



TO: Interested Parties

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RE: **Restaurant Survey: Economic Conditions, Labor Costs, and Uncertain Demand Top Concerns**

District restaurants continue to contend with a challenging climate as labor costs climb and worries grow over customer demand.

Nearly 2 in 3 (64%) operators rank economic conditions for restaurants in the District as poor, and more than two-thirds (76%) expect them to stay the same or get worse in the coming year, according to a survey of members of the Restaurant Association of Metropolitan Washington. Just 12% call economic conditions excellent or good.

“Challenges of the past are slowly fading, but the costs of running a restaurant and dining in the District are still more expensive than ever,” said Shawn Townsend, President and CEO of RAMW.

“We need to move beyond simply overcoming past difficulties,” Townsend said. “It’s time to advance more policies that dismantle barriers and actively foster a thriving environment for our neighborhood restaurants.”

Restaurants have a brighter, although cautious, outlook for conditions in the Washington Metropolitan Area as a whole. More than a third (36%) rank the economic climate in the broader metro area as good, while 24% consider it poor. This is similar to the national outlook, where 33% of restaurants nationwide expect sales to increase this year, with 22% anticipating a decline, according to a survey by the National Restaurant Association.

Caught in Middle: Rising Costs and Customer Demand

Restaurants are in a difficult balancing act. Most are paying more for payroll (87%), ingredients (70%), and rent (53%) than the year before. More than three-quarters (78%) expect costs to climb this year.

However, restaurants also worry about raising prices to meet increased costs. More than 4 out of 5 (84%) are extremely or moderately concerned about diners’ willingness to pay higher prices. Uncertainty surrounds where demand is headed and nearly evenly split among restaurants: 34% expect it to decline this year, 32% expect demand to stay flat, and 30% are unsure.

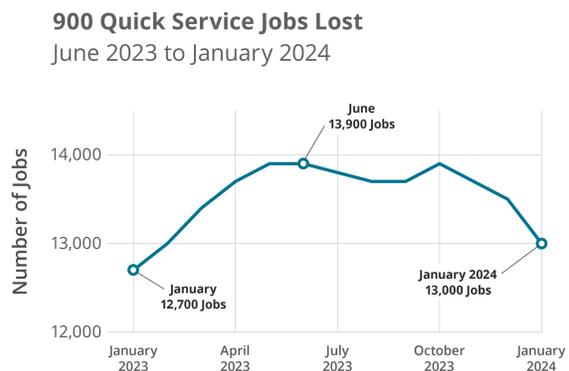
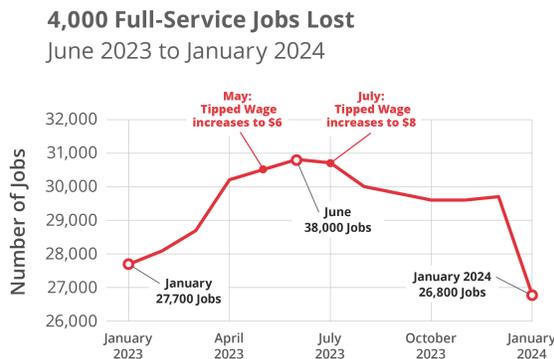
Labor Costs Drive Down Staffing

Leading restaurants' concerns are labor costs and end of the tipped wage, which climbed 50% last year and increased another 25% in July. More than three out of four (76%) restaurant owners are extremely concerned about rising payrolls and eliminating the tip credit.

To reduce costs, more than two-thirds (64%) of restaurants have reduced hours, laid off staff, or stopped hiring in the last year. Of those, more than three-quarters decreased hours for support staff such as bussers, food runners, and hosts (88%), kitchen employees (81%), and servers (76%). Nearly half of restaurants have stopped hiring servers (48%) and support staff (45%).

Additionally 65% of restaurant owners have incorporated technology to lower costs, including to reduce support staff (41%) and servers (34%) and enable diners to place orders with QR codes or tablets (38%).

Workers in full-service restaurants have felt job cuts the most, according to data from the Bureau of Labor Statistics. After 30 months of growth, full-service restaurant jobs reached 30,800 in June 2023 – matching 2019 levels – and tumbled in tandem with tipped wage increase. A total of 4,000 full-service restaurant jobs were lost between June 2023 and January 2024. Jobs in quick-service restaurants, while dipping mid-year, remained relatively stable and lost just 900 jobs in the same period.



Sales, Customer Traffic Continue to Struggle to Recover

Four years after pandemic shutdowns, recovery in sales and customer traffic remain uneven. While revenue increased in just over half (53%) of restaurants from 2022 to 2023, sales dropped for nearly one-third (31%). Additionally 2 out of 5 restaurants (41%) experienced a drop in customer traffic year-over-year, and restaurants continue to be extremely or moderately concerned over violent crime (82%) and number of downtown workers (79%).

“The economic climate remains challenging, but we have the opportunity to address them head-on,” Townsend said. “We can reform Clean Hands Laws, bring the District's meals tax in line with the rest of the US, and streamline licensing – all crucial steps to revitalize our economy.”

Reform Clean Hands Laws

DC Council passed the first Clean Hands laws 28 years ago to deter littering, dumping, and delinquent taxes. Over time, the breadth of what was subject to Clean Hands ballooned. Today, individuals who owe as little as \$100 for everything from parking tickets to water bills are denied basic services to conduct everyday business, including occupational credentials, license renewals, technical aid, and grants.

This overly restrictive policy makes the District an outlier. In Virginia, business licenses are denied only for outstanding taxes, unfiled returns, and unpaid child support exceeding \$5,000 or more than 90 days late. Maryland follows a similar approach, restricting licenses for taxes and child support more than 120 days overdue.

“Current Clean Hands Laws create a disincentive for the very activities DC should be encouraging – entrepreneurship and small business ownership,” Townsend said. “There's a proposal on the table to reform Clean Hands, and the Council should move on it swiftly.”

Fund the BEST Act

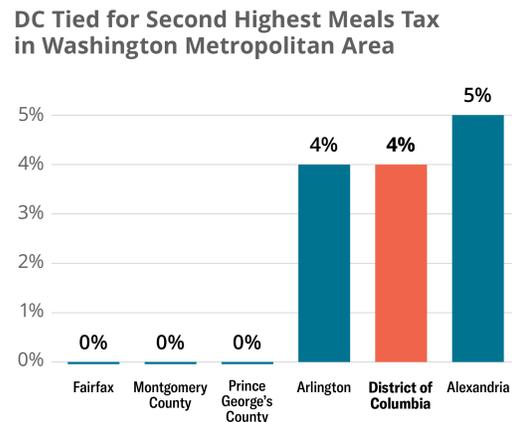
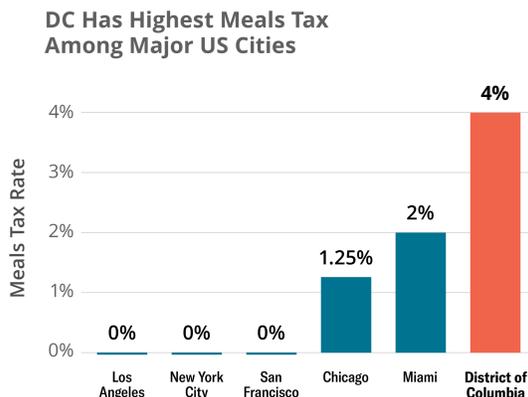
DC Council in 2022 took steps to dismantle some obstacles to small business ownership by passing the Business and Entrepreneurship Support to Thrive (BEST) Act, which consolidates the number of license categories from more than 100 to 10, simplifies several processes, lowers fees, and reforms a system of exorbitant late fines that can exceed the cost of the original license. However, the law remains unfunded.

“Mayor Bowser has shown her support for the BEST Act by allocating its funds in her proposed budget,” Townsend said. “We urge the City Council to follow suit and ensure this law fully takes effect by including it in the final budget.”

Bring the District’s Meals Tax in Line with Rest of the US

It is well known that dining in the District is more expensive than ever. What is less discussed is that it’s partly because – at 4 percent – we are home to one of the largest meals taxes among major cities. In fact, 35 of the 50 largest US cities have no meals tax at all, including New York City, Los Angeles, and San Francisco. The District is also tied for the second highest meals tax in the DMV. When combined with local sales tax, the District becomes one of the most expensive places in the US to dine out.

“A lower meals tax isn't just about giving diners a break,” Townsend said. “It's about making our neighborhoods thrive. By putting more money in residents' pockets, we encourage them to frequent local restaurants, fostering a sense of community and supporting the establishments that are the heart of our neighborhoods. This creates a win-win situation for everyone involved.”



“These proposals, along with others being considered, hold the key to a thriving future for our local restaurants and the economic vibrancy of the District,” Townsend said. “By supporting these measures, we create a win-win situation, ensuring the success of our beloved neighborhood eateries for years to come. Let's act swiftly to secure a competitive DC restaurant scene and the economic benefits it brings.”

About the Survey

The RAMW member survey of 214 restaurants was conducted online Feb. 15 to Mar. 11. Respondents were mostly casual full-service restaurants (65%) and independently owned and operated (92%). RAMW member restaurants are located:

- 88% District of Columbia
- 25% Arlington County
- 19% Fairfax County
- 15% City of Alexandria
- 15% Montgomery County
- 15% Prince George's County
- 8% Loudoun County
- 2% Prince William County

About Restaurant Association of Metropolitan Washington (RAMW)

The Restaurant Association of Metropolitan Washington (RAMW) is the regional trade association representing restaurants and the foodservice industry in the Washington, DC Metropolitan Area. Established in 1920, RAMW is an advocate, resource and community for its members. The Association works to promote and sustain the growth and development of the industry while providing its members legislative and regulatory representation, marketing and small business support, programming and events. RAMW strives to serve its members with professionalism and integrity, and provide them the training, education and support they need to grow a successful business.

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