

MASSACHUSETTS RESTAURANT PROMOTION COMMISSION

Minutes of the Commission

December 17, 2019

Commissioners in

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

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

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

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

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

Senator Kennedy arrived at 10:05 A.M.

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

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

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

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

Mr. Perkins stated that the 1980s put the Boston restaurant scene on the map. Prior to that (i.e. 1960s-70s), restaurants were largely based in hotels and operated by immigrants, such as Anthony’s Pier 4. He continued that in the 1990s we witnessed the rise of regional chains in the state and then a period of stagnation between 2000-2010 due, in part, to economic turbulence.

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Mr. Perkins provided that the old guard, such as Harvard Square and Newbury Street, have lost some appeal with changing demographics and the evolution of the Greater Boston area. A good location is no longer a guarantee that you will succeed. He cited the Burlington Mall as another example of a location that once served as the prototype for a regional shopping center, but that has since changed significantly.

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

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

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

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

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

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

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

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

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

Commissioner Luz asked about same store sales. Mr. Perkins said that while sales can be going up, it shouldn't necessarily be interpreted as a growing customer base. Commission Luz followed up with a question on takeout sales. Mr. Perkins used an example to explain the impact of the rise of delivery services. He said that if a restaurant sells \$100 worth of food via a delivery service, they're probably taking home about \$70 on their end. Another indirect impact in this new trend is alcohol sales have long been a great revenue stream for restaurants. When customers order takeout or delivery, they're not buying drinks.

Commissioner Turner inquired about historical trends and offered that her restaurants saw 2008 coming in 2007 when sales went flat. She said that she's seeing similar trends right now. Mr. Perkins

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said that he believes a lot of people are sitting on the sidelines given the political climate and uncertainty out there with respect to the market, etc. He said he does think that restaurant openings have slowed down some.

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

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

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

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

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

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

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

Commissioners began to ask questions to Mr. Frattaroli.

Commissioner Luz asked, how could things be improved? Mr. Frattaroli offered some comments on the licensing and permitting challenges. He said the ABCC is part of it; unclear when you will get your license. He said there are a number of logistical challenges with respect to the permits, too. He continued that he had a pick up his inspectional permits from 1010 Mass Ave, then travel to City Hall with the permits, and then return again to 1010 Mass Ave with the health division permit. He finds that local officials are never really advocating for you during the process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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