

November 12, 2024

Her Worship Olivia Chow
Mayor of Toronto
100 Queen Street W, 2nd Floor
Toronto, ON M5H 2N2

Your Worship,

Restaurants Canada and the Ontario Restaurant Hotel Motel Association (ORMHA) give voice to 38,636 foodservice businesses in Ontario, employing 445,000 Ontarians, with 102,300 additional indirect jobs. In Toronto, nearly 9,000 foodservice establishments generate over \$7.3B in sales.

We would like to address the upcoming increase in CafeTO fees, which, as part of the **Proposed Amendments to Municipal Code Chapter 441, Fees and Charges**, were initially set at lower levels by Council but are now scheduled to rise significantly in 2025. Notably, the proposed increase in the **License and Permit Application Fee** from **\$338.13 to \$676.27** represents a significant financial strain for businesses already grappling with rising operational costs. Additionally, the **Seasonal Fee for the Curb Lane Café Permit** is set to rise to **\$132.42 per square metre** (up from \$87.40 in 2024), with an annual adjustment to be applied starting in 2029. These fee increases introduce substantial hikes across various categories. We are concerned that these changes will disproportionately impact restaurants and foodservice establishments, adding to the already mounting challenges they face in the current economic climate.

We are concerned by the City's trend of targeting the hospitality sector to increase revenues. Specifically, the proposed increases to licensing and application fees for restaurants and bars set to take effect in 2025, including:

- **Eating or Drinking Establishments:** Application fee: \$516 (up from \$266.89); renewal fee: \$349; new "Expanded Activity" category application fee: \$723, renewal fee: \$525.
- **Retail Food Establishments:** New category "Take-Out or Retail Food Establishment," with application fee: \$380 and renewal fee: \$251, up from \$194.23 and \$222.64, respectively.
- **Nightclub/Entertainment Establishments:** Application fee: \$1,058 and renewal fee: \$710 (up from \$266.89 and \$282.60).

In the present affordability crisis, no industry has suffered more than ours. Our polling confirms what common sense tells us: restaurant spending is often the first thing people cut when the cost of housing and other essentials increases. According to Angus Reid polling, 80% of Canadians have reduced their "non-essential" spending since January to save money for other costs. The top areas people have cut include eating out in restaurants (63%) and restaurant take-out/delivery (55%). Further, 33% of respondents say they have reduced spending on alcohol.

Over the past two years, major costs for restaurants have risen significantly—food by 24%, labor by 15%, insurance by 21%, utilities by 16%, and other operating expenses by 17%. Meanwhile, consumer spending per capita has dropped from \$2,493 (in 2023 dollars) in 2019 to \$2,348 in 2023—a decrease of

\$143. This has led to a wave of bankruptcies and closures in the restaurant sector, as many businesses are unable to pass on these rising costs to consumers who are spending less.

Additionally, the trend toward remote work, which emerged during COVID-19, continues to hurt Toronto's restaurant and hotel industries. As more people work from home and avoid trips to Toronto, spending in the city has decreased, contributing to a decline in in-restaurant dining, **which dropped by over 15% in 2023**. Off-premise dining has increased, but much of this revenue is going to third-party delivery services rather than to restaurants and their employees, many of whom are tipped workers. Our sector already pays a high price in taxes and fees, with the most workers per \$1M in revenue of any industry. We also face higher taxes on alcohol, income tax, licensing fees, property tax, carbon tax, and more.

We ask City Council to reconsider the proposed fee increases for 2025, as the hospitality industry continues to face significant challenges. A few hundred dollars may not seem like much to some, but for independent restaurants and small operators, it makes a difference in their ability to stay afloat.

Recommendations

Given the current pressures on the hospitality industry, we respectfully request the following:

1. **Reconsider the planned increases to licensing and application fees** for restaurants, bars, and entertainment venues in 2025, as these changes disproportionately burden businesses already struggling with rising operating costs.
2. **Maintain fair and predictable tax rates** for the hospitality sector, rather than introducing additional taxes based on peak demand periods, which would create an inconsistent and burdensome environment for businesses.

We are more than willing to discuss these issues in greater detail and explore solutions that can help support the hospitality sector while ensuring fairness for all businesses in Toronto. We welcome the opportunity to meet with you or members of the Council to further address these concerns and work towards a balanced approach that fosters growth and stability for our industry.

Sincerely,



Kelly Higginson
President & CEO,
Restaurants Canada



Tony Elenis
President/CEO,
Ontario Restaurant Hotel Motel Association



The voice of foodservice | La voix des services alimentaires

cc City Council Members

