

September 19, 2023

To: Chair Councilor Alejandra Bravo & Members of the Economic & Community Development Committee

Sent via email to [ecdc@toronto.ca](mailto:ecdc@toronto.ca)

**Re: EC6.3 - Support for Toronto's Restaurants - Sept 21<sup>st</sup> ECDC meeting**

Dear Chair Councilor Alejandra Bravo and Members of the Economic and Community Development Committee,

Thank you for the opportunity to submit our report on the state of the foodservice sector in the City of Toronto. Furthermore, thank you to members of the ECDC for adding foodservice operations as an item of discussion at your September committee meeting.

It's pretty well documented now that most restaurants have struggled during the COVID-19 pandemic and are continuing to survive in making ends meet. Industry reports are painting a rather dreary picture of the sector. Restaurant traffic improved in the post-pandemic era but rising inflation and workforce issues added high financial burdens. Higher than usual menu prices have not been enough to mitigate the damage. In recent months we have been seeing consumer traffic curtailed and average spend decreases. (Updated Open Table Data support this reversing trend)

Coming out of COVID-19 with marginal cash flow, we are seeing more restaurants close than open. This is a first. Over 50% of restaurants are operating at a loss hoping times will change in the future. The restaurant model operating today under the current factors is now questionable.

- Critical workforce pressures are resulting in closed sections and restrictions on opening hours.
- While overall inflation is coming down, food inflation continues to be much higher adding financial pressures on an expense line that represents more than 35 percent of the total expenses.
- Energy price hikes and overall inflation are affecting all goods and services.
- Commercial insurance rates have now somewhat stabilized but these rates have seen significant increases and continue to stay at high levels.
- Many restaurant operators continue to carry pandemic-inflicted debt.

Thank you for including certain City of Toronto initiatives in your discussion. I will add our comments as follows:

**Winterlicious/Summerlicious Program** – we agree that there are more opportunities with this program benefiting many as long as the rules including pricing stay fair and quality is maintained. These attributes have made the program a success. Furthermore, the City needs to continue offering a reduced fee of \$550 plus HST for participation in the program which is less than half of the pre-pandemic fee of \$1,300 plus HST. (reductions in the 2023 programs and for Winterlicious 2024 are much appreciated and needed).

**CafeTO**- the temporary extension of patio space during the pandemic assisted many restaurants to stay open and continue to employ their workers. The City's branding of the concept into CafeTO and establishing the program permanent has been welcoming. It is worth noting that the 2023 program rollout was not efficient and timely for many restaurants. It is understandable to add safety standards to patios on curb lanes but the installation faced delays with openings leading to much-needed revenue losses. We suggest any notices and construction work be moved earlier in the year as sunshine and summer weather is upon us during springtime and operators wish to take advantage of operating patios much earlier. We encourage the City to consult with industry associations as we move into the 2024 CafeTO program implementation.

**Small Business Property Tax Sub-Class**- We applaud the City of Toronto as one of two cities in Ontario that have implemented a sub-class for small businesses to reduce their property tax. It's most welcoming and we acknowledge this as a first step. We are concerned that in the absence of a standard statute, these savings will not flow down to the tenant and only the landlords and developers will be supported. We urge you to incorporate a mechanism that supports and benefits the intent of this deduction that of small businesses. It might be that the province here adds a safeguard through its Business Education Tax. The City should also review opportunities for small businesses located in exempted large-size properties that are not qualified for this sub-class discount.

Sincerely,

ONTARIO RESTAURANT HOTEL & MOTEL ASSOCIATION



Tony Elenis  
President & CEO