Report to the Legislature
Regarding

The Massachusetts Restaurant Industry

Massachusetts Restaurant Promotion Commission

March 2020

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Statutory Charge

Chapter 49 of the Acts of 2019

There shall be a special commission, known as the restaurant promotion commission, to review and develop recommendations and best practices for the promotion and continued growth and vitality of the restaurant industry in the commonwealth. The commission shall consist of the following 11 members: the house and senate chairs of the joint committee on tourism, arts and cultural development; 3 persons to be appointed by the speaker of the house of representatives; 3 persons to be appointed by the president of the senate; 1 person to be appointed by the minority leader of the house of representatives; 1 person to be appointed by the minority leader of the senate; and the executive director of the Massachusetts office of travel and tourism, or their designee, who shall serve as chair of the commission.

The commission shall examine ways to increase promotion of and visitation to restaurants operating in the commonwealth, including but not limited to: challenges to maintaining and operating restaurants, including issues related to the training, development and retention of the industry's workforce; barriers to establishing new restaurants; licensing and permitting issues impacting emerging business models; strategies for increased marketing to attract visitors to the commonwealth's restaurants; and strategies for cross-promotional partnerships, including but not limited to partnerships with the hospitality, agriculture and seafood industries. The commission shall consider successful programs and national and local best practices.

The commission shall recommend programs for the use of the funds available in item 7008-1024. The commission shall hold its first meeting not later than 30 days after the effective date of this act and shall meet not less frequently than monthly thereafter. The commission shall hold meetings in various geographic regions of the commonwealth. The chair of the commission shall work to facilitate information and data requests of the commission members, ensure that the work of the commission incorporates feedback from the industry statewide and coordinate interagency cooperation. The commission shall submit a report of its review and its recommendations, if any, together with drafts of legislation necessary to carry those recommendations into effect by filing the same with the clerks of the house of representatives and the senate not later than January 31, 2020.

The legislature subsequently amended this session law on two occasions:

1) *Chapter 142 of the Acts of 2019*:
   SECTION 81. Subsection (c) of section 2 of chapter 49 of the acts of 2019 is hereby amended by striking out the words "January 31, 2020" and inserting in place thereof the following:- March 16, 2020.

2) *Chapter 124 of the Acts of 2020*:
   SECTION 78. Subsection (a) of section 2 of chapter 49 of the acts of 2019 is hereby amended by striking out, each time it appears, the word "promotion", and inserting in place thereof, in each instance, the following words:- promotion and recovery.
   SECTION 79. Subsection (c) of said section 2 of said chapter 49 is hereby amended by striking out "March 16, 2020", inserted by section 81 of chapter 142 of the acts of 2019, and inserting in place thereof the following:- December 1, 2020.

Massachusetts Restaurant Promotion Commission

State Senator Julian Cyr

Tiffani Faison, Owner, Big Heart Hospitality

Rebecca Gullo, Owner, The Gallows Group

Chris Jamison, CEO, COJE Management Group

State Senator Edward Kennedy

Pat Lee, Owner, Horseshoe Grille

Bob Luz, President/CEO, Massachusetts Restaurant Association

State Representative Paul McMurtry

Keiko Matsudo Orrall, Chair of the Commission and Executive Director, Massachusetts Office of Travel and Tourism

Kathi Turner, Owner and CFO, Turner's Seafood

Ted Twinney, Owner, Start Line Brewing Co.

DISCLAIMER: Please know the commission drafted this report in early 2020 in line with the statutory charge ahead of March 2020 deadline. This report does not contemplate the previously imaginable disruptions caused by the COVID-19 Pandemic.

Executive Summary

The Massachusetts Legislature established in July 2019, pursuant to Chapter 49 of the Acts of 2019, the Massachusetts Restaurant Promotion Commission with the stated mandate "to review and develop recommendations and best practices for the promotion and continued growth and vitality of the restaurant industry in the Commonwealth."

This report is the culmination of the Commission's extensive work over a six month period that incorporates learnings from the eight Commission meetings across the Commonwealth (from October 2019 through March 2020), individual interviews with all 11 commissioners, more than 20 interviews with restaurant operators, state and local regulatory agency representatives, food service supplier executives, and various industry advocacy groups, a statewide anonymous online survey of Massachusetts restaurant customers[1], employees[2], owners and operators[3], six focus groups conducted with 39 restaurant representatives from six different regions of the State, and comprehensive industry research and data analysis on the restaurant industry.

As mandated by the session law, the report examines barriers to establishing new restaurants, identifies challenges to maintaining and operating restaurants, and provides recommendations for consideration including legislative changes and strategies for more effective promotion of Massachusetts restaurants.

Restaurants are an integral part of the economic and social fabric in both the U.S. and the Commonwealth. Massachusetts has recently witnessed closings of highly-visible restaurants, such as L'Espalier and Durgin Park, and Top of the Hub announced that it would close its doors in April 2020. The net change in the number of Massachusetts restaurants was negative in 2018 for the first time since 2011, with 76 net closings, and the seven-year compounded annual growth rate of Massachusetts restaurants from 2011 to 2018, at 0.75%, was below the national average compounded annual growth rate of 2.0% over the same period[4].

The below-average restaurant growth trend stands out given the overall health and growth of Massachusetts economy. Furthermore, a survey of Massachusetts restaurant customers across the State that inquired about restaurant food quality, service, and atmosphere indicates that customer satisfaction is high. More than 90% of survey respondents attested that restaurants in Massachusetts were on par with or better than those in comparable locations in other states[5].

Evidence from subject matter interviews, focus groups, online surveys, and industry research converges on three key findings and their respective drivers that shed light on the root causes of below-average growth of restaurants in Massachusetts:

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[1] RPC Customer Survey sample size: 415
[2] RPC Employee Survey sample size: 186
[3] RPC Owner and Operator Survey sample size: 128
[4] Analysis of Bureau of Labor Statistics data (see NAICS code 72251)
[5] RPC Customer Survey

1. **The restaurant industry in Massachusetts, in alignment with national trends, is in a transition period that is defined by downward pressure on restaurant profitability.**
    - This transition period is characterized first by a shift in demographics and an ensuing change in customer preferences: millennials are the largest segment of the U.S. population as of 2019[6], and they exhibit particular preferences in their food choices, which, in the short-term, reduce restaurant operating margins. For example, millennials are more likely to order restaurant delivery[7]. In turn, delivery services, when provided by a third party, dampen restaurant profitability as food delivery app companies charge on average 15% to 30% of the overall check amount[8]. Furthermore, millennials' preference for natural and locally-sourced ingredients increases food costs at restaurants, as evidenced by a 2019 industry survey[9].
    - Changes in restaurant customer preferences enable non-restaurant competitors to enter the industry and, as a result, reduce overall profitability. As mentioned previously, food delivery app companies are the clear beneficiaries of the change: online food delivery revenue nationally is projected to grow at a compounded annual growth rate of 5.8% from 2019 to 2024 [10], growing faster than on-site consumption. Furthermore, supermarkets and grocery stores offering prepared food and addressing the convenience trend compete increasingly with restaurants on customer share of wallet: in-store dining and takeout of prepared foods from grocers grew nearly 30% from 2008 through 2015[11].
    - Workforce-related legislation approved in Massachusetts over the past six years also impacts profitability. Analysis suggests that the estimated impact of the Employer Medical Assistance Contribution, Earned Sick Time, Minimum Tipped Wage and Paid Family Medical Leave regulations on a 50-seat restaurant is a reduction of 1-2% in operating margins by 2023. Considering that the 2018 national median operating margin for a restaurant in the U.S. is only 6%[12], this reduction is equivalent to 15-35% of the median bottom line.
    - The customer preference changes identified above and the resulting increase in competition coincide with a historically low unemployment rate in Massachusetts (2.9%)[13]. The tight labor market further compounds the negative impact on restaurant profitability. Limited workforce availability and workforce skill shortages negatively impacted 81% and 70% of restaurant owners' operations, respectively (scores 1-3 on a 10-point scale)[14]. It should be noted that the national employee turnover rate for the food service sector is at 75%[15]. Massachusetts restaurant employee survey respondents also

[6] Pew Research Center tabulations of U.S. Census Bureau population projections released Dec 2014 and 2016 population estimates
[7] RPC Customer Survey; 2019 State of the Restaurant Industry, National Restaurant Association
[8] "Restaurants are Arm-Twisting Delivery Companies to Lower Fees", Wall Street Journal, June 23, 2019
[9] RPC Owner and Operator Survey; Owner and Operator Focus Groups
[10] Statista
[11] Information Resources Inc. (IRi) industry research
[12] National Restaurant Association, 2018
[13] Bureau of Labor Statistics. Note: the unemployment rate is projected to be 2.8% in December 2019
[14] RPC Owner and Operator Survey
[15] Bureau of Labor Statistics, 2018

cited poor management, compensation, and limited advancement opportunities as drivers of attrition[16].

- Quickly rising rental costs, particularly in metropolitan areas, are the fifth factor identified contributing to declining industry profitability. For example, at a time when the Consumer Price Index was at 2.1% in Boston (2019)[17], rental rates per square foot rose 12% from Q2 2018 to Q4 2019, outpacing the equivalent increases in Chicago and Los Angeles[18]. The increase in rental costs implies a commensurate reduction in margin for restaurateurs who do not own their own commercial real estate spaces.

2. **Various regions of the State experience this transition period differently and the impact on certain counties is more severe than on others.**
    - Seven counties recorded net closings of restaurants from 2017 to 2018: Essex, Hampden, Norfolk, Berkshire, Bristol, Barnstable and Hampshire counties[19].
    - A cluster analysis of counties with net closings against the remaining seven counties with net openings over the same period indicated that the cluster of net-negative counties are less populous, have lower population growth rates, lower population densities and slightly lower median household incomes.
    - Demographic shifts may not be reversible. As visitors also boost demand for restaurants, it is important to explore the potential impact of visitor spending on the industry. A by-cluster comparison of 2018 visitor spending in these two groups indicated that net-negative counties have generated on average only 35% of the average tourist spending generated by net-positive counties[20]. These findings are also supported by focus group input from restaurant operators in six regions of the State[21].

3. **It is challenging for a small business owner to start a restaurant in Massachusetts.**
    - Specific barriers to opening a restaurant in Massachusetts include limited access to capital for first-time operators, rising construction costs, and complex licensing and permitting processes. These barriers also limit innovation in the industry as they prevent entrepreneurs from testing their innovative ideas in an affordable manner.
    - Only 9% of restaurant operator survey respondents strongly agreed that it was easier to open a new restaurant in Massachusetts now than it was when they started their business and less than one third (29%) agreed or strongly agreed that it was easier to access funding now for a restaurant than it was five years ago[22]. Similarly, focus group participants stated that banks are often unwilling to lend to restaurants and that aspiring restaurateurs in Massachusetts are dependent on personal funds to launch their enterprises[23].

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[16] RPC Employee Survey
[17] Bureau of Labor Statistics, Consumer Price Index data
[18] United States Office Outlook Reports, JLL (commercial real estate firm)
[19] Bureau of Labor Statistics, 2017-2018
[20] The Economic Impact of Travel on Massachusetts Counties 2018, MOTT report
[21] Owner and Operator Focus Groups
[22] RPC Owner and Operator Survey
[23] Owner and Operator Focus Groups

- Rising construction costs constitute an additional barrier to opening a new restaurant in Massachusetts. Boston, for example, now ranks as the sixth most expensive U.S. city in which to build[24].
- Lastly, state and local licensing and permitting processes are currently not streamlined. Supporting this finding, almost 90% of restaurant operator respondents disagreed that the licensing process required to open and maintain a restaurant was straightforward and efficient[25]. In contrast, for example, New York City and Washington, D.C. either provide online portals to facilitate such processes or offer accelerated processing to alleviate the complexity associated with regulatory requirements.

To mitigate the impact of these key findings where possible, recommendations for consideration based on direct input from industry subject matter experts are provided below:

Short-Term Recommendations

- **Consider conducting studies to inform future legislative changes facilitating the transition period for restaurants,** evaluating potential impacts of recent workforce legislation on industry operating margins, and exploring innovative wage models to expand the workforce pool.

- **Streamline licensing and permitting processes statewide** potentially partnering with municipalities to establish a statewide online portal to centralize relevant information on requirements for applicants and encouraging local authorities to opt-in to such a model.

- **Explore options to reduce operating costs for restaurants,** including evaluating credit card service fees, enabling tip pool sharing between 'front of the house' and 'back of the house' employees, and other measures to enable restaurants to equally compensate staff, such as tax-exempt check surcharges for 'back of the house' employees.

- **Foster effective marketing of the restaurant industry and increase traffic to restaurants**, by inviting to Massachusetts globally-recognized restaurant reviewers such as the *Michelin Red Guide.* The Massachusetts Office of Travel and Tourism could assist in such an effort as part of its ongoing travel and tourism economic development mission.

Longer-Term Recommendations

- **Make it easier for restaurants to hire and retain their workforce**, potentially including encouraging closer collaboration between the industry and academic institutions with culinary programs (building on on-going efforts such as the Career Technical Initiative) and evaluating the potential benefits associated with employee loyalty programs and employee ownership models.

- **Improve awareness across the restaurant industry on key matters impacting industry viability**, potentially including forming an industry-wide consortium of stakeholders such as restaurant operators, supplier advocacy groups, and regulatory agencies to address rising supply chain and marketing costs, and better leveraging the collective purchasing power across the industry.

[24] R.S. Means Construction Cost Data, analyzed by BuildZoom
[25] RPC Owner and Operator Survey

- **Enhance operator business acumen and encourage innovation to establish and test new restaurant models** addressing changes in consumer behavior by potentially developing an online "Restaurant MBA 101" training program to educate current restaurant owners and aspiring restaurateurs on the organizational, financial, and operational challenges in the industry, encouraging entrepreneurs in the restaurant industry to develop, test, and establish innovative models that could address shifting customer preferences, workforce shortages, and rising operating costs, and expanding mentorship programs targeted at first-time restaurant owners and operators to increase their likelihood of success.

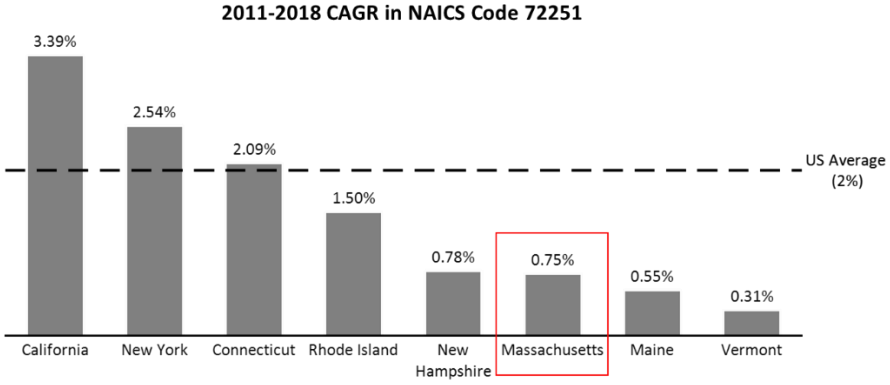
Methodology

- **Commission Meetings:** 10/15/19 Boston, 11/26/19 Newton, 12/17/19 Boston, 1/6/20 Holyoke, 1/28/20 Lowell, 2/11/20 Worcester, 2/24/20 Dennis, 3/9/20 Boston, and 3/16/20 Boston.
- **Interviews with Commissioners:** Senator Julian Cyr; Tiffani Faison, Owner, Big Heart Hospitality; Rebecca Gullo, Owner, The Gallows Group; Chris Jamison, CEO, COJE Management Group; Senator Edward Kennedy; Pat Lee, Owner, Horseshoe Grille; Bob Luz, President/CEO, Massachusetts Restaurant Association (MRA); Representative Paul McMurtry; Keiko Orrall, Executive Director, Massachusetts Office of Travel and Tourism (MOTT); Kathi Turner, Owner and CFO, Turner's Seafood; and Ted Twinney, Owner, Start Line Brewing Co.
- **Interviews with Subject Matter Experts:** We interviewed numerous individuals with expertise relating to the restaurant industry, including Annie Thompson, Budget Director, Executive Office of Housing and Economic Development (EOHED); Benita Oehlke, Program Coordinator, Department of Agricultural Resources (DAR); Beth Casoni, MA Seafood Marketing Commission; Bill Kelly, Former General Counsel, Alcoholic Beverages Control Commission; Brad Mitchell, Deputy Executive Director, Massachusetts Farm Bureau Federation; Bruce Grindy, Vice President and Chief Economist, NRA; Charlie Perkins, Founder, The Boston Restaurant Group; Daniela Decaro, Special Projects Manager, MOTT; Kathleen Joyce, Chairwomen, Boston Licensing Board; Kaitlin Passafaro, Director of Policy, Mayor's Office of Economic Development (OED); Kim Thai, Director of Policy, Boston Inspectional Services Department (ISD); Lesley Hawkins, Executive Secretary, Boston Licensing Board; MaryAnn McHugo, Office Manager, Boston Fire Department; Mary Jordan, Director, Division of Agricultural Markets; Ralph Sacramone, Executive Director, Alcoholic Beverages Control Commission; Rory O'Hanlon, Legislative Director and Deputy Director of Policy, EOHED; Steve Clark, VP Government Affairs, MRA; Suzanne Condon, Former Associate Commissioner, Department of Public Health (DPH); Taylor Connolly, Communications Manager, OED; and Tonia Scalcione, Director of External Affairs/Regulatory Ombudsman, EOHED, Chuck Fraser and Steven Cifrino, Sysco; Richard Querci, US Foods, Joe Milano, UOH.
- **Anonymous Online Surveys:** We fielded three surveys and analyzed the responses of the Massachusetts Restaurant Customer Survey (Sample size as of 2/24/20: 399); Massachusetts Restaurant Employee Survey (Sample size as of 2/24/20: 157); and Massachusetts Restaurant Owner/Operator Survey (Sample size as of 2/24/20: 102).
- **Focus Groups:** We conducted six focus groups across the Commonwealth comprised of 39 participants. These meetings were held in Boston, North Reading, Northampton, Worcester, Hopkinton, and Plymouth. A seventh focus group in Nantucket was facilitated by Senator Cyr.
- **Research and Benchmarking:** We conducted extensive research, reviewing and analyzing documents and data including the National Restaurant Association (NRA) 2019 Technology Report, NRA Restaurant Operations Report 2016, Occupational Employment Statistics (OES) Wage and Establishment Statistics, State of the Restaurant Industry 2019 report, MA Restaurant Industry at a Glance 2018, An Act to Create Economic Vitality in Boston Neighborhoods, 2019 Restaurant Success Report, NYC Permitting and Licensing Division Documents, Chicago Liquor License Guide, San Francisco Liquor License Process Handout, US Retail Industry Outlook 2020, Intrix Most Congested Cities Analysis, The Boston Globe articles, US Census Data, Statista Delivery Companies Report, Bureau of Labor Statistics data, Statista Data and Reports, NRA Restaurant Industry 2030 Report, MA Department of Revenue (DOR) data, Bureau of Economic Analysis (BEA) data.

Background

Restaurants are an integral part of the economic and social fabric in both the U.S. and the Commonwealth. The National Restaurant Association (NRA) estimated that the U.S. restaurant industry employed 15 million individuals in 2019 and that restaurant sales reached almost $900 billion accounting for 4% of the U.S. GDP[26]. In Massachusetts, the equivalent numbers were nearly 250,000 individuals employed[27], with the industry accounting for more than 3% of the state GDP[28] and generating more than $1 billion in sales taxes and $140M in local option meal taxes.[29]

According to the Bureau of Labor Statistics (BLS), the number of restaurants and other eating places in the U.S. (NAICS code 72251) increased at a compounded annual growth rate (CAGR) of 2.0% from 2011 to 2018. The equivalent growth rate in the same period for Massachusetts and the other states is as follows:



The Massachusetts restaurant industry, along with those of other New England states except Connecticut, recorded a below-average location growth, with a CAGR of 0.75% in this period.[30] Over the same period, the Massachusetts restaurant industry employment growth (CAGR) also slightly underperformed the national average, growing 2.6% versus 3.0% nationally. In contrast, state industry real wage growth at 5.3% (CAGR) was slightly higher than the national average of 5.0%.

This legislative report analyzes the following two key questions:

1. What are the root causes of below-average restaurant growth in Massachusetts?
2. What could be done to address this trend (i.e. recommendations)?

[26] National Restaurant Association
[27] Bureau of Labor Statistics data
[28] 2019 State of the Restaurant Industry, National Restaurant Association
[29] DOR Local Options Meal Tax Data, FY16-FY19
[30] Furthermore, from 2017 to 2018, the net change in the number of Massachusetts restaurant locations was negative for the first time since 2011, with 76 net closings.

Analysis

This report documents the root causes of below-average growth in Massachusetts from four different perspectives: restaurant customers, owner and operators, employees, and regulators in the industry. It also incorporates the perspectives of restaurant suppliers and supplier advocacy groups in the Commonwealth.

Based on the study, the major root causes have been grouped into three key findings. The first two key findings identified are relevant to both operating an existing restaurant and opening a new operation, while the third is focused primarily on starting a restaurant business:

I. Across Massachusetts, as elsewhere in the U.S., the restaurant industry is undergoing a transition, driven primarily by changing customer preferences. This transition places downward pressure on restaurant profitability. Additional factors affecting restaurant profitability include new non-restaurant entrants into the industry, a tight labor market and high employee turnover rates, recently introduced workforce regulation, and quickly rising rental costs, particularly in metropolitan areas.

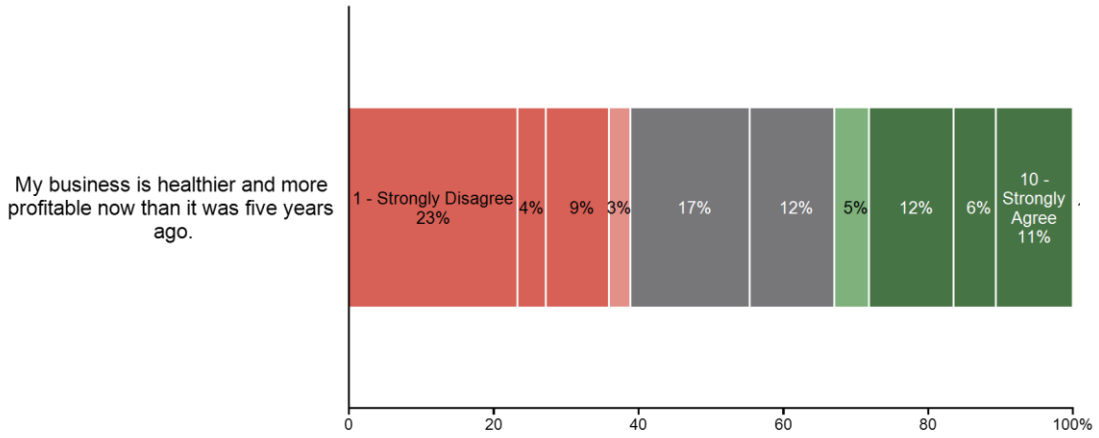
II. The trends identified above are affecting certain regions in the Commonwealth disproportionately, and have resulted in net closing of restaurants in recent years, particularly in counties with smaller population sizes, below-average population growth, low population density, lower-than-average annual median household income, and relatively low visitor spending.

III. It is challenging for a small business owner to start a restaurant in Massachusetts. Specific barriers include limited access to capital for first-time operators, rising construction costs, and complex licensing and permitting processes.

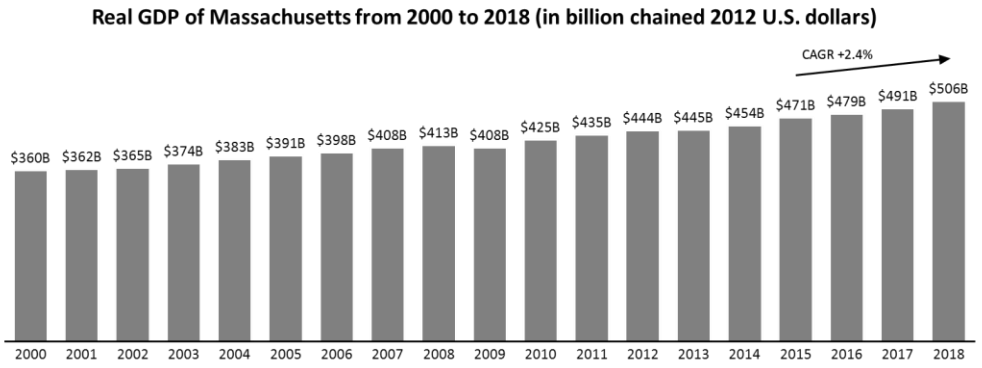
Key Finding #1: Industry Profitability Headwinds

A 2016 NRA industry report estimated that the median operating margin for a full-service restaurant was only 6% nationally.[31] Overall profitability in the Massachusetts restaurant industry has been declining for the past 3-5 years. This perspective was confirmed by both participant feedback in the restaurant owner focus groups across the state as well as by respondent input in the anonymous online restaurant owner/operator survey.

More specifically, one focus group participant summarized his view on declining profitability by stating that "years ago, my profit margins were around 24% and now I'm at 6%." Supporting this view, only 29% of respondents in the online restaurant owner survey strongly agreed with the statement that "my business is healthier and more profitable now than it was five years ago" (scores 8-10 on a 10-point scale).



It is important to note that the Massachusetts economy has exhibited solid growth over the past 3-5 years and GDP growth rates do not explain lower industry profitability.[32]

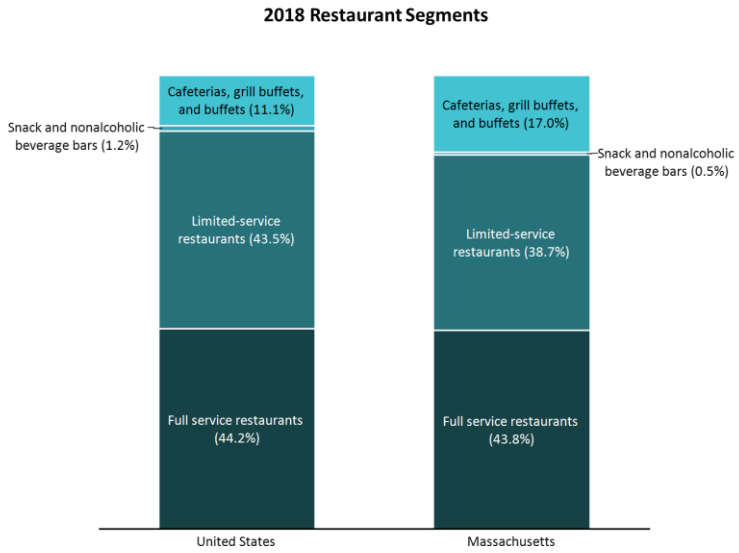


To analyze the drivers of declining industry profitability, an evaluation tested whether there was a structural or a systemic customer satisfaction issue in the Massachusetts restaurant market:

[31] Restaurant Operations Report 2016 Edition, NRA and Deloitte

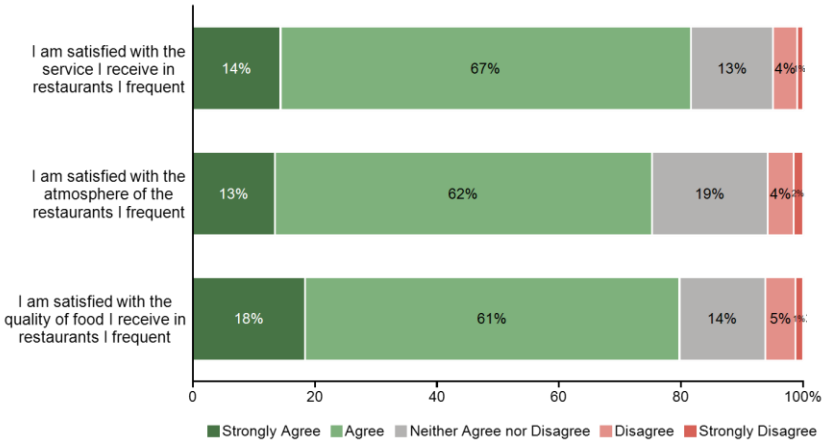
[32] US Bureau of Economic Analysis data, 2000 to 2018

The 2018 industry composition in Massachusetts, based on Bureau of Labor Statistics data, is comparable to the national industry composition, refuting the hypothesis of a possible structural cause.



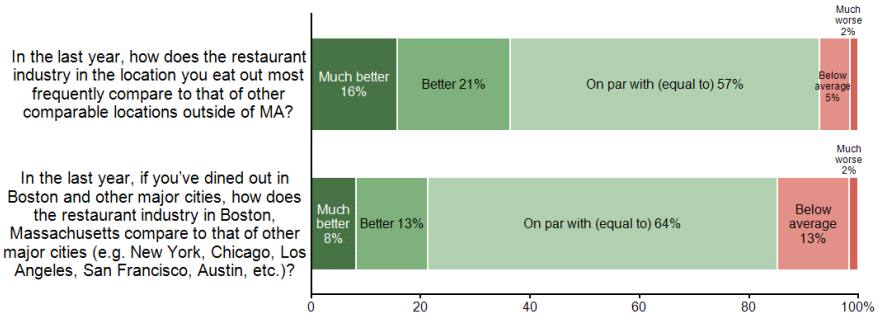
Of equal importance, Massachusetts restaurant patrons indicated in the anonymous online survey of restaurant customers that they are satisfied with the restaurant service, atmosphere, and food quality they receive at state restaurants:

- 81% agree or strongly agree they are satisfied with the <u>service</u> they receive in restaurants they frequent
- 75% agree or strongly agree they are satisfied with the <u>atmosphere</u> of the restaurants they frequent
- 79% agree or strongly agree they are satisfied with the <u>quality of food</u> they receive in restaurants they frequent.

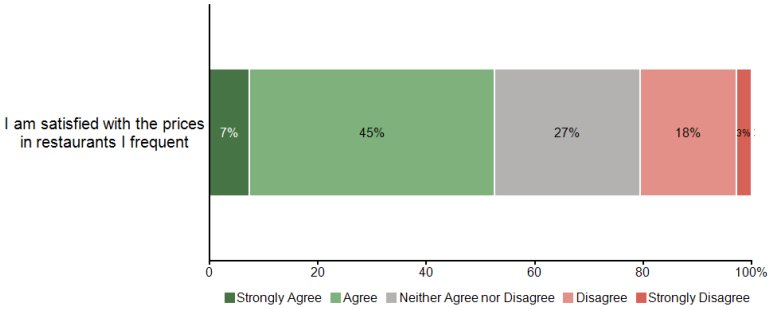


- 93% of customers indicate restaurants in Massachusetts towns and cities are on par with or better than those in comparable locations in other states

- 88% of customers believe Boston's restaurants are on par with or better than those of its peer major cities



That said, it is important to highlight that nearly half of survey respondents do not indicate satisfaction with the prices at the restaurants they frequent, a finding indirectly confirming concern about rising costs in the industry.

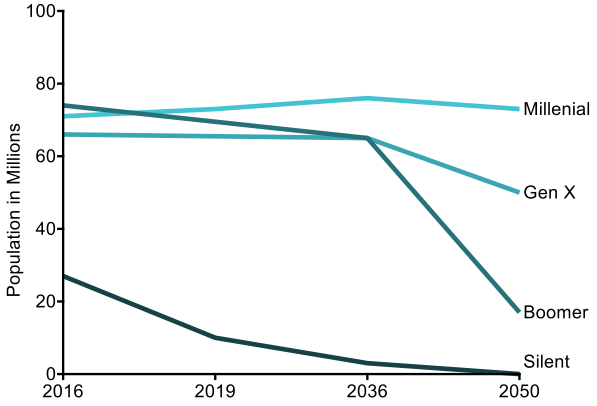


If potential structural or customer satisfaction issues do not explain declining industry profitability either, what other factors may be contributing to this trend? Five elements were identified that have been leading to lower profit margins at Massachusetts restaurants, most of which are consistent with national trends, and, in the aggregate, place significant downward pressure on restaurant operating margins:

1. Changing customer preferences,
2. New non-restaurant entrants into the restaurant industry,
3. A tight labor market and high employee turnover rates,
4. Recently introduced workforce regulation,
5. Quickly rising rental costs, particularly in metropolitan areas.

1. Changing customer preferences

According to the U.S. Census Bureau, as of 2019, millennials constitute the largest segment of the U.S. population.[33]



This new largest segment of the population exhibits particular preferences, which, in the short-term, negatively impact restaurant profitability:

Millennials place greater emphasis on convenience than previous generations. Specifically, 55% of millennials cite convenience as a top driver in their food purchase decisions. Moreover, millennials indicate they are more likely to order restaurant delivery now compared to two years ago,[34] a trend also confirmed in the customer survey. This increased interest in convenience opens the door to new non-restaurant entrants into the industry, such as food delivery app companies, which in turn dilute restaurant margins in this market transition period. To illustrate, in the restaurant operator survey, 71% of respondents indicated that the proliferation of food delivery apps did not have a positive impact on their business (score of 5 or lower on a 10-point scale).

Millennials also show a preference for natural, local, and sustainable ingredient sourcing, as voiced by many of the restaurant owner focus group participants across the state[35]. While these food preferences enable Massachusetts restaurants to offer a more varied menu to their patrons, they drive food ingredient costs upward, as also evidenced by a 2019 industry survey in which more than half of restaurants owners singled out rising food costs as a major challenge facing the industry[36].

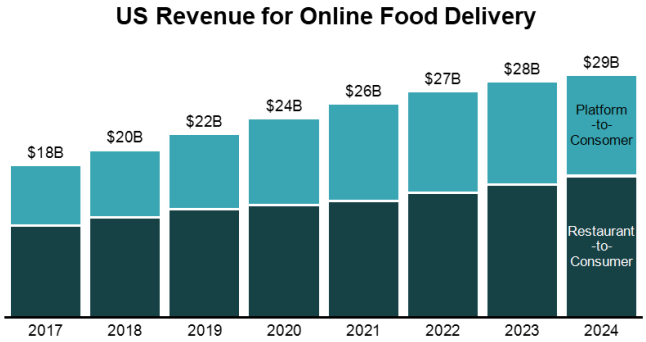
Finally, millennials rely extensively on social media for sharing their views with their peers. As the restaurant operator focus group participants indicated consistently, while positive restaurant reviews on social media platforms may be helpful in marketing their operations, addressing negative reviews and maintaining an online brand presence often necessitates the deployment of a full-time resource, translating into additional expense, further eroding operating margins.

[33] Pew Research Center tabulations of U.S. Census Bureau population projections released Dec 2014 and 2016 population estimates
[34] 2019 State of the Restaurant Industry, National Restaurant Association
[35] RPC Owner and Operator Survey; Owner and Operator Focus Groups
[36] Restaurant Success in 2019 Industry Report, Toast, Inc.

2. New non-restaurant entrants into the restaurant industry

As illustrated in the previous section about changing customer preferences, millennials' increased focus on convenience invites new entrants to the restaurant industry, that directly compete with existing restaurants for customer share of wallet and profit margins. The restaurant focus group participants identified food delivery companies and grocers with prepared food departments as relatively new competitors impacting their profitability.

Multiple third-party food delivery companies started their operations in the 2013-2015 timeframe. Online food delivery revenue nationally is projected to grow at a CAGR of 5.8% from 2019 to 2024, according to Statista, rising faster than on-site consumption revenue. While at first sight, this trend may imply a positive impact on overall restaurant sales, three aspects of online food delivery (when executed by third party players) suppress industry profitability:



First, food delivery companies typically require a 15%-30% share of the overall check for their services.[37] This is a burdensome impact for an industry operating at a median margin of 6% as mentioned above. Secondly, online food delivery orders typically exclude beverages, particularly alcoholic beverages, a source of higher margins for on-site consumption.[38] This exclusion further erodes the restaurant bottom line. Finally, online food delivery orders eliminate the contribution of tip income to the restaurant workforce. While it is fair to assume that restaurant owners will align their workforce levels with an increase in off-site consumption over time, in the short run, the immediate impact of lower tips on restaurant operating margins are negative.

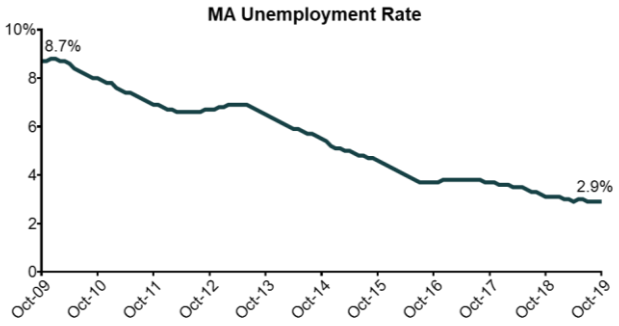
In addition to competition from food delivery companies, restaurants are increasingly facing challenges from supermarkets and grocery stores offering prepared foods. Nearly 80% of US consumers made a purchase from the deli prepared foods department in 2018, worth $12.5B in sales, and in-store dining and takeout of prepared foods from grocers has grown nearly 30% from 2008 to 2015.[39] Moreover, supermarkets' share of revenue from prepared foods has been rising recently. Nielsen reported that prepared foods led grocer's categories in sales growth, at 140% in 2017.[40] This evolution of supermarket sales is a direct response to millennials and other shoppers

[37] "Restaurants are Arm-Twisting Delivery Companies to Lower Fees", Wall Street Journal, June 23, 2019
[38] Restaurant Operations Report: 2016 Edition, Deloitte and National Restaurant Association
[39] Information Resources Inc. (IRi) industry research
[40] Progressive Grocer July 2018

seeking convenience around their food choices, which places downward pressure on restaurant revenue and consequently on industry margins.

3. A tight labor market and high turnover rates

According to BLS, unemployment in Massachusetts, at 2.9%, is currently at its lowest level since December of 2000, nearly two decades[41]. While this is a positive trend from the perspective of the Commonwealth's economy, this record-low unemployment results in a tight labor market and drives up workforce costs for employers including restaurants.

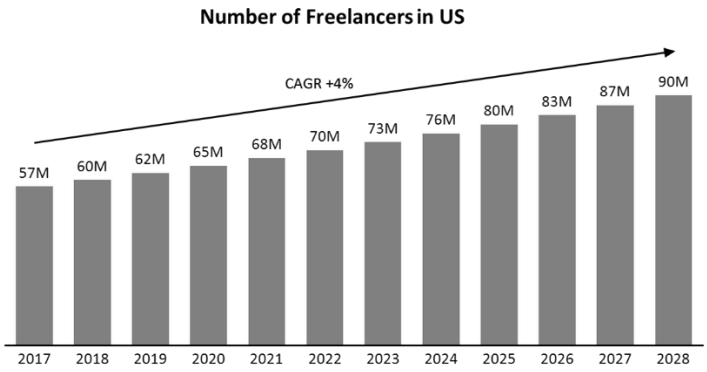


Specifically, in its 2019 survey of restaurant owners, the NRA identified hiring (and training) as major challenges facing the industry.[42] Similarly, in the survey of Massachusetts restaurant operators, more than 81% of respondents indicated that workforce availability had a severely negative impact on their operations (defined as a score of 1-3 on a 10-point scale).

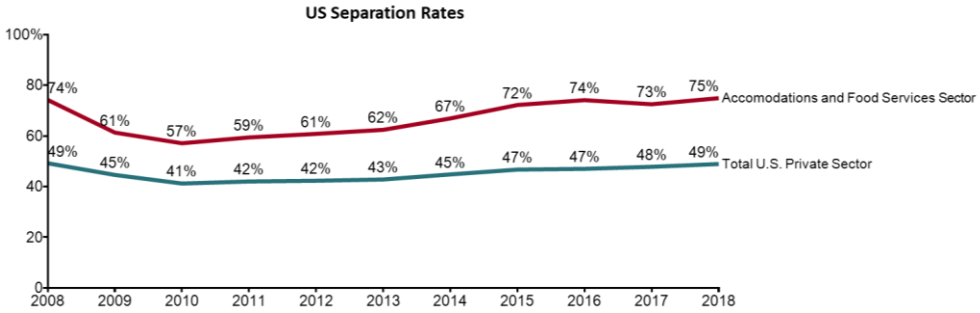
In the same survey, 70% of operators also expressed that shortages of skilled workforce were severely hurting their businesses (scores 1-3). According to the NRA, the biggest recruiting challenge is finding applicants for "back-of-the-house" positions including chefs, cooks, and other culinary staff.[43]

These workforce trends are also impacted by growth in gig economy[44] jobs as illustrated in the chart below. Intuit estimates 34% of working Americans participated in the gig economy (including traditional freelancers) in 2016, and projects an increase to 43% by 2020.[45] In 2016, nearly one-quarter of Americans reported earnings from the "digital platform economy" during the previous year.[12] One of the restaurant operators who took part in the focus groups highlighted that "we lose many employees to Uber and Lyft," employment opportunities that did not exist as explicitly prior to the proliferation of the gig economy. Customers responding to the consumer survey also recognized this trend, stating that "a server can just walk out the door and get comparable work."

[41] Bureau of Labor Statistics, unemployment rate 12/2000 – 12/2019
[42] 2019 State of the Restaurant Industry, National Restaurant Association
[43] 2019 State of the Restaurant Industry, National Restaurant Association
[44] Defined by The Oxford Dictionary as a labor market characterized by the prevalence of short-term contracts or freelance work as opposed to permanent jobs.
[45] "Intuit: Gig economy is 34% of US workforce", Patrick Gillespie, CNN Money, May 2017



Low unemployment, limited culinary skill availability, and competing employment opportunities created by the gig economy all converge and drive turnover rates in the industry, estimated at 75% in 2018, according to data from the Bureau of Labor Statistics' Job Openings and Labor Turnover (JOLTS) program.



On another note, the anonymous online restaurant employee survey revealed that Massachusetts restaurant staff across the state identified poor management, inadequate compensation, and limited advancement opportunities as the top three drivers of high employee turnover in restaurants. Restaurant employee respondents also emphasized that the labor pool does not currently perceive the restaurant industry to provide a long-term career path: "Turnover is due to the perception that it's not a career and is typically a second job." Another respondent mentioned that working in restaurants is "not looked at as a career anymore," and another reported that there is "a general downshift in desire to provide true hospitality."

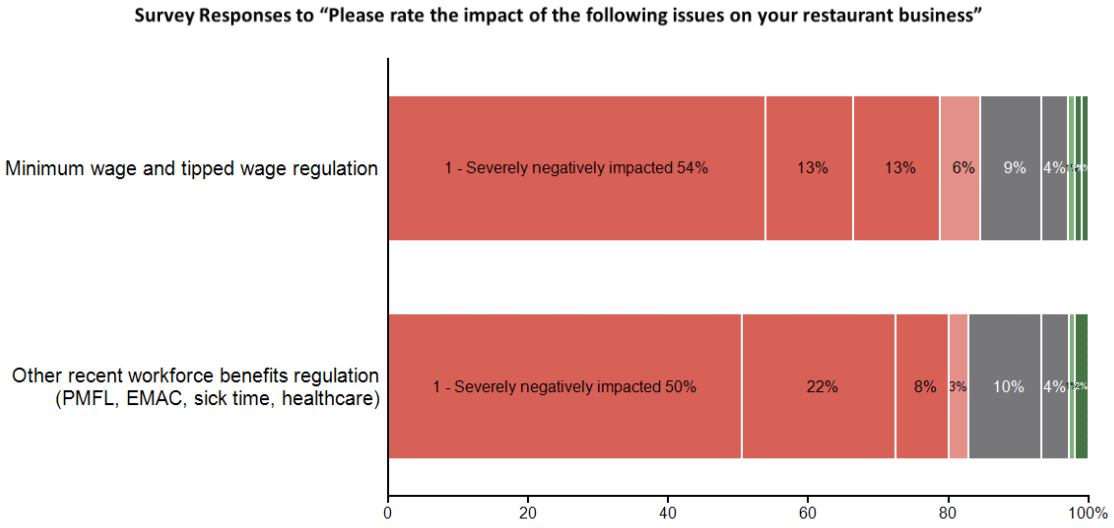
In addition to low unemployment and an increasingly competitive market to attract workforce talent for restaurants, employees cite limited housing (especially on Cape Cod) and transportation availability as compounding causes of churn: "a combination of rising cost of living and insufficient public transportation are among the many factors that contribute to this issue [attrition]." Similarly, restaurant operator focus group participants on Cape Cod and the Islands highlighted affordable housing for workforce as a major barrier in their operations.

4. Recently introduced workforce regulation

Over the past six years, the Massachusetts approved new workforce-related legislation including:

- Employer Medical Assistance Contribution in 2014
- Earned Sick Time in 2015
- Minimum Wage and Minimum Tipped Wage in 2018
- Paid Family Medical Leave Law in 2019

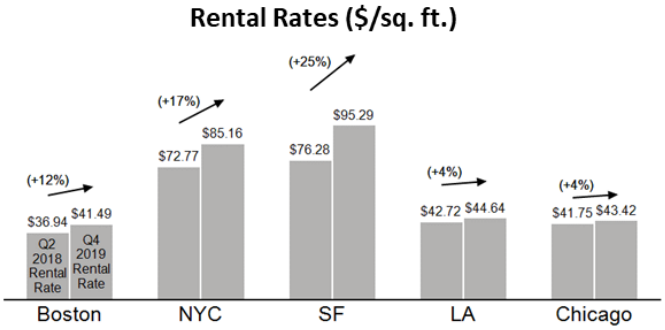
Analysis suggests that the impact of these regulations over the next three years will be a reduction of 1-2% in operating margins, equivalent to 15-35% of the bottom line on average. This impact is echoed by restaurant operator input in the survey, with 80% of respondents indicating that both minimum wage and tipped minimum wage regulations as well as other workforce benefits legislation will severely negatively (scores 1-3) impact their operations.



Restaurant operators who participated in the focus groups attested that workforce cost changes have directly impacted operational decisions from shifting operating hours to reducing staffing. Respondents to the customer survey also acknowledged the potential implications of workforce cost changes on restaurants, with one respondent suggesting that "the $15 per hour minimum wage will close a lot of smaller mom and pop shops."

5. Quickly rising rental costs, particularly in metropolitan areas

In addition to rising food-ingredient, workforce, and turnover costs, rental costs increasingly constitute a significant financial burden, particularly for restaurant operations based in metropolitan areas. Research indicates that rental costs in metropolitan areas have been rising. For example, Boston, along with New York City and San Francisco, has seen a double-digit (12%) increase in per-square foot rental cost over the past year and a half as illustrated below:[46]

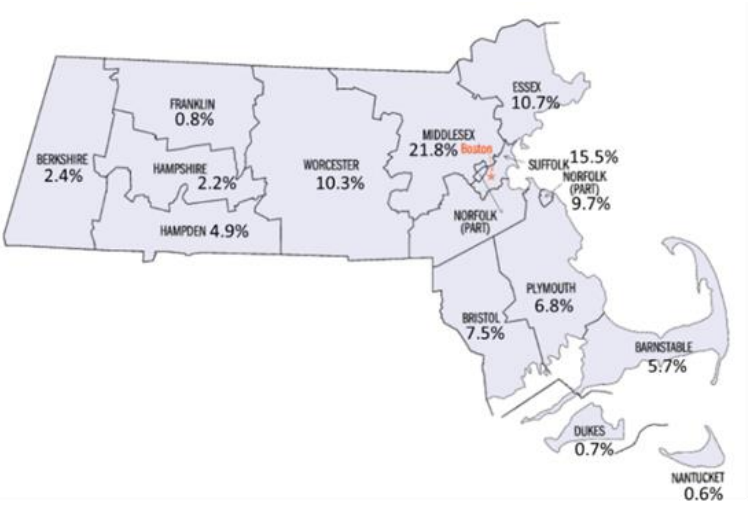


This rental cost increase is much faster than the 2019 CPI increase in the Boston metropolitan area (2.1%) and places significant margin pressure on those restaurateurs who do not own their own commercial spaces.[47] While primarily observed in metropolitan areas, this trend is not applicable to only Boston and Worcester. Restaurant operator focus group participants in Western Massachusetts and the North Shore also voiced concern about rental cost increases.

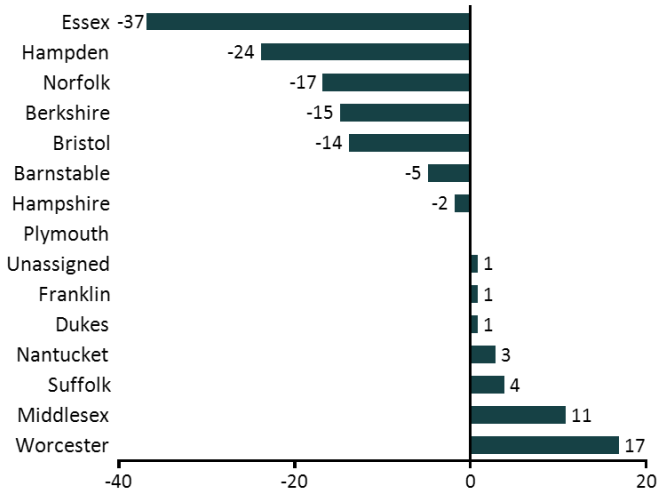
[46] United States Office Outlook Reports, JLL (commercial real estate firm)
[47] Bureau of Labor Statistics, Consumer Price Index data

Key Finding #2: Disproportionate Regional Impact

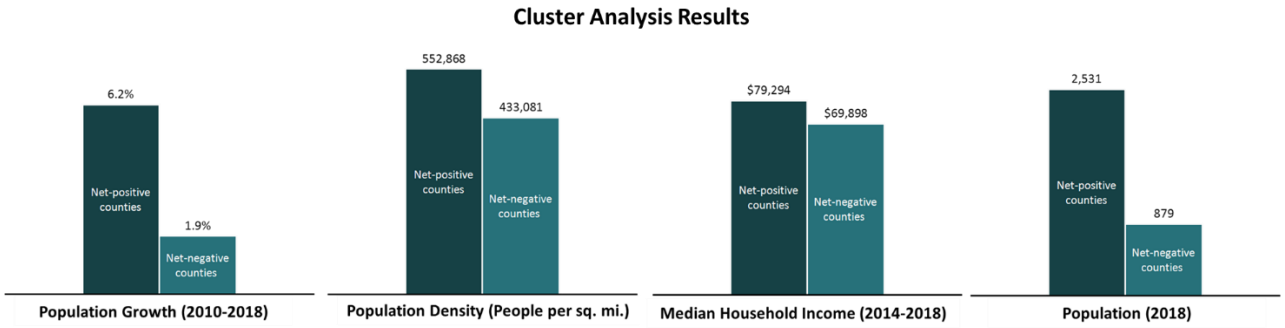
According to 2018 BLS data, the distribution of 13,702 restaurant and eating locations in Massachusetts by county is as follows:



The five profitability factors captured in Key Finding #1 above appear to impact restaurants across the state disproportionately. Again, according to 2017-2018 BLS data, in seven Massachusetts counties, the net change in the number of restaurants was negative, equivalent to a reduction of 1% to 5% in restaurant volume in these regions as illustrated below:



To determine the potential factors correlated with net openings and closings across the state, a cluster analysis was conducted in which the seven counties with net openings and the remaining seven with net closings from 2017 to 2018 were grouped separately. For these two clusters, average population growth (2010-2018), average population density per square mile, average median household income, and average population were compared based on U.S. Census data. The findings are summarized in the chart below:



- The average population in counties with a net-negative change was 433K, whereas in the remaining counties it was 28% higher at 553K.
- In the net-negative counties, the average population growth was 1.9%, 5.3% slower than the equivalent growth in the other seven net-positive counties.
- On average, the median household income in net-negative counties was $9,396 less than the median household income in net-positive counties.
- Also, compared to the net-negative counties, the net-positive counties were 2.9x more densely populated.

As tourist spending constitutes a significant part of income in the food and hospitality industry, in addition to these demographic trends, an analysis of average annual visitor spending by county based on data from the Massachusetts Office of Travel and Tourism (MOTT) indicates that the average 2018 visitor spending captured by MOTT for the counties with a net-negative change was $700 million, only 35% of the average spend of $2.1 billion across the seven counties with a positive net change.[48]

Based on this comparative analysis, it becomes clear that population size, growth, density, median household income, and average visitor spending are correlated with customer demand and indirectly affect restaurant closings. It is important to emphasize that demographic trends not only drive restaurant demand but also impact the industry's ability to hire in a tight labor market, a key factor impacting profitability as explained previously. Supporting this observation, many of the focus group participants from Western Massachusetts and Cape Cod re-iterated the limitations that a shrinking population in these regions place on their ability to recruit and to grow their businesses. Many of them, particularly from Cape Cod, emphasized their reliance on workers with H-2B and J-1 visas to make up for workforce shortages in their often seasonal operations.

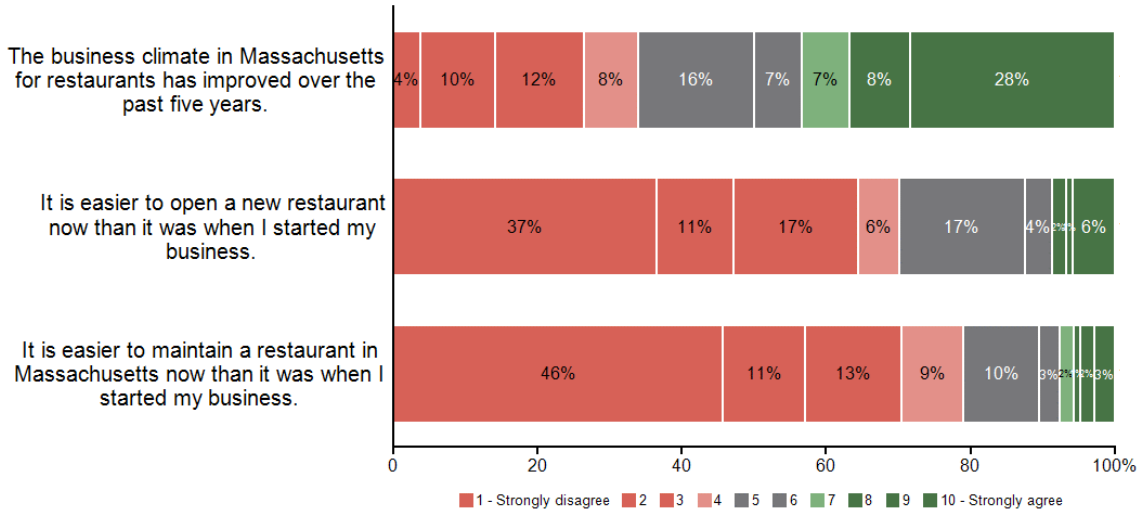
[48] The Economic Impact of Travel on Massachusetts Counties 2018, MOTT report

Key Finding #3: Barriers to Opening a Restaurant

Massachusetts is home to the nation's oldest continuously operating restaurant. Restaurants have historically been a relatively low-barrier-to-entry field in which higher education and other resources were not prerequisites to success and one's passion to cook and serve were rewarded. Yet as one of the restaurant operators focus group participants stated, "passion and strong work ethics are no longer sufficient to start and succeed in the restaurant business." Similarly, a respondent in the restaurant employee survey commented that "it is a difficult industry. Even in places with good management and strong earnings, you have to be on your feet all the time."

The median start-up cost for a restaurant nationally is nearly $400,000 today (53% construction, 25% equipment, 22% other pre-opening expenses), excluding liquor license costs, which, in some municipalities, may more than double this start-up estimate.[49] The challenges associated with opening a new restaurant in Massachusetts are illustrated by the findings below from the restaurant owner and operator survey:

- Only 36% of respondents strongly agree (scores 8-10) that the business climate in Massachusetts for restaurants has improved over the past five years.
- Only 9% strongly agree (scores 8-10) that it is easier to open a new restaurant now than it was when they started their business.
- Only 6% strongly agree (scores 8-10) that it is easier to maintain a restaurant in Massachusetts now than it was when they started their business.

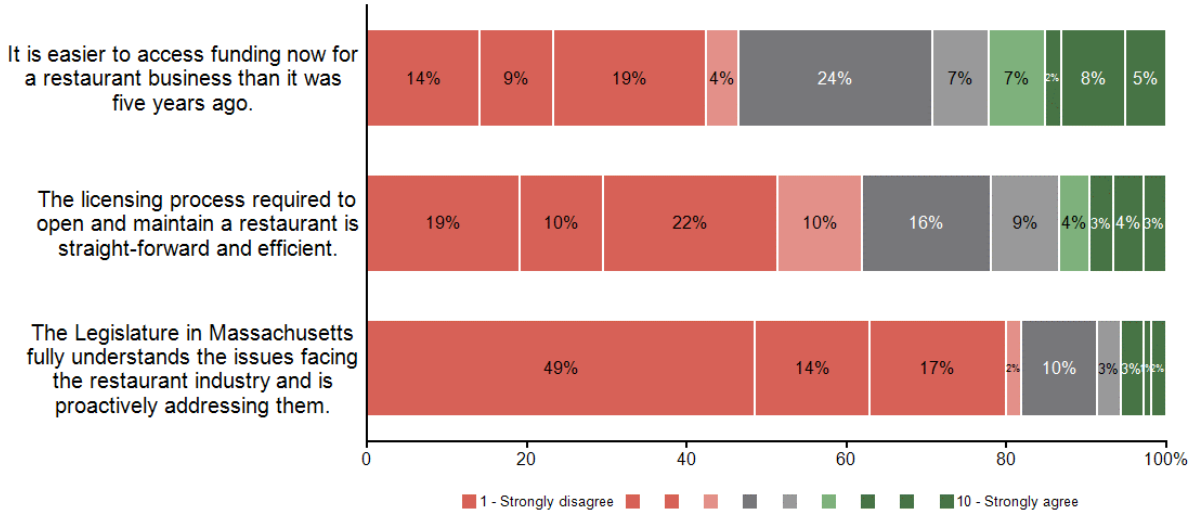


Given these sentiments, the following data from the same survey shed light on potential barriers to opening a new restaurant in Massachusetts:

- Only 15% of respondents strongly agree (scores 8-10) that it is easier to access funding now for a restaurant business than it was five years ago.
- Only 10% strongly agree (scores 8-10) that the licensing process required to open and maintain a restaurant is straightforward and efficient.

[49] Independent Restaurant Cost to Open Survey by RestaurantOwner.com

- And a mere 6% of respondents strongly agree (scores 8-10) that the Legislature in Massachusetts fully understands the issues facing the restaurant industry and is proactively addressing them.



In this section, the report builds on these observations and elaborates on three specific barriers to opening a new restaurant in Massachusetts, in addition to declining industry profitability as described in Key Finding #1 above:

1. Limited access to capital, particularly for first-time entrepreneurs;
2. Rising construction costs; and
3. Complex licensing and permitting processes.

1. Limited access to capital, particularly for first-time entrepreneurs

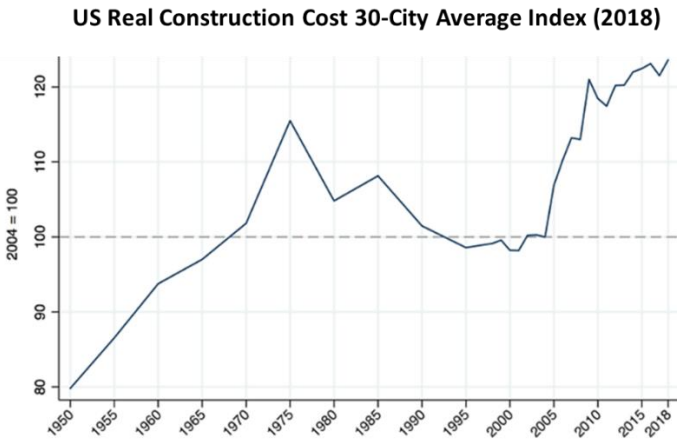
As the authors of the 2020 Zagat NYC survey state: "In the restaurant world, few entities last a decade. Even fewer last several decades." Given the high closing rates in the industry, it is not surprising that lenders have always been reluctant to fund new restaurant operations, particularly for aspiring restaurateurs. Participants in the restaurant operator focus groups comment on this topic:

> "Banks don't lend to restaurants often, especially if it's your first restaurant, or you don't already have a successful concept out there."
>
> "If we hadn't had a family loan to get our feet in the door, I truly don't know how we would have done it."
>
> "How can we entrepreneurs opening independent or homegrown restaurants compete with large national chains, especially when I pay hundreds of thousands for a liquor license next to a restaurant in a developer-led property with an umbrella liquor license and differential ability to compensate employees?"

An aspiring restaurateur in Massachusetts today is almost entirely dependent on personal or family and friend financial resources.

2. Rising construction costs

As illustrated below, U.S. real construction costs in cities have been rising expeditiously since 2010. To make matters worse, Boston is 14% more expensive than the average U.S. city in which to build, ranking number six on a list of most expensive cities.[50]



Supporting this finding, the operator focus group participants observe:

> "The cost of buildout is astronomical."
>
> "The cost per square foot to build a new venue is outrageous."
>
> "It takes you almost as long as your lease to pay off the start-up costs."

Admittedly, constructions costs are market-driven and may not be actionable. Yet, educating aspiring restaurateurs on the implications of this trend may minimize failure rates in the long run.

3. Complex licensing and permitting processes

In Massachusetts, licensing and permitting for restaurants is controlled primarily by local authorities. The main observations on this topic are listed below:

- There is considerable variability in licensing and permitting requirements across the state. For example, the City of Boston may require more than a dozen permits to open a restaurant depending on the type of restaurant while other cities have less onerous requirements.
- These varying requirements across localities are typically not well-documented and not streamlined. In contrast, as an example, New York City and Portland, ME provide both a well-crafted road map and an online portal for a more user-friendly application and renewal process. Similarly, Barnstable County in Massachusetts has a step-by-step guide and a streamlined permitting process that could constitute the basis of statewide standardization.

[50] R.S. Means Construction Cost Data, analyzed by BuildZoom

- At any particular local level, multiple entities have authority regarding license requirements, and these entities do not always communicate effectively, creating additional challenges for applicants.
- Certain licenses are prohibitively costly. In particular, liquor licenses in localities with license caps constitute a significant barrier to entry. This has made liquor license changes contentious as devaluing licenses through new regulation would have an adverse effect on current licensees.
- Currently, a fair hearing process that could mediate disagreements between applicants and approving authorities is not in place.

These three barriers, in aggregate, limit the ability of new businesses to mitigate their start-up risks and build new and innovative restaurant models. Standardizing the licensing and permitting processes across the State would have a beneficial impact on the restaurant industry.

Draft Recommendations for Consideration

The Massachusetts restaurant industry has been adjusting proactively to the challenges identified in this report: new restaurant models that accommodate shifting customer preferences are being launched across the state, creative staffing approaches are being tested, and new collaboration initiatives among industry partners (such as suppliers and restaurants) are being implemented.

Below, the Commission proposes recommendations for consideration that may alleviate pressure during this challenging transition period and enhance the sustainability of the restaurant industry for years to come.

Short-Term Recommendations

Conduct studies to inform future legislative changes facilitating the transition period for restaurants

- We recommend conducting a detailed study to explore innovative wage models that could help expand the workforce pool and enhance the affordability of labor in the restaurant industry. The study could focus on attracting younger employees and underrepresented populations into the restaurant workforce.
- We recommend conducting a detailed study to analyze quantitatively the impact of recent workforce legislation on Massachusetts' restaurant industry operating margins over the next 3-5 years.

Streamline licensing and permitting statewide

- We recommend that the State, in collaboration with other state agencies and the Massachusetts Restaurant Association, consider partnering with municipalities to create a statewide online portal to streamline licensing and permitting processes at all levels. The purpose of such a portal would be to centralize relevant information on requirements for applicants and to increase visibility for all stakeholders. At minimum, identifying a series of best practices relative to the licensing and permitting process could serve local governments and industry well.

Foster effective marketing of the restaurant industry and increase traffic to restaurants

- We recommend that the Massachusetts Office of Travel and Tourism prioritize inviting to Massachusetts globally-recognized restaurant reviewers, such as the *Michelin Red Guide*, to promote greater visibility for restaurants in Massachusetts. Massachusetts already has multiple James Beard-winning chefs, but as of yet, no Michelin-starred restaurants. According to Michelin, their Guide now rates 30,000 establishments globally, and more than 30 million Michelin guides have been sold worldwide[51].

Explore options to reduce operating costs for restaurants

- We recommend that the Legislature consider developing legislation that would thoughtfully enable tip pool sharing between 'front of the house' and 'back of the house' restaurant employees.

[51] Michelin Guide Website "About Us" Section

- We recommend that the Legislature consider developing legislation that would enable restaurants to more equally compensate 'back of the house' and 'front of the house' employees and to support the dignity of the workforce through various measures, such as tax-exempt check surcharges for the 'back of the house' staff.
- We recommend that the Legislature consider evaluating credit card service fees and the impacts those fees have on the bottom-line of restaurants.

Longer-Term Recommendations

Make it easier for a restaurant to hire and retain its workforce

- We recommend considering launching a workforce campaign to make it easier to attract, hire, train, and retain staff for both front-of-house and back-of-house restaurant positions. Such a campaign could include close collaboration with community colleges and vocational schools that currently offer culinary curricula and could build on on-going efforts such as the Career Technical Initiative, the Massachusetts Restaurant Association Apprenticeship Program, and the Executive Office of Labor and Workforce Development Apprenticeship Advisory Group's Apprenticeship Expansion Strategic Plan as part of the Regional Workforce Skills Planning Initiative.
- We recommend that Massachusetts community colleges, vocational schools, and high schools consider forming partnerships with culinary organizations such as the American Culinary Federation (ACF) and the Culinary Institute of America and ideally incorporate accreditation by such institutions into their degree offerings to attract more candidates into their programs. Currently, Holyoke Community College is the only community college institution that offers an ACF-accredited culinary program in Massachusetts.
- We recommend that restaurant operators, in collaboration with Massachusetts Restaurant Association, evaluate the potential benefits associated with employee loyalty programs and employee ownership models.
- We recommend that the Legislature continue to collaborate with federal authorities and make the H-2B visa application process less time- and cost-intensive for employers.

Improve awareness across the restaurant industry on key matters impacting industry viability

- We recommend that the restaurant operator community, in collaboration with the Massachusetts Restaurant Association, consider developing approaches to better leverage the collective purchasing power of the restaurant industry to protect industry operating margins, including reducing healthcare insurance and supply chain costs.

Continue to address state-level matters impacting the restaurant industry

- We recommend that the State enable the restaurant workforce (and restaurant customers) to more easily access restaurants by continuing to address state-level issues such as traffic congestion, public transportation availability, and housing affordability. The housing challenge is particularly dire on Cape Cod and the Islands for restaurant staff, where operations are typically seasonal.

Foster effective marketing of the restaurant industry and increase traffic to restaurants

- We recommend considering cultivating a closer partnership between the Massachusetts Office of Travel and Tourism and the restaurant industry as part of MOTT's economic development mission.

- We recommend that Massachusetts Office of Travel and Tourism, industry representatives, and regional tourism councils and chambers of commerce, consider focusing on promoting the Massachusetts food industry, including evaluating the effectiveness of themes such as locally-sourced food, farm-to-table, and ocean-to-table concepts to uniquely position Massachusetts' food service industry.

Enhance operator business acumen and encourage innovation to establish and test new restaurant models addressing changes in consumer behavior and workforce shortages

- We recommend that the Workforce Skills Cabinet, in collaboration with local authorities, consider developing an online resources for the restaurant industry such as a "Restaurant MBA 101" training program to educate current restaurant owners and aspiring restaurateurs on the organizational, financial, and operational challenges in the industry. Such a training program could also include a component focused on effective lease negotiation practices to empower restaurant operators in key financial decisions.
- We recommend that the State consider proposing regulations supporting entrepreneurs in the restaurant industry to develop, test, and establish innovative models that could address shifting customer preferences, workforce shortages, and rising operating costs. We recommend that the Massachusetts Restaurant Association, restaurant operators, and existing accelerator initiatives continue to support mentorship programs targeted at first-time restaurant owners and operators such as MRA's ProStart program to increase their likelihood of success.

Streamline licensing and permitting statewide

- We recommend that local inspection services divisions, fire departments, and other local authorities more effectively communicate and collaborate in order to enhance customer service for applicants.
- We recommend that local authorities provide training opportunities to the construction contractor community on licensing and permitting requirements.

Appendix

Meeting Minutes:

MASSACHUSETTS RESTAURANT PROMOTION COMMISSION

Minutes from the First Meeting of the Commission
October 15, 2019

Commissioners in Attendance:

Chairperson Keiko Matsudo Orrall, Executive Director, Massachusetts Office of Travel & Tourism
(By phone) **Senator Julian Cyr,** Cape and Islands District in the Massachusetts Senate
Tiffani Faison, Chef and Owner, *Sweet Cheeks Q, Tiger Mama, Fool's Errand,* and *Orfano*
Rebecca Roth Gullo, President, Gallows Group
Christopher P. Jamison, Co-Founder, COJE
Senator Edward J. Kennedy, First Middlesex District in the Massachusetts Senate
Pat Lee, Owner and Operator, *Horseshoe Grille*
Bob Luz, President and CEO, Massachusetts Restaurant Association
Representative Paul McMurtry, Eleventh Norfolk district in the Massachusetts House of Representatives
Kathi Maino Turner, Turners Seafood Companies
Ted Twinney, Co-Founder and Manager, Start Line Brewing Company

Other Attendees:

Rory O'Hanlon, Legislative Director, Executive Office of Housing & Economic Development
Annie M. Thompson, Chief of Staff, Massachusetts Office of Travel & Tourism

The first meeting of the commissioners of the Massachusetts Restaurant Promotion Commission ("the Commission") was held at the Massachusetts State House, Room 437, pursuant to notice being duly given under the Massachusetts Open Meeting Law.

Chairperson Keiko Matsudo Orrall called the meeting to order at 2:02 P.M.

Commissioners Faison, Gullo, Jamison, Lee, Luz, and Turner, Senator Kennedy, and Representative McMurtry were present. Senator Julian Cyr called in by phone located in Room 437. Commissioner Ted Twinney was not present.

Chairperson Orrall asked the commissioners to introduce themselves, starting with Commissioner Christopher P. Jamison.

The Commissioners present and on the phone provided their name and occupation.

Chairperson Orrall asked Commissioners to review legislation creating the Commission, referring to line item 7008-1024, which dedicates $2 million for the promotion of the restaurant industry in the Commonwealth.

Chairperson Orrall read aloud an excerpt of the legislation describing the scope of the Commission, and opened the floor to the Commissioners to give comment to the Commission's scope and charge.

Commissioner Bob Luz remarked that he has been having conversations with “industry folks.” Commissioner Luz stated that there are two sides the Commission is equally charged with looking at: 1) there is a vibrant and growing culinary experience in Massachusetts and it’s one that’s taken off in in recent years. The Commission has to explore how to drive tourism and best market this sector; and 2) In light of recent high-profile closing, the Commission should address the concern that restaurants can stay open. How do we support and protect the restaurant industry?

Commissioner Jamison remarked on the great expansion of restaurants in Boston over the past 5-10 years. However, the barriers to entry are tremendously high, compared with other cities, and new openings are leaving out smaller restaurants.

Commissioner Tiffani Faison commented that there is a need to look at sustainable restaurants. She remarked that seeing tourists patronize the aggressive pop-up of chain restaurants over local businesses “breaks my heart.” Commissioner Faison continued that there is a need to look at opportunities for people of color, women, and other people who are often overlooked and do not have access to capital.

Commissioner Rebecca Roth Gullo commented that the housing crisis is the single biggest problem, with restaurants opening without requisite staff. She noted that she has employees making “six-figures” who are not able to afford to live in alone in Boston.

- Commissioner Gullo also commented that for “big-boxes” that buy a liquor license, but are not based in MA, that we should consider concepts requiring mentorship and collaboration with someone on how to be a restauranteur in MA, especially for new and emerging businesses.

Commissioner Kathi Maino Turner provided a regional perspective on restaurants:

- Recent changes to minimum wage and paid leave is a perfect storm for restauranteurs.
- Restaurants in the suburbs outside of Boston will turn business away with increased menu prices.
- Commission should uncover how to create a vibrancy of restaurants through MA.
- Charged the Commission with looking at how the restaurant model has changed and how to sustain a customer base.

Chairperson Orrall remarked that future meetings of the Commission will be held around the state to ensure it is not solely focused on Boston.

Representative Paul McMurtry commented that he hopes the Commission creates a blueprint that helps bring change to the industry.

Senator Edward J. Kennedy remarked that Boston is the capital but the focus of the Commission is the entire state. He stated that the Commission should determine how it can enhance the current industry, and what should be fixed.

Commissioner Jamison commented that he will meet with his staff in advance of Commission meetings to bring their feedback to the commission. He noted the “incredible” pool of people to talk to within the restaurant industry and that the commission should hear from them.

- Also remarked on issues relating to overtime limits for employees who work at multiple restaurants.

Representative McMurtry remarked that a line of communication should be set up for the industry to provide feedback.

Commissioner Pat Lee remarked that the Commission should be asking how we create a sustainable workforce. He noted that the restaurant industry is one where an employee can go “from the dish room to the boardroom.”

Senator Julian Cyr stated that the workforce issue is appreciated from the Cape & Islands perspective.

- Nearly every eatery has to rely on foreign worker visas, which has become less reliable than it used to be.

Senator Cyr also commented that anything that can be done to extend the tourism season makes a difference.

- Towns are taking on their own promotions to extend the season.
- Not enough is spent on tourism promotion: $10 million in a $43 billion budget

Chairperson Orrall stated that the Commission is tasked with filing a report at the end of January 2020. She mentioned that Senator Kennedy and Representative McMurtry have supplied the Commission with resources and staff, but for stakeholder surveys and other business, an independent consultant should be hired.

- A discussion among the commissioners ensued about ideal times for next commission meetings, as well as about the holiday season approaching and the hope of extending the deadline for the report.
- Locations for future meetings will be throughout the state.

Commissioner Ted Twinney arrived at 2:30 PM. Chairperson Orrall asked Commissioner Twinney to introduce himself.

- Commissioner Twinney remarked that his farm-brewery in Hopkinton is relatively new, which can add perspective to the “barrier-to-entry” discussion.

Commissioner Turner remarked that the commission has a bifurcated charge: how to promote restaurants and how to support them, and states that it would be good to have a clearer focus.

- A discussion ensued among the commissioners regarding the need for a specific structure for the Commission to stay focused.

Chairperson Orrall closed the meeting at 2:40 PM with a group photo.

Handouts for this meeting included:

1. Commission Meeting Agenda
2. Text of ”an Act establishing a restaurant promotion commission”: Chapter 49 of the Acts of 2019; & text of fiscal year 2020 Massachusetts State Budget appropriation line item 7008-1024
3. List of Restaurant Promotion Commission membership
4. Biographies and contact information for Restaurant Promotion Commission

Recorded by Annie M. Thompson, Chief of Staff, Massachusetts Office of Travel and Tourism, October 15, 2019.

MASSACHUSETTS RESTAURANT PROMOTION COMMISSION
Minutes from the Second Meeting of the Commission
Newton Free Library, Druker Auditorium, Newton, MA
November 26, 2019

Commissioners in Attendance:

Chairperson Keiko Matsudo Orrall, Executive Director, Massachusetts Office of Travel & Tourism
Senator Edward J. Kennedy, First Middlesex District in the Massachusetts Senate
Pat Lee, Owner and Operator, *Horseshoe Grille*
Bob Luz, President and CEO, Massachusetts Restaurant Association
Representative Paul McMurtry, Eleventh Norfolk district in the Massachusetts House of Representatives
Kathi Maino Turner, Turners Seafood Companies
Ted Twinney, Co-Founder and Manager, Start Line Brewing Company

Other Attendees:

Mari Cooney, Executive Office of Labor & Workforce Development
Kerry Miller, Massachusetts Restaurant Association
Todd Snopkowski, Snapchef
Josephine Cuzzi, New England Center for Arts & Technology
Martha Leahy, New England Center for Arts & Technology
Stephen Clark, Massachusetts Restaurant Association
Kathy Bell, Murphy Donoghue Partners
Rory O'Hanlon, Executive Office of Housing & Economic Development
Tonia Scalcione, Executive Office of Housing & Economic Development
Daniela De Caro-Heavey, Massachusetts Office of Travel & Tourism
Annie M. Thompson, Massachusetts Office of Travel & Tourism

The second meeting of the Massachusetts Restaurant Promotion Commission ("the Commission") occurred at the Newton Free Library, Druker Auditorium, pursuant to notice being duly given under the Massachusetts Open Meeting Law.

Chairperson Keiko Matsudo Orrall called the meeting to order at 1:06 P.M.

Commissioners Lee, Luz, Turner, and Twinney, and Representative McMurtry were present. Commissioners Faison, Gullo, Jamison, and Senator Kennedy were not present.

Chairperson Orrall briefly introduced the present commissioners, and motioned to approve the minutes. All commissioners approved minutes.

Chairperson Orrall invited Mari Cooney to provide testimony at 1:08.

Ms. Cooney provided testimony on apprenticeship pilot program managed by the Executive Office of Labor & Workforce Development (EOLWD) and the Massachusetts Restaurant Association (MRA). Details provided include:

- Program has been underway for less than two years.
- Other states have been inquiring about the program since its inception.
- 12 apprentices currently involved in the pilot.
- Program also works with community colleges and will continue to do outreach to more colleges.
- Apprenticeships include a master brewer, front of house and back of house training.

Commissioner Turner inquired about apprenticeships within the fishing industry, particularly Gloucester. Ms. Cooney stated that the program is working with the Massachusetts Fishing Partnership, and trying to identify boats and captains for apprenticeship.

Commissioner Lee asked how EOWLD gets the word out and keeps the program growing. Ms. Cooney replied that they work with the MRA on getting the word out, as well as Bunker Hill Community college and others.

Commissioner Twinney asked about barriers to the program. Ms. Cooney replied that barriers are mostly understanding the model and identifying who pays for what, especially in the restaurant industry and related training.

Chairperson Orrall asked about the scope of the program and whether this is the first program of its kind in the country. Ms. Cooney replied that there is just one cohort of 12 apprenticeships for the pilot, and stats are limited since the program is still a pilot – offered to present at a future meeting of this Commission in a year on progress. A follow up discussion on cost of the program and tax credits ensued:

- Chairperson Orrall asked a follow up question regarding tax credits. Ms. Cooney replied that tax credits for apprenticeships are available, but not for restaurants.
- Commissioner Twinney asked Ms. Cooney to elaborate on the costs of the program – whether they are for the apprentice or mentor. Ms. Cooney said the mentor incurs the cost, but they work closely with restaurants to ensure they know the benefits.
- Chairperson Orrall asked a follow up about hourly requirements – 2000 for the restaurant program. Ms. Cooney stated that they use federal requirements, which vary based on skill level for apprenticeship. Example of nursing and others that require 8000 hours.
- Commissioner Luz stated that the cost of education is exorbitant and that this program benefits the individual and the industry.
- Chairperson Orrall asked a follow up regarding cost to participant. Ms. Cooney replied that it is $35 for the participant. There are no limits to number of apprentices.

Chairperson Orrall asked Kerry Miller, Massachusetts Restaurant Association, to testify at 1:25 PM.

Mr. Miller described the HOPES Grant:

- Grant aims to prevent recidivism for 16-24 year olds through culinary training
- The federal grant amount is $4.5 million total, of which Massachusetts received $1.2 million.
- Illinois and Virginia have programs as well.
- Stakeholders of the program are Action for Boston Community Development (ABCD), MRA, and program candidates.
- The program works with the Suffolk County probation office.
- Program is alternative to young people coming out of high school with culinary programs racking up $125,000 in debt. Apprenticeship program can train them to move up from dish room to boardroom.

Commissioner Turner asked Mr. Miller tp explain certified restaurant owners and how one can become an apprenticeship restaurant. Mr. Miller replied you could become certified through National Restaurant Association or the MRA. A discussion ensued between Commissioner Turner and Mr. Miller regarding training and certification for employees.

Commissioner Luz asked Mr. Miller about obstacles to the program going statewide. Mr. Miller replied that the current contract is with Suffolk County, and it is a pilot. They want to get it right before expanding further.

Chairperson Orrall asked if this HOPES program is the same as the Illinois and Virginia programs. Mr. Miller replied no, the program is specific to Massachusetts. A follow up discussion ensued among Mr. Miller, Chairperson Orrall, and Commissioner Luz regarding the timeframe of the program.

- Mr. Miller stated all programs start at the same time. Commissioner Luz referred to Virginia and stated that MA is attempting to replicate their program, which has 90,000 individuals who have come out of the program. MA's program has not yet been able to expand to the state level.
- Mr. Miller stated that the grant is $5,000 per person.

Chairperson Orrall invited Todd Snopkowski, CEO of Snapchef to provide testimony.

Mr. Snopkowski provided background of his company, Snapchef, which he founded 18 years ago.

- He developed an apprenticeship program in 2006 and now does culinary staffing for 400 full time jobs per week as well as training.
- Snapchef has 5- and 12-week technical training programs. The 12-week program is 40 hours/week.
- Snapchef services corporate cafeterias, not restaurants.
- Current training programs are not large enough to make a dent – collaboration among the different training organizations is needed to do more.

Commissioner Turner asked whether apprentices are paid, or pay for training with Snapchef. Mr. Snopkowski replied that they get paid if they take a job. There is no payment to participate in the program.

Chairperson Orrall asked about Snapchef's footprint. Mr. Snopkowski replied that they are New England-based, servicing areas including Boston, Springfield, Dorchester, Worcester, and Providence. Chairperson Orrall asked about recruiting. Mr. Snopkowski replied that they tap into all levels of government – including career centers like MassHire.

Commission Luz commended Mr. Snopkowski as a tireless advocate for training.

Commissioner Turner asked about legislation for a team wage or TIF. Mr. Snopkowski replied that a training stipend, tax break, or TIP would be great. Training costs affect small businesses. Mr. Snopkowski suggested a tax break that could be turned into increased wages for employees or one that encourages training.

- Commissioner Turner asked a follow up regarding workforce distribution. Mr. Snopkowski replied that ages of workers ranges from 18 to retirement age, and typically between the age of 28 and 35. In Springfield, the workforce is 60% women, while Boston is evenly split between women and men.

Senator Kennedy joined the meeting at 1:45 PM.

Commissioner Luz suggested there might be an opportunity to look at the 15-18 age range and instituting a training wage that could get young people started sooner.

- Mr. Snopkowski replied that he is working on that with GEN and the MRA, doing an annual teenage competition. He mentioned that culinary is becoming a "lost art" with major culinary schools like Le Cordon Bleu closing.

Commissioner Twinney stated that there are similarities with craft brewing and workforce. He asked if the big challenge is getting more people into the funnel, or through the funnel. Mr. Snopkowski replied that both are issues, and that they staying on top of technology to keep businesses alive and thriving.

- He provided an example of Uber folks exploring a significant venture through a cloud kitchen.

Mr. Snopkowski referred to the difference between staffing restaurants versus corporate kitchens. Restaurants are 24/7 and 365 days a year, whereas corporate chefs work Monday through Friday, and have structured hours. The work-life balance can be very appealing in a corporate setting.

Mr. Snopkowski referred to the HOPES grant as a fantastic achievement.

Chairperson Orrall invited Ms. Josephine Cuzzi and Ms. Martha Leahy from the New England Center for Arts & Technology (NECAT) to provide testimony at 1:56 PM.

Ms. Cuzzi described NECAT as a social service organization at heart, with workforce development as its goal.

- They work with people 18+ years of age who have barrier to entering the workforce, and are often at the lowest point in their life.
- Serve individuals who are an untapped restaurant labor workforce, 18-26 years old who are at-risk.
- Training programs with this population is more challenging.
- Serve 210 individuals, tuition free.
- Train in all kinds of career readiness and job placement needs, with the goal of obtaining a job at a living wage in Boston.
- Program is primarily in Boston at their facility. Also have a program in Everett, thanks to MassHire, as a result of Encore.
    - Ran 60 people through that program to staff Encore.
- Work on re-entering people from incarceration, working with Suffolk County House of Corrections.
- Program is 16 weeks in length
- Places students in every type of environment, focusing on greater Boston because there are ample job opportunities.

Ms. Cuzzi introduced Ms. Leahy to discuss the program further. Ms. Leahy discussed how, as a chef by trade, she has seen firsthand the difficulty of hiring and how many come to restaurants with no prior experience. Ms. Leahy provided more background on NECAT, including:

- Looking to develop solid, reliable, long-term employees
- Include social and emotional learning with culinary skills
- Teach how to quit a job properly, how to ask for feedback
- Teach employing handbooks
- Match right candidate with right kitchen
- Host two job fairs – one is exploratory, the other is for placement.
- Goal is for students to envision working at a restaurant.

Ms. Leahy mentioned that turnover in restaurants is typically 100-120%. NECAT has a much lower turnover rate and can intervene at first sign of a problem, to prevent the revolving door.

Ms. Leahy recommends designating primary relationships, continuing to have executive chef trainings, map out how jobs can progress into careers with higher wages; reinforcing expectations on attendance; always have exit interviews with student and relationship manager; developing a business relationship by sharing training costs – which are currently $6,000 per employee.

Commissioner Luz asked Ms. Cuzzi and Ms. Leahy about whether students have any training when they come into the NECAT program. Ms Leahy replied that some do, some do not – Suffolk has a servsafe program. Commissioner Luz suggested that they build in culinary training for incarcerated.

Ms. Leahy replied that one of the biggest barriers for people trying to re-enter society is work. People with CORI background has better stickiness than the general population.

Commissioner Turner left at 2:15 PM for a business obligation.

Commissioner Luz asked about front-of-house training. Ms. Cuzzi repled that they are leading in that direction. Commission Luz stated that FOH has nearly as much shortage as back-of-house.

Commissioner Twinney commended NECAT on the work they do. Ms. Cuzzi offered to host a future Commission meeting at NECAT.

Chairperson Orrall asked about the footprint of NECAT. Ms. Cuzzi replied that they are focused on Boston. Ms. Leahy added that there is a similar program in Worcester.

Mr. Miller added that MPACT – Massachusetts Professional Association for Culinary Training – is a central place to find organizations who provide this kind of training. Mr. Snopkowski added that there are great programs, including the Crock Center. He added that 10 NECAT organizations would not put a dent in the need.

Chairperson Orrall opened the floor to public comment 2:21 PM.

Ms. Cooney stated that after the participant finishes an apprenticeship program, they receive a certification. If they are at community college, they may also receive college credit.

A member of the audience suggested that people with disabilities are also an often-untapped resource for the workforce.

Chairperson Orrall moved the discussion to the next agenda item among the Commissioners.

Commissioner Lee stated there was a role for the Commission to assist and coordinate the work currently ongoing. Commissioner Twinney suggested that the scope was to build awareness of the program to potential candidates to ensure higher utilization of current programs.

Commissioner Luz added that there is a lot of opportunity as well as a lot of need with record-low unemployment. Commission can provide an at-risk population with a path in an industry where you don't need a college degree to do well. Commissioner Luz suggested that they start in neighborhoods where the program is needed most.

- Commissioner Lee suggested they market and promote it.

Senator Kennedy brought up the reference to Johnson & Wales culinary program and asked Mr. Snopkowski why enrollment is down. Mr. Snopkowski referred to Le Cordon Bleu had too high tuition for the wages being earned after graduation. Johnson and Wales is moving to front of house and management.

- Senator Kennedy asked Mr. Snopkowski what could fill the void left by those culinary school closures. Mr Snopkowski stated that the void hasn't been filled yet – though lots of strides have been made.
- Ms. Cuzzi referred to a celebrity chef myth, where reality is that it's a difficult profession.
- Mr. Snopkowski referred to champions of the apprenticeship model such as Andy Husbands and others.
- Mr. Miller mentioned that the National Restaurant Association has done a nice job on competency based model – showing you how to learn skills.

Representative McMurtry stated that the format of this commission meeting has been very helpful, tapping into a specific issue. He mentioned that there is potential legislative action of the issues raised at the meeting.

Chairperson Orrall moved to the topics of timeline and goals for the Commission. She acknowledged that there is an outstanding item on delaying the due date of the final report. Representative McMurtry stated that it will happen.

Chairperson Orrall brought up the request for quote posted by MOTT for a consultant to review the restaurant industry. Chairperson Orrall also noted the dates for the next meetings, December 17 and January 6. Commissioner Lee asked if the January 6 meeting could be when the consultant is brought before the Commission.

Chairperson Orrall reminded Commissioners that there is an area for public comment on the massvacation.com website and that comments will be circulated.

Commissioner Luz stated that one piece of the commission is the report, but there is a second aspect – the marketing program.

- Commissioner Twinney replied that most of the commissioners have experience marketing and would like to hear from potential vendors.
- Commissioner Twinney added that Economic Development and access to capital is directly tied to viability of restaurants and would like to dig into that topic a little bit:
    - Including support available from the state, or having speaking from a lending institution or restaurant seeking a loan.

Chairperson Orrall asked for other topics for upcoming meetings, aside from a presentation by the consultant.

- Commissioner Luz suggested marketing.
- Commissioner Twinney suggested that having a standalone topic is productive format
    - Suggested 3 robust meeting topics: permitting, marketing, and lending, could be the subject for upcoming meetings.
- Commissioner Luz stated that the Cape Cod meeting will be about the tremendous need for employment visas.
    - Will be subject whether it is planned or not
    - Suggested we schedule meetings beyond January
    - Chairperson Orrall stated that a doodle poll will be distributed to find later dates.

Commissioner Luz motioned to adjourn at 2:50 PM, approved by all Commissioners. Chairperson Orrall adjourned the meeting at 2:51.

Handouts for this meeting:

5. Commission Meeting Agenda
6. Draft Minutes from First Meeting of Restaurant Promotion Commission – 10.15.19
7. MRAEF Certified Restaurant Professional Apprenticeship Program handout
8. HOPES Project handout
9. Commonwealth of Massachusetts Request for Quote - Restaurant Industry Strategic Review

Recorded by Annie M. Thompson, Chief of Staff, Massachusetts Office of Travel and Tourism, November 26, 2019.

MASSACHUSETTS RESTAURANT PROMOTION COMMISSION
Minutes of the Commission
December 17, 2019

Commissioners in Attendance:

Chairperson Keiko Matsudo Orrall, Executive Director, Massachusetts Office of Travel & Tourism
State Senator Edward J. Kennedy, First Middlesex District
State Senator Julian Cyr, Cape and Islands District
Christopher P. Jamison, Co-Founder, COJE
Pat Lee, Owner and Operator, *Horseshoe Grille*
Bob Luz, President and CEO, Massachusetts Restaurant Association
Kathi Maino Turner, Turners Seafood Companies

Other Attendees:

Rory O'Hanlon, Executive Office of Housing & Economic Development
Tonia Tassinari, Executive Office of Housing & Economic Development
Phil Frattaroli, Ducali Pizzeria & Cunard Tavern
Charlie Perkins, Boston Restaurant Group

The third meeting of the Massachusetts Restaurant Promotion Commission ("the Commission") occured at the Massachusetts State House, Room 222, pursuant to notice being duly given under the Massachusetts Open Meeting Law.

Chairperson Keiko Matsudo Orrall called the meeting to order at 10:04 A.M.

Commissioners Luz, Jamison, Lee, and Turner were present in addition to Chairperson Orrall.

Senator Kennedy arrived at 10:05 A.M.

After brief introductory remarks, Chairperson Orrall moved to adopt the meeting minutes from the previous meeting that occurred on November 26, 2019. The motion to adopt the minutes was approved and the minutes were adopted.

Chairperson Orrall then proceeded to the next order of business and called the first speaker to testify before the commission: Charlie Perkins, Boston Restaurant Group.

Mr. Perkins opened his remarks by offering some background on his professional experience in this space. Mr. Perkins said he's got more than three decades of experience and highlighted his time as a regional manager with Friendly's Ice Cream and Dunkin Donuts. He founded the Boston Restaurant Group in 1990, which serves as a commercial real estate firm that specializes in selling/leasing restaurants, restaurant appraisals, and management consulting.

After an introduction on his professional background, Mr. Perkins pivoted to commentary on the state of the industry. He offered that restaurants need to fight for every dollar and there's no margin for error. The high cost of labor and escalating rents are eating into the bottom-line, which Mr. Perkins estimated is approximately 10% (whereas labor costs consume about 32% of a restaurant's budget).

Mr. Perkins stated that the 1980s put the Boston restaurant scene on the map. Prior to that (i.e. 1960s-70s), restaurants were largely based in hotels and operated by immigrants, such as Anthony's Pier 4. He continued that in the 1990s we witnessed the rise of regional chains in the state and then a period of stagnation between 2000-2010 due, in part, to economic turbulence.
Mr. Perkins provided that the old guard, such as Harvard Square and Newbury Street, have lost some appeal with changing demographics and the evolution of the Greater Boston area. A good location is no longer a guarantee that you will succeed. He cited the Burlington Mall as another example of a location that once served as the prototype for a regional shopping center, but that has since changed significantly.

Mr. Perkins offered that in order to succeed you need to do 2.5 times your investment. Costs related to labor and construction are huge factors in that formula. For example, he estimated that the cost of opening a new restaurant in Boston is about $400 per square foot so to open a 5,000 sq. ft. restaurant you would need approximately $5 million to comfortably handle costs and operations.

He continued, that the issuance of new liquor licenses can be disruptive to the market as it creates more seats and affects license value. He acknowledged that Cambridge has devalued their licenses and that significantly impacted license holders that paid upwards of $300,000 to acquire just a few years ago.

Mr. Perkins stated that many national chains are experiencing sales declines and the rise of new delivery platforms are eating into bottom-lines. He said delivery platforms, like Door Dash, are expensive but a necessary alternative in the current market. With respect to the current market, he offered that there is a lot of growth in the "quick casual" space as it can be less expensive to build and operate.

Mr. Perkins did offer that one should consult an attorney or an accountant to ensure compliance with licensing and permitting standards around the state. Mr. Perkins did submit written testimony.

At this this time, the commission opened the discussion to questions.

Commissioner Turner asked for some perspective on the trends between the suburbs and Boston. Mr. Perkins stated that there is a lot of interest in the suburbs today given less traffic, more parking, and creative cuisine options. He recounted a recent feasibility study he did in Weston that found there are a lot of chains in the Route 128 loop, which is hurting the independents.

Commissioner Turner followed up with another question about revenue and sales with respect to her earlier question. Mr. Perkins stated that he hadn't noticed much and that may be a result of there being too many alternative options.

Commissioner Lee asked about changing real estate trends. Mr. Perkins said that restauranteurs are going small and that the big, large restaurant is not very popular anymore.

Senator Kennedy acknowledged his familiarity with Mr. Charlie Perkins and his strong reputation in this space through his past work as a commercial real estate appraiser.

Commissioner Luz asked about same store sales. Mr. Perkins said that while sales can be going up, it shouldn't necessarily be interpreted as a growing customer base. Commission Luz followed up with a question on takeout sales. Mr. Perkins used an example to explain the impact of the rise of delivery services. He said that if a restaurant sells $100 worth of food via a delivery service, they're probably

taking home about $70 on their end. Another indirect impact in this new trend is alcohol sales have long been a great revenue stream for restaurants. When customers order takeout or delivery, they're not buying drinks.

Commissioner Turner inquired about historical trends and offered that her restaurants saw 2008 coming in 2007 when sales went flat. She said that she's seeing similar trends right now. Mr. Perkins said that he believes a lot of people are sitting on the sidelines given the political climate and uncertainty out there with respect to the market, etc. He said he does think that restaurant openings have slowed down some.

Commissioner Lee asked a question about the labor market. Mr. Perkins said that we used to slash hours/work to control costs, but that's not feasible anymore as customers have bigger demands. He offered that millennial habits are different.

Chairperson Orrall asked if there are any national standards. Mr. Perkins said that once the chefs are out of the kitchen, the Boston restaurant scene does better.

Commissioner Jamison asked how the liquor licensing structure here compares with other states. Mr. Perkins, along with Commissioner Luz, offered up that the state system is very similar to New Jersey. Ocean City, Maryland and New York City were cited as similar, too. Mr. Perkins acknowledged that Somerville also devalued their licenses.

Commissioner Jamison commented that licenses are not there right now. He continued, it used to be about having the money to acquire a license, but now they're barely available even with financial resources. He said a young chef with any aspirations to open a new restaurant just can't afford to do it. He proposed a concept of creating a separate set of licenses for small restaurants that can't compete with the big chains that have the ability to acquire liquor licenses.

At this time, Mr. Perkins completed his testimony and Chairperson Orrall called Phil Frattaroli forward to provide testimony to members of the commission.

Mr. Frattaroli stated that he is the owner of Ducali Pizzeria in the North End and Cunard Tavern in East Boston. He stated that he is a 2nd generation restaurant owner as his father opened his first restaurant in 1977. Mr. Frattaroli said his father's restaurant just celebrated its 40th anniversary and his father's most proud accomplishment from the business is that 30 restaurants have been created by former employees over the years. He continued, however, most of that occurred in the first twenty years, not the last twenty.

Mr. Frattaroli transitioned into his testimony by stating that the uncertainty relative to opening a new restaurant is incredibly difficult to plan and prepare for. He indicated that he is a lawyer and found the process challenging. Mr. Frattaroli offered, how hard could it be for someone that's not a lawyer, or doesn't speak the language? He stated that the restaurant industry has always been important to the immigrant community.

Commissioners began to ask questions to Mr. Frattaroli.

Commissioner Luz asked, how could things be improved? Mr. Frattaroli offered some comments on the licensing and permitting challenges. He said the ABCC is part of it; unclear when you will get your

license. He said there are a number of logistical challenges with respect to the permits, too. He continued that he had a pick up his inspectional permits from 1010 Mass Ave, then travel to City Hall with the permits, and then return again to 1010 Mass Ave with the health division permit. He finds that local officials are never really advocating for you during the process.

Commissioner Jamison offered that he believes you need a combination of 11 different permits/licenses to open and you must collect those from 5 different offices. He suggested that the process needs to be streamlined with online applications.

Mr. Frattaroli provided that inspections from the Inspectional Services Division must be conducted each year. However, it is nearly impossible, in his experience, to schedule an inspection. He suggested that everyone's inspection seems to occur at the same time of year.

Commissioner Turner said that every town/city seems to have their own set of rules with little to no continuity or a single user platform.

Commission Jamison said that his business partner spends about 25-30 hours a year to handle administrative responsibilities. Mr. Frattaroli noted that you still have to post paper permits in your restaurant.

Commissioner Luz asked for some perspective related to tourism and attracting visitors. Mr. Frattaroli stated that we're in a new age where advertising and marketing is now a digital effort. He acknowledged that tourism is important.

Mr. Frattaroli spoke about adding his restaurants to navigation apps such as Waze. This simple advertising tactic can help drive traffic and customers his way.

Mr. Frattaroli also spoke about how the surge in Airbnbs has brought more tourists to the area which, in turn, has brought in more business to his restaurants.

Senator Julian Cyr arrived at approximately 11:10 A.M.

Commissioner Jamison said that the state has so many tools at their disposal. In his view, he can't think of anything more tangible, or more impactful, than streamlining the licensing and permitting process. Commissioner Turner echoed those sentiments and stated that she feels there's an attitude of trying to catch you doing wrong while you're doing your best to do things right.

Senator Cyr offered that the retail food code is statewide, but the implementation varies around the state. For example, he noted that Barnstable County takes a regional approach and coordinates health inspections. He said so much of this is done at the local level unlike other states that have more robust county government structures. Beyond the retail food code, the state isn't likely to intervene unless there's a public health hazard. He believes Florida does statewide health inspections.

Commissioner Jamison said the City of Boston doesn't appear to have a central repository for the information that is collected during the licensing and permitting process. Mr. Frattaroli said that some of the information requests are duplicative in his experience.

Chairperson Orrall acknowledged members from the Ripples Group in the room that are offering technical assistance and support to the commission. Chairperson Orrall also highlighted the final outcome of the FY19 supplemental budget and upcoming meetings for the commission on January 6th in Holyoke and January 28th in Lowell.

Senator Kennedy requested comment from the Ripples Group. Mete Habip, partner at the Ripples Group, offered brief remarks on the firm's history and plans for moving forward with the commission.

Chairperson Orrall entertained a motion to move into executive session. The motion was carried and the commission convened in executive session. The time was 11:27 A.M.

The commission formally adjourned shortly after 12:00 P.M.

Recorded by Rory O'Hanlon, Executive Office of Housing and Economic Development.

MASSACHUSETTS RESTAURANT PROMOTION COMMISSION
Minutes from the Fourth Meeting of the Commission
Holyoke Community College- MGM Culinary Arts Institute
January 6, 2020

Commissioners in Attendance:

Chairperson Keiko Matsudo Orrall, Executive Director, Massachusetts Office of Travel & Tourism
Pat Lee, Owner and Operator, Horseshoe Grille
Bob Luz, President and CEO, Massachusetts Restaurant Association
Representative Paul McMurtry, Eleventh Norfolk district in the Massachusetts House of Representatives
Ted Twinney, Co-Founder and Manager, Start Line Brewing Company
Tiffani Faison, Chef and Owner of Sweet Cheeks Q, Tiger Mama, Fool's Errand, and Orfano **(on phone)**
Christopher P. Jamison, Co-Founder, COJE **(on phone)**

Commissioners not In Attendance:

State Senator Julian Cyr, Cape and Islands District
Rebecca Roth Gullo, President, Gallows Group
Senator Edward J. Kennedy, First Middlesex District in the Massachusetts Senate
Kathi Maino Turner, Turner Seafood Companies

Other Attendees:

Peter Tomyl, Mohawk Trail Association
Mary Kay Wydra, GSCVB
Mike Hurwitz, UNOs
Rachel Kaprielian, U.S. Government Relations, McDonald's Corporation
Marc Wilhelm, Wheatleigh
Kathy Bell, Murphy Donoghue Partners
Garrett Burns
Mick Corduth
Tania Leichliter, Miles Partnership
Peter Platt
Gabrielle Gould, Amherst Business Improvement District
Pat Duffy
Tessa Murphy-Romboletti, Executive Director, EforAll- Holyoke, MA
Patrick Bench, Benchmark Strategies
Stacy Graves, MGM Culinary Arts Institute
Kristine Ricker Choleva, Interim Dean Business and Technology Division, Holyoke Community College
Jeremy Clowe, 1Berkshire
Rory O'Hanlon, Executive Office of Housing & Economic Development
Daniela De Caro-Heavey, Massachusetts Office of Travel & Tourism

The fourth meeting of the Massachusetts Restaurant Promotion Commission ("the Commission") occurred at the Holyoke Community College MGM Culinary Arts Institute, pursuant to notice being duly given under the Massachusetts Open Meeting Law.

Chairperson Keiko Matsudo Orrall called the meeting to order at 10:04 A.M.

Commissioners Lee, Luz, Twinney, and Representative McMurtry were present. Commissioners Faison and Jamison called into the meeting on the conference line. Commissioners Gullo, Turner, Senator Kennedy and Senator Cyr were not present.

Chairperson Orrall invited Kristine Ricker Choleva, Interim Dean Business and Technology Division, Holyoke Community College, to provide testimony.

Ms. Ricker Choleva provided testimony on the culinary level program offered at Holyoke Community College. Details provided include:

- Only College-level comprehensive culinary program in the area
- Program is accredited by the American Culinary Federation (ACF); Challenges to maintaining accreditation

Commissioner Luz inquired if there was a partnership with placing students at MGM. Ms. Ricker Choleva replied that the partnership is ongoing in terms of placing students in jobs at MGM.

Commissioner Twinney asked Ms. Ricker Choleva to speak to the digital learning programs offered at the MGM Culinary Arts Institute. Ms. Ricker Choleva replied that the MGM Culinary Arts Institute is focusing on how to be intentional with online learning so that students can maximize their time properly.

Commissioner Lee inquired what the MGM Culinary Arts Institute would look for in terms of assistance from the industry. Ms. Ricker Choleva replied that there are less than 50 graduating students per year, and thinks that specific programs that may align and provide opportunities for students who are already working.

Chairperson Orrall asked Rachel Kaprielian, U.S. Government Relations, McDonald's Corporation to testify.

Ms. Kaprielian provided testimony on the McDonald's Archways to Opportunities program:

- Available to every McDonald's employee after 90 days of employment
- Program has four components: English Under the Arches, High School Completion Program, College Degree, Education Advising
- Tuition assistance available- $2,500/year grant available to employees; $3,000/year grant available to managers
- Over 24,000+ McDonald's employees have received assistance
- $3.25 million in Archways higher education grants throughout New England

Representative McMurtry commented that his first job was at McDonald's, and he believes that the Archways to Opportunities program is a great program that he would like see modelled at other restaurant chains and fill a void in the workforce and educational training. A follow up discussion on training opportunities and incentives ensued.

Commissioner Twinney asked Ms. Kaprielian about benefits offered for entry level workforce at McDonald's. Ms. Kaprielian replied that the franchised company has competitive wages and is trying to remind people that with early work experience and good customer service experience, you can move on to do almost anything in the workforce. Ms. Kaprielian went on to note that a Holyoke McDonald's was one of four restaurants that won a 'Ray Kroc Award' and a 'Howdy Award for Hospitality Excellence.'

Commissioner Luz inquired about where the funding for the Archways for Opportunities program is coming from.
Ms. Kaprielian replied that it is a corporate program and discussed additional job related expenses that the program covers as well.
A discussion ensued with Representative McMurtry and Ms. Kaprielian regarding corporate and franchise McDonald's stores in Massachusetts.

Chairperson Orrall asked if there was any further testimony, and Representative Aaron Vega offered testimony to the group regarding restaurant entrepreneurship. Representative Vega proposed the following questions: 1. How can we incentivize current restaurant owners to open up a second location in Western Massachusetts and 2. How can old buildings be
re-purposed, as restaurant rehab costs are very high.

Chairperson Orrall opened the floor to public comment:

Ms. Tessa Murphy-Romboletti, Executive Director of EforAll in Holyoke, MA offered public comment. She stated that she works with entrepreneurs who face challenging economic backgrounds, and her organization assists them with resources and support to turn their ideas into profit. She mentioned that her program offers an accelerated program and mentorship for entrepreneurs. Ms. Murphy-Romboletti noted that Western MA faces unique challenges, limited commercial space, and that it is crucial to be mindful of opportunities for funding.

Commissioner Twinney asked Ms. Murphy-Romboletti what the organization's biggest challenge is. Ms. Murphy-Romboletti replied that the biggest challenges are networks.

Commissioner Lee asked how the organization is sourcing mentors. Ms. Murphy-Romboletti stated the challenges of this task, and discussed that it mostly occurs by word of mouth once impact is realized.

Chairperson Orrall asked about the size of the organization. Ms. Murphy-Romboletti noted that 58% of the entrepreneurs assisted by EforAll are still active in operating businesses.

Commissioner Luz asked which percentage of the businesses are food based. Ms. Murphy-Romboletti noted that 40% are food-based organizations, many being food trucks.

Ms. Tanya Leichliter of Miles Partnership, offered public comment. She testified that she believes that there should be an educational portal to assist businesses become better digital promoters. She stated that she is looking for support from the Commission for funding to develop webinars and information to foster new workforce and new roles such as a digital marketer within the restaurant.

Commissioner Lee discussed the challenges to people who began businesses prior to the digital age. Commissioner Twinney noted that he couldn't imagine having a business today without understanding the digital footprint.

Mr. Peter Platt offered public comment. Mr. Platt discussed the challenges that small businesses face with the existing Tip Act, and asked that members of the Legislature make changes to the law.

A discussion ensued with Representative McMurtry, Commissioner Jamison, and Commissioner Lee. Representative McMurtry encouraged Mr. Platt to reach out to his state representative or state senator. Commissioner Lee noted that unintended consequences may occur because of a law, and recommended that Mr. Platt join the Massachusetts Restaurant Association, which sends notifications to members when changes are made to laws or regulations.

Mr. Marc Wilhelm of Wheatleigh offered public comment. Mr. Wilhelm stated that small properties cannot afford to provide healthcare for all. He also mentioned that not all organizations are aware of laws regarding pay to employees on holidays.

Commissioner Luz stated that Mr. Wilhelm brings up great points, and that he would have the Massachusetts Restaurant Association reach out to him to provide information on Massachusetts Employment Law.

Ms. Gabrielle Gould, Executive Director of the Amherst Business Improvement District, provided public comment. Ms. Gould inquired about marketing dollars to help make Amherst a destination instead of a drive-by or drive-through destination.
A discussion ensued with Chairperson Orrall and Commissioner Luz regarding marketing initiatives.

Commissioner Luz moved to review and approve the meeting minutes. Chairperson Orrall mentioned that there was not a quorum of Commissioners physically present, in order to approve the meeting minutes. Commissioners agreed to review the minutes from the December 17, 2019 meeting at the next meeting of the Restaurant Promotion Commission occurring later in January.

Commissioner Twinney asked for an update from The Ripples Group, the consulting firm chosen by the Commission.

Mete Habip, Partner at The Ripples Group, discussed the approach of interviewing relevant stakeholders and holding focus groups throughout regions in Massachusetts. Mr. Habip also stated that The Ripples Group has pulled together two questionnaires for employees and customers, which will be utilized to collect more data to better inform Commission members.

Chairperson Orrall stated that the next meeting of the Restaurant Promotion Commission will take place on January 28 in Lowell, at Middlesex Community College's Academic Arts Center.

Commissioner Luz suggested a topic for discussion at the next meeting to look how tourism is funded in general.

Chairperson Orrall thanked the Commissioners. She motioned to adjourn at 11:55 AM, approved by all Commissioners.

<u>Handouts for this meeting:</u>

10. Commission Meeting Agenda
11. Minutes from the third meeting of Restaurant Promotion Commission – 12.17.19

12. Archway to Opportunity presentation- accompanying printout of presentation made by Rachel Kaprielian, U.S. Government Relations for McDonald's Corporation

Recorded by Daniela De Caro-Heavey, Special Projects Manager, Massachusetts Office of Travel and Tourism, January 6, 2020.

MASSACHUSETTS RESTAURANT PROMOTION COMMISSION

Minutes from the Fifth Meeting of the Commission
Middlesex Community College, Richard & Nancy Donahue Family
Academic Arts Center, Lowell, MA
January 28, 2020

Commissioners in Attendance:

Chairperson Keiko Matsudo Orrall, Executive Director, Massachusetts Office of Travel & Tourism
Senator Edward J. Kennedy, First Middlesex District in the Massachusetts Senate
Christopher P. Jamison, Co-Founder, COJE
Pat Lee, Owner and Operator, Horseshoe Grille
Bob Luz, President and CEO, Massachusetts Restaurant Association
Kathi Maino Turner, Turner's Seafood Companies
Ted Twinney, Co-Founder and Manager, Start Line Brewing Company

Commissioners not In Attendance:

State Senator Julian Cyr, Cape and Islands District
Rebecca Roth Gullo, President, Gallows Group
Representative Paul McMurtry, Eleventh Norfolk district in the Massachusetts House of Representatives
Tiffani Faison, Chef and Owner of Sweet Cheeks Q, Tiger Mama, Fool's Errand, and Orfano

Other Attendees:

Jim Mabry, President, Middlesex Community College
Larry Andrews, CEO, Mass Growth Capital Corporation
Tonia Tassinari, Executive Office of Housing & Economic Development
Daniela De Caro-Heavey, Massachusetts Office of Travel & Tourism
Steve Coravos, Mama's Italian Restaurant
Eric Faulkner, Warp & Weft
Mary Guerrero, Café Azteca and El Taller
Tom Swerchesky, Fireside Restaurant in Methuen
Students from Middlesex Community College's Hospitality and Culinary Arts Program
Kim Morrissey, Middlesex Community College
Dean Judy Hogan, Middlesex Community College
Lisa Bebo, Tavern on Merrimack
Marybeth Shanahan, The Dream Diner
Christina Nikitopolous, Connector Cafe in Lowell
Richard Healy, The Keep
Franky Descoteaux, Director of the Entrepreneurship Center at Community Teamwork
Melisa Tintocalis, Economic Development Director, Burlington, MA
Max Gow, Max Noodles
Pat Cook, Executive Director of Public Affairs for Middlesex Community College

The fifth meeting of the Massachusetts Restaurant Promotion Commission ("the Commission") was held at the Richard & Nancy Donahue Family Academic Arts Center at Middlesex Community College in Lowell, pursuant to notice being duly given under the Massachusetts Open Meeting Law.

Jim Mabry, President of Middlesex Community College, delivered welcome remarks to the group. He spoke about the history of the space/building and introduced a class of culinary students that were in attendance.

Chairperson Keiko Matsudo Orrall called the meeting to order at 10:03 A.M.

Commissioners Jamison, Lee, Luz, Twinney and Senator Kennedy were present. Commissioners Faison, Gullo and Representative McMurtry were not present.

Senator Kennedy thanked Merrimack Community College for hosting.

Chairperson Orrall briefly introduced the present commissioners, and motioned to approve the 12/17/19 and 1/6/20 meeting minutes. All commissioners approved the minutes.

Commissioner Turner arrived at 10:08AM.

Chairperson Orrall invited Larry Andrews, CEO of Mass Growth Capital Corporation (MGCC) to provide testimony. He told a story about his first job as a kitchen helper at Denny's. Mr. Andrews gave a brief overview of MGCC. He talked about how they provide access to capital to an underserved population. He pointed out that MGCC does not work with startups, they only lend to restauranteurs in a "turnaround situation."

Mr. Andrews stressed the importance of training and education in the restaurant industry.

Commissioner Lee stated that there is a 26% failure rate for restaurants, and asked Mr. Andrews what perspective he has for restaurants. Mr. Andrews replied that training becomes a very important part of a restaurant's success, along with having a financier and account that are knowledgeable about the restaurant business.

Commissioner Jamison asked Mr. Andrews for his suggestions on ways in which restaurants could reduce failure rate and what a typical loan profile from MGCC looks like. A discussion ensued with Mr. Andrews and Commissioner Jamison regarding financing education and business 101 missing in the restaurant industry, and continued discussion on the work that MGCC does with restaurateurs in "turnaround situations."

Commissioner Turner asked Mr. Andrews about the loan parameters, qualification requirements, and interest rates offered by MGCC. Mr. Andrews replied that MGCC ideal is to provide capital when others will not, and the organization is not direct SBA lenders, as the Commonwealth funds them. He also noted that interest rates are higher than those offered by traditional lending sources are.

Commissioner Luz inquired how people in the industry could find out more information about MGCC. Mr. Andrews provided the organization's website: empoweringsmallbusinesses.org.

Senator Kennedy asked Mr. Andrews why the failure rate for minority-owned businesses is higher. Mr. Andrews noted the absence of capital to start the business as well as knowledge of which programs that the Commonwealth offers that help small businesses.

Commissioner Twinney asked Mr. Andrews if he felt as though his organization has the resources to field the growth coming across the board. Mr. Andrews noted that funding for small business technical assistance has increased to $4 million, and again noted the importance of financing education for the restaurant industry.

Chairperson Orrall invited Mr. Steve Coravos, owner of Mama's Italian Restaurant in Dracut, to provide testimony.

Mr. Coravos provided testimony on the issues his business has encountered and would encounter once the $15.00/hour minimum wage increase will go into effect in 2023. Details provided include:

- Has had to raise prices at his restaurant four times since 2008 to offset labor and operative expenses
- "Devastating" impact to his business if minimum wage goes up to $15.00/hour as payroll expenses could reach 31-40% of sales
- Believes this will put many restaurants out of business

Commissioner Jamison noted that a "one size fits all is not a good mentality for the minimum wage increase." He went on to say that" there is "no way" small businesses would be able to support the increase in minimum wage, and is afraid that the increase in minimum wage will result in many restaurant closures.

A discussion ensued with Commissioner Turner, Commissioner Lee, and Mr. Coravos, regarding the speculated negative impact that the increase in minimum wage would cause.

Senator Kennedy noted to Mr. Coravos that he would take his comments very seriously, and relay them back to his colleagues in the Legislature.

Mr. Eric Faulkner, co-owner of Warp & Weft, provided testimony regarding welcoming the $15.00/hour minimum wage increase. Details provided include:

- Details on his establishment including menu, average check price, number of employees and restaurant seats
- He is unable to provide any types of benefits to his employees
- If more people can afford to eat out, his restaurant will have more customers.

Commissioner Twinney inquired about staffing. Mr. Faulkner stated that finding appropriate staffing is "very difficult, and finding people with alcohol or drug dependencies is practically impossible."

Ms. Mary Guerrero, owner of Café Azteca and El Taller restaurants, provided testimony regarding the struggles of maintaining the restaurants' finances. Details provided include:

- She believes her restaurants brings the community in Lawrence together
- Agrees that financing education is needed in the restaurant industry
- Believes that government should put money into the restaurant industry education piece

Ms. Guerrero stated that she would like to have some affordable accounting education or a mentor who can help her understand how to manage her restaurants' finances. A discussion ensued with Commissioner Turner regarding service at Ms. Guerrero's restaurants. Mr. Coravos then offered to visit Ms. Guerrero and help her understand restaurant finances.

Chairperson Orrall opened the floor to public comment at 11:14AM:

Mr. Tom Swerchesky, owner of Fireside Restaurant in Methuen, offered public comment. He stated that he believes that the "government is killing the industry with regulations." Mr. Swerchesky went on to note that he is not getting 'good employees' when he posts a job, and doesn't know what to do in order to get better employees. He stated that he would like to be able to better connect with vocational schools and culinary programs, and that he believes that the minimum wage increase will have a negative impact on his business.

A discussion ensued with Commissioner Lee and Mr. Swerchesky regarding the labor model that restaurants are being forced into, and making difficult decisions on keeping a quality product while maintaining quality employees if prices continue to grow.

Commissioner Turner noted that her restaurant had recently introduced a hospitality fee.

Commissioner Luz commented on competitor minimum wage requirements in the border state of New Hampshire.

Melisa Tintocalis, Economic Development for the Town of Burlington asked about the objective of the Commission, and about if saturation was a focus of the Commission. Commissioner Twinney replied that one of the objectives is to promote the restaurant industry at a vibrant industry for the Commonwealth, and noted that the Commission's agenda is wide reaching.

Chairperson Orrall stated that massvacation.com has a portal for the Restaurant Promotion Commission and public comments.

Dean Judy Hogan of Middlesex Community College's Hospitality and Culinary Arts Program stated that her office could connect with business owners regarding a variety of ways that the Program's resources could assist them with ongoing education and employee recruitment. She noted that three ways Middlesex Community College could assist through corporate education, culinary arts certificate and degree programs, and distance education for restauranteurs.

Ms. Franky Descoteaux, Director of the Entrepreneurship Center at Community Teamwork, offered public comment about the 'massive debt' that some restauranteurs end up in, and looking at how her organization and the Commission can help.

Mr. Max Gow, owner of Max Noodles in Billerica, MA, asked what the Commonwealth could do about the promotion of small businesses. Chairperson Orrall noted to Mr. Gow that he could list his business free on massvacation.com.

Ms. Christina Nikitopolous, owner of Connector Cafe in Lowell offered public comment. She stated that small businesses have the same issues as big businesses, but are not making enough money.

Marybeth Shanahan**,** owner of The Dream Diner in Tyngsboro, offered public comment. She stated that she was told by MassDOT that she could not be on the highway sign, and believes that as a Massachusetts Business, she should get priority over New Hampshire businesses being able to advertise on a Massachusetts Highway sign. Ms. Shanahan went on to state that due to her persistence, that she was able to finally get her Massachusetts business listed on the MassDOT highway sign, but that she is the only Massachusetts business listed on the sign, and that all the other businesses listed on that particular sign are New Hampshire restaurants.

Lisa Bebo, owner of Tavern on Merrimack in Lawrence, offered public comment. Ms. Bebo stated that the 'antiquated liquor laws' in the Commonwealth of Massachusetts hamper her restaurant's ability to compete with restaurants in nearby Salem, New Hampshire.

Mr. Richard Healy, owner of The Keep in Lowell, offered public comment on what works for one restaurant, does not work for all restaurants. A discussion ensued with Commissioner Turner, who asked Mr. Healy what he would like the Commission to take away from his comments. Mr. Healy replied that he would like to note that restaurants in the suburbs face different challenges than restaurants in the City do.

Chairperson Orrall asked if there were further comments that the audience would like the Commission to consider. With no further public comment, Chairperson Orrall closed the meeting to public comment at 11:51AM.

Commissioner Lee made a motion for the Commission to go into Executive Session. Motion approved by all Commissioners.

Handouts for this meeting:

1. Commission Meeting Agenda
2. Case Study "The Year-Long Process to Permit Two Apartments and Muffins on Main
3. Minutes from the third meeting of Restaurant Promotion Commission – 12.17.19
4. Minutes from the fourth meeting of the Restaurant Promotion Commission– 1.6.20

Recorded by Daniela De Caro-Heavey, Special Projects Manager, Massachusetts Office of Travel and Tourism, January 28, 2020.

MASSACHUSETTS RESTAURANT PROMOTION COMMISSION
Minutes from the Sixth Meeting of the Commission
College of the Holy Cross
Hogan Campus Center, Worcester, MA
February 11, 2020

Commissioners in Attendance:

Chairperson Keiko Matsudo Orrall, Executive Director, Massachusetts Office of Travel & Tourism
Senator Edward J. Kennedy, First Middlesex District in the Massachusetts Senate
Pat Lee, Owner and Operator, Horseshoe Grille
Bob Luz, President and CEO, Massachusetts Restaurant Association
Kathi Maino Turner, Turner's Seafood Companies
Ted Twinney, Co-Founder and Manager, Start Line Brewing Company
Representative Paul McMurtry, Eleventh Norfolk district in the Massachusetts House of Representatives

Commissioners not In Attendance:

Senator Julian Cyr, Cape and Islands District
Christopher P. Jamison, Co-Founder, COJE
Rebecca Roth Gullo, President, Gallows Group
Tiffani Faison, Chef and Owner of Sweet Cheeks Q, Tiger Mama, Fool's Errand and Orfano

Other Attendees:

Brad Mitchell, Deputy Executive Director, Massachusetts Farm Bureau Federation, Inc.
Jared Auerbach, Owner & CEO, Red's Best
Aide to Representative McMurtry
Daniela De Caro-Heavey, Massachusetts Office of Travel & Tourism
Steve Clark, Massachusetts Restaurant Association
Mete Habip, The Ripples Group

The sixth meeting of the Massachusetts Restaurant Promotion Commission ("the Commission") was held at the Hogan Campus Center at College of the Holy Cross in Worcester, pursuant to notice being duly given under the Massachusetts Open Meeting Law.

Chairperson Keiko Matsudo Orrall called the meeting to order at 10:12 A.M.

Commissioners Orrall, Lee, Luz, Turner, Twinney, Representative McMurtry and Senator Kennedy were present. Commissioners Faison, Gullo, Jamison, and Senator Cyr were not present.

Chairperson Orrall announced that the Commission meeting was being voice recorded. Chairperson Orrall then asked the present commissioners to introduce themselves, and motioned to approve the meeting minutes from January 28, 2020.
All Commissioners approved the minutes at 10:14 A.M.

Chairperson Orrall stated that the Commissioners would be hearing testimony from representatives of the Agriculture as well as Seafood industries, and that the Commissioners would also be hearing from their consultant Mete Habip of The Ripples Group.

Chairperson Orrall invited Brad Mitchell, Deputy Executive Director, Massachusetts Farm Bureau Federation, Inc to provide testimony. Details provided include:

- Details on his organization, which represents farmers, and has about 6,000 members statewide. A little more than half of the members of the Farm Bureau are commercial farmers, which consist of livestock, crop, fruits and vegetable, Mass Agriculture Association, breweries, wineries, and distilleries
- Farm Bureau has some similarities with restaurants and farms, and co-sponsors National Small Business Day with the MA Restaurant Association
- Stated that "by far the biggest costs and biggest challenges in agriculture" are the availability and cost of labor. Costs, regulatory costs, and taxes are rising
- Renaissance in MA Agriculture the past 15 years in which the 'Buy Local' movement has become popular. Mr. Mitchell went on to state that the 'Buy Local' movement seemed to be waning as of late. He noted that the fad element is waring off, and the industry is competing with people who do home delivery services as well as Amazon
- His goal is to keep as many people in business as possible when the cycle goes down.
- Compared to agriculture in other states, Massachusetts has a very high production cost, labor cost, land cost, and regulatory cost.
- Farmers have been selling directly to consumer whether a restaurant or farm stand, or start to add value to product with farm to table dinners and alcohol/food tastings
- 'Agritourism' events add value to the farm through an experience. Examples are corporate events, weddings and catering

Mr. Mitchell mentioned that the Agritourism Study Commission had not met yet, and he is hoping that the Commission picks up soon.

Further details on Mr. Mitchell's testimony include:

- Direct to restaurant sales is a way that Massachusetts farmers can compete
- Massachusetts faces seasonal challenges for buyers and restaurants
- Believes that there is an opportunity for local meat production, and noted that he thinks MA is struggling with that as a regulatory issue
- Untapped potential for ethnic crops that are popular
- There are 10 Buy Local Organizations in the Commonwealth and he is not sure that they reach the full universe of restaurants out there
- Believes there is a lot of opportunity in Agritourism, but some barriers to agritourism include local zoning, as farmers did not anticipate things like wedding bands at midnight on a Friday night
- Suggests looking towards the Agritourism Study Commission to come up with a report to see where the opportunities lie

Commissioner Lee asked Mr. Mitchell to talk more about the labor issue that he mentioned at the beginning of his testimony. Mr. Mitchell replied that the availability and cost of labor are the biggest challenges faced by the Agriculture industry. He noted that the availability of labor has decreased due to its seasonal and labor-intensive nature, and the cost challenge is due to a recent Supreme Judicial Court ruling regarding exemptions to overtime for agriculture activities. He stated that post-harvesting activities are not exempt from overtime

under Massachusetts Law, and that this puts Massachusetts at a great disadvantage with other states that have an exemption for overtime, and have a lower base prevailing minimum wage.

Senator Kennedy arrived at 10:27 A.M.

Commissioner Turner asked Mr. Mitchell what kind of legislative work is being done with regulatory challenges in local poultry and meat producers. Mr. Mitchell replied that the biggest challenge is that there are only three red meat slaughterhouses in Massachusetts, which doesn't meet the demand and slighting new slaughterhouses is an issue. Mr. Mitchell noted that slaughterhouse regulation has switched from the Department of Public Health to the Department of Agriculture in neighboring New England States, and that the lack of slaughterhouses is cost prohibitive for farmers in Massachusetts.

Commissioner Twinney asked Mr. Mitchell about the 'buy local' marketplace in Massachusetts. Mr. Mitchell noted that there are multiple Buy Local organizations, and not a central distribution location, which can pose challenges for restaurants. A discussion ensued with Commissioner Twinney, Mr. Mitchell, Chairperson Orrall, Commissioner Lee, and Commissioner Luz.

Commissioner Luz inquired about the technology used to extend the agricultural season in Massachusetts. Mr. Mitchell replied that there are high tunnels and UV containers, which can pose potential barriers such as rising energy costs for farmers. A discussion on energy costs ensued with between Commissioner Luz and Mr. Mitchell.

Representative McMurtry asked Mr. Mitchell for further information on the Massachusetts Farm Bureau Federation. A discussion ensued.

Senator Kennedy asked Mr. Mitchell to tell the Commission more about the lettuce facility in Devens, MA. Mr. Mitchell described the technology based indoor facility at Little Leaf Farms, its expansion, along with energy cost challenges.

Chairperson Orrall invited Mr. Jared Auerbach, owner and CEO of Red's Best Seafood, to provide testimony. Details provided include:

- Red's Best is 12.5 years old, with four wholesale facilities and one brick and mortar location at Boston Public Market
- Takes pride in the seafood industry and its regulations
- Company uses web-based technology to manage data, and "ground level" working mentality
- Main message is that he takes pride in the regulation and complimented the MA Division of Marine Fisheries for taking care and being responsive to the Seafood Industry
- Believes that biggest impediment is lack of young people getting into the seafood industry. Young people are buying boats, but are having a difficult time getting crew to work on the boats

Commissioner Turner noted that there is a push for a seafood industry apprenticeship program. Mr. Auerbach noted that Red's Best has a database of potential deck hands. A discussion ensued with Commissioner Turner and Mr. Auerbach regarding challenges surrounding training wages, and supply and demand.

Commissioner Turner asked Mr. Auerbach to talk about distribution challenges and how it affects the seafood industry.
Mr. Auerbach discussed his successes of working with a distribution company, and colleges and universities.

Representative McMurtry asked Mr. Auerbach how he got into fishing. Mr. Auerbach stated his love for compelling stories of commercial fishermen, and fondness of people who "get up and live off the land." A discussion ensued with Representative McMurtry and Mr. Auerbach regarding wild caught and farm raised fish.

Commissioner Turner asked Mr. Auerbach how the Commission could advocate for the seafood industry. A discussion ensued with Mr. Auerbach and Commissioner Turner about permitting challenges, and dock-side access.

Chairperson Orrall opened the floor to public comment at 11:29AM:

Mr. Brad Mitchell, Deputy Executive Director, Massachusetts Farm Bureau Federation, Inc. offered public comment. He stated that he believes that the Division of Marine Fisheries really cares.

Chairperson Orrall noted that the next meeting of the Restaurant Promotion Commission is on February 24 at the Scargo Café.

Chairperson Orrall invited Mr. Mete Habip, Consultant with The Ripples Group, to speak. Mr. Habip stated that he was going to discuss the preliminary outline of the Restaurant Promotion Commission's report. Details include the following:

- The Ripples Group conducted several focus groups across the state
- Ongoing interviews with stakeholders
- Customer surveys
- Highlighted three chapters of key findings including – declining industry profits, disproportionate geographic impact, and challenges to starting a new restaurant in Massachusetts
- The Ripples Group is formulating recommendations to match the three chapters of key findings

Mr. Habip asked the Commissioners if there were any major groups missing from his outline. A group discussion ensued.

Commissioner Turner asked that the customer and employee surveys be re-distributed to Commission members, so that they could share it again. Mr. Habip also asked for support with the owner/operator surveys and asked the Commission members to encourage their colleagues to fill out the surveys.

Commissioner Luz made a motion to extend the next meeting of the Restaurant Promotion Commission by one hour. Motion approved.

Senator Kennedy made a motion for the Commission to add an additional meeting on March 9 at 1:00PM in Boston. Motion approved by all Commissioners.

Chairperson Orrall asked if there were further comments that the audience would like the Commission to consider. With no further public comment, Chairperson Orrall closed the meeting to public comment at 12:18PM.

<u>Handouts for this meeting:</u>

13. Commission Meeting Agenda
14. Minutes from the fifth meeting of the Restaurant Promotion Commission– 1.28.20

Recorded by Daniela De Caro-Heavey, Special Projects Manager, Massachusetts Office of Travel and Tourism, February 11, 2020.

Minutes from the Seventh Meeting of the Commission
Scargo Café
799 Main Street, Dennis, MA
February 24, 2020

Commissioners in Attendance:

Chairperson Keiko Matsudo Orrall, Executive Director, Massachusetts Office of Travel & Tourism
Senator Julian Cyr, Cape and Islands District
Senator Edward J. Kennedy, First Middlesex District in the Massachusetts Senate
Pat Lee, Owner and Operator, Horseshoe Grille **(on phone)**
Bob Luz, President and CEO, Massachusetts Restaurant Association
Kathi Maino Turner, Turner's Seafood Companies
Ted Twinney, Co-Founder and Manager, Start Line Brewing Company
Representative Paul McMurtry, Eleventh Norfolk district in the Massachusetts House of Representatives **(on phone)**

Commissioners not In Attendance:

Christopher P. Jamison, Co-Founder, COJE
Rebecca Roth Gullo, President, Gallows Group
Tiffani Faison, Chef and Owner of Sweet Cheeks Q, Tiger Mama, Fool's Errand and Orfano

Other Attendees:

Tonia Tassinari, Executive Office of Housing and Community Development
Jeffrey Soares, Aide to Senator Cyr
Daniela De Caro-Heavey, Massachusetts Office of Travel & Tourism
Steve Clark, Massachusetts Restaurant Association
Mete Habip, The Ripples Group **(on phone)**
Wendy Northcross, Cape Cod Chamber

The seventh meeting of the Massachusetts Restaurant Promotion Commission ("the Commission") was held at the Scargo Café in Dennis, MA, pursuant to notice being duly given under the Massachusetts Open Meeting Law.

Chairperson Keiko Matsudo Orrall called the meeting to order at 12:09 P.M.

Commissioners Orrall, Senator Cyr, Senator Kennedy, Luz, Turner and Twinney were present. Representative McMurtry and Commissioner Lee called into the meeting. Commissioners Faison, Gullo, and Jamison, were not present.

Chairperson Orrall announced that the Commission meeting was being voice recorded. Chairperson Orrall then asked the present commissioners to introduce themselves, and motioned to approve the meeting minutes from February 11, 2020.
All Commissioners approved the minutes at 12:14 P.M.

Chairperson Orrall stated that she would like to entertain testimony from the public.

Chairperson Orrall invited Michael Pillarella, Executive Chef at the Wianno Club to provide testimony. Details provided include:

- Attending the Commission meeting to represent local chefs and two of the issues that he feels are affecting businesses in the Cape Cod region.
- First issue: Affordable housing for workforce, where middle management can stay and raise their families
- Second issue: Workforce training and missing key components of trained labor
- Goal is to work as a team to maintain, keep, and house the workforce

Senator Cyr asked Mr. Pillarella to speak to the current workforce, both seasonal and year-round at the Wianno Club.
Further details on Mr. Pillarella's testimony include:

- Stated that his organization has a deep talent pool that comes from the H2B Visa Program
- The number of local staff his organization has is limited as most do not have the funding to purchase homes in the Cape Cod region
- Workforce moves off the Cape for more affordable living as there is no affordable housing for middle management
- Key for longevity workforce on the Cape is local housing

Commissioner Turner inquired how restaurants build this cost of housing employees into their budget. Mr. Pillarella replied that they do not, and funding comes from over and above the budget. He went on to state that many restaurants are struggling.

Senator Kennedy inquired where Mr. Pillarella's organization's staffing comes from, and how many the organization retains. Mr. Pillarella noted that 30 of 38 members of his organization's staff come from the H2B Visa Program. A discussion ensued regarding lack of training for outside talent and lack of housing to maintain staff, amongst Commissioners Luz and Orrall, and Senators Cyr and Kennedy.

Chairperson Orrall invited Wendy Northcross, CEO, Cape Cod Chamber of Commerce, to provide testimony. Details provided include:

- Highlighted retired workforce
- Multiple restaurants in Cape Cod region
- Need for more people to dine during the off season
- Suggested a special restaurant fund created by the state

A discussion ensued regarding marketing dollars, and seasonal dining with Commissioner Luz, Senator Cyr, and Ms. Northcross.

Ms. Olive Chase, owner of Casual Gourmet, offered public testimony. Details provided include:

- Restaurants/Employers need to continue to pay employees in the winter to maintain highly trained employees
- Small independent businesses are being negatively affected by the raise in minimum wage
- Suggested that the state come up with a business opportunity zone for workforce housing

A discussion ensued with Senator Cyr, Commissioner Luz, Ms. Northcross, and Ms. Chase, regarding the effects that raising the minimum wage is having on small independent businesses.

Commissioner Turner inquired if there was a natural balance of resident population once the busy season starts. A discussion ensued with Ms. Northcross and Commissioner Turner regarding affordable housing.

A public comment was made regarding the idea of having a training wage in Massachusetts. A group discussion ensued.

Mr. Domenic Bachand, Chef/Teacher at Cape Cod Technical High School offered public testimony:

- Has taught teenagers for 20 years
- Housing for middle management is difficult
- 50-60% of graduating seniors will go into the industry and hospitality, most don't stay in Cape Cod
- Suggested offering incentives on the state level for student housing subsidiaries if they stay and work on the Cape

Mr. Bill Catania, offered public testimony. Details included:

- Stated that restaurants are being charged to collect taxes
- Need for legislation that helps the restaurant industry

Senator Cyr asked members of the public to give feedback on the effects of local permitting, licensure and that the cumulative effects of legislation differ in different parts of the state. A group discussion ensued.

Commissioner Turner stated that the Commission had heard a lot of feedback regarding a lack of an online database on how to create a restaurant. Ms. Northcross mentioned that the Cape Region has a "roadmap template" for permitting. Senator Kennedy suggested that it is a good idea to have all of the forms online, which would be necessary to open a new restaurant or maintain an existing restaurant. A group discussion ensued regarding the expansion of a natural partnership with Counties that would solidify a standard of restaurant requirements.

Chairperson Orrall provided a brief update on existing surveys on massvacation.com. She then closed the floor to public comment at 1:25 P.M., and opened up the discussion amongst the Commissioners. Chairperson Orrall stated that the focus of the discussion is on tourism, workforce and cross-promotional partnerships. Commissioner Turner stated that she has heard a lot about training wage, teen wage, and training workforce.

Senator Kennedy noted that the report to the legislature should address the regulation process, making sure culinary programs are promoted, that the legislation that raised the minimum wage is an issue, and promote restaurants in general.

Commissioner Luz and Commissioner Twinney discussed the tip wage and a seasonal business-training wage. A discussion ensued amongst the group. Senator Cyr suggested that wage issues be very specific and granular in the recommendations. A group discussion ensued regarding promoting the restaurant industry as a career workforce.

Chairperson Orrall asked if there were further comments from the Commission to consider.
With no further comments, Chairperson Orrall made a motion to adjourn the meeting at 1:48 P.M, take a 10 minute break, and reconvene for executive session. Motion approved.

<u>Handouts for this meeting:</u>

15. Commission Meeting Agenda
16. Minutes from the sixth meeting of the Restaurant Promotion Commission– 2.11.20
17. Snapchef Proposal

Recorded by Daniela De Caro-Heavey, Special Projects Manager, Massachusetts Office of Travel and Tourism, February 24, 2020.

MASSACHUSETTS RESTAURANT PROMOTION COMMISSION
Minutes from the Eighth Meeting of the Commission
State House, Room 428
24 Beacon Street, Boston, MA 02133
March 9, 2020

Commissioners in Attendance:

Chairperson Keiko Matsudo Orrall, Executive Director, Massachusetts Office of Travel & Tourism
Senator Julian Cyr, Cape and Islands District
Senator Edward J. Kennedy, First Middlesex District in the Massachusetts Senate
Pat Lee, Owner and Operator, Horseshoe Grille
Bob Luz, President and CEO, Massachusetts Restaurant Association
Kathi Maino Turner, Turner's Seafood Companies
Christopher P. Jamison, Co-Founder, COJE
Rebecca Roth Gullo, President, Gallows Group

Commissioners not In Attendance:

Tiffani Faison, Chef and Owner of Sweet Cheeks Q, Tiger Mama, Fool's Errand and Orfano
Ted Twinney, Co-Founder and Manager, Start Line Brewing Company
Representative Paul McMurtry, Eleventh Norfolk district in the Massachusetts House of Representatives

Other Attendees:

Daniela De Caro-Heavey, Massachusetts Office of Travel & Tourism
Steve Clark, Massachusetts Restaurant Association
Mete Habip & staff, The Ripples Group
Danny Sitteo, Senate President Spilka's Office
Phil Wettenzel, O'Neill and Associates
Taylor Magnussen, Representative Jones
Jon Chesto, *Boston Globe*
Tania Leichliter, Miles Partnership
Charlene Rideout, Kearney, Donovan, and McGee
Garrett Burns, Representative McMurtry's Office
Representative Donald Wong
Rory O'Hanlon, EOHED

The eighth meeting of the Massachusetts Restaurant Promotion Commission ("the Commission") was held at the State House, Room 428, pursuant to notice being duly given under the Massachusetts Open Meeting Law.

Chairperson Keiko Matsudo Orrall called the meeting to order at 1:02 P.M.

Commissioners Orrall, Senator Cyr, Senator Kennedy, Lee, Luz, Turner, Gullo, and Jamison were present. Representative McMurtry, Commissioners Faison and Twinney, were not present.

Chairperson Orrall then asked the present commissioners to introduce themselves, and motioned to approve the meeting minutes from February 24, 2020.

All Commissioners approved the minutes.

Chairperson Orrall stated that she would like to entertain testimony from the public, and opened the meeting up for public comment.

No public testimony was provided.

Commissioner Luz made a motion for the Commission to move into Executive Session. Commissioner Lee seconded this motion. Motion approved by all Commissioners.

Commissioner Lee made a further motion for staff members of Commissioners to be present in the Executive Session Meeting. Motion approved by all Commissioners.

Chairperson Orrall closed the meeting shortly before 3:00pm with the intention to meet again on Monday, March 16th.

Handouts for this meeting:

1. Commission Meeting Agenda
2. Minutes from the seventh meeting of the Restaurant Promotion Commission– 2.24.20
3. Draft report: Restaurant Promotion Commission

Recorded by Daniela De Caro-Heavey, Special Projects Manager, Massachusetts Office of Travel and Tourism, March 9, 2020.