Reimagining a Sustainable Restaurant Industry in New York

WHERE ALL STAKEHOLDERS THRIVE

This paper is intended to provide a common fact-base around (1) the contribution of the restaurant industry to New York State, (2) the challenges facing the restaurant industry and those who work in it in New York State both before and during COVID-19, (3) the potential scenarios of COVID-19's impact on the restaurant in industry and those who work in it, and (4) examples of what others jurisdictions have done to address similar challenges. This analysis does not recommend or evaluate any specific policies. These analyses are based on discrete data from one point in time. They are not intended as a prediction or forecast.

This report is based on a detailed analysis conducted June and July 2020, based on existing data and literature, a purpose-built survey of ~400 New York restaurant workers and ~250 New York restaurateurs, and interviews with 30+ representatives of the New York restaurant industry and restaurant workers.

Please note that all references to "New York" refer to the State of New York, unless otherwise indicated.

FORDFOUNDATION

2020

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Content

Context For This Document

This is an unprecedented time for the restaurant industry, those who work in it, and all those who are a part of its ecosystem. Owners and workers have traditionally faced many challenges, which have been exacerbated or been added to by COVID-19. The Ford Foundation has facilitated this analysis of the challenges facing the industry and those who work in it.

This document is intended to provide a common fact-base on

1. The contribution of the restaurant industry to New York State;
2. The challenges facing the restaurant industry and those who work in it in the State of New York both before and during COVID-19;
3. The potential scenarios of COVID-19's impact on the restaurant in industry and those who work in it;
4. Examples of what other jurisdictions have done to address similar challenges.

This analysis was conducted in June and July 2020 based on a number of different sources, including publicly available data and sources (which have been referenced throughout) among which the Bureau of Labor Statistics, EMSI, CHD, and many others. In addition, this work builds on a purpose-built survey of ~400 New York restaurant workers and ~250 New York restaurateurs, interviews with 30+ restaurant industry stakeholders, and analysis conducted by McKinsey & Company.

This analysis does not recommend or evaluate any specific policies. These analyses are based on discrete data gathered at one point in time. They are not intended to serve as predictions or forecasts.

Survey Demographics and Methodology

NEW YORK STATE RESTAURANT MANAGER/OWNER SURVEY RESPONDENTS OVERVIEW

Methodology
In July 2020, we surveyed **251 restaurant owners and senior managers** in New York State. We asked about their **main challenges** in running a restaurant before and during COVID as well as their expectations for the re-opening period. Within the challenges we focused on labor, rent and delivery in more detail.

The survey was conducted as an online questionnaire, where respondents were selecting one or more responses based on the type of question asked (rather than typing free text). The average duration of the survey was 25 minutes.

Restaurant type	Respondents
Upscale / Fine dining	71 (28%)
Casual dining	105 (42%)
Quick service / Fast casual	71 (28%)
Coffee / ice cream / snacks	4 (2%)

Role	Respondents
Owner	191 (76%)
Senior manager	105 (42%)

Number of restaurants managed	Respondents
One	106 (42%)
Two - five	118 (47%)
Six - ten	24 (10%)
More than ten	3 (1%)

Region	Respondents
NYC	176 (70%)
Downstate (ex-NYC)	20 (8%)
Upstate	55 (22%)

Experience	In the industry	In current role
Less than a year	2 (1%)	2 (1%)
One – two years	4 (2%)	18 (7%)
Three – four years	42 (17%)	78 (31%)
Five – ten years	119 (47%)	107 (43%)
More than ten years	84 (33%)	46 (18%)

Note that all survey results have been weighted to approximate the actual distribution of restaurants, which is 51% in NYC, and 49% in rest of the State

NEW YORK STATE RESTAURANT SURVEY RESPONDENTS OVERVIEW

Methodology
In July 2020, we surveyed **393 restaurant workers** who work in New York State. We asked about the e**lements of their restaurant job,** including their satisfaction and attitudes towards their work, pay, hours, ability to cover living expenses, and how COVID-19 has affected their work.

The survey was conducted as an online questionnaire, where respondents were selecting one or more responses based on the type of question asked (rather than typing free text). The average duration of the survey was 11 minutes.

Gender	Respondents
Male	198 (50%)
Female	194 (49%)
Other gender identity	1 (<1%)

Race	Respondents
White or Caucasian	232 (59%)
Black or African American	71 (18%)
Asian	59 (15%)
American Indian, Alaska Native, Native Hawaiian or other Pacific Islander	6(2%)
Some other ethnicity	18 (5%)

Hispanic	Respondents
Yes	88 (22%)
No	305 (78%)

Age	Respondents
18-35	242 (32%)
36+	151 (38%)

Living Region	Respondents
New York City	198 (50%)
Rest of New York State	194 (49%)
New Jersey	43 (11%)

Restaurant experience	Respondents
Less than a year	198 (50%)
1-2 years	194 (49%)
3-4 years	1 (<1%)
5-10 years	78 (20%)
More than 10 years	108 (27%)

Restaurant type	Respondents
Upscale full service	99 (25%)
Casual full service	185 (47%)
QSR/fast casual limited service	79 (20%)
Coffee/ice cream limited service	15 (4%)
Other	15 (4%)

Restaurant experience	Respondents
Dishwasher	10 (3%)
Dining attendant or barback	4 (1%)
Food preparation worker	25 (6%)
Cook	29 (7%)
Chef or head cook	40 (10%)
Fast food or counter worker	30 (8%)
Cashier	28 (7%)
Host or hostess	19 (%)
Waiter or waitress	72 (18%)
First-line supervisor	23 (6%)
Food service manager	62 (16%)
Bartender	26 (7%)
Busser/runner	11 (3%)
Other	14 (4%)

Note that all survey results have been weighted to approximate the actual distribution of restaurants, which is 51% in NYC, and 49% in rest of the State

Reimagining a Sustainable Restaurant Industry in New York – where all stakeholders thrive

Executive Summary

1. Restaurants are critical to the economic and cultural vitality of New York.

The restaurant industry is crucial to the state economy. In 2019, restaurants created $76 billion in GDP, supported more than one million jobs, and contributed over $40 billion taxable dollars.[1]

Over the past 20 years, restaurant employment in New York grew 60 percent and accounted for about 20 percent of the state's total job growth. Workers of color are disproportionately represented in New York's restaurant industry. Almost half of restaurant workers in New York – and almost two-thirds in New York City – are people of color.

Restaurants contribute to the cultural and social vitality of New York City and help make the city uniquely "New York." New York City restaurants offer at least 94 national cuisines. New Yorkers cherish their restaurants; 82 percent called restaurants their favorite city amenity.

2. COVID-19 has hit the New York restaurant industry hard, much harder than many other industries. Consumer spending in New York City restaurants dropped more than 75 percent in April and, as of July, remained almost 50 percent below pre-pandemic levels.

This deep, protracted decline has translated into substantial job losses, especially among low-income workers. By April, almost 70 percent of low-income restaurant workers in New York had lost their jobs, and, as of early June, restaurant employment remained down more than 50 percent.

3. COVID-19 has highlighted and exacerbated structural issues in the industry. Both restaurant owners and workers face daunting challenges.

Owners struggle with thin profit margins; high costs for rent, labor, and food and beverages; high taxes; competition; reliance on third-party delivery companies; increasing need for digital innovation; and their own limited business knowledge.

Workers struggle with below-cost-of-living wages and tip inequities; limited (or no) benefits; race and gender inequities in wages and worker treatment; and job instability.

There is fertile ground for a path forward that works for all stakeholders. For example, close to 80 percent of restaurant owners surveyed were very or somewhat likely to support higher minimum wages for their workers.

[1] NYS Department of Taxation and Finance; NY Open Data

4. The New York restaurant industry can benefit from the experiences of others facing similar challenges to restructure the industry in a way that balances the interests of all stakeholders. A review of efforts by industry participants and local, state, and national governments to address the challenges provides some ideas on the potential path forward. Industry groups often use their collective power to improve their cost base and operations; third parties often support these efforts. Governments often use tools like mandates, spending, and, in some cases, regulatory reform to help industry participants.

5. Inaction has a high cost. If COVID-19 resurges and how it resurges may have severe impact on the New York restaurant industry. The extent and duration of sales and job losses and restaurant closures will depend on the effectiveness of public health and economic policy responses.

There are many scenarios for how the crisis will evolve, and significant uncertainty remains. The most frequently believed scenarios include only partially effective economic policy responses and either an effective public health response despite a regional virus resurgence ("virus resurgence" scenario) or a rapid and effective public health response that controls virus spread ("virus contained" scenario).

Under a virus resurgence scenario, only partially effective public health and economic policy responses would lead to the failure of virus containment and a prolonged economic downturn. Sales and job losses and restaurant closures in New York might be substantial and sustained, perhaps as long as 5-10 years.

Under a virus contained scenario, a rapid and effective public health response could control virus spread, and the restaurant industry could return to growth relatively quickly, sometime in 2021. Restaurant closures would be limited, and restaurant employment would rebound.

This scenario remains on the table. But the recent resurgence of COVID-19 in many states in other parts of the country may decrease the likelihood of this scenario.

Both scenarios have two implications that industry stakeholders should contemplate. Fine dining and casual restaurants may see the greatest sales declines and the highest closure rates. New York may lose more than a quarter of its restaurants, damaging its social and cultural vitality.

While New York may have fewer restaurants immediately after the pandemic, the creative, entrepreneurial spirit of New York's restaurateurs remains, and post-COVID-19 restructuring offers opportunities to address some of the longstanding challenges that have plagued the industry.

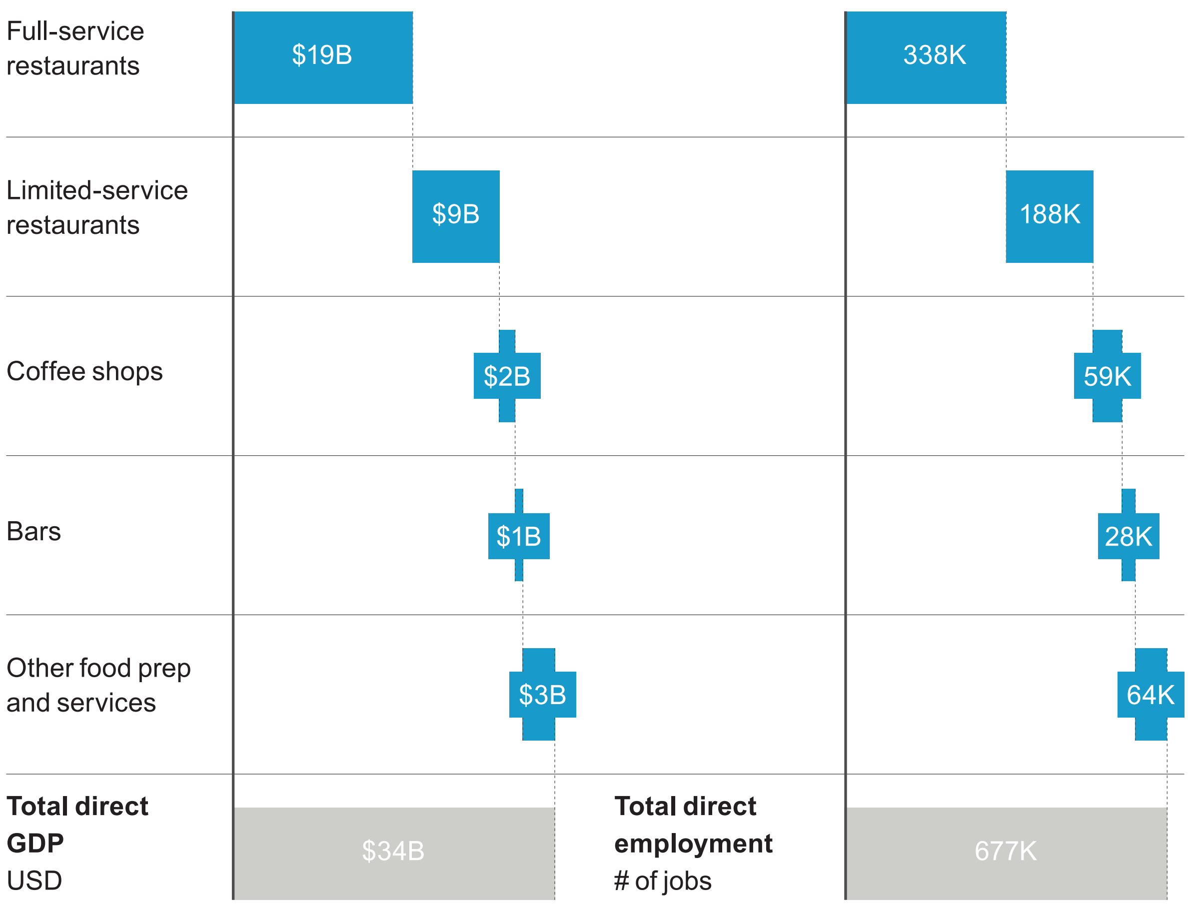
1. RESTAURANTS ARE CRITICAL TO THE ECONOMIC AND CULTURAL VITALITY OF NEW YORK.

The restaurant industry is crucial to the state economy. In 2019, restaurants contributed $35 billion to New York's GDP and employed some 680,000 people.

EXHIBIT 1 – RESTAURANTS DIRECT CONTRIBUTION TO NEW YORK'S ECONOMY

Total direct GDP contribution by restaurant subsector, USD

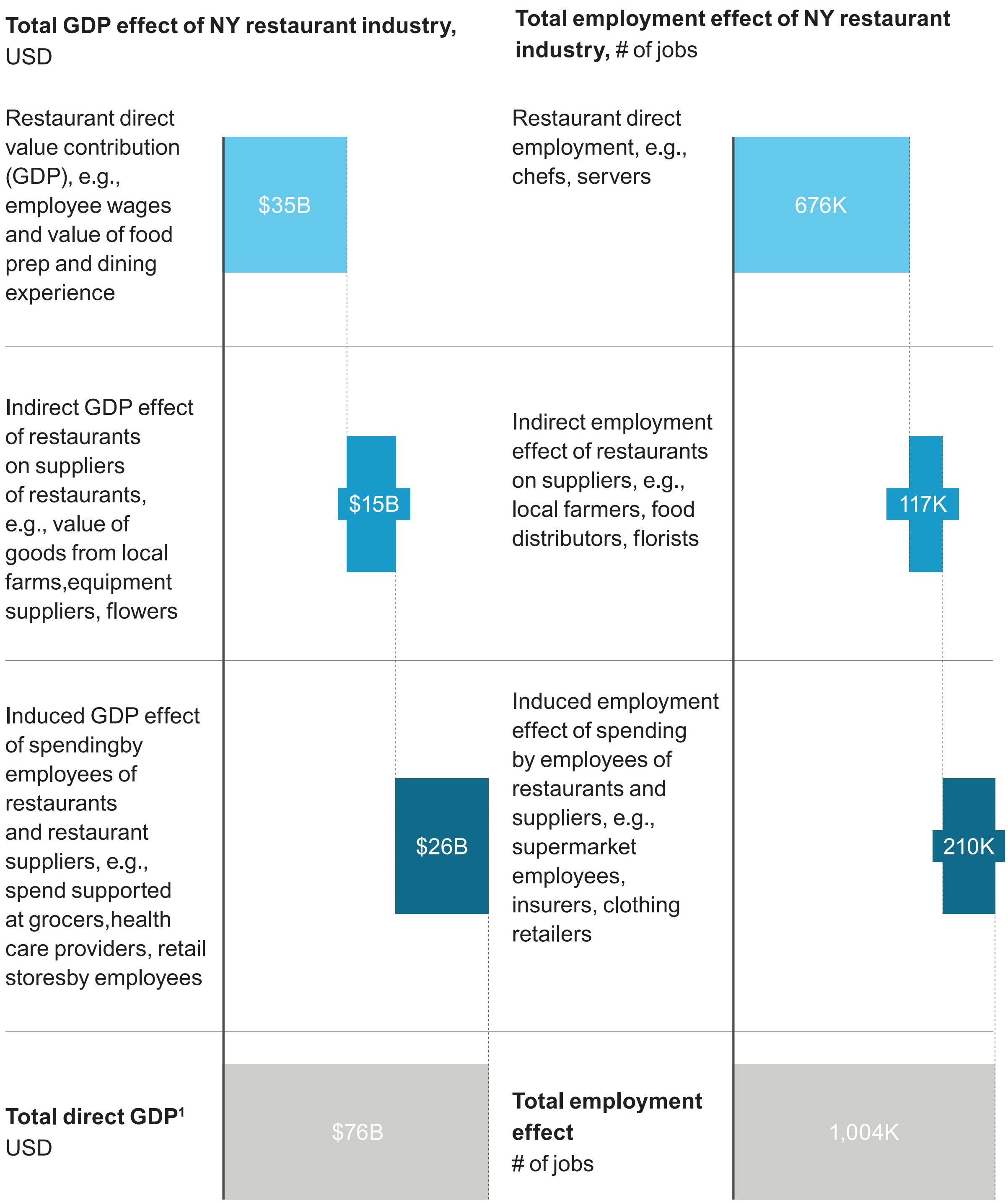
Total employment contribution by restaurant subsector, # of jobs



Source: Economic Modeling Specialists International (EMSI)

Including upstream industries like local farmers and equipment suppliers and employee spending on local businesses, New York restaurants created $76 billion in GDP and supported more than one million jobs in 2019.[2]

EXHIBIT 2 – TOTAL CONTRIBUTION OF RESTAURANT INDUSTRY



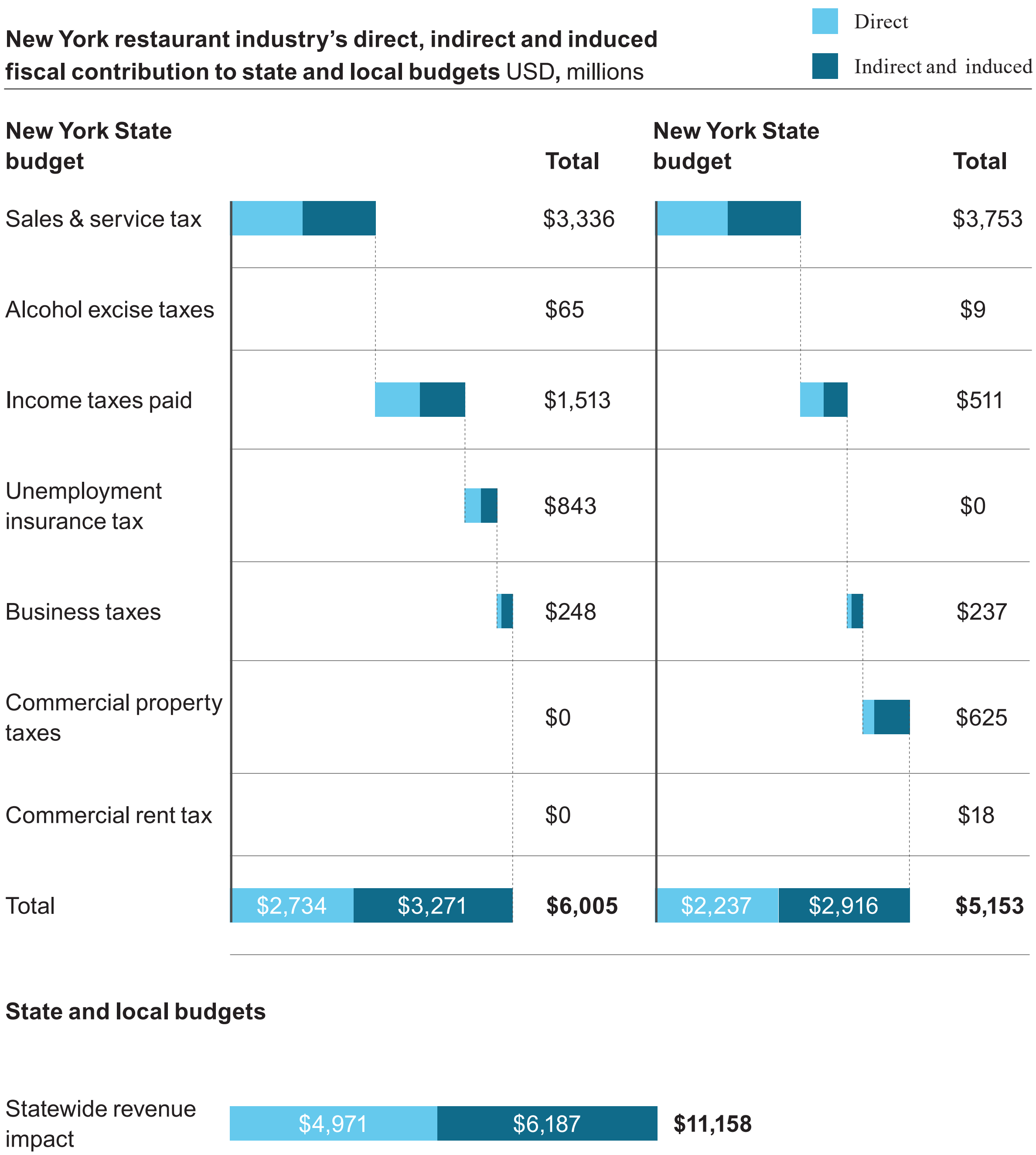
Source: EMSI
[1] Excludes restaurant effects on property values and downstream industries such as delivery aggregators

[2] Economic Modeling Specialists International (EMSI)

Restaurants contribute more to the state sales and service tax than any other industry. In 2018-2019, restaurants generated 40.1 billion taxable dollars — 11 percent of total taxable sales and purchases.[3] Accounting for all taxes generated through restaurant sales and supplier and employee spending, restaurants contributed $11 billion in tax revenues to local and state governments.[4]

EXHIBIT 3

New York restaurant industry's direct, indirect and induced fiscal contribution to state and local budgets USD, millions



Source: See detailed sources on pages 12-13; EMSI, NYS, NYC, IBO, Tax Calculator, DOLETA, Zillow, REIT, Modern Restaurant, Moody's

[3] NYS Department of Taxation and Finance; NY Open Data
[4] EMSI, NYS, NYC, IBO, Tax Calculator, DOLETA, Zillow, REIT, Modern Restaurant, Moody's

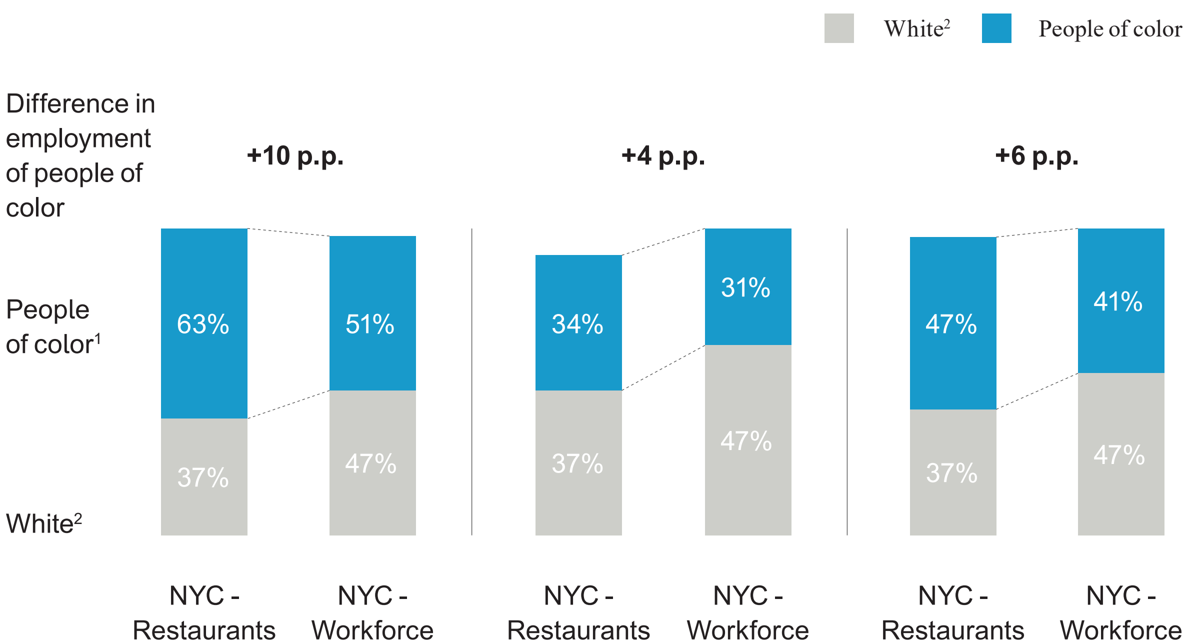
New York restaurants draw millions of visitors and capture billions of dollars in tourist spend. In 2018, tourists spent $17 billion in New York restaurants — about 24 percent of total tourist spending.[5] Furthermore, 72 percent of travelers choose their destination based on its food and beverages.[6]

Restaurants provide livelihoods for many New Yorkers, especially those with lower educational attainment. Over the past 20 years, restaurant employment in New York grew 60 percent and accounted for about 20 percent of the state's total job growth.[7]

Workers of color are disproportionately represented in New York's restaurant industry. Almost half of all restaurant workers in New York – and almost two-thirds in New York City – are people of color.[8] Restaurants also disproportionately employ workers with a high school education or less and provide opportunities for some workers who lack higher degrees to secure relatively higher-paid jobs like chefs and head cooks.[9]

EXHIBIT 4

Race and ethnicity breakdown of restaurant workforce versus total workforce,
% of total employment, 2019



Source: Economic Modeling Specialists International (EMSI)
[1] Includes Hispanic population of all races;
[2] Excludes Hispanic or Latino population

[5] Oxford Economics and NY ESD
[6] World Food Travel Association, Food Travel Monitor 2020
[7] BLS, Moody's Analytics estimates; ACS
[8] EMSI
[9] IPUMS using ACS 5-year 2018 microdata estimates; National Restaurant Association

Restaurants contribute to the cultural and social vitality of New York City and help make the city uniquely "New York."

New York City restaurants offer the most diverse cuisines of any city in the world – at least 94 national cuisines.[10]

New York is a national leader in independent restaurants (83 percent of restaurants statewide) and restaurants per capita. Before COVID-19, among metropolitan areas, only San Francisco had more restaurants per capita than New York City.[11,12]

New Yorkers cherish their restaurants. Eighty-two percent of city-dwellers called restaurants their favorite city amenity.[13]

COVID-19 has highlighted the critical role that restaurants play in cities like New York as a source of social connectivity and psychological health; 60 percent of the city-dwellers surveyed said that restaurants help them feel connected to their community, and almost half called restaurants a primary reason for visiting a new neighborhood in their city.[14,15] Dining in their favorite restaurant was the activity that survey respondents were most excited to resume post-COVID-19. [16]

[10] CHD-Expert Database (2020), Bott & Co analysis using Google Maps data, 2018; **Note:** Not exhaustive, but includes national cuisines that are machine-readable via Google Maps
[11] CHD-Expert Database (2020)
[12] Yelp Local Economic Outlook (2018)
[13] Sasaki Associates survey of 1,000 residents of New York, Austin, Boston, Chicago, San Francisco, and Washington DC
[14] Datassential, survey of 1,000 US consumers on April 24
[15] Sasaki Associates
[16] Datassential, survey of 4,000 US consumers between April 27 and May 7

2. COVID-19 HAS HIT THE NEW YORK RESTAURANT INDUSTRY HARD

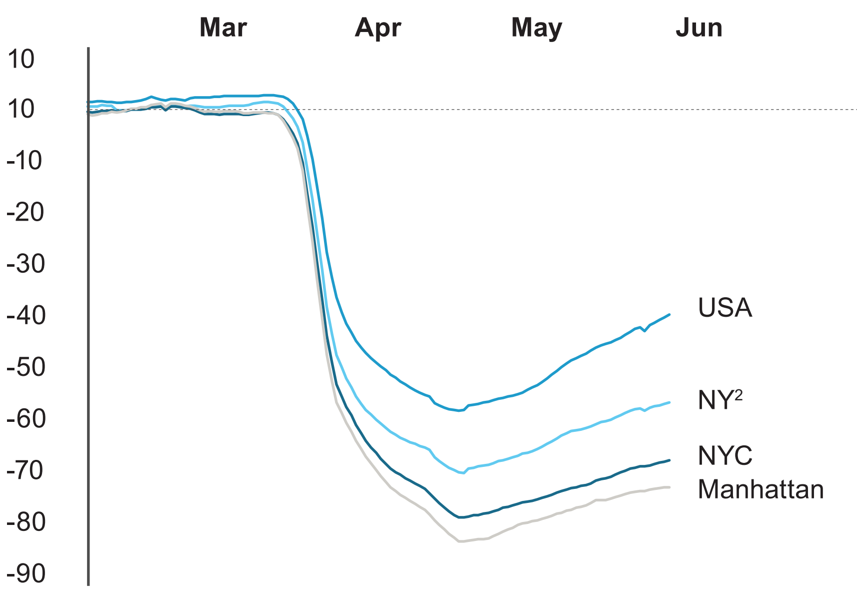
The impact on the restaurant industry has been much more severe than that on many other industries. In New York City, consumer spending in restaurants dropped more than 75 percent in April and, as of July, remained almost 50 percent below pre-pandemic levels. By contrast, national consumer spending across all categories fell 33 percent in April but has recovered to within 10 percent of pre-pandemic levels.[17]

This deep, protracted decline in restaurant spending has translated into substantial job losses, especially among low-income workers. By April, almost 70 percent of low-income restaurant workers in New York had lost their jobs, and, as of early June, restaurant employment remained down more than 50 percent.[18]

Many American consumers are still not ready to return to restaurants, especially indoor dining, even when the government lifts restrictions. As of late June, almost half of consumers surveyed nationwide would not feel safe eating in a fine dining restaurant.[19]

EXHIBIT 5

Change in employment of low-income restaurant and hospitality workers versus January 2020[1], % change



Change employment	Change resto. sales
-38%	-40%
-55%	-49%
-66%	-58%
-71%	N.A

Note: Employment data available through May, whereas consumer spending data available through June; these figures compare June 1 to June 1 for both sources

Source: Chetty, Friedman, Hendren, Stepner using data provided by Earnin and Homebase (2020)
[1] Defined as workers with median income of ~$20,000 after taxes
[2] Includes NYC

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[17] Chetty, Friedman, Hendren, Stepner using data provided by Affinity Solutions
[18] Chetty, Friedman, Hendren, Stepner using data provided by Homebase and Earnin
[19] Datassential, June 26, 2020

3. COVID-19 HAS HIGHLIGHTED AND EXACERBATED STRUCTURAL ISSUES IN THE INDUSTRY

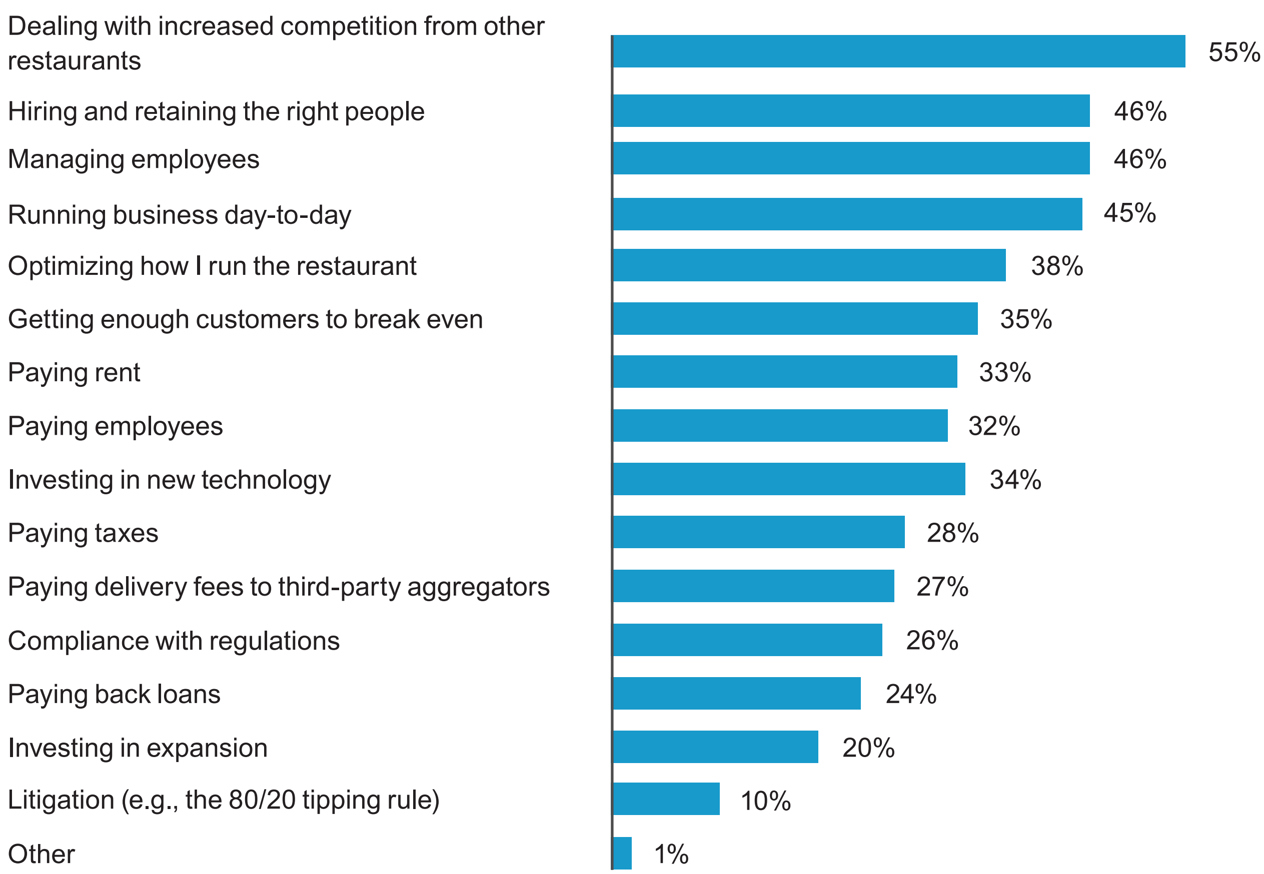
The industry does not work well for all participants. Both restaurant owners and workers face daunting challenges.

Long before COVID-19 emerged, restaurant owners faced a long list of challenges, and the pandemic has only intensified some of the most difficult ones.

EXHIBIT 6

NYS restaurant owners / managers identifying their major challenges[1],
% of respondents selecting each challenge among top 5

Pre-COVID-19



Source: New York Restaurant Manager/Owner Survey, July 2020; n = 251 restaurant owners (76%) and senior managers (24%) in New York, with 70% in NYC; 28% Upscale, 42% Casual, 28% QSR and 2% Coffee / Snacks; 42% managing one restaurant, 58% managing multiple, but no more than 10

[1] Q: Before COVID-19, what were the areas you struggled with most in managing your business? ; During COVID-19 what have been the areas you struggled with most in managing your business? (Please, rank up to 5, where 1 – most important)

Thin profit margins. Profitability has long eluded many restaurants, with profits averaging 5-10 percent before COVID-19.[20] Restaurants in New York have high fixed costs, particularly for rent, thanks to high demand for commercial real estate.

[20] NYC Hospitality Alliance Restaurateur Survey, 2019

High rent is a major factor in New York restaurateurs' thin profit margins. While the industry benchmark for rent (or occupancy) is about 10 percent of revenues, New York survey respondents said that they spend about 14 percent of sales on occupancy on average, which is 40 percent above the industry benchmark. Only about 20 percent of fine dining restaurants and 40 percent of casual dining restaurants in New York City keep occupancy costs below the industry benchmark.[21]

EXHIBIT 7

Distribution of NYC restaurants by total occupancy costs as percent of sales,[1,2]
Percent of restaurants

[1] Occupancy costs include rent plus other occupancy-related charges like utilities
[2] Based on 2019 survey of 108 NYC restaurants conducted by NYC Hospitality Alliance and Citrin Cooperman. Assumes restaurants that have relatively low rent costs are the same restaurants that have relatively low utilities and other costs. Estimates are approximate
[3] Bloom Intelligence; includes 6% of sales for rent and 4% of sales for utilities and other occupancy costs

Demand for commercial real estate, which peaked between 2015 and 2017, has driven up ground floor retail rent in New York, especially in New York City. Rents have peaked in many neighborhoods (e.g., rent in Midtown South peaked at $1,000 per square foot in fall 2015). But, while rent increased 19 percent between 2011 and 2019, sales per restaurant grew 33 percent, far outpacing rent increases.[22]

Competition for retail space suitable for restaurants is increasing, particularly in New York City; and, at $40, the rate per square foot is almost double the average rate in most other US cities ($22). [23]

[21] Bloom Intelligence; includes 6 percent of sales for rent and 4 percent for utilities and other occupancy costs
[22] NY Department of Taxation and Finance, NY Open Data
[23] Inc. analysis of CoStar data

EXHIBIT 8

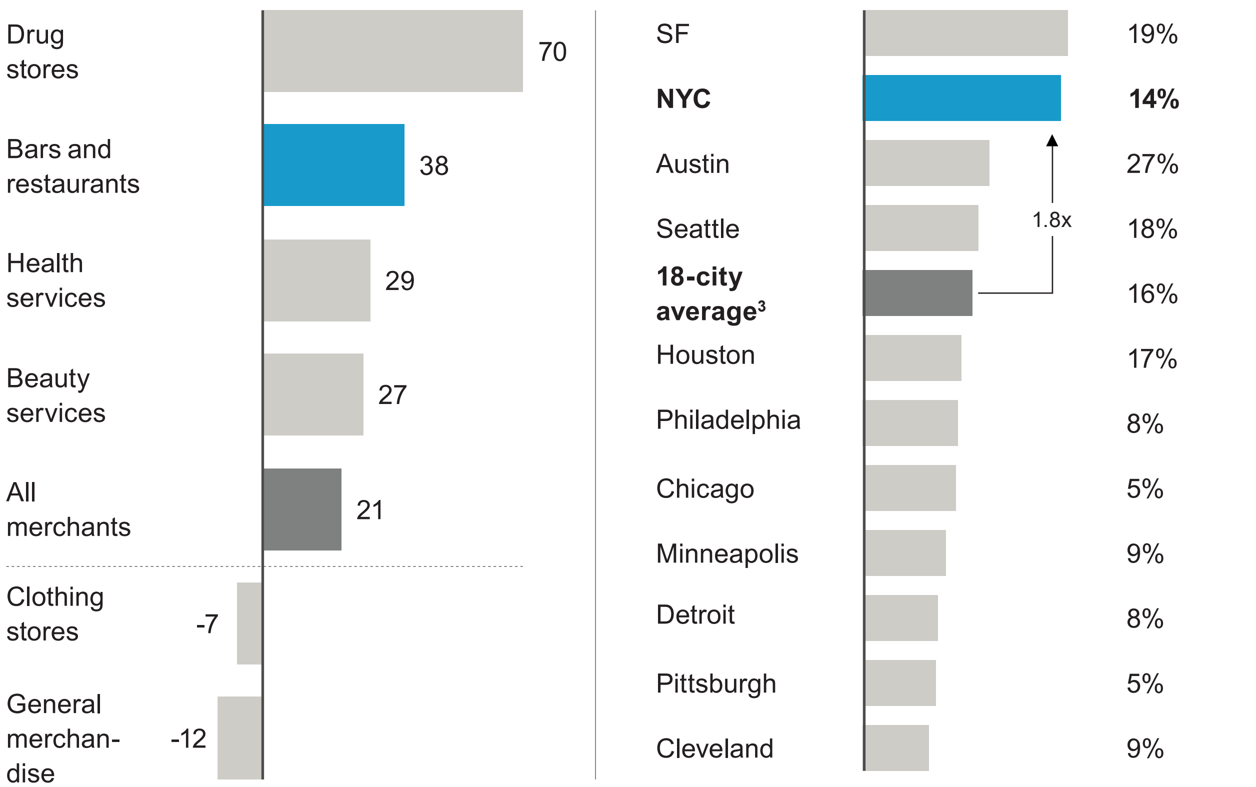
There is increased competition for retail space suitable for restaurants in NYC,
Percent change in number of merchants[1]

Retail rents in NYC are roughly double those in many other cities,
Average retail rent per square foot

NYC, 2012 to 2018

Retail rent per square foot[2] USD, 2017

Rent, 5-yr change, %



[1] Mastercard data analyzed by NYC Comptroller
[2] Inc. analysis of CoStar data
[3] Excludes NYC; also includes San Jose, East Bay, Denver, Raleigh, Charlotte, Columbus, Milwaukee, and Cincinnati; using weighted average based on population

COVID-19 has made paying rent more difficult for restaurateurs; 43 percent of survey respondents called paying rent a major challenge (surpassed only by breaking even and paying employees).[24] One restaurateur we interviewed, who manages a casual restaurant on the Lower East Side in Manhattan, said: "Rent is the biggest issue….We haven't paid rent in the past three months, and now we need to figure out how to start paying again as we slowly reopen."[25]

Another interviewee, who owns nine food-and-drink establishments across New York, said: "Renting a restaurant space in the US is particularly difficult, as the lease includes a personal guarantee, which makes the restaurant owner liable for any rent not paid by the restaurant. In times of crisis like the COVID-19 pandemic, this puts restaurateurs like me in a terrible financial position, because if I don't pay rent on my nine restaurants that were closed during the pandemic, my house and my kids' college funds are at risk."[26]

[24] New York State Restaurant Manager/Owner Survey, July 2020 (n = 251)
[25] Expert interviews
[26] Ibid

In New York City, only 53 percent of independent restaurants have been operating for at least two years, compared with an average of 65 percent across the rest of the state. This might suggest that restaurant startups in the city struggle to reach a sustainable level of sales that can handle the occupancy costs. As one interviewee, who used to manage a chain of upscale bakeries in New York, said: "The first year is all about surviving….Restaurants that manage to get through that usually go on for at least five years; but after six or seven years, people reconsider whether to stay, especially if their rent is going up, even if their place is very successful."[27]

The COVID-19-related shutdown of in-person dining and mandate for social distancing cut the revenues needed to pay rent. Survey respondents reported an average sales decrease of 35 percent.[28] Some restaurateurs have found their landlords open to conversations about the future rent for their restaurants "because he realizes what will happen to commercial real estate in the near future," but others reported inflexible or locked-in lease terms.[29] Commercial property owners face interest penalties of 18 percent if they do not pay their property taxes because tenants like restaurants do not pay their rent.

Increasing cost of labor. Labor is the largest cost item for restaurants, generally consuming about 30 percent of revenues. Labor has become more expensive over the past five years as the minimum wage has risen to 35 percent of revenues in New York City and 20 percent in the rest of the state.[30]

Since 2016, minimum wages in New York have increased 10-40 percent. The minimum wage that restaurateurs in New York City pay has increased about 40 percent for non-tipped workers (from $11.00 to $15.00) and 30 percent for tipped workers (from $7.50 to $10.00), in the case of maximum tip credit application. Across the rest of the state, the increase has been about 30 percent for non-tipped workers (from $9.70 to $12.50) and 10 percent for tipped workers (from $7.50 to $8.30).[31] One interviewee pointed out: "Recent massive changes in the minimum wage made profitability a real struggle. We can't increase prices that much that quickly."[32] However, almost 80 percent of restaurant owners surveyed are very or somewhat likely to support higher minimum wages for their workers.[33]

The higher minimum wage, coupled with complex labor laws, makes managing and paying employees one of the most challenging tasks for restaurateurs.

The government assistance to help employers weather COVID-19 (e.g., Paycheck Protection Program [PPP]) intensified the struggle by linking the support received to employee retention. Thirty-three percent of the survey respondents said that they did not apply for PPP because they were worried about not meeting the requirements, specifically not retaining enough employees.[34]

Cost of goods sold. COGS has traditionally been a large operating expense for restaurants, accounting for some 30 percent of revenues. Independent restaurants have paid even more for food and beverages because they lack the collective bargaining power to negotiate prices that many chains enjoy. While food prices have generally dropped during COVID-19, potential supply chain disruptions are likely to fuel price uncertainty post-crisis.[35]

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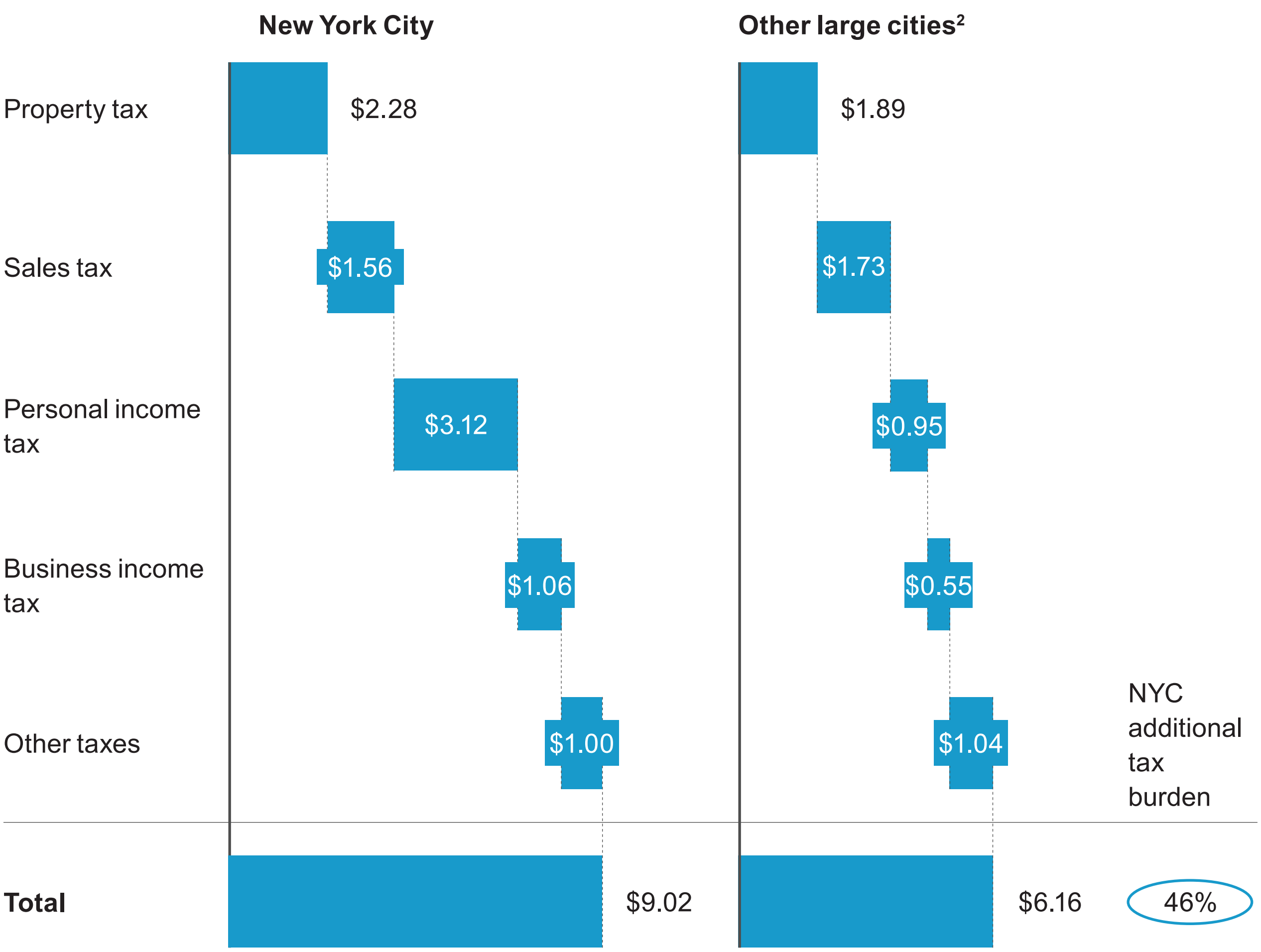
[27] Interview with a former Yelp executive, focusing on the New York City area, June 2020
[28] New York State Restaurant Manager/Owner Survey, July 2020
[29] Interview with Manhattan-based restaurateur, June 2020
[30] NY Department of Labor, 2020
[31] NY Department of Labor
[32] Restaurateur in New York and three other states; founder of a beverage company
[33] New York State Restaurant Manager/Owner Survey, July 2020
[34] Ibid
[35] Expert interviews

Taxes and fines. Among states with the highest number of total restaurants, New York's businesses face the second-highest level of overall taxation. Taxes consume about 10 percent of restaurant revenues in New York, and in New York City taxes are 46 percent higher than the average across other large US cities (largely attributable to higher personal income taxes).[36]

EXHIBIT 9

Taxes per $100 of taxable resources[1]



Source: Citizens Budget Commission, 2015

[1] Taxable resources are the combined dollar amount of resident household incomes and business surpluses (income less employee compensation) in each city

[2] Includes Los Angeles, Chicago, Houston, Phoenix, Philadelphia, San Diego, San Antonio, and Dallas

Penalties imposed on restaurants by the New York City Department of Health for violations decreased from $3,900 per restaurant in 2009 to $1,100 per restaurant in 2019.

During the COVID-19 pandemic, some New York restaurants have reported cash flow challenges in making standard quarterly sales tax payments to the state.

Competition. Since 2005, the number of restaurants per capita has increased 27 percent statewide. Today, New York has 26 restaurants per 10,000 people, compared with a national average of 20.[37]

[36] Citizens Budget Commission, 2015

[37] BLS; US Census

More than half of the restaurateur survey respondents called increasing competition their primary challenge before COVID-19. Since the pandemic began, many restaurants have closed and relieved the pressure. Only a third of survey respondents still considered competition their primary challenge.[38] Overall, whether competition returns to being a major issue challenging restaurant profit margins is unclear.

Third-party delivery companies. Restaurants have grown increasingly dependent on third-party delivery companies, especially during COVID-19. These companies charge fees of 5-35 percent of delivery revenues and thus significantly decrease or even eliminate profits.[39] Small, independent restaurants often pay at the high end of the range. Restaurants typically tap third-party delivery to grow revenue by acquiring new customers, while making use of excess kitchen capacity, but not all have achieved the desired incremental growth.

Even before COVID-19, delivery was gaining popularity, and third-party delivery companies were taking share from restaurants' own digital channels. Forecasts showed delivery growing at a 27 percent compound annual growth rate (CAGR) through 2022 for third-party apps and a 10 percent CAGR for restaurant-owned digital channels, while on-site dining was expected to decline at a -2 percent CAGR.

Third-party delivery has grown even faster during the pandemic. Restaurateurs have reported completing about 60 percent of deliveries through third parties,[40] and monthly sales of US delivery companies have doubled.[41]

Pre-COVID-19, consumers preferred to order directly through a restaurant's own channel, when possible. Fifty-one percent of consumers surveyed in 2019 ordered directly from a restaurant's website; 38 percent ordered through a third-party app.

During COVID-19, consumers have preferred to order through third-party delivery apps, and the delivery channel has increased its share of overall restaurant sales. Ordering directly from restaurants has decreased 17 percent, and ordering through third-party apps has increased 17 percent. In the first weeks of the pandemic, delivery sales grew across all segments, with average growth of 6.5 percent.

Together, the four major third-party delivery companies — Grubhub, DoorDash, UberEats, and Postmates — hold 98 percent of the market, and consolidation is increasing. All four have grown tremendously over the past five years. None have yet reached breakeven, but scale helps offset their investments in technology.

Fees charged by third-party delivery companies have been increasing. This may have significant impact on the profits that restaurants get from delivered meals. Since COVID-19 emerged, the volume shift from dine-in to delivery has hit the typical restaurant P&L and may hinder the efforts of small, independent restaurants to become profitable enterprises. Many city governments across the country have implemented temporary fee caps of about 15 percent to reduce the pressure of third-party delivery companies on restaurants.

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[38] New York State Restaurant Manager/Owner Survey, July 2020
[39] Expert interviews, "Four Horsemen" (Medium.com), New York State Restaurant Manager/Owner Survey, July
[40] New York State Restaurant Manager/Owner Survey, July 2020
[41] Second Measure, "Which company is winning the food delivery war?"

Restaurants have two options — build their in-house delivery capability or embrace the hybrid model. Building an in-house digital channel involves high upfront costs and skills that larger chains and businesses may be able to handle but that may prove challenging for small, independent restaurants.

Digital innovation. The need for digital innovation in the industry is growing and pushing restaurants to invest time and money in following the trends.

Consumers demand speed and convenience and rely heavily on phones and tablets. More than half of would-be guests (51 percent) called the ability to make online reservations extremely important. (By contrast, only 8 percent called drive-through extremely important).[42]

Wi-Fi availability is the must-have restaurant technology; 69 percent of the restaurateurs surveyed called it extremely important. POS and credit card processing tops the list of tech solutions that a restaurant needs, followed by accounting and reporting and analytics software. Labor software (i.e., scheduling tools) like HotSchedules and 7shifts that enables staff to view schedules and share feedback with managers is gaining currency.

More than a third of the surveyed restaurateurs ranked investing in new technology among their top five challenges, and 36 percent said that they wish they had tech/digital skills — making this skill set their third most desired skill.[43] Most restaurants work with tech vendors; 97 percent work with at least one, and 13 percent work with six or more.

The COVID-19 stay-at-home orders made digital innovation critical to restaurant survival. While online ordering and delivery cut revenues as much as 30 percent, they became essential to doing business. The subsequent rules for dining on-site at reduced capacity will make the costly installation of kiosks and tablets helpful to reopening.

Reported limited business knowledge. Some restaurant owners volunteered that they lack the business knowledge to navigate the complexities of permits, taxes, and business operations required to run a profitable business. Survey respondents found labor management especially challenging. Almost half (42 percent) reported having difficulty recruiting and hiring the right employees in a convenient time frame; a third called employee turnover a major challenge.[44] During the pandemic, limited business knowledge has made taking advantage of COVID-19-related government benefits more difficult.

Sixteen percent of survey respondents said that they lack specific skills they need to be successful. Asked what skills they wish they had, 40 percent cited marketing and advertising skills, followed by accounting and tax skills (39 percent) and digital/technology skills (36 percent).[45]

In addition to handling their restaurant's management tasks, restaurateurs have to address government regulations, ranging from labor laws to food safety standards. Survey respondents did not see this as a significant challenge, however. Only a quarter said that managing compliance with labor laws is difficult, and 24 percent said the same about managing compliance with other regulations.[46]

COVID-19 has brought a plethora of new regulations. Even government relief programs designed to ameliorate the damage to the industry have introduced complex business administration tasks, ranging from permits for outdoor seating and alcohol to-go to loan applications. Twenty-six percent of survey respondents said that they did not apply for the PPP because they did not know how to, and 12 percent said that they could not process all the paperwork.[47]

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[42] Toast Restaurant Success Report, 2019
[43] New York State Restaurant Manager/Owner Survey, July 2020
[44] Ibid
[45] New York State Restaurant Manager/Owner Survey, July 2020
[46] Ibid
[47] Ibid

Compliance actions against New York restaurants have decreased in recent years. For example, wage and hour compliance actions by the US Department of Justice peaked in 2012, and Fair Labor Standards Act complaints filed in New York's Southern District Court peaked in 2015. Only 10 percent of the restaurateur survey respondents considered litigation a Top 5 business concern pre-COVID-19. But litigation is a great concern for some businesses, and restaurateurs called compliance with local labor laws a Top 5 employee management issue (failure to comply can trigger litigation).

Impact of COVID-19 on the structural issues. COVID-19 has exacerbated the structural issues of the restaurant industry. High costs for rent and labor consume an even larger share of restaurant revenues diminished by social distancing limitations and changing consumer preferences.[48] The uncertainties around future reopening guidelines and consumer demand have made planning operations extremely difficult and created the potential for further cash flow disruptions and closures.

The COVID-19 pandemic has seen household income and spending in New York state decline. Consumers have only recently signaled intentions to increase spending on meals in restaurants. Experiences during the financial crisis of 2008-2009 suggest that spending on restaurants may take years to recover to pre-COVID-19 levels.

Maintaining revenues at decreased capacity has been a major challenge during the pandemic. Fifty-four percent of survey respondents stated that maintaining enough business to break even is one of their top challenges; 63 percent of restaurant owners said that COVID-19 has had a negative impact on their income.[49] As of July 2020, only a third were offering on-site (outdoor) dining.

New health and safety regulations and decreased operating capacity and demand will require restaurateurs to redesign their operations:

- Pivoting to address a different market (e.g., shifting from restaurant wholesale to grocery, from dine-in to delivery)
- Adjusting dine-in layout to accommodate social distancing requirements
- Protecting their front-line employees.

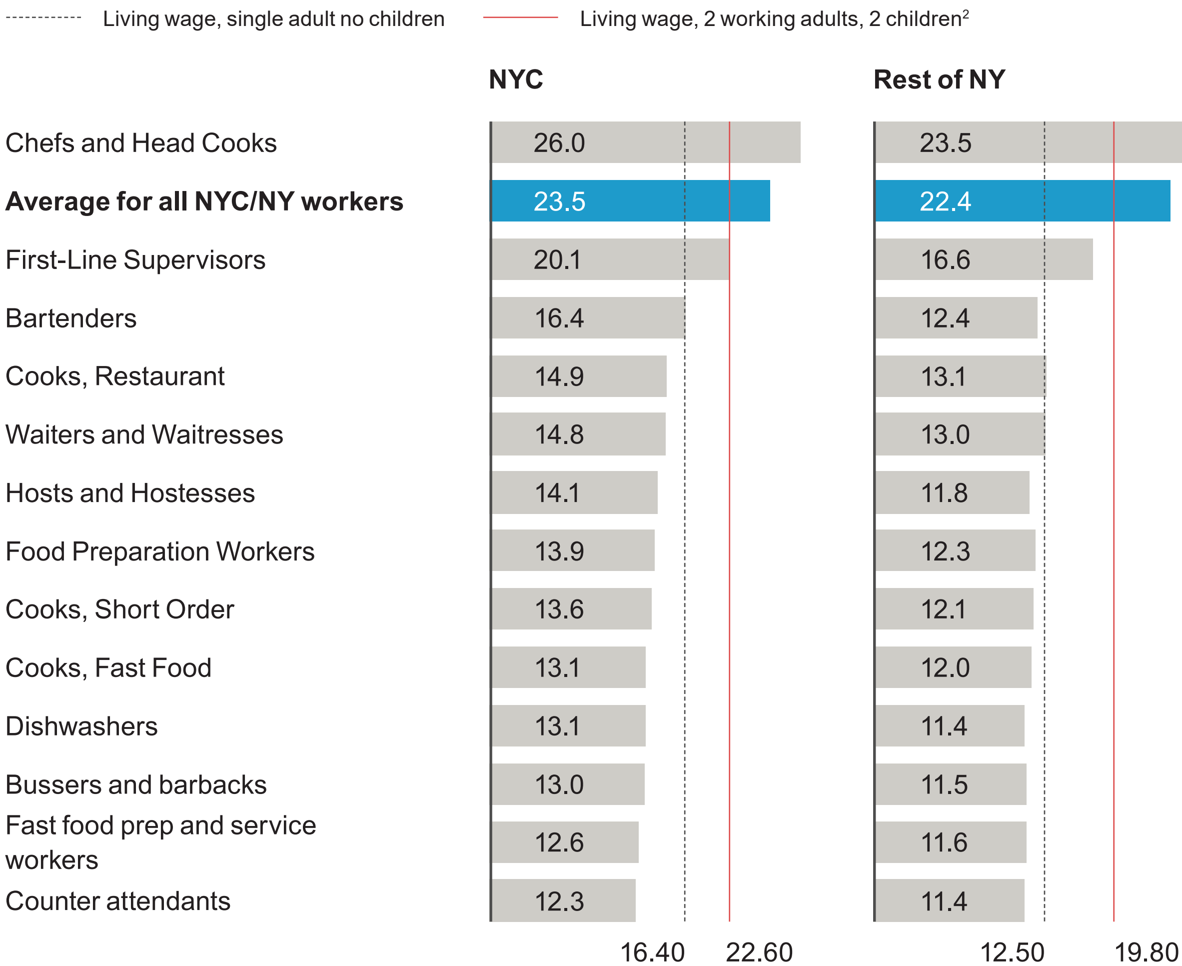
Restaurant workers too face significant challenges. Low wages, limited benefits, racial and gender inequities, and job instability head the list.

Wages. Federal and state minimum wages have not kept pace with the rising cost of living. For all restaurant roles excluding chefs/head cooks, first-line supervisors, and bartenders, average hourly wages fall below living wages (as defined by MIT), even after recent increases in minimum wages boosted restaurant wages in New York.[50] The gaps in New York City range from $4.10 per hour for a single adult with no children to $9.70 per hour for two working adults with two children. [51] This could also be potentially linked to thin and pressured margins operators face.

[48] Ibid
[49] New York State Restaurant Manager/Owner Survey, July 2020
[50] EMSI using BLS OES data
[51] EMSI using BLS OES data; MIT Living Wage

EXHIBIT 10

Many NY restaurant occupations do not provide living wages, even for single workers without families, Average hourly wage, USD, 2019[1]



[1] EMSI using BLS OES data
[2] PayScale Restaurant Report

The surveyed restaurant workers in New York state reported working 30 or more hours per week. Managers, cooks, and chefs work the most hours — on average, 40 hours a week.[52] Seventy-three percent of the surveyed workers said that they are satisfied with their hours worked. The least satisfied are those who work the least hours, on average (other food preparation and service workers like hosts and servers).[53] But according to PayScale, restaurant workers are more likely than other workers to say that they are underemployed — 59 percent vs. 43 percent.[54]

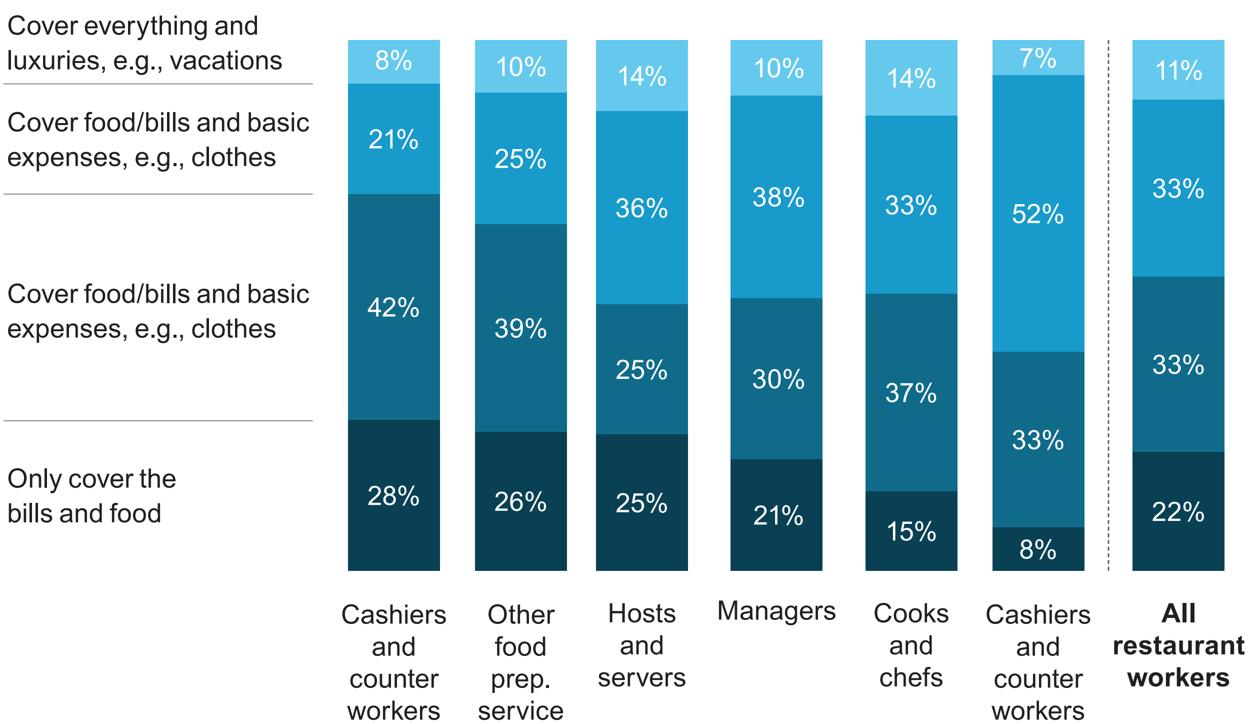
[52] New York State Restaurant Workers Survey, July 2020; n=393, weighted by restaurant type to match state breakdown (14% upscale FSR, 37% casual FSR, 41% QSR LSR, 8% other LSR)
[53] Ibid
[54] Restaurant Report

Restaurant workers have positive attitudes toward their time worked and their schedules. More than 75 percent of workers surveyed agreed that their schedules allow time for themselves and time for other responsibilities. 63 percent agreed that they can afford to take time off when sick,[55] although only 29 percent indicated that they have paid sick leave.

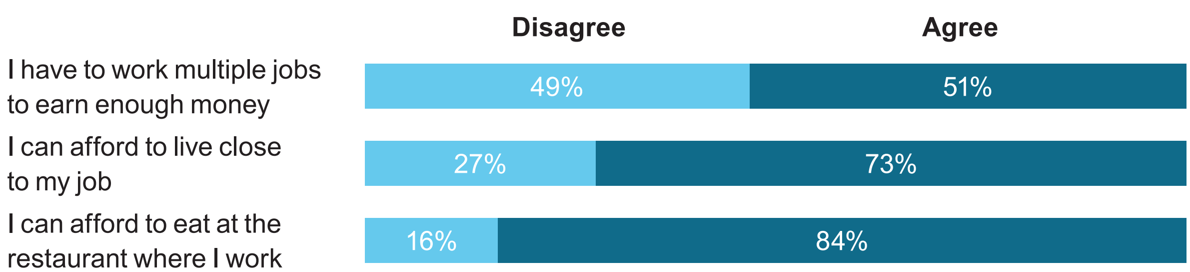
More than half of restaurant workers in New York state (55 percent) can only afford to cover food, bills, and basic expenses such as clothing.[56] More than half (51 percent) have to work multiple jobs to earn enough money, and almost one-third (27 percent) cannot afford to live close to their jobs.[57]

EXHIBIT 11

NYS restaurant workers' ability to cover cost of living, Percent of respondents[1]



NYS restaurant worker attitudes towards lifestyle, Percent of respondents[3]



New York State Restaurant Workers Survey, July 2020; n=393, weighted by restaurant type to match state demographics (14% upscale FSR, 37% casual FSR, 41% QSR LSR, 8% other LSR)
Q: Which of the following statements best describes your financial situation? What I earn allows me to…
Q: In percentages, what share of your weekly earnings do you spend on the following expenses…
Q: Please indicate how strongly you agree or disagree with each of the following statements. Please select only one response for each statement. Bottom 2 – strongly disagree and disagree; Top 2 – strongly agree and agree

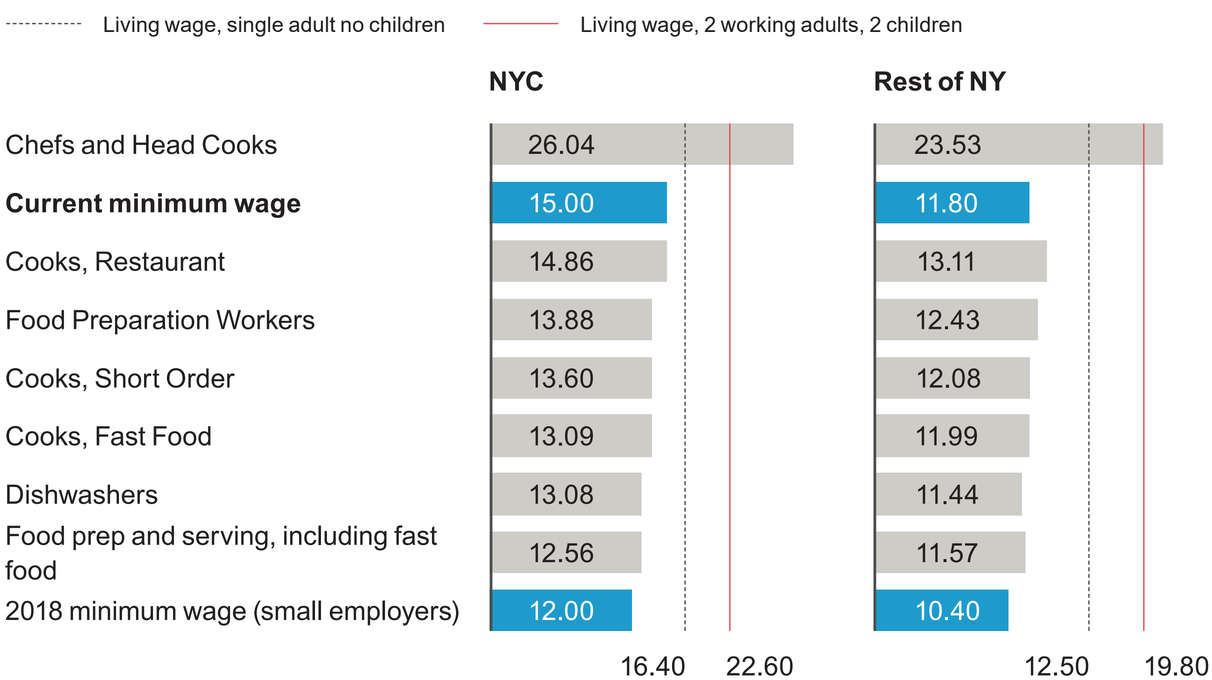
[55] New York State Restaurant Workers Survey, July 2020
[56] Ibid
[57] Ibid

Tipping policies in New York impact earnings for some restaurant workers. New York's 80/20 rule prohibits employers from using the tip credit for an entire shift if a worker performs non-tipped tasks more than 20 percent of the shift. The tip credit is the difference between the cash wage paid by the employer and the full minimum wage required by the state. The employer can count tips received by employees toward the full minimum wage. New York City allows a tip credit of up to $2.50 per hour; the rest of downstate allows $2.15, and the rest of the state allows $1.95. New York is one of the two states that have a state-level 80/20 rule and is one of only a few states that prohibit mandatory or voluntary sharing of tips or service gratuities with back-of-house employees, even in restaurants that do not use tip credits.

New York plans to eliminate tip credits for occupations like nail salon and car wash workers in 2021 but plans to retain tip credits for restaurant and other hospitality workers.[58] Because back-of-house employees cannot participate in tip pooling in New York and New York's minimum wages remain less than living wages, some back-of-house workers may be more likely to earn wages that cannot provide the basic necessities.[59]

EXHIBIT 12

Back-of-house hourly wages, Average hourly wage, USD, 2018



Source: EMSI, NY Department of Labor, MIT Living Wage (2020)

In NY, back-of-house employee wages cannot be bolstered to living wage levels through tips in part due to the prohibition on tip pooling with back-of-house staff

[58] Nolo - "State Laws for Tipped Employees", Davis Wright Tremaine – "Tip Pooling with Back of House is in", Fox Rothschild – "New Labor Regulation Would Allow Nontraditional Tip Pooling", Jackson Lewis – "DOL Proposes FLSA Regulations to Close Door on '80/20' Rule, Implement Tip Pooling Amendments", NY Department of Labor – Hospitality Wage Order, US House of Representatives, 116th Congress (2019) – Raise the Wage Act, US Census, Restaurant Research LLC

[59] EMSI, NY Department of Labor, MIT Living Wage (2020)

The surveyed restaurant workers, both front-of-house and back-of-house, called New York's current tipping policies (i.e., tip credits plus tip pooling, front-of-house-only) the least preferred of six survey options. The most preferred options were full minimum wages plus tips and full minimum wages plus tip pooling for all workers.[60]

While about 90 percent of surveyed restaurant owners called the 80/20 rule fair and useful, given the existence of the tip credit, almost 80 percent would probably support higher minimum wages for their workers.[61]

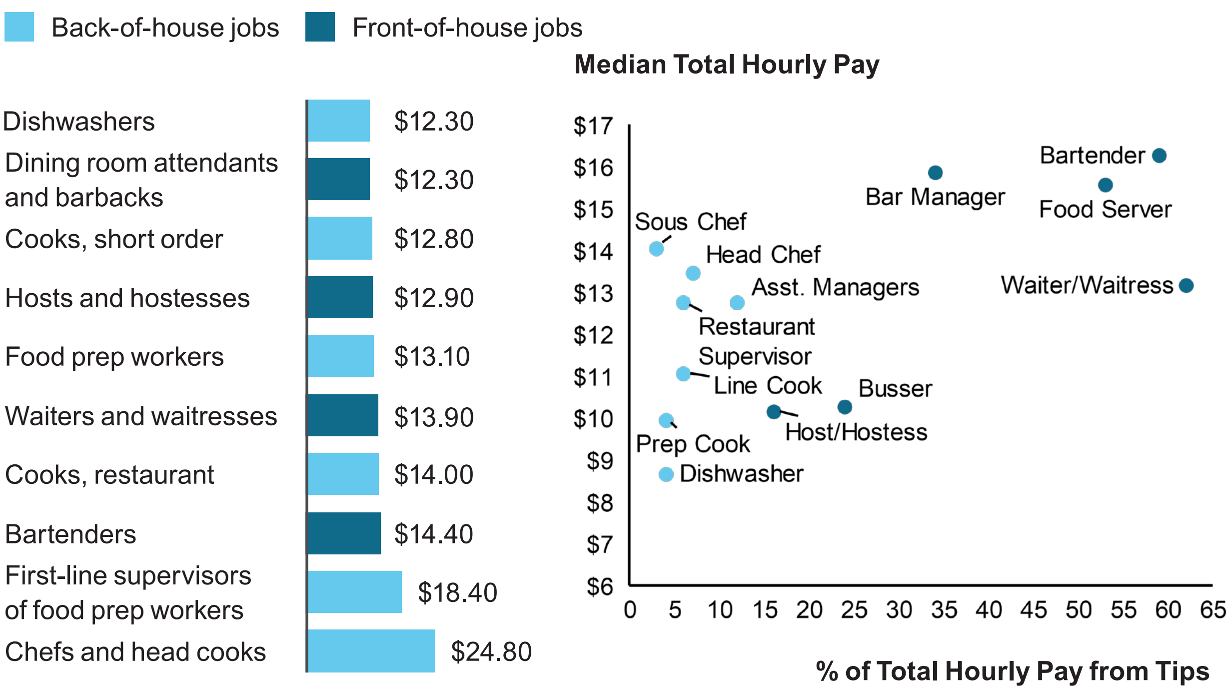
Most restaurant respondents reported that they are unlikely to implement a no tip model. Their views on sharing tips with back-of-house workers were evenly split.[62]

Low wages have persisted, especially for front-of-the-house workers, despite some increases due to New York's Minimum Wage Act and the raises for 22 million people across the country advocated by the Fight for $15 Movement (started in 2012 when fast-food workers in New York City demanded a minimum wage of $15 per hour).[63]

Official data does not show significant compensation discrepancies between back-of-house and front-of-house staff,[64] but independent surveys that asked workers about tips found that tip-eligible front-of-house employees tend to report higher compensation.[65]

EXHIBIT 13

New York State wage and tip data, Based on US Bureau of Labor Statistics data, 2018[1]



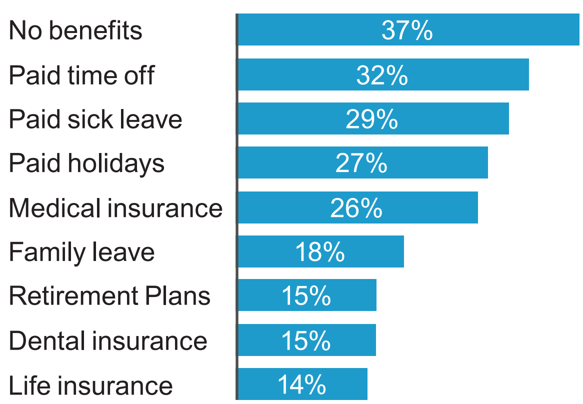
Source: EMSI using BLS data; Payscale nationwide survey of 15,000 restaurant employees, 2015
[1] It is generally believed that tips are underreported in official data sources, e.g., see related Economic Policy Institute report here
Note: Interviews with restaurant industry experts indicate front-of-house and back-of-house wage disparities may be especially prevalent in fine dining establishments

[60] New York State Restaurant Worker Survey, July 2020
[61] New York Restaurant Manager/Owner Survey, July 2020
[62] Ibid
[63] Fight for 15
[64] EMSI using BLS data
[65] Payscale nationwide survey of 15,000 restaurant employees, 2015

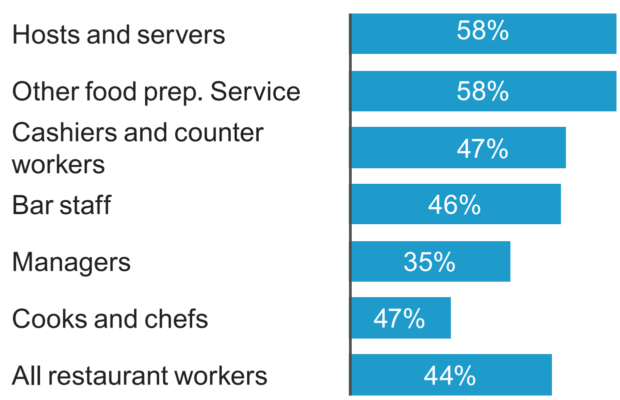
Limited benefits. Restaurant workers lack access to affordable coverage so they face high healthcare bills or inadequate care. Restaurant workers are about 30 percent less likely to receive employer-provided health insurance than workers in other industries. Despite a paid sick leave law being in effect for several years in New York City, only 29 percent of survey respondents reported having paid sick leave.[66] More than one-third of the surveyed restaurant workers (37 percent) reported receiving no employer-provided benefits, and almost half (44 percent) are dissatisfied with their benefits. Medical coverage varies by role and favors higher-paid workers.[67]

EXHIBIT 14

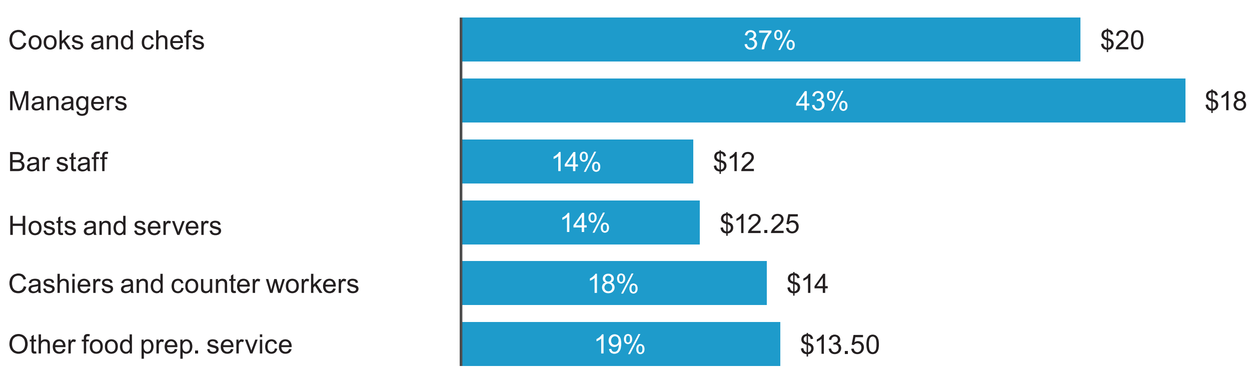
Over a third of restaurant workers surveyed have no benefits available to them at all, Percent of respondents receiving that benefit[1]



Almost one half of restaurant workers are dissatisfied with their benefits, Percent of respondents reporting dissatisfaction[2]



Medical insurance coverage varies by restaurant role and favors more highly paid workers, Role, percent of respondents receiving medical insurance from employers[1], median hourly wage pre-tip[3]



New York State Restaurant Workers Survey, July 2020; n=393, weighted by restaurant type to match state demographics (14% upscale FSR, 37% casual FSR, 41% QSR LSR, 8% other LSR)

[1] Q: Have you received any of the following benefits in your last place of employment

[2] Q: Please rate how satisfied you are with the following aspects of your job: Benefits received (e.g., paid sick leave, healthcare). Chart depicts percent of responses rating 1-5 (1 – Extremely dissatisfied, 10 – Extremely satisfied).

[3] Q: Assuming a typical week before COVID-19, what was your average wage per hour (excluding tips)?

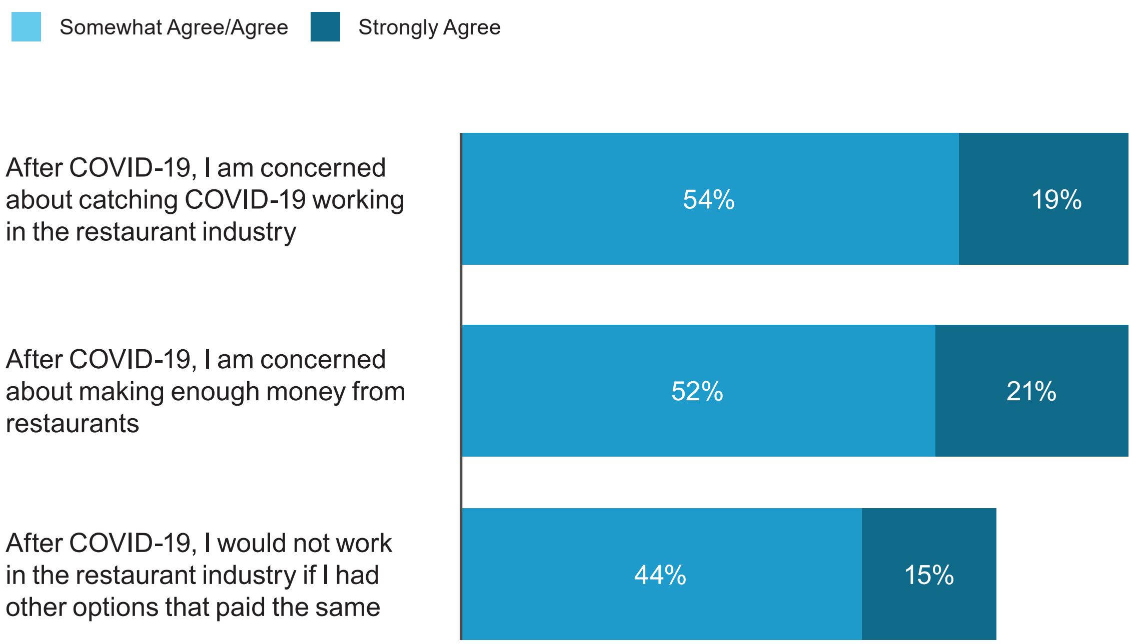
[66] IPUMS using ACS 2018 five-year microdata estimates

[67] New York Restaurant Worker Survey, July 2020

COVID-19 has exacerbated these issues by putting those working on the front line (e.g., serving meals or washing dishes) and commuting to work (especially in New York City) at substantial risk of infection. The surveyed restaurant workers are very concerned and 59 percent would not work in the restaurant industry if they had similar paying options for work.[68]

EXHIBIT 15

NYS restaurant workers attitudes towards COVID-19 context
% of respondents1



Race and gender inequities. Inequality between front-of-house and back-of-house wages exacerbates racial inequity in the industry. People of color are more likely to hold relatively low-paying back-of-house jobs; more than 70 percent of (tip-ineligible) cooks and dishwashers are people of color.[69] But front-of-house workers, who are eligible to receive tips, are more likely to be white. The majority of those in roles like bartenders, hosts, and servers are white (56-74 percent).[70] Cornell University research finds that people of color who do work front-of-house may receive lower tips for similar levels of service.[71]

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[68] Ibid
[69] EMSI, IPUMS using 5-yr 2018 ACS microdata
[69] EMSI
[69] Michael Lynn, Cornell University School of Hotel Administration, "Consumer Racial Discrimination in Tipping: A Replication and Extension," 2009

EXHIBIT 16

People of color are more likely to hold back-of-house jobs, Percent total employment by race, 2019

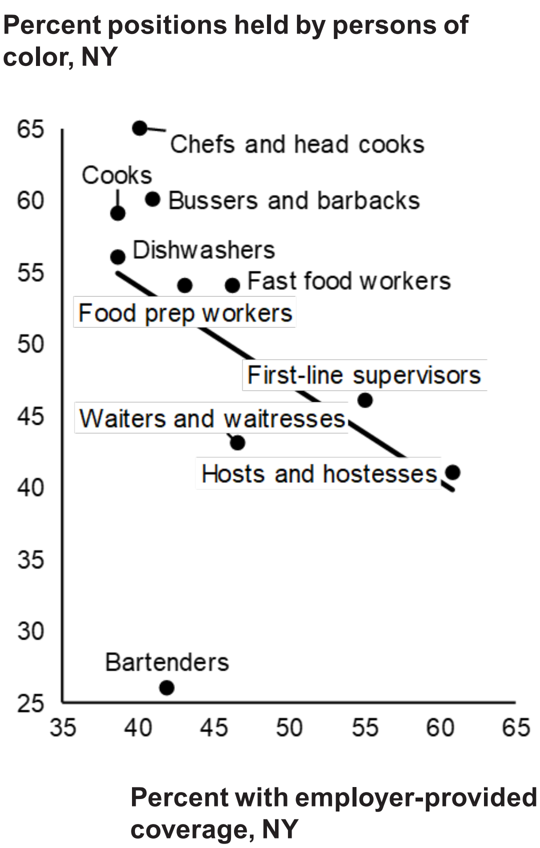
White | Workers of color | Front-of-house jobs

Predominately white

Occupation	White	Workers of color	NY average wages[1]
Bartenders	74	26	$14.40
Hosts and Hostesses	59	41	$12.90
Waiters and Waitresses	57	43	$13.90
Fast food prep & serving	74	74	$12.10
First-line supervisors	54	46	$18.40
Cooks, Short Order	48	52	$12.80
Food prep workers	46	54	$13.10
Dishwashers	44	56	$12.30
Cooks, Restaurant	41	59	$14.00
Cooks, Fast Food[2]	41	59	$12.50
Bussers and barbacks	40	60	$12.30
Chefs and Head Cooks	35	65	$24.80
All food prep & serving	52	48	-

Predominately people of color

Occupations more likely to be held by people of color are less likely to have health insurance



Source: EMSI, IPUMS using 5-yr 2018 ACS microdata
[1] See Urban Institute "How COVID-19 Is Affecting Black and Latino Families' Employment and Financial Well-Being"

Black restaurant workers are 11 percent less likely to receive health insurance than white workers. Hispanic workers and Asian workers are 23 percent and 26 percent less likely to receive coverage, respectively.[72]

People of color hold about half of all restaurant jobs and have filled three quarters of all new restaurant jobs created since 2010. The massive unemployment of restaurant workers caused by COVID-19 is disproportionately affecting the health and livelihoods of people of color,[73] exacerbating the existing racial inequities in the restaurant industry.[74]

Systemic gender issues and the predominance of male chefs and restaurant owners aggravate gender inequity in the industry. Women are less likely to hold the highest-paying jobs. Only 31 percent of cooks and chefs and 36 percent of managers are women.[75]

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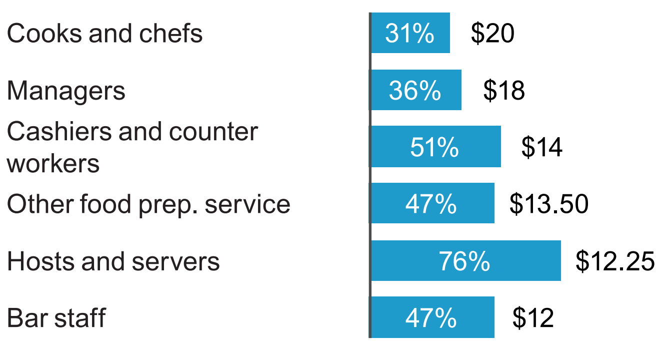
[72] IPUMS
[73] Urban Institute, "How COVID-19 Is Affecting Black and Latino Families' Employment and Financial Well-Being"
[74] Severity of challenges estimated based on insights from expert interviews, New York restaurant survey, and New York restaurant owner survey, as well as restaurant P&L analysis
[75] New York Restaurant Worker Survey, July 2020

Women are more likely to hold lower-wage, tip-eligible, server positions. Most (77 percent) of the surveyed workers in server positions were women. Their median hourly wage is $12, and tips provide 35 percent of their income.[76]

Women account for only 6.3 percent of head chefs in prominent restaurant groups' kitchens.[77] Despite this poor representation, women chefs win recognition in food festivals, rankings, and awards.[78]

EXHIBIT 17

Women are underrepresented in the highest paid roles within the NYS restaurant industry, Percent who are women and median hourly earnings[1]



Women are overrepresented in server roles, Percent who are women, median hourly earnings[1], share of income received in tips[2]

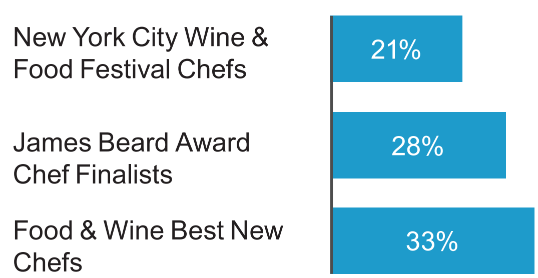
Share of NYS waiters surveyed who are women 77%

$12 Median hourly wage

Share of income coming from tips 35%

Women represent 6.3% of head chefs at prominent restaurant groups' kitchens, Women in head chef positions at 15 prominent U.S. restaurant groups[2]

The percentage of women recognized at food festivals, rankings and awards is 3-5x their overall representation as head chefs, Percent who are women[3]



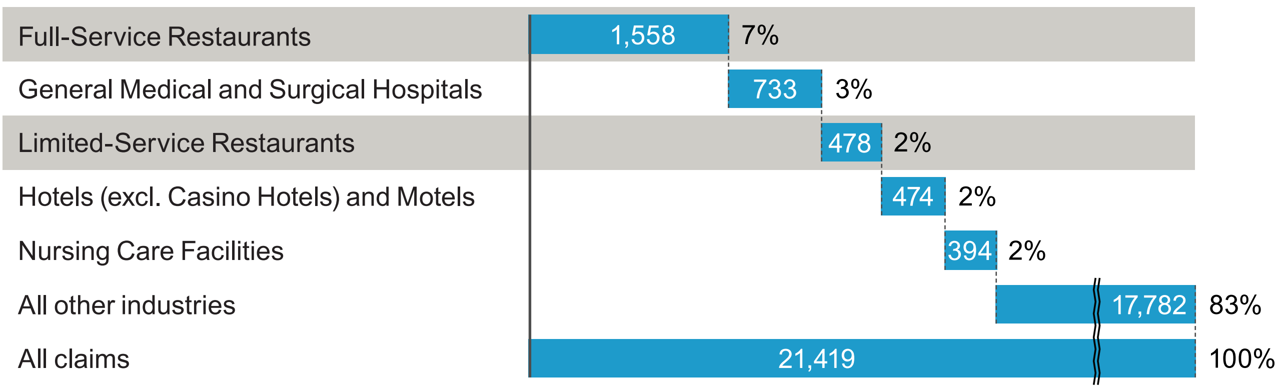
[1] New York State Restaurant Workers Survey, July 2020; n=393, weighted by restaurant type to match state demographics (14% upscale FSR, 37% casual FSR, 41% QSR LSR, 8% other LSR); Q: Assuming a typical week before COVID-19, what was your average wage per hour (excluding tips)?
[2] New York State Restaurant Workers Survey, July 2020; Q: Assuming a typical week before COVID-19, what share of your earnings came from tips?
[3] "Women Everywhere in Food Empires but No Head Chefs", Bloomberg, 2014
[4] "Women Representation in Food", Eater, 2017

[76] Ibid
[77] Ibid
[78] "Women Representation in Food," Eater, 2017
[79] U.S. Equal Employment Opportunity Commission; includes only cases reported to EEOC (excluding cases internally resolved or never reported), 2010-2016

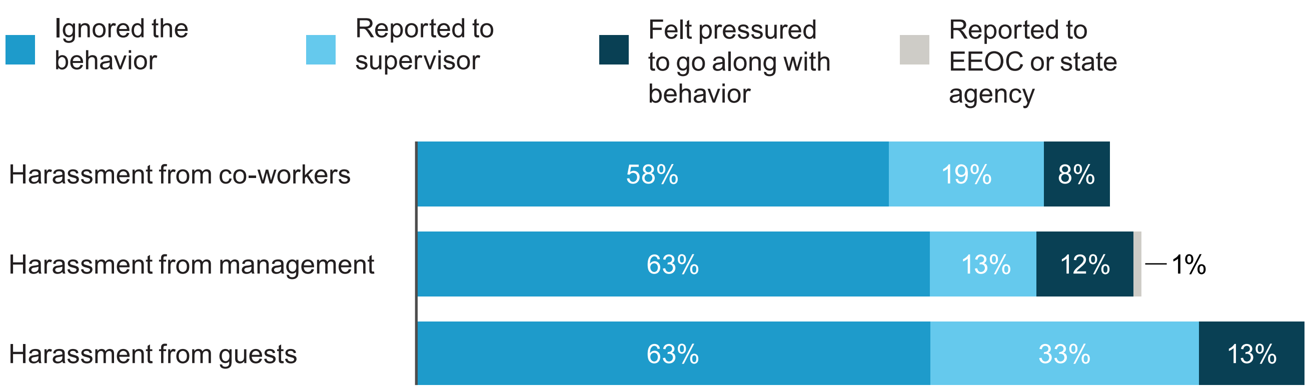
The restaurant industry is the single largest source of Equal Employment Opportunity Commission (EEOC) sexual harassment claims,[79] despite the fact that most women restaurant workers "ignore" sexual harassment rather than reporting it.[80]

EXHIBIT 18

The restaurant industry is the single largest source of EEOC sexual harassment claims,
Sexual harassment claims by industry of origin[1]



Most women restaurant workers "ignore" sexual harassment,
Percent of respondents[2]



Seventy-seven percent of the women working in the New York City restaurant industry who participated in a Hunter College survey reported having experienced sexual harassment and cited five reasons that women are unlikely to report the harassment. Tip-eligible women believed that they would face multiple repercussions if they reported sexual harassment by guests.[81]

[1] U.S. Equal Employment Opportunity Commission; includes only cases reported to EEOC (excluding cases internally resolved or never reported), 2010-2016

[2] "The Glass Floor: Sexual Harassment in the Restaurant Industry", Restaurant Opportunities Center United, 2014

[80] "The Glass Floor: Sexual Harassment in the Restaurant Industry," Restaurant Opportunities Center United, 2014

[81] "New York City Restaurant Worker Report & Survey," Hunter College New York City Food Policy Center, 2019

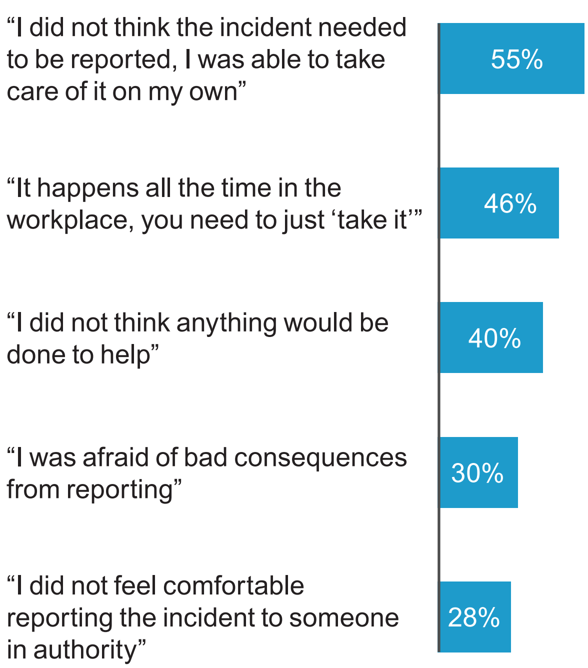
EXHIBIT 19

Women working in the NYC restaurant industry are likely to have experienced sexual harassment, Percent of respondents[1]

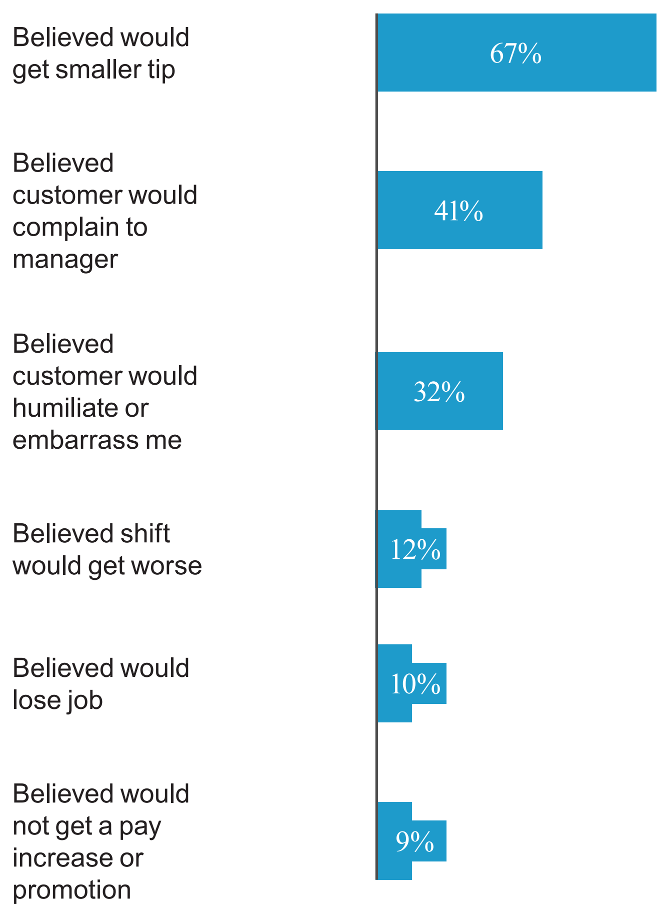
77% of restaurant workers in NYC have experienced sexual harassment

46% of restaurant workers in NYC who have experienced sexual harassment did not report the behavior

NYC restaurant workers are unlikely to report sexual harassment they have experienced for five common reasons, Percent of respondents[1]



Tipped women restaurant workers believe they would face multiple repercussions for reporting sexual harassment from guests, Percent of respondents[2]

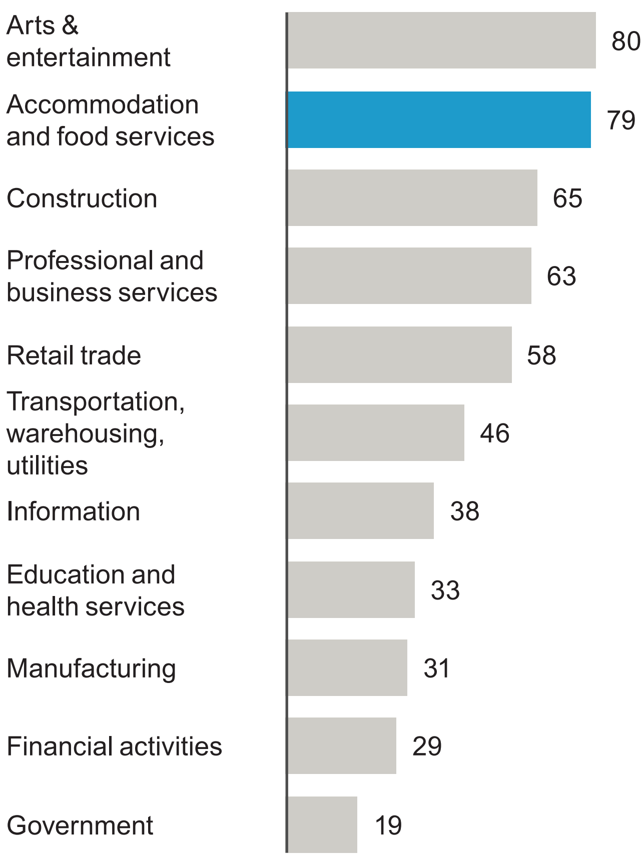


[1] "New York City Restaurant Worker Report & Survey", Hunter College New York City Food Policy Center, 2019

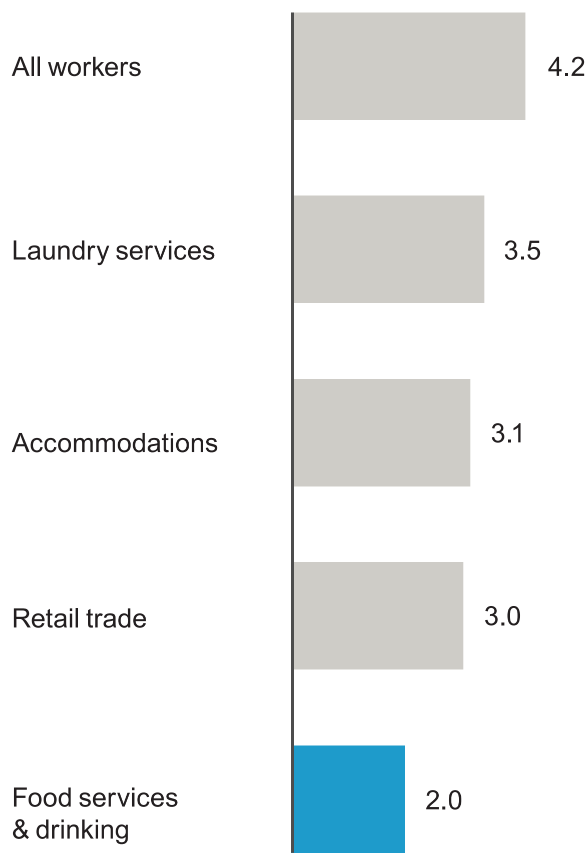
[2] "The Glass Floor: Sexual Harassment in the Restaurant Industry", Restaurant Opportunities Center United, 2014

EXHIBIT 20

Restaurant workers have among the highest rates of turnover among all occupations,
Total separations as percent annual employment[1]



Restaurant workers have the lowest typical tenure across industries, including other low-paying industries,
Total separations as percent annual employment[2]



[1] BLS; Includes voluntary and involuntary separations.
[2] St. Louis Federal Reserve using BLS data

Even before COVID-19, almost 60 percent of US restaurant workers, chefs in particular, reported that they could not work their desired number of hours. The pandemic has exacerbated the situation.[82]

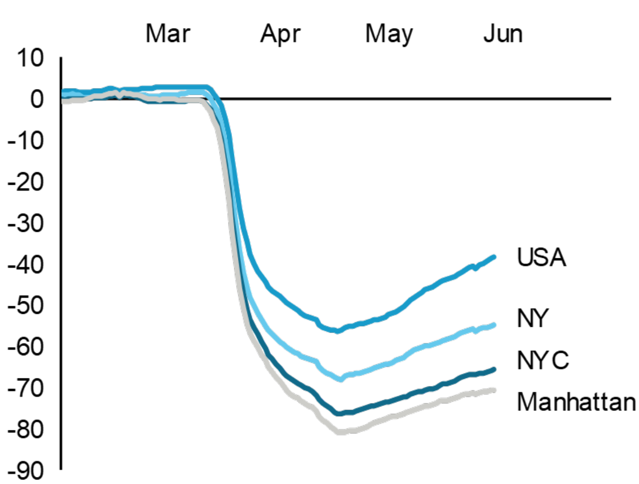
[82] Chetty, Friedman, Hendren, Stepner using data provided by Earnin and Homebase (2020), Aaron Allen, Wall Street Journal

EXHIBIT 21

Restaurant workers are on average more underemployed than the rest of US workforce
Underemployed workers, %

Among the on average 59% underemployed restaurant workers, chefs are most likely to say that they are underemployed (69%) and pizza makers are less likely (51%) to say so

Change in employment of low-income restaurant and hospitality workers versus January 2020[1],
% change



	Change in employment	Change in resto. sales
USA	-38%	-40%
NY State	-55%	-49%
NYC	-66%	-58%
Manhattan	-71%	N/A

NYC's Independent Budget Office estimated in the report that 475,000 jobs could vanish by March of next year, including 100,000 retail jobs, 86,000 jobs in hotels and restaurants

Source: Chetty, Friedman, Hendren, Stepner using data provided by Earnin and Homebase (2020) , Payscale, Aaron Allen, Wall Street Journal

[1] Defined as workers with median income of ~$20,000 after taxes; Employment data available through May, whereas consumer spending data available through June; these figures compare June 1 to June 1 for both sources

More than a third of the surveyed restaurant workers (35 percent) had to stop working (aka have been furloughed) since the pandemic began, and more than 40 percent saw their hours reduced. Of the furloughed workers, about two-thirds plan to return to their jobs, while 16 percent plan to find jobs in other industries.[83] A quarter of restaurateurs plan to rehire fewer employees than they had before the pandemic.[84] Restaurant unemployment tends to increase disproportionately in crises and has a rocky path to recovery.[85]

[83] New York Restaurant Worker Survey, July 2020

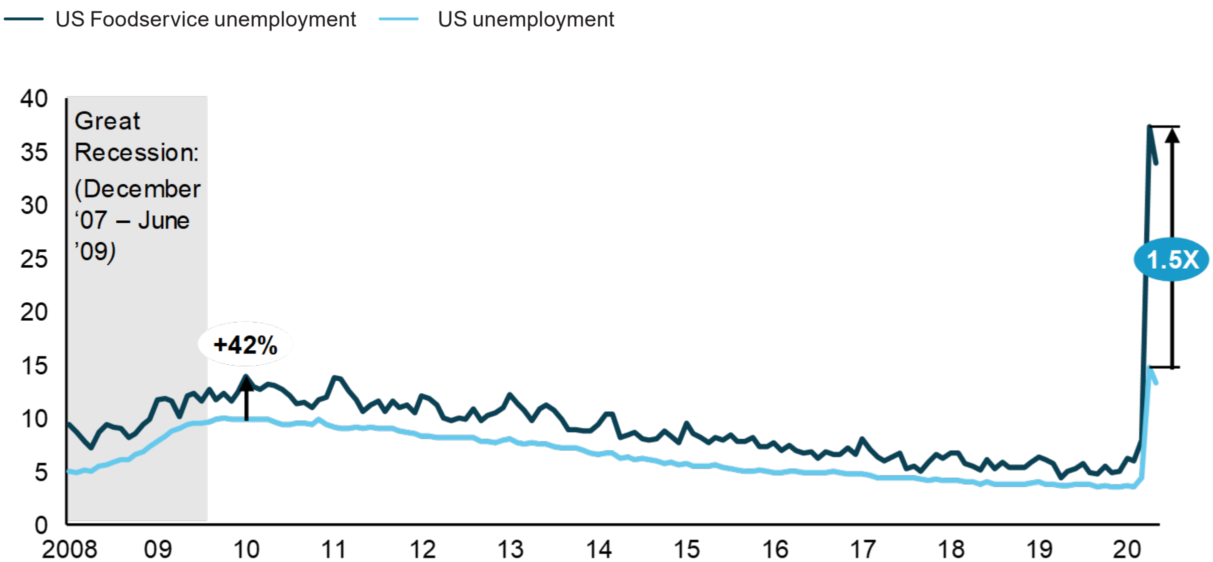
[84] "New York City Restaurant Worker Report & Survey," Hunter College New York City Food Policy Center, 2019 [81] "New York City Restaurant Worker Report & Survey," Hunter College New York City Food Policy Center, 2019

[85] Local Area Unemployment Statistics (LAUS) program, Labor Force Statistics from the Current Population Survey (unemployment rate in accommodation and food services) (2008-2020)

EXHIBIT 22

Unemployment following the Great Recession and during COVID

Unemployment in all sectors and foodservice, US, NYS, %



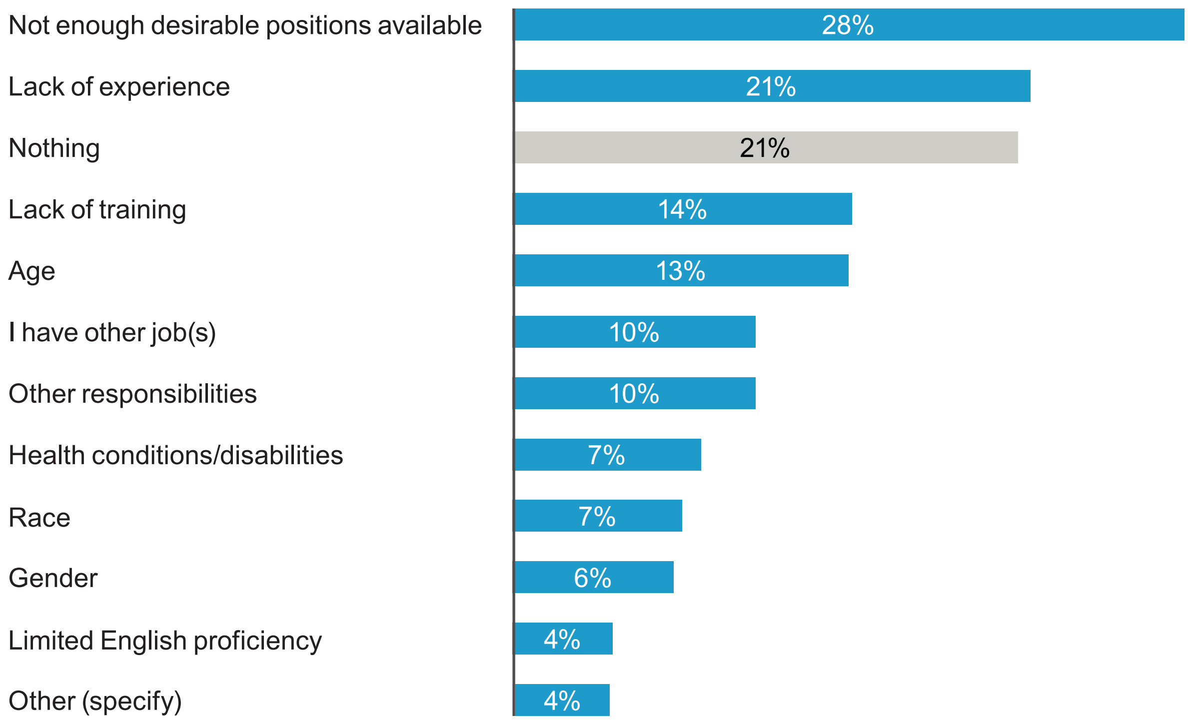
Source: Local Area Unemployment Statistics (LAUS) program, Labor Force Statistics from the Current Population Survey (unemployment rate in Accommodation and Foodservices (2008-2020)

A third of Americans had their first job in a restaurant,[86] but opportunities for advancement in the industry seem quite limited. Most managers have spent fewer than five years in the industry, and just over half of the restaurant workers surveyed (57 percent) believe that they can get the roles they want. Only 42 percent see opportunities to secure a higher-paying job in the industry.[87] Survey respondents cited a number of obstacles to industry advancement.[88]

[86] National Restaurant Association (2019)
[87] New York Restaurant Worker Survey, July 2020
[88] "Women Everywhere in Food Empires but No Head Chefs," Bloomberg, 2014

EXHIBIT 23

Factors preventing restaurant workers from advancement[1]
Percent of respondents citing an obstacle to industry advancement



Source: New York State Restaurant Workers Survey, July 2020; n=393, weighted by restaurant type to match state demographics (14% upscale FSR, 37% casual FSR, 41% QSR LSR, 8% other LSR)
[1] Q: What factors, if any, might prevent you from the achieving roles/promotions you want? Please rank the top 2 most important factors

Most restaurateurs surveyed have held other positions in the restaurant industry, but only 17 percent worked their way up in the restaurant they own or manage — reflecting high job switch rates in the industry. More than 50 percent founded their restaurant — reflecting a high level of entrepreneurism in the industry. According to the survey, restaurant owners/managers have spent, on average, eight years in the industry and an average of 6.5 years in their current role.[89]

[86] New York Restaurant Manager/Owner Survey, July 2020; n = 251 restaurant owners (76%) and senior managers (24%) in New York, with 70% in NYC; 28% Upscale, 42% Casual, 28% QSR and 2% Coffee / Snacks; 42% managing one restaurant, 58% managing multiple, but no more than 10

4. THE NEW YORK RESTAURANT INDUSTRY CAN PROFIT FROM THE EXPERIENCES OF OTHERS FACING SIMILAR CHALLENGES

A well-functioning restaurant industry balances the interests of all stakeholders. Restaurateurs operate with profitable margins. Workers earn living wages, access robust benefits, and work in fair environments where they can advance. Customers have access to a varied menu of restaurants and cuisines. Distributors, producers, delivery providers, and landlords do mutually beneficial business with restaurants. Government makes doing business easy and benefits from restaurant tax contributions. Creating such a future requires investing in stakeholders' economic well-being and improvements in operating models.

Surveys and interviews with participants across the New York restaurant industry, supported by targeted analyses, establish the priority challenges to creating that future.

Key challenges for restaurateurs include thin profit margins, reliance on third-party delivery companies, limited business knowledge, and the impact of COVID-19.

Key challenges for workers include low wages and tipping inequities, limited benefits, race and gender inequities, and job instability.

A review of efforts by industry participants and local, state, and national governments to address these challenges provides some ideas on the potential path forward. Industry groups often use their collective power to improve their cost base and operations (e.g., group negotiation, group purchasing organizations (GPOs), and knowledge-sharing networks). Governments often use tools like mandates (e.g., minimum wage increases and required benefits), spending (e.g., subsidies, loans, and grants), and, in some cases, regulatory reform (e.g., relaxing restrictions and permitting) to help industry participants.

Of course, the New York restaurant industry will have to chart its own path. But here are some examples of how others have addressed the challenges.

Restaurateur challenges

Thin profit margins. High commercial rents and the need to pay the many vendors that support restaurant operations leave restaurateurs facing high costs and margin dilution.

Restaurants sometimes reduce costs by negotiating more favorable contracts and implementing non-traditional operating models.

Some restaurants have negotiated percentage rent lease structures with landlords that let them pay rent as a percentage of revenue. These rent structures are most common in retail shopping centers where anchor tenants have outsized impact on property value.[90]

Restaurants sometimes implement innovative operating models, such as food stalls in food halls like Chelsea Market and Le District. The food stall model can reduce costs to usage fees that include rent, utilities, marketing, POS systems, and taxes. Using the model in food halls has enabled some vendors to achieve margins of 15-20 percent.[91]

[90] Change.org, BisNow, Harvard Business Review, Forbes, CRE Models
[91] Cushman & Wakefield

Third parties offer restaurants opportunities to save on costs by tapping collective purchasing power. Trade associations and food service GPOs offer these benefits to members. Some GPOs leverage over $10 billion in purchasing power to create cost savings opportunities. Leverage Buying Group reports average annual savings on members' total purchases of 10 percent.[92]

Governments sometimes use zoning to influence the business mix in commercial areas. For example, Berkeley applies quotas to encourage a more diverse mix of retail categories,[93] and New York City applies incentive zoning to promote the sale of fresh groceries.[94]

Reliance on third-party delivery companies. Their percentage-based commissions can increase revenues, but their high fees often dilute margins.

Restaurants sometimes avoid third-party commissions altogether by developing and using proprietary apps and an in-house delivery service. This approach requires scale, so small, independent restaurants are often unable to playuse this approach.

Third parties like Ordrslip and BentoBox provide services to help restaurants develop online ordering apps. They charge flat monthly fees for D2C apps, rather than order-based commissions.[95]

Governments in Los Angeles, Seattle, New York City, and the state of New Jersey have addressed the pressure that third-party delivery companies put on restaurant margins by setting temporary fee caps. These caps limit the percentage that the delivery companies can charge restaurants, but many expire once the public health emergency and lockdown orders are lifted or dine-in service is unrestricted.[96]

Limited business knowledge. Restaurateurs often lack business experience or knowledge, making day-to-day business management, regulatory compliance, and accessing capital more challenging.

Third parties like associations and incubators support restaurateurs with networking and business resources. For example, the NYC Hospitality Alliance organizes industry events and shares compliance guidelines.[97] Similarly, incubators support food service entrepreneurs by providing mentorship and connections to sources of capital like Hot Bread Kitchen in New York City.[98]

Governments sometimes support restaurateurs through resource sharing. For example, a Massachusetts public-private partnership provides pro bono resources to small businesses.

Governments have facilitated access to capital through networking and making connections. The Business Lending Network operated by the Philadelphia Department of Commerce offers one example.[99]

Impact of COVID-19. COVID-19 has severely reduced restaurant revenues and left many restaurateurs unable to meet their rent obligations.

Restaurants in many parts of the US have experimented with expanding product and service offerings to supplement their revenues. For example, national chains like Panera Bread, California Pizza Kitchen, and Subway are selling their products in grocery stores.[100]

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[92] Dining Alliance, Entegra Procurement Services, Leverage Buying Group
[93] City of Berkeley
[94] New York City
[95] Bentobox, Ordrslip
[96] NJ.com, Eater, Seattle Times, Nation's Restaurant News
[97] NYC Hospitality Alliance
[98] Hot Bread Kitchen
[99] City of Philadelphia, Small Business Strong
[100] Food & Wine

Governments in some jurisdictions have eased regulations so restaurants can expand their offerings during the pandemic. Boston is allowing permitted restaurants to sell retail food, which normally requires a separate license.[101] New York City is temporarily easing sidewalk and roadside seating restrictions and permitting sales of alcoholic drinks for takeaway.[102]

Governments at various levels are offering relief to restaurateur tenants and their landlords. Provisions vary from state government moratoriums on commercial evictions, to temporary government-mandated commercial rent suspensions in France and Australia, loans and grants to commercial landlords that forgive at least 65 percent of rent in Canada, and waiver of property tax payment penalties until May 2021 in California.[103]

Worker challenges

Wages. Most restaurant workers earn below-cost-of-living wages, and the tips on which many rely for income exacerbate racial inequities.

Restaurants sometimes increase wages above legal requirements by changing their staff models. In New York City restaurant west~bourne, all workers earn the same rate of pay, are cross-trained, and share all responsibilities.[104] This eliminates inequities between roles and pays living wages to all staff. Another example is the High Roads Kitchen initiative, launched during the COVID-19 crisis, which provides jobs for restaurant workers and a subsidy for restaurant owners who commit to paying a higher wage and following equitable employment practices.[105]

Governments generally tap two practices to address this challenge — setting minimum wage levels and regulating how restaurants can distribute revenue. For example, San Francisco has set its minimum wage above the federal level, at $16.07.[106] The federal government permits voluntary and employer-mandated tip pooling, which enables sharing tips between front-of-house workers who receive tips and back-of-house workers who do not (current New York regulation prohibits sharing tips between front- and back-of-house workers).[107]

Limited benefits. Restaurant workers often have limited access to employer-provided benefits.[108]

Workers can tap individual benefits purchase options through state and federal health insurance online marketplaces, private companies' individual plans, and third parties like unions and associations. For example, low-income workers may qualify for the Essential Plan through the New York State Official Health Plan Marketplace and pay maximum premiums of $20 per month.[109]

Restaurants sometimes fund worker benefits directly or defray costs by implementing customer surcharges. Some New York City restaurants partner with Vivvi to provide flexible and accessible care for employees' children.[110] In San Francisco, many restaurants place a 6 percent surcharge on bills to fund employee healthcare and other benefits.[111]

Third parties sometimes offer more affordable benefits options and help workers navigate benefits marketplaces. The Freelancers Union offers gig workers individual options for medical, dental, vision, term life, disability, and liability coverage and makes income-based subsidies available.[112]

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[101] City of Boston
[102] NYC Open Restaurants, NYC DOT
[103] Paul Weiss, Dentons, Bloomberg, Dentons, The Detroit News, BisNow
[104] Loose Threads, Zagat
[105] Yahoo Finance
[106] Economic Policy Institute
[107] Nolo, Davis Wright Tremaine, Eater
[108] New York Restaurant Worker Survey, July 2020
[109] New York State Department of Health
[110] Eater, Food & Wine
[111] San Francisco Chronicle
[112] CNN, Freelancers Union

Group purchasing organizations (GPOs) like Dining Alliance and trade associations like the National Restaurant Association offer employers negotiated benefits plans for purchase.[113] To encourage adoption of publicly available plans, companies like Uber, Seamless, and Postmates use Stride Health to give workers access to a technology platform that eases navigation of the public marketplace for benefits.[114]

Governments in some jurisdictions have mandated the provision of benefits. For example, San Francisco requires medium and large for-profit companies to spend a minimum amount of funds on healthcare benefits for employees.[115]

Race and gender inequities. Inequities in pay and worker treatment are common in the restaurant industry.

Restaurants sometimes try to mitigate inequities through all-employee anti-harassment training and clear codes of conduct like Homeroom restaurant's "Not On The Menu" sexual harassment response policy, which the EEOC has named a national best practice.[116]

Third parties sometimes try to increase consumer awareness and encourage industry participation among underrepresented groups. For example, Fairtrade labels products on the basis of stringent social, economic, and environmental standards. According to a 2015 study, 80 percent of consumers familiar with the Fairtrade mark say they have a more positive perception of brands that carry the Fairtrade label.[117]

Similarly, before the pandemic, the ROC Diner's Guide rated restaurants based on labor rights, such as wage levels, benefits availability, career advancement opportunities, racial equity, and implementation of sexual harassment training or policies. An estimated network of more than 20,000 consumers used the app.[118] To encourage industry participation and leadership among women, the James Beard Foundation operates several women's leadership programs that offer education, training, and mentoring to help women develop their culinary and management skills.[119] Lastly, the Kellogg Foundation's Racial Equity Toolkit is a tool and training program available to help restaurants increase their race and gender equity.[120]

Governments sometimes try to mitigate inequities through wage regulations. Iceland requires employers to report pay data proactively and penalizes violations of the equal pay law.[121] The state of New Jersey requires pay data reporting for employers doing business with the state.[122] Eight US states have effectively abolished the tipped minimum wage, which is commonly earned by women workers.[123]

Job instability. Turnover is high in restaurants, due in part to seasonality, working conditions, and erosion of restaurateur margins.

Workers sometimes address instability by negotiating working protections in contracts. UNITE HERE and the Communications Workers of America are two unions that help workers secure contract provisions which address rights, wages, benefits, and job security.[124]

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113 Dining Alliance, National Restaurant Association
114 Benefits News
115 SHRM, Office of Labor Standards Enforcement, San Francisco Chronicle
116 Edible Manhattan, Eater, Washington Post
117 Fairtrade
118 ROC United, Eater, NPR, RAISE
119 James Beard Foundation
120 Race Forward
121 NPR, NBC
122 New Jersey Education Association, Pay Parity Post
123 Economic Policy Institute, The New Republic, National Women's Law Center
124 UNITE HERE, UNITE HERE, CWA

Governments sometimes try to reduce instability by encouraging employee retention. In work-sharing programs, the employer reduces an employee's hours, and the state subsidizes the employee's pay through partial unemployment insurance benefits. Arizona, Arkansas, California, Connecticut, and Kansas have implemented such work-sharing programs.[125]

Governments in California and New York City have partnered with High Road Kitchens during the COVID-19 pandemic to encourage rehiring employees through grants and subsidies and a joint commitment to equitable wages and employment practices.[126]

[125] AZ.gov, Arkansas.gov, CA.gov, CT.us, KS.gov
[126] High Road Kitchens, Patch


OPEN
ONLY FOR PICK UP DELIVERY
OR
TO GO ONLY

5. INACTION HAS A HIGH COST

If COVID-19 resurges and how it resurges may have a severe impact on the New York restaurant industry. The extent and duration of sales and job losses and restaurant closures will depend on the effectiveness of public health and economic policy responses.

There are many scenarios for how the crisis will evolve, and significant uncertainty remains on the effectiveness of vaccines or therapeutics, the potential for virus resurgence, the need for prolonged social distancing, and the effectiveness of government policy interventions.

McKinsey & Company surveyed global executives to learn their perspectives on the likelihood of nine recovery scenarios based on the effectiveness of public health and economic policy responses. The most frequently believed scenarios include only partially effective economic policy responses and either an effective public health response despite a regional virus resurgence (“virus resurgence” scenario) or a rapid and effective public health response that controls virus spread (“virus contained” scenario).[127]

The COVID-19 pandemic and its impact on New York restaurants may differ from previous crises in three major ways.

Length of crisis. The COVID-19 pandemic is not a point-in-time crisis. Instead, the pandemic is an extended, multi-month, possibly multi-year event that could last until the virus has been contained and therapeutics and vaccines are available.

Recovery pattern and potential for resurgence. Evidence from other states suggests significant risk that, as governments lift social isolation measures, infection rates will increase. Depending on multiple factors, including herd immunity, human behaviors, hospital capacity and readiness, and policies. New York might see a second major wave of the virus in the fall, perhaps coinciding with peak flu season.

Reopening uncertainty. Many other states have already backtracked on reopening plans as contagion has resurfaced and accelerated. Businesses and office buildings may remain closed for extended periods, while international travel may be curtailed indefinitely. The significant uncertainty may dissuade restaurants from reopening and prolong any potential recovery.

The impact of the COVID-19 pandemic on the industry has been greater in New York City than in the rest of the state and the US as a whole as restaurant spend in New York City has dropped 1.4 times more than national averages.[128] Potential reasons for the more severe decline include greater viral spread; more stringent social distancing restrictions, combined with a lack of socially distant options like drive-throughs; greater reliance on tourist and office worker spending; and a higher cost of doing business that may increase closures.[129]

Under a virus resurgence scenario, only partially effective public health and economic policy responses would lead to the failure of virus containment and a prolonged economic downturn. Restaurant losses in New York might be substantial and sustained. Statewide restaurant sales might decline 25-30 percent in 2020 and not recover to pre-pandemic levels until 2023. Declines in sales might be even greater in New York City, with a year-on-year decrease of 35-40 percent.

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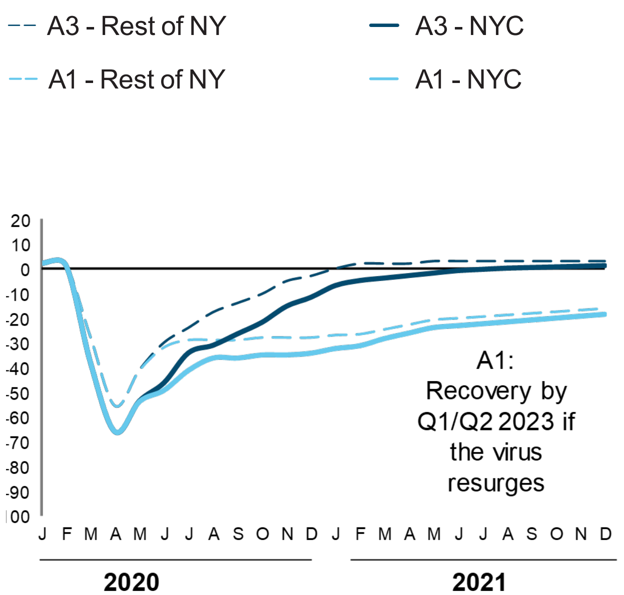
[127] McKinsey & Company
[128] Chetty, Friedman, Hendren, Stepner using data provided by Affinity Solutions (2020)
[129] John Hopkins Coronavirus Resource Center; New York Empire State Development; Company Financials

EXHIBIT 24

Monthly restaurant sales vs. 2019, %



New York State (outside of New York City only)

	A3 - Virus contained, quick rebound to pre-crisis growth	**A1 -** Virus resurgence/ econ. downturn
Time to return to pre-crisis sales, Quarter	2021 Q1	2023 Q1
Peak sales drop, % change yoy	-55-60%	-55-60%
2020 total sales, % change yoy	-15-20%	-25-30%

New York City

	A3 - Virus contained, quick rebound to pre-crisis growth	**A1 -** Virus resurgence/ econ. downturn
Time to return to pre-crisis sales, Quarter	2021 Q3	2023 Q2
Peak sales drop, % change yoy	-65-70%	-65-70%
2020 total sales, % change yoy	-25-30%	-35-40%

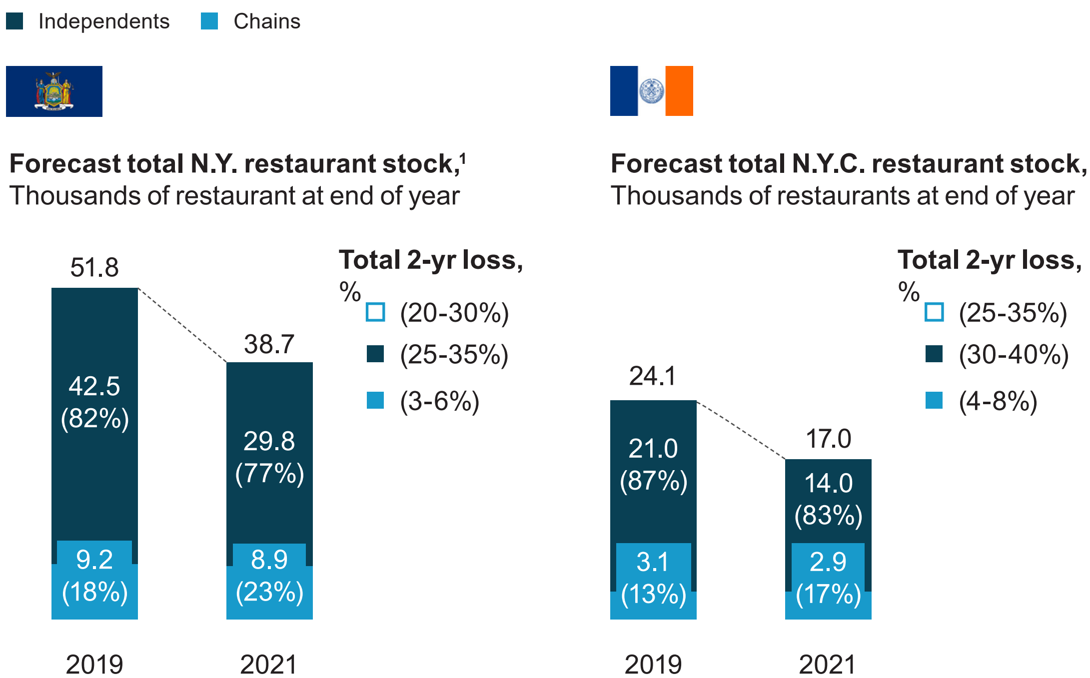
Source: CHD-Experts, McKinsey Global Institute-Oxford Economics, New York restaurant owners and manager survey (n=251); U.S. Census, Black Box Intelligence, Datassential, Foursquare, industry reports, company financials

As many as 10,000-15,000 restaurants (25-35 percent of restaurants) might close permanently, and New York might take 5-10 years to return to pre-pandemic levels of restaurant locations and employment. This scenario might hit restaurants in New York City especially hard, forcing 30-40 percent to shut their doors over the next two years.[130]

Independent restaurants might feel the greatest impact. Some 25-40 percent of them might have to close, compared with 3-8 percent of chain restaurants.

EXHIBIT 25

Note: assumes no additional government relief packages, e.g., the proposed RESTAURANTS Act. There is still significant uncertainty on the shape of recovery and potential closures. This analysis represents just one potential scenario among many of New York restaurateur survey respondents report their business is somewhat or very likely to close due to the impact of COVID-19[2]



Note: Some national surveys of restaurant owners reveal a more pessimistic outlook. For example, an NBER study of 5,800 small businesses found restaurateurs believe that they have a 72% chance of survival if the crisis lasts one month, 30% chance if it lasts four months and 15% chance if it lasts six months

These analyses represent only potential scenarios based on discrete data from one point in time. They are not intended as a prediction or forecast, and the situation is changing daily. See full disclaimer on page 2

Source: CHD-Experts, BLS Business Employment Dynamics, McKinsey Global Institute-Oxford Economics, New York restaurant owners and manager survey (n=251); (see righthand side); U.S. Census, Black Box Intelligence, Datassential, Foursquare, industry reports, company financials

[1] Includes NYC

[2] New York restaurant owners and manager survey (n=251);; n = 251 restaurant owners (76%) and senior managers (24%) in New York, with 70% in NYC; 28% Upscale, 42% Casual, 28% QSR and 2% Coffee / Snacks; 42% managing one restaurant, 58% managing multiple, but no more than 10. Question: How likely are you to close your restaurant in due to the impact of COVID?Potential responses: Very unlikely, somewhat unlikely, neither likely nor unlikely; somewhat likely; very likely

[130] CHD-Experts, Oxford Economics, July survey of 251 New York restaurant owners and managers; expert interviews, U.S. Census, Black Box Intelligence, Datassential, Foursquare, industry reports, company financials, EMSI

EXHIBIT 26

Note: assumes no additional government relief packages, e.g., the proposed RESTAURANTS Act. There is still significant uncertainty on the shape of recovery and potential closures. This analysis represents just one potential scenario among many of New York restaurateur survey respondents report their business is somewhat or very likely to close due to the impact of COVID-19[2]

Virus resurgence scenario (A1)

Calendar year 2020, estimated range of losses

	Direct restaurant losses	Indirect and induced losses	Total losses
GDP[1]	\$9.0B - \$14.0B	\$10.0B - \$ 16.0B	\$19.0B - \$30.0B
Jobs lost at end of year[2]	135,000 – 200,000	65,000 – 100,000	200,000 – 300,000
State and local taxes lost[3]	\$1.0B - \$2.0B	\$1.5B - \$2.5B	\$2.5B - \$4.5B

Note: Local revenues account for about 50% revenues lost, and NYC accounts for 60% of local revenues

Calendar year 2021, estimated range of losses

	Direct restaurant losses	Indirect and induced losses	Total losses
GDP[1]	\$3.5B - \$7.0B	\$4.0B - \$8.0B	\$7.5B - \$15.0B
Jobs lost at end of year[2]	35,000 – 100,000	15,000 – 50,000	50,000 – 150,000
State and local taxes lost[3]	\$0.5B - \$1.0B	\$0.75B - \$1.5B	\$1.25B - \$2.5B

Note: Local revenues account for about 50% revenues lost, and NYC accounts for 60% of local revenues

These analyses represent only potential scenarios based on discrete data from one point in time. They are not intended as a prediction or forecast, and the situation is changing daily. See full disclaimer on page 2

1. Based on 25 to 40% loss in restaurant sales in 2020 and 10 to 20% loss in 2021, 0.67x GDP to sales ratio based on EMSI data, and a 1.17x direct NY restaurant GDP to indirect and induced GDP multiplier based on EMSI gravitational money flows model
2. Represents jobs lost at end of calendar year, i.e., December 2020 and December 2021; peak job losses exceeds end-of-year point estimate and occurred in April 2020 with a loss of approximately 450,000 New York restaurant jobs compared to Q1 2020 according to Chetty, et al. using Earnin and Homebase estimates. Estimates based on McKinsey-Oxford employment forecast model for food services and drinking establishments in Q1 2021 and Q1 2022, ranged 5% in both directions. Indirect and induced employment effects estimated based on EMSI modelling of NY restaurant industry using gravitational flows model
3. Assumes 25 to 40% loss of restaurant-related sales, alcohol, income, and unemployment tax revenues in 2020 (10 to 20% in 2021) and a 50 to 75% drop in business profit taxes in 2020 (25 to 40% in 2021). No change in commercial property taxes assumed for 2020, but 10 to 15% drop for restaurant related property taxes assumed in 2021. NY Open Data; NY Department of Taxation and Finance; EMSI; Tax Calculator; Modern Restaurant; Independent Budget Office; DOLETA; City of New York; State of New York; REIT; Moody's

Considering the upstream and downstream effects of a restaurant downturn in a virus resurgence scenario, New York might lose as much as $19 billion-30 billion in statewide GDP and $2.5 billion-4.5 billion in state and local taxes in 2020 alone.[131] As many as 200,000- 300,000 former restaurant workers, many of whom were already economically vulnerable (e.g., recent immigrants, workers without college degrees, and people of color), might remain unemployed at the end of the year.[132]

Significant losses might extend into 2021, and statewide GDP might drop $7.5 billion-15.0 billion during the year. This might translate into 50,000-150,000 jobs still not recovered by the end of the year and a state and local tax revenue loss of $1.25 billion-2.50 billion.

After its initial surge in cases, New York has been relatively effective in reducing viral spread and is one in a handful of states where cases have decreased or remained stable at low levels in recent weeks.[133]

The scenario in which viral spread is contained and the restaurant industry returns to growth relatively quickly remains on the table. But the recent resurgence of COVID-19 in states like California, Texas, and Florida may decrease the likelihood of this virus contained scenario.

Under this scenario, restaurant sales might return to pre-pandemic levels by early 2021 statewide and by the second half of 2021 in New York City. Restaurant closures might be limited to 2,000-4,000 locations (4-8 percent of restaurants statewide), and restaurant employment might return to pre-pandemic levels by late 2022.[134]

That said, very little is known about how COVID-19 will evolve and what implications its evolution will have for government policy and the economy. Therefore, these numbers are intended to provide directional estimates, not to inform planning. But the numbers do suggest two implications for industry stakeholders to contemplate.

Fine dining and casual restaurants might see the greatest sales declines and the highest closure rates. Full-service restaurants are especially vulnerable because they rely on on-site dining (indoor dining accounted for 50 percent of survey respondents' pre-COVID-19 revenues)[135] and have limited ability to provide socially distanced options like drive-through (take-out and drive-through combined accounted for only 14 percent of survey respondents' pre-COVID-19 revenues). Furthermore, the fragmented nature of the industry and lack of market power in dealing with landlords, delivery companies, suppliers, and others in the value chain leave independent restaurateurs struggling to address their challenges in silos.[136]

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[131] NYS Department of Taxation and Finance; NY Open Data
[132] Economic Modeling Specialists International (EMSI)
[133] Johns Hopkins Coronavirus Resource Center
[134] CHD-Experts, Oxford Economics, July survey of 251 New York restaurant owners and managers (see righthand side); expert interviews, U.S. Census, Black Box Intelligence, Datassential, Foursquare, industry reports, company financials, Economic Modeling Specialists International (EMSI)
[135] New York Restaurant Manager/Owner Survey, July 2020
[136] CHD-Experts, Oxford Economics, New York Restaurant Manager/Owner Survey, July 2020, expert interviews; US Census, Black Box Intelligence, Datassential, Foursquare, industry reports, company financials

The likely loss of more than a quarter of New York's restaurants will damage its social and cultural vitality, suppressing the lively atmosphere of some of New York's most thriving neighborhoods and reducing New York's world-leading culinary diversity. This might have detrimental impact on New York's residents and tourists visiting New York in part to enjoy its great restaurant scene.

But the industry has a path forward. The restaurant industry is currently in dire straits, but it may emerge from the COVID-19 crisis better and stronger. While New York may have fewer restaurants immediately after the pandemic, the creative, entrepreneurial spirit of New York's restaurateurs remains, and post-COVID-19 restructuring offers opportunities to address some of the longstanding challenges that have plagued the industry. Rebuilding the restaurant industry in New York will require concerted effort by all stakeholders — owners, industry groups, nonprofits, government, and employees — but success is definitely possible.