



Friday February 3, 2023

Mayor John Tory & Toronto City Council
Toronto City Hall
100 Queen Street West
Toronto, ON M5H 2N2
Email: councilmeeting@toronto.ca

Re: Item - 2023.EX2.4 - CaféTO 2023 and Beyond & Proposed Parking Levy

Dear Mayor John Tory & Members of Toronto City Council,

On behalf of the hospitality industry in the City of Toronto, we at the Ontario Restaurant Hotel & Motel Association (ORHMA) thank you for the on-going support for businesses during the pandemic including the building and designing of the CaféTO program. The focus, resources and flexibility given to this initiative including the work stemming from the team at Municipal Licensing and Standards are commendable.

We understand the City of Toronto is facing significant revenue shortfalls and is aiming to find new revenue sources. We appreciate these efforts but returning to the CaféTO fees is premature in light of the critical financial climate of the sector. CaféTO has lasting success for those restaurants embracing it but we all need to understand that restaurants have yet to recover from the impacts of the pandemic. Furthermore, introducing a parking levy will add a significant new cost to a business that operates with enormous post-pandemic pressures as it is.

Current Restaurant Climate

Restaurant traffic begun to return and menu price increases grew but are not mitigating the higher expenses restaurants are now paying. Rising labour costs and food inflationary costs are bringing enormous pressures to a sector that operates with thin margins. While overall inflation reached 7.8 per cent in 2022, food inflation reached 11.4 per cent with specific high usage products such as oil for deep frying have doubled or even tripled in price. Food purchases make up over 35 per cent of a restaurant's total expenditures pushing a tremendous burden and risk to a sustainable operation. A recent report from Dalhousie University predicts another 5 to 7 per cent increase in 2023. In addition, the overall energy price hikes are affecting all product packaging and transportation to a business. It is also important to note that even though commercial insurance rates have now somewhat stabilized, these rates have seen significant increases during the pandemic and unfairly have not dropped.

Furthermore, many operators are carrying pandemic-inflicted debt. Critical workforce pressures are adding higher costs to operations including revenue losses hailing from closed sections and restrictions of opening hours. Most restaurant operators are breaking even or are operating at a loss.

Proposed 2023 CaféTO Recommendation on Fees:

- **Defer a Return to a Fee Structure:** ORHMA is asking for a one-year deferral to return fees and a phase-in approach with industry consultation to support the industry's initial year of recovery. This will greatly reduce those patios of opting out of the program while adding to the vibrancy needed in the various neighborhoods.



Proposed Parking Levy:

It is important to remember that a parking levy is not the same as a parking tax. It will not change driving behaviour. While parking sales taxes are very common across various North America cities (Vancouver, Pittsburgh, Miami, Seattle, Los Angeles, and New York) a parking levy is unprecedented.

For example, a small restaurant that is still struggling with post-pandemic debt and facing inflation woes would be charged **\$11,497 a year for its 21 parking spots**. This is a significant cost to a small business.

Toronto restaurants pay the highest rent/leases in Canada impacting their pre-tax profit margins, which is the lowest in Canada. Rent and leases continue to dramatically increase with landlords passing on any added costs. These costs will include parking levies.

On behalf of our City of Toronto restaurant members, we appreciate Council reviewing the proposed CaféTO fees and parking levy.

Please do not hesitate to contact our team at the ORHMA office should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Elenis", is positioned below the word "Sincerely,".

Tony Elenis
President & CEO
Ontario Restaurant Hotel and Motel Association (ORHMA)