

Bold Action Needed to Save Retail Industry

Economic Chain Breaking Under COVID-19 Strain

By Ori Ron and Noam Ron | Special to Banker & Tradesman | Apr 26, 2020



Measures such as mandated mortgage forbearance, temporary suspension of meals, sales, property and excise taxes and required interest-only mortgage payments could cushion the effects of the COVID-19 crisis on the Massachusetts retail industry. Photo courtesy of Hudson Group

As the Massachusetts state of emergency evolved and restaurant closures loomed, we at Hudson Group tried to act early amid vast uncertainty. We called our retail tenants to begin what has become a continuous dialogue about forgiving or deferring rents, SBA loan applications and insurance claims – all the while establishing contingency plans with our lenders.

We've been leaning on industry leaders. Friends like Jesse Baerkahn at [Graffito](#) are writing extensively about [tenant planning and PPP realities](#), while Josh Bowman at [Sherin and Lodgen](#) helped craft the [Business Interruption Insurance bill](#) and opined on [rent relief considerations](#).

Spoiler alert: The bipartisan federal economic relief package does not apply to most retailers and falls way short when it does. And there is no playbook for tenant-landlord discussions.

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Our advice to landlords? Do the right thing. Help your tenants who need it most and use this opportunity to better understand their core business and the challenges that lie ahead. Simply demanding rent is not only foolish and selfish, [it's bad business](#).

We know that retail is critical despite being deemed “nonessential.” The sector accounts for more than 10 percent of U.S. jobs, second only to healthcare. [Stores generate billions of dollars in rent for landlords, ad sales for local media outlets and sales taxes for state and local governments](#). Oh, and they anchor our vibrant communities.

Permanent Closures, Lasting Damage

Landlords are a small piece of this complex puzzle. When retailers shuttered, the integrity of our interconnected economic chain crumbled.

We've all come to realize the psychological impacts, as we slouch in our pajamas, the white light of the fridge staring back at us. Devoid of human contact, we're regressing to our cranky and hungry, primitive selves.

The role of retail in an economic recovery is paramount. Permanent closures will translate to irreparable damage and prolonged unemployment. This is not a May rent issue nor a restaurant closure issue. We're in the midst of the most transformational moment in global history since the World Wars and the Great Depression. Combat is the only applicable metaphor.

While we commend the Baker administration's efforts on public health, we have not seen a determined push on the economic front. Massachusetts is witnessing repeated financial losses of enormous scale.

Yes, allowing cities to extend property tax deadlines to June 1 helps and easing unemployment guidelines is a win. But a proposed \$10 million small business loan feels like rearranging the deck chairs on the Titanic. Now is the time to abandon concern for budget deficits and get the commonwealth on the road to recovery.

Why, in the middle of a pandemic, does the administration insist on collecting meals taxes and billing unemployed workers for excise taxes on cars they barely drive?

What must occur for the Baker administration to deploy the heavy artillery in their arsenal? Do we need 500,000 people in default or 25 percent unemployment in order to act?



Ori Ron

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The urgent measures needed now should include mandated mortgage forbearance, temporary suspension of taxes (meals, sales, property and excise) and ordering lenders to allow temporary, interest-only mortgage payments while waiving prepayment penalties.

Regretfully, rather than forcing banks to act, as is the case in [New York](#), New Jersey and [California](#), the Division of Banks is issuing toothless letters wherein Massachusetts merely “[encourages financial institutions to work with affected customers and communities](#).” This type of meekness ensures that hundreds of thousands of individuals and small business owners have no choice but to wage individual battles with lenders. Why not shield them at this critical moment?



Noam Ron

The coming weeks will determine the trajectory and magnitude of our economic casualties. If the administration insists on “business as usual” regarding taxes and debt, the ensuing financial onslaught will destroy our recovery, indiscriminately wiping out innocent residents, small businesses and workers.

Massachusetts deserves a flag raising, an Iwo Jima moment. This is the last call for the administration to pull out all the stops or else risk a total collapse of the economic system.

À la guerre comme à la guerre.

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