



Restaurant Industry Assistance Temporary Delivery Fee Cap

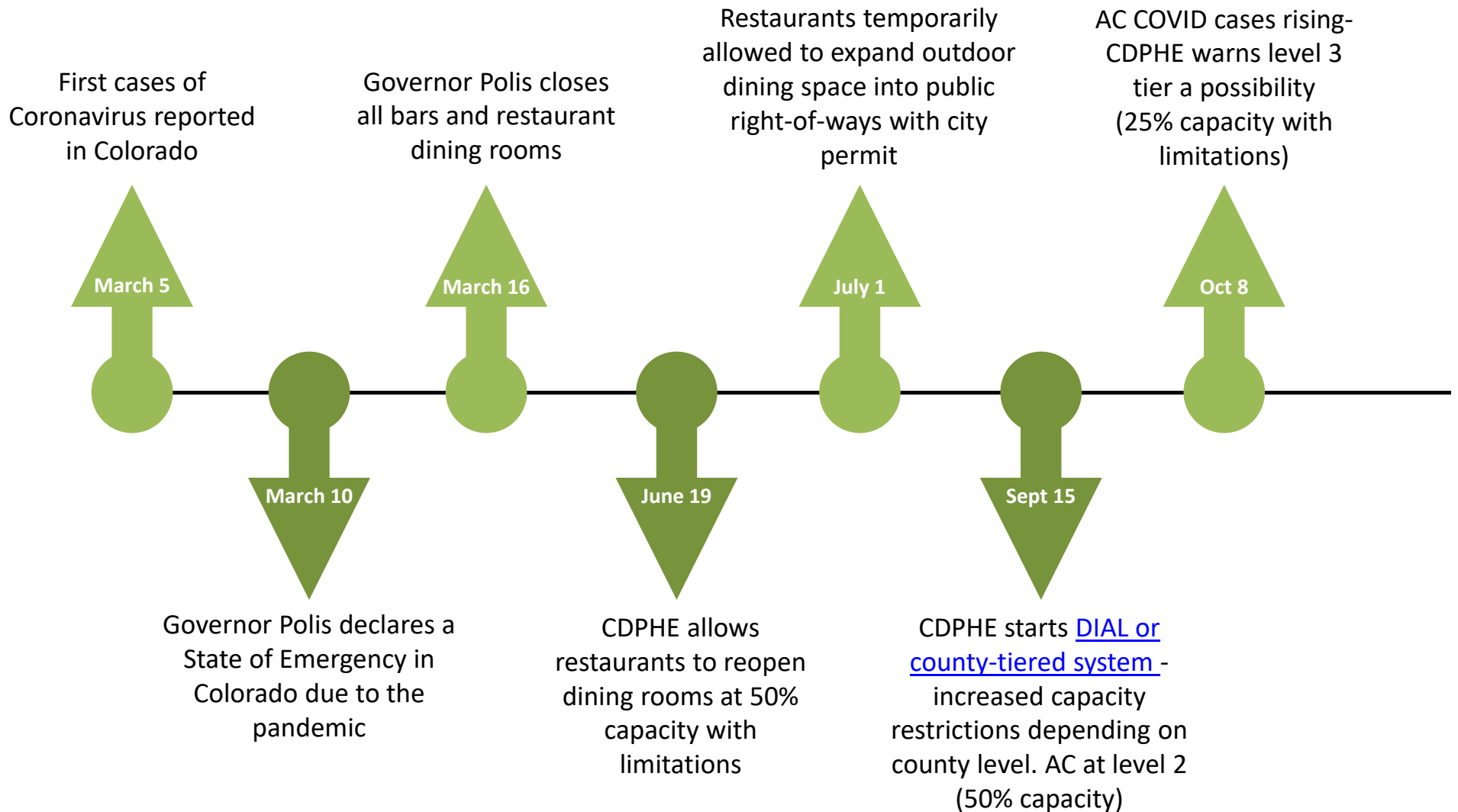
October 26, 2020

Purpose

- Commerce City has over 80 restaurants, including full-service, fast casual and fast food.
- The restaurant industry is struggling during the COVID-19 pandemic and many restaurants are in danger of closing.
- The pandemic has contributed to a lack of consumer confidence and limited in-person dining capacities through CDPHE health orders. This is resulting in a business model shift, increasing food delivery options for consumers.
- Some restaurants are utilizing third party delivery apps to offer delivery service to customers. Issues, including rising fees for delivery service (up to 35% of food charge), are turning off customers and shrinking restaurant revenues.
- Regulations, including a temporary cap of 15% on delivery fees, will bring some relief to restaurants during the pandemic.



2020 Timeline



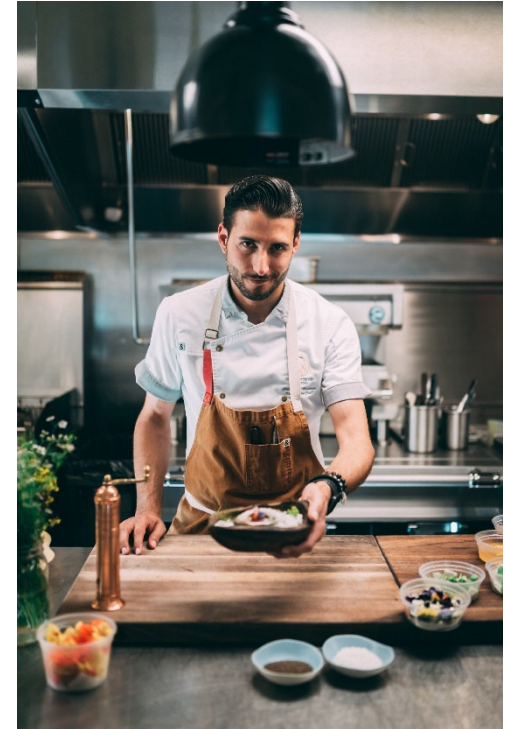
COVID-Related Restaurant Industry Challenges

- Many restaurants are experiencing lost/declining revenues and higher operating costs
 - Health orders limiting and/or closing in-house dining capacity
 - Loss of confidence from consumers—less customers eating out
 - Lack of technology and know-how to take on-line food orders
 - Understanding and paying for PPE requirements for operations
 - Sustaining employment
 - Lack of paid sick leave for restaurant owners and employees
 - Supply chain disruptions
 - COVID-19 program applications - language barriers
- Not all restaurants will be able to stay in business through the pandemic.



Delivery Service Options

- With limited in-dining capacity, restaurants can increase sales opportunities during the pandemic by increasing delivery options for customers:
 - Restaurants have the ability to set-up their own delivery services.
 - Cost considerations include the need to hire additional staff, conduct lengthy and expensive training, and supplement their insurance coverage to protect themselves and their employees against liability.
 - Owners that offer on-line ordering would need to update software to include a delivery option.
 - Another delivery option is to hire a third party delivery app company, like Postmates, GrubHub, Door Dash or Uber Eats.
 - These companies bring strong brand awareness and on-line convenience of use to consumers.
 - Many consumers immediately default to the use of these companies without considering ordering from restaurants directly.
 - These companies provide professional, streamlined delivery apps and website promotion.



Delivery App Business Model

- Customer pays a delivery fee (\$5-10 per order)
- Customer pays a tip to delivery driver (typically 15-20%)
- Restaurant pays up to 15-35% commission on each order
- Restaurant may pay additional fees for on-line marketing support
- Platform pays the driver, driver background check, app technology
 - Driver earns around \$1+ per delivery and 100% of tip. Drivers use their own vehicle and are responsible for their own expenses (ie. gas, insurance, phone etc.)



Adelante's Board supports placing a temporary cap on delivery fees and shared an example of how El Lechon food truck tested third party delivery fees. They had someone order using a third party app and the order total was \$80 with a 90-minute delivery time. Same order in person was \$32 with about a 10-minute wait time.



Business Model Concerns

- After the COVID-19 pandemic began, many restaurant owners needing a delivery service began utilizing third party delivery apps.
- After using delivery app companies, the restaurant industry has some concerns. High fees for delivery service (up to 35% of food charge) are turning off customers and shrinking restaurant revenues. Once it hits 25%, delivery is not profitable to restaurants.

“The few (customers) that have used these services have made complaints about the fees. This reflects on our business negatively because customers call us to complain.”

-Elsa Rojo, *El Camaron*



Advocacy Request

- The Colorado Restaurant Association is asking municipalities to place temporary caps on third party delivery fees to better support local restaurants during the pandemic.
- Several municipalities have or are in the process of passing ordinances that temporarily cap delivery fee commissions at 15%.
 - Denver: Passed October 2, took effect October 9
 - Aurora: Nov 2 first reading; Nov 16 second reading
 - Broomfield: Approved to go to Resolution October 27



Ordinance Recommendations

- 15% cap on commission fees paid by restaurants
 - Starts immediately
 - Expires March 31, 2021 or when restaurants return to 100% capacity
 - Possibility for an extension by City Council
- Driver protections: 100% of the tips go to the driver, driver pay cannot be decreased to cover fee caps.
- Require disclosure and breakdown of all charges, fees and commissions paid by customer in final bill (taxes, fees, tip, etc.)



Short Term Benefits

- This temporary fee cap will allow restaurants to retain a higher percentage of revenues from sales on delivered food during the pandemic.
- May provide restaurants that are not currently able to afford third party delivery services the opportunity to do so during the pandemic as a way to temporarily increase sales.

“We would definitely support a temporary cap on fees.”

-Theo Castrejon, Owner
Ted's Philly Cheese Steaks &
Mexican Grill



Ordinance Enforcement

- A letter will be sent to all the third party delivery fee companies as well as all restaurants informing them of the ordinance and its details.
- The City will create an intake form created to allow online submissions of violations during the Ordinance timeframe.



Questions?



Local Assistance To-Date

- **Information resources:**
 - Flyers, personal phone calls, webinars and hosted website for resource links at www.RedefiningCommerce.com/biz-Covid-19
- **Financial resources:**
 - C3 small business relief and recovery grants
 - Commerce City microloan program with Colorado Enterprise Fund
 - Adams County mini-grants program
- **Tax relief:** Waived penalties for certain late tax payments
- **Marketing:** on-line restaurant list promoted on websites, Twitter and Facebook as part of AdCo-to-Go campaign; Takeout Tuesday campaign in support of restaurants and the Census
- **Regulation assistance**
 - C3 temporary licensing program: allows restaurants to expand outdoor dining service areas into public right-of-way spaces. This promotes social distancing and conformity to State guidance and public health orders while minimizing capacity reduction in patronage.
 - Signage regulations relaxed to encourage temporary use of “We are open” banners

