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**The City of New York
Community Board 8 Manhattan
Small Business Committee
December 5, 2022 – 6:30pm
This meeting was conducted via Zoom**

MINUTES

Board Members Present: Michele Birnbaum, Gayle Baron, Alida Camp, Valerie Mason, John Phillips, and Cos Spagnoletti

Item 1: Recap of 2022: Issues, Problems, Successes,

John Philipps, co-chair, and owner of The Mansion, began by noting two trends in the restaurant industry. The following are important issues for restaurants:

There needs to be a dialogue (not so much a dialogue but a mutual understanding that the marketplace has been impacted by trends which at times can be extreme. Specifically, price fluctuation within wholesale markets.) between restaurants and consumers because consumers understand the reasons for rapidly rising costs (As well as seemingly out of place or unusual policies such as the appearance of new fees.)

Many restaurants and retailers are participating in the “Discount for Cash” program, where discounts are given for paying with cash, or alternatively a 3-4% charge is added when credit cards are used. (An example of that is the recently created discount for cash program, which allows retailers to discount their existing prices if the customer uses cash as opposed to a credit card. This program was intended to leverage an increase in credit card companies implemented several years ago, to allow retailers not to have to absorb what can be up to 7 percent for the use of a card often defined by attractive incentive programs. Beyond this program, more confusion was caused due to the impractical discounting a product for cash rather than allowing a more direct service fee to be imposed; We must note that credit card fees vary by card and by merchant. In many cases, businesses in the faces of rapidly shrinking profit margins due to a perfect storm of factors, have decided to allow their customers to directly pay the credit card charge, if the customers choose to use the card rather than cash.

Part of the process is educating customers - price increases in this environment do not automatically mean increased profits, especially for small businesses. They allow retailers to keep up with costs. As an example, lettuce went from \$40-50/case to \$175/case. (In the past two years, there have been violent upswings in. product pricing attributable to everything from bird flu to increasing petroleum prices) It has become very difficult to do business at a reasonable price (or with a reasonable level of predictability which is a big factor when ensuring a pricing structure that is rooted in a reality and not pure speculation.) Some restaurants connected to the community are more interested in quality over profit.

Some restaurants are using remote purchasing more frequently. However, high prices do not necessarily represent value. Many local distributors and importers have gone out of business because they did not receive financial assistance during COVID. Large distributors can monopolize the market. Options for other vendors are shrinking.

Doing business in New York is expensive. Regulations contribute to high costs. Although small businesses contribute to tax revenue; they don't have the same loopholes that large businesses have or the same resources to navigate the business environment. This can make it difficult for immigrants.

Could restaurants use cooperative buying to enable buying in bulk? His business purchases from large companies. If companies band together, they can save, but there are more layers in the distribution. This could lead also to lower-quality products for the same price, disappointing consumers.

There are many more fees than there had been, including a driver fee on top of delivery charges. Third-party delivery apps hurt restaurants because fees are very high. While customers may order from restaurants directly, saving the restaurant fees, using third-party apps allows marketing to a wider area. There may be double-dipping, though, when those apps charge both customers and restaurants. John stated that restaurants with much autonomy in the market and are independent may have a more difficult time than restaurants with a lot of locations. It may be that in a few years, restaurants are not serving their customers but will be serving GrubHub customers. Some restaurants may eliminate their own deliverers and use the apps as a business decision.

There was then a discussion among our attendees offering suggestions such as buying in bulk and cooperative purchasing as well as wondering about the impact of proposed new legislation.

Do vendors have an impact on bricks-and-mortars? Fruit vendors have had an effect on stores that sold produce primarily, but do food trucks have an impact on restaurants? John responded that they do not have a large impact on his business, but they are necessary to some members of the community, such as seniors. The vendors provide a service by making it easy for commuters to get coffee on the way to the train, but there should be rules.

Would congestion pricing have an impact? Has there been an effort for a unified response? John makes and receives deliveries. Small purveyors close to the restaurants have increased service charges. Congestion pricing will raise expenses, and it will interfere with labor laws. There are other ways of responding to congestion. Traffic is nuanced, but an approach is a blanket approach. The National Restaurant Association has not offered an opinion. The details matter.

Matt Bauer, President of the Madison Avenue BID, expressed the concern of Madison Avenue businesses that they will be at a competitive disadvantage if consumers need to pay additional taxi fees. Hotels are also concerned that those guests who go to events in midtown and will incur high fees may choose to stay elsewhere. Cultural institutions may also be affected when visitors need to pay fees.

Supply chains have been an issue for Madison Avenue businesses. Retailers have been interested in showing their customers why their products are sustainable, or why they are higher priced because of craftsmanship.

While rents have gone down, there has been a slight uptick, and vacancy rates have decreased. A retailer who had holiday pop-ups has opened a permanent location, determining that the location will be a good market. There was a recent event in which 73% of retailers donated 20% to a not-for-profit.

What will happen to restaurants that expanded and are looking at lease renewals? Some restaurants are looking to downsize outdoor space because expenses for outdoor dining are high. Revenue and volume are higher, but profits are down. The expenses of operating outdoors are matched by higher costs. Matt Bauer expressed concern that a potential DOT requirement for 12 feet of clearance for sidewalk cafes will prevent many small sidewalk cafes from having outdoor tables.

Outdoor tables do not necessarily result in higher profits. For some restaurants, outdoor tables are more about better service for customers. Revenues are higher, but profits are down with the same service and same quality. Outdoor space is profitable if done correctly.

Tourists have not returned to Madison Avenue at pre-pandemic levels. There are few tourists from China, although there have been many pre-pandemic.

For John, there are more non-local customers. Local travel patterns have changed.

Steve, a restaurateur (Gracie Mews Diner), has a sizeable outdoor café. He has seen a lot of new faces from changes in the neighborhood. Business is not at pre-pandemic levels because of higher costs and the difficulty of doing business in the city. All prices have gone up, sometimes 200-300%. Breakfast for a family of four is \$100.00. He has 100 feet of frontage and 10 feet of sidewalk space.

What would help businesses the most? Rising costs are very difficult. Petroleum is higher. Bringing in out-of-season produce raises prices, but changing it would require changing customer desires. The city is too involved in running the business. Labor costs are high, particularly taxes for employees, which are taxes on top of taxes.

While being in New York City is a great benefit, the market value of certain things is dependent upon small groups, such as rents which are dependent upon landlords. Some would rather keep space vacant.

As Cos Spagnoletti, a small business owner and Board member, explained, buying in bulk would be difficult to organize for an owner. The distribution of PPP funds was unfair, with too much often going to some, which hurt small businesses.

There was a lively discussion of DOT enforcement of outdoor restaurant spaces that occurred with the recognition that the DOT enforced where it was easy but not where it was difficult, such as in Lexington.

The Hospitality Alliance has done a decent job of working with restaurants, but it could be improved.

Statistics on tourism were presented. 6.5 million visitors are expected before New Year, with over 26 million for 2022, which equals 85% of 2019 tourism. The city expects to surpass 2019 in 2024. More Americans than foreign visitors are traveling to New York.

The size of businesses is important to the ability of small businesses to thrive.

New York State defines small businesses as having fewer than 100 employees, but even smaller businesses may need more assistance. They may not know how to access information. Does the Upper East Side have a picture of small business sizes? The Small Business Committee should look at how best to disseminate information and the size of businesses.

The SBS relaunched NYCBest, which helps businesses start outreach out to City agencies to get required businesses. It focuses more on new businesses. The SBS advocates small businesses with agencies, helping small businesses understand new regulations such as salary transparency requirements where fines can be hefty for non-compliance. It provides pro bono attorneys for real estate issues, such as leases.

A new website is being developed by SBS, as Council Member Julie Menin has introduced, to enable small businesses to find information and navigate city rules.

Item 2: Looking Ahead to 2023

Thinking ahead to 2023, Madison Avenue BID is planning special events.

Cost is a restaurant concern for 2023, because costs change how businesses exist. Changing the international environment will affect the industry. Deliveries are changing from less frequent to more frequent.

Item 3: Old Business: No Old Business was raised

Item 4: New Business: No new business was raised

Alida Camp, John Phillips, and Valerie Mason, Co-Chairs