

NICK AND JAKE'S

REAL FOOD. HONEST DRINK.

House Taxation Committee
Proponent Testimony for HB 2142
Kevin Timmons, Nick and Jake's
February 9, 2021

Mr. Chair and Members of the Committee, my name is Kevin Timmons and I co-own Nick and Jake's Restaurants. I am here in support of HB 2124. The Legislature should adjust property tax obligations when the government limits or ceases a restaurant's operations.

Every restaurant in Kansas was forced to make difficult decisions in 2020 and will continue to do so for the foreseeable future. Reduced revenues during state and county forced lockdowns and restrictions have hampered our industry, and as a result, we are making choices that were previously unthinkable. Do we pay our property taxes or our payroll? Do we pay property taxes or our vendors? Restaurants, along with others, are not fighting for pre-pandemic profits. Rather, we are fighting for the very survival of our businesses. We did everything we were asked to do, but that does not change the fact that this pandemic has nearly bankrupted the best restaurateurs in Kansas.

Through the initial lockdown, landlords and developers were willing to re-structure or abate rent for restaurant operators. Few, however, were willing to waive the missed or reduced rent payments. The restructured rent agreements often either extended the lease term, or added percentage installments that are now due. While revenues are still nowhere near pre-pandemic levels, restaurants are struggling to cover current and past due rent payments.

Additionally, restaurants' ability to cover costs was hindered by food availability, inflated prices, and wasted products. For instance, with the inability to serve all our customers, we were forced to discard expired beer that had sat too long. However, we could not even pour it down the drain due to its disruption to the wastewater system and had to find other disposal methods. Even with large scale labor cutbacks and reorganizations, the percentage cost of payroll and benefits grew exponentially. Simple "controllable costs" like paper, PPE and packaging were no longer "controllable". I am proud to say that we fought for every guest, every entree, and every dollar!

We do not have year-end numbers yet as the government has not released those statistics, but according to a recent national survey by the National Restaurant Association, nearly 1 in 6

restaurants (representing nearly 100,000 restaurants) experienced permanent or long-term closures. In fact, the pandemic forced Nick and Jake's to permanently close a restaurant representing 25% of our company.

- Nearly 3 million restaurant employees are still out of work. On average, restaurant operators say their current staffing levels are only 71% of pre-pandemic levels.
- The industry was on track to lose \$240 billion in sales through the end of 2020, and lost \$165 billion in revenue from March 2020 through July 2020 alone.
- 60% of operators say their restaurant's total operational costs (as a percent of sales) are higher than they were prior to the COVID-19 outbreak.
- In a recent consumer survey, 56% of adults said they are aware of a restaurant in their community that permanently closed during the pandemic.

We ask you to pass this legislation to give the industry, one of the state's largest employers, a chance to keep the doors open so that we can continue to feed our communities. The restaurant community has not waited for government help, but has aggressively done the only thing we know how to do . . . that is fight for our businesses. We are here fighting today.

Thank you for your willingness to listen to our concerns.

Kevin Timmons