



June 16, 2021

San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco CA 94102-4689

File #210492 / [Police Code - Third-Party Food Delivery Services] Ordinance amending the Police Code to remove the sunset clause from the article imposing a fee cap and other regulations on Third-Party Food Delivery Services. (Bill Sponsor: Supervisor Aaron Peskin)

Time to Lift SF's Food Delivery Tax That Hurts Families, Restaurants, and Drivers

Dear Supervisors:

As a center-left tech industry coalition, the Chamber of Progress encourages the City of San Francisco to reject the proposal to impose a permanent fee cap on restaurants utilizing third-party delivery services.

Our organization works to ensure that all Americans benefit from technological leaps, and that the tech industry operates responsibly and fairly. Our organization's commitment to a progressive society, economy, and workforce sets us apart from other business groups. For example, we strongly support legislation to protect voting rights; support President Biden's proposed corporate tax increase to fund infrastructure investments; and back a national emissions reduction target of 50% by 2030.

Food delivery services helped make it possible for San Franciscans to stay home safely during the pandemic. Beyond simply handling the logistics for a network of drivers, third party delivery services also provide marketing, insurance, background checks, credit card processing, and even customer service. Services like Doordash, Grubhub, and UberEats now offer a range of services to restaurants at different fee levels. Restaurants (through fees on each order) and customers (through delivery fees) help fund them.

In a well-intentioned effort last year to protect restaurants, the Board of Supervisors imposed a temporary 15% cap on the fees paid by restaurants to delivery services. The cap may have offered some relief to restaurants in challenging times, but it also made it more expensive for San Francisco families who were trying to support local restaurants, particularly minority- and immigrant-owned restaurants, safely through delivery.

That's because while restaurants might have been paying lower fees, delivery services still had to pay drivers, conduct background checks, and handle customer inquiries. Families ordering local delivery ended up covering restaurants' tabs through higher prices or recovery fees.

And that in turn led families to place smaller or less frequent orders. DoorDash recently reported that restaurant sales volume decreased 4% year over year in St. Louis and 7% in Philadelphia—two cities where prices went up due to city-imposed restaurant fee caps.

That translated into lost wages for delivery drivers and lost sales tax revenue. In San Francisco, increased prices meant that DoorDash's drivers lost more than \$5 million annually in potential earnings, and the city and state lost more than \$1 million in sales tax revenue.

Delivery services were a crucial lifeline for restaurants during the pandemic. When Chinatown restaurants saw their weekday tourist and office worker foot traffic decline, delivery services were a crucial connection into neighborhoods. In fact, eight in 10 restaurant managers said delivery services kept them from cutting hours or laying off staff.

The State Legislature recently considered a proposal to impose a statewide 15% fee cap — but is proceeding cautiously for now given' restaurants' improved outlook. **We urge the Board of Supervisors to do the same.**

As you know, Governor Newsom has allowed restaurants to return to full capacity starting June 15. And the Small Business Administration is administering \$29 billion in grants to restaurants through the Restaurant Revitalization Fund. Thanks to these initiatives, local restaurant owners will soon be on the path to recovery.

San Francisco and other cities imposed fee caps as temporary measures in response to the pandemic. While well-intentioned, their adverse consequences are now clear.

As we emerge from the pandemic, we encourage the Board of Supervisors to leave the delivery fee cap in the trash heap of the year 2020.

Sincerely,



Adam Kovacevich
CEO and Founder
Chamber of Progress