer for Lanikai Brewing Company, in Kailua Hawaii. We are a fully licensed Class 18 Brewery and Distillery producing 100% of our products here in Hawaii. We distribute our products throughout Hawaii, in limited areas of the Mainland, Japan and Australia. We proudly employ dozens and dozens of our community members and are in a growth rate to hire more.

I have been recently reviewing Bill 010(22),CD1 and feel it necessary to comment on what must certainly be some unintended consequences of this bill that not only will cause undue harm to the brewing and distilling industry, but it will also support more importation of beer and spirits not produced in Hawaii. With a few minor corrections we can move to support and grow the industry verse harm it.

As a background, only about 5% of the beer consumed in Hawaii is actually produced in Hawaii. Much of it is imported. As a grassroots effort, many brewery owners over the years have gathered up to work to reduce hurdles to manufacturing in Hawaii. For example, due to shipping, utility costs and taxes pre-pandemic it costs about 50% more to manufacture beer in Hawaii verses on the mainland. We have not calculated post pandemic costs, but with electricity on Oahu being up nearly 76% since January 2021, and massive increases in shipping costs and fuel surcharges, it can only be significantly more. We cannot however charge 50% more to our consumers since so many products are imported, so our profit margins are less. We work harder for less because we love Hawaii. For comparison, most mainland markets sell around 20% of locally produced beer. Adding more hurdles to our industry actually would favor mainland or international brewers importing products and harm local production.

Alcohol manufacturers are some of the heaviest regulated businesses anywhere. We are regulated by the ATF (Alcohol Tobacco and Firearms Bureau) through the TTB (Alcohol and Tobacco Tax and trade Bureau) on the Federal side as well as Hawaii Revised Statutes for alcohol, State of Hawaii Department of Health, Department of Agriculture, City and County Liquor commission, Department of Environmental Service, Department of Wastewater and of course Department of Permitting and Planning. As you can imagine, none of these agencies offer flexibility. The digest here is we are already heavily regulated.

Regarding Bill 010(22)CD1, Breweries, Wineries and Distilleries (BWD) permitting on the new land use requires Conditional Use Permit (CUP) Major or Minor depending on barrels produced. This is a poison pill for our industry. Since we have so much regulation already, adding another arbitrary layer is not necessary. The CUP goes to add on more time in the already burdensome permitting process that can easily last a few years. Please note that to even go through most of the licensing and permitting requirements previously listed, an

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applicant must already have a lease or ownership on the land, so our businesses can easily average 1-2 years to finally get to the starting line to produce and begin to sell. Adding potentially years on to this process will be a knife in the financials to our industry making the financial hurdle much too big to jump. The Barrel requirements listed in the Bill are also arbitrary as Barrels are a designation in brewery language, but not necessarily winery or distillery. Many producers will also grow and go over 5000 barrels during its lifetime. If at some point a new permit would be needed to go from 4900-5100 barrels, it could hinder growth. Our growth supports more jobs locally leading more taxation for payroll, GET, etc.

Bill 010(22)CD1, also eliminates BWD from being able to operate on Agriculture land. We believe this was an overlook also. There are current licensed facilities across the state including Maui Wine, Volcano Winery and Kohana Distillery that are currently actively farming land to produce their products. This intersection of agriculture usage, and value added Hawaii grown and produced product is a beautiful example of products proudly produced in Hawaii can be EXPORT. Many have been to Napa Valley to experience wineries of those regions growing their own grapes to produce their high end wines. The proposed language in the Bill would eliminate this, while if Agriculture would be an acceptable use (already heavily regulated as it is), we could have an opportunity for massive growth not only in farming, but within our industry to mark us on the map in the world of what a Grown and Made in Hawaii product should be. This creates a beautiful experience for our locals and visitors alike and supports agritourism authentically. Sampling products made from farms is an established practice already like Farm to Barn Café in Haleiwa. This should have support and at the maximum have a CUP minor but ideally be a permissible use IF it meets agritourism standards of the majority of the income produce on the land is from agriculture activities.

Breweries, Wineries and Distilleries are not massive manufacturing pollutants. We are regulated as food so the byproducts of our production are not pollutants, but materials that other farmers, ranchers and composters take from us to eliminate expenses to them as food sources for their livestock. The synergy between our industry and agriculture is already symbiotic.

Finally, corporations and wealthy individuals always seem to find a way to get a permit in Hawaii. So the current language in the bill disproportionately impacts the grass roots brewers, vintners and distillers working with the system to build our businesses. The recent changes in DPP with limited staff will only continue to slow down permitting with little to no regulation for the bad actors.

We suggest line-item edits to the proposed LUO to strike any Conditional Use Permit (Major or Minor) since we already have regulation from a number of Federal/State/County agencies and the redundancy is inefficient. Even before we are licensed to produce and sell, DPP must issue us a pass zoning clearance as a requirement of Liquor Licensing. We suggest that this LOU references the already established capacity restrictions listed in HRS 281 based on selected license class. Finally, we suggest allowing BWD to operate on agriculture land under agritourism standards.

Specifically within the Bill

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- Page 3 under Agritourism to move to Cm under Ag1/Ag2 to be compliant with agriculture use
- Page 4 under Agritourism move to Cm under Ag1/Ag2
- Page 6 under General Eating and drinking move to Cm under Ag1/Ag2 to be compliant with agriculture use
- Page 8 under Brewery Distillery Winery, eliminate Major/Minor categories
- Page 8 under Brewery Distillery Winery, allow all breweries to have P In all business and industrial use.
- Page 8 under Brewery Distillery Winery, add Cm under Ag1/Ag2
- Page 18 under Agritourism include "eating and drinking products produced from agriculture"
- Page 92 (1) Change definition to "a facility that produces alcohol for consumption"
- Page 92, eliminate A/B categories
- We recommend a "start date" of 1/1/26 or after to allow existing industry members time to execute on their business plans through the various departments.

Mahalo nui for allowing me to comment and I look forward to productive dialogue with the Zoning and Planning Committee.

'Okole Maluna,

Steven R Haumschild

Steve Haumschild, MBA

CEO & Brewmaster, Certified Cicerone®

Lanikai Brewing Company, Lanikai Spirits both Island Inspired™

Brewery/Distillery @ 175-C Hamakua Dr, Kailua, HI 96734

Tap & Barrel @ 167 Hamakua Dr, Kailua, HI 96734 everyday 12p-10p

***Coming soon Brewpub on North Shore of Oahu

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