

MASSACHUSETTS RESTAURANT PROMOTION COMMISSION

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

Commissioners in Attendance:

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

Commissioners not In Attendance:

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

Other Attendees:

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

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

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

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

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

Senator Kennedy thanked Middlesex Community College for hosting.

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

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Commissioner Turner arrived at 10:08AM.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

business listed on the MassDOT highway sign, but that she is the only Massachusetts business listed on the sign, and that all the other businesses listed on that particular sign are New Hampshire restaurants.

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

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

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

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

Handouts for this meeting:

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

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