

Closed Again: California Businesses And Retail Owners Ask What's Next

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During the three or so weeks **Dip Shabu Shabu** has been reopened, business has been good.

Despite the summer weather, lines of people have flocked to the hot pot restaurant in **Artesia**, a suburb of Los Angeles. Some regular customers showed up five days in a row, Dip Shabu Shabu co-owner **Rishi Patel** said.



Customers had to sit 6 feet apart from one another and although that limited the number of people the restaurant could wait on, it was only \$400 off its June pace year-over-year, Patel said.

And right when Patel and his staff of eight were getting used to the new normal of operating a business in **the coronavirus** era, his restaurant and many other restaurants and businesses that rely on indoor dining were shut down by California health authorities again **earlier this month**.

Citing the surge of coronavirus cases across the state, **Gov. Gavin Newsom** on Monday ordered several sectors in more than 30 counties to close again. The order throws many retail and other retail businesses and landlords that were already impacted by the first shutdown in March into another state of limbo.

"We were able to get our **PPP (Paycheck Protection Program)** loan so I'm generally OK with this shutdown as long as it prevents the spread of the virus," Patel said.

"But it sucks. We're now using the loan money to keep the restaurant alive and will still have to pay it back while we're not generating any income right now," he said. "The point of the loan is to triple it ... And right now, no one knows when we can reopen again."

Under Newsom's new extended orders, **30 counties on California's monitoring list**, which includes Los Angeles, Orange, **Riverside**, Costra Costa and **Sacramento**, will have to close indoor dining restaurants, bars, fitness centers, places of worship, movie theaters, nonessential businesses, barbershops, hair salons, zoos, museums, wineries and malls. Takeout and outdoor dining is still allowable. Newsom had previously ordered Los Angeles County and eight others to shut down **at the beginning of July**.

California made the move after several solid weeks of dealing with a rising number of coronavirus cases and deaths. **As of July 13**, the state has recorded 336,508 coronavirus cases and more than 7,087 deaths. In **Los Angeles County**, there are more than 136,357 confirmed cases and 3,824 deaths as of July 14, **according to Johns Hopkins University**.

"We are moving back into a 'modification mode' of our original **stay-at-home order**," **Newsom said**. "This is a new statewide action."



The state's new shutdown order has a different impact from the one the governor ordered in March, **NewMark Merrill Cos.** President and CEO **Sandy Sigal** said.

The economy was picking up. People were getting used to a new normal way of living. The national unemployment numbers dropped slightly in the month of June, **according to the LA Times**. California will release its job employment numbers on July 17 but it is expected to mirror the national trend, the Times reported.

Many business owners had received their PPP money and were calling workers back to work and some were even ramping things up, Sigal said. And Sigal, whose company owns and manages 71 shopping centers across California, said many of his

gym tenants in the state opened responsibly and saw a healthy number of customers coming in and working out. Restaurants were doing well with indoor and an expanded outdoor dining component, Sigal said.

But he criticized the new shutdown order, saying it throws the state and local economies and those business owners out of whack.

"This is the worst thing the state could have done," Sigal said. "I was never a fan of reopening too soon. It's better to reopen and stay open than having to close and reopen and close and reopen."



Greensfelder Real Estate Strategy Managing Principal **David Greensfelder** said the governor's new orders could create negative economic conditions for brick-and-mortar retail, which was already struggling pre-**coronavirus**. Greensfelder said one thing he found interesting in the governor's statement was that Newsom did not put an end date on this second shutdown.

"I think the governor said it best, this was a dimmer, not a light switch," Greensfelder said. "He knew this was a process that they would take a couple steps forward and then a step

back."

But how far of a step back will Newsom take before moving forward again? Businesses affected by the new order are now in purgatory. The longer it persists, the more commercial landlords will worry about rent not being paid. Then, landlords will need to go to the banks or lenders to ask for forbearance.

"As soon as banks say pay up the loans or else, once that starts happening, the dominoes will start to fall," Greensfelder said. "There is a constant evolution of figuring out how do we balance public health and economic activity? There are a huge number of people out there suffering economically. As the state shuts down that suffering gets compounded."

Sigal said the problem with this new order is that the governor has not outlined when and how businesses can reopen later.

"Closing is easy," he said. "But what's going to be different when we reopen again?"

Sigal asked if a new reopening would even have solid criteria from the state. Will it be when coronavirus cases go down? When a vaccine or some type of medical treatment to treat **COVID-19** develops? Where's the data that says opening gyms resulted in a spike of coronavirus cases?

"It's killing the small-business person," Sigal said. "The small-business person is fighting for their lives every day before and during COVID. Now they are going through another cycle again. How irresponsible can we be? Why are we punishing the small-business owners for the bad acts of a small number of people?"

Sigal said closing businesses again is not going to solve anything.

"They still haven't fixed the root cause," he said. "Most people get it but there's 5% of knuckleheads out there who can't wear masks or properly distance themselves. People need to act responsibly and without enforcement, this is going to continue."

This new shutdown is frustrating for Patel, the restaurant owner, and his staff, many of whom are still collecting enhanced unemployment benefits that will end later this month.

"I worry about them," Patel said. "I love my customers but I love my staff. What's going to happen to them when they don't get their extra \$600 a week?"

Patel said in the months after the first shutdown, he was able to get his PPP money, renegotiate with his landlord with a deferred rent plan, paying rent to his landlord and bringing back his staff. He and his staff were able to adjust to the new coronavirus health requirements, handed down via 10 pages of guidelines from the **LA County** health department, he said. The guidelines included limited-capacity seating and the frequent use of disposable gloves.

"That was our biggest expense, the disposable gloves," Patel said. "We were constantly using and throwing them out and putting on new ones. That was getting really expensive."

He said he loved having his customers back and just that feeling of walking around serving people and being a productive business owner.

But with this new shutdown, he also questions what's next.

"Now what?" Patel said of the governor's order as he sits at home. "What's the plan? How are you going to further help businesses or help the unemployed? I'm not too stressed, but I just want to know what's next."

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