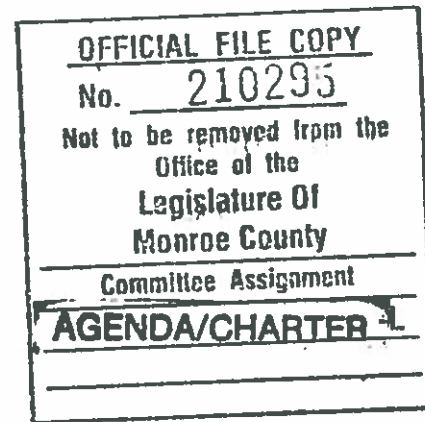


Monroe County Legislature

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August 9, 2021



To The Honorable
Monroe County Legislature
39 West Main Street
Rochester, NY 14614

RE: A Local Law to Establish a Limit on the Charges Imposed by Third-party Delivery Services on Restaurants

Honorable Legislators:

Restaurants are vital to Monroe County's quality of life, culture and economy. The industry employs thousands of individuals, anchors commercial districts, and provides important opportunities for social connection. As restaurants regain their footing from the impact of the Covid-19 pandemic, it is clear they will need assistance to recover and survive in a changed landscape. This legislation would help restaurants maximize their revenue by capping commission fees charged by third-party delivery services, which process delivery and takeout orders through mobile apps and websites.

Third-party delivery services doubled their combined U.S. revenue in the past five years to \$26.5 million. Three major third-party delivery services – DoorDash, Uber Eats and GrubHub – control 95 percent of the United States food delivery service market. They have spent billions of dollars in marketing to get consumers to use their smartphone apps.

The market dominance of only a few players means small, independent restaurants have little negotiating power. The services often charge restaurants 30 percent or more in commission fees on each order. Restaurants are forced to adapt their business models to the third-party delivery services or risk losing customers. This relationship is exploitative. The multi-billion-dollar third-party delivery services are using their market position to set high prices for small, family-owned businesses, extracting wealth from our community.

This Local Law, if enacted, would do the following:

- Cap the delivery fee from third-party food delivery services to food service establishments at 15 percent of the purchase price for each online order.

- Cap the third-party food delivery service's fee for use of their service to 5 percent of the purchase price for an online takeout order or when the food establishment uses their own driver.
- Prohibit third-party food delivery services from restricting what restaurants can charge on their platforms.
- Should restaurants want additional marketing services, they must enter into a separate contract with third-party food delivery services. The third-party food delivery services are prohibited from pressuring restaurants to enter such contracts.
- Prohibit third-party food delivery services from reducing the compensation rate paid to a delivery service driver or garnish gratuities in order to comply with the fee caps.

The legislation accomplishes the goal of protecting local restaurants from collapse, keeping dollars in our community, and ensuring a vital part of our quality of life is sustainable.

The specific legislative actions required are:

1. Schedule and hold a public hearing.
2. Adopt the Local Law as attached.

This proposal will have no impact on the revenue and/or expenditures of the current Monroe County Budget.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Rachel Barnhart", with a stylized flourish at the end.

Rachel Barnhart
Legislator – District 21

By Legislator Barnhart

Intro. No. _____

LOCAL LAW NO. _____ OF 2021

LOCAL LAW ENTITLED “Local Law to Establish a Limit on the Charges Imposed by Third-party Delivery Services on Restaurants”

BE IT ENACTED BY THE LEGISLATURE OF THE COUNTY OF MONROE, as follows:

Section 1. Title

This local law shall be known as the law “To Establish a Limit on the Charges Imposed by Third-party Delivery Services on Restaurants.”

Section 2. Definitions

“Delivery fee” shall mean a fee charged by a third party food delivery service for providing a restaurant with a service that delivers food from such restaurants to customers. The term does not include any other fee that may be charged by a third-party food delivery service to a restaurant, such as fees for listing or advertising the restaurant on the third-party food delivery service platform or fees related to processing the online order.

“Restaurant” shall have the same meaning as provided in §569-50 of the Monroe County Code.

“Online order” shall mean any order placed by a customer through or with the assistance of a platform provided by a third-party food delivery service, including a telephone order.

“Purchase price” shall mean the total price of the items contained in an online order that are listed on the menu of the restaurant where such order is placed. Such term does not include taxes, gratuities and any other fees that may make up the total cost to the customer of an online order.

“Third-party food delivery service” shall mean any website, mobile application or other internet service that offers or arranges for the sale of food and beverages prepared by, and the same-day delivery and same-day pickup of food and beverages from, restaurants located in the County that are owned and operated by different persons.

Section 3. Fee Limits

1. It shall be unlawful for a third-party food delivery service to charge a restaurant with fewer than 10 locations a delivery fee that totals more than 15 percent of the purchase price of each online order.
2. It shall be unlawful for a third-party food delivery service to charge a restaurant with fewer than 10 locations any fee or fees other than a delivery fee for the use of their service greater than 5 percent of the purchase price of each online order. Any fees or other charges from a third-party food delivery service to a restaurant beyond such maximum 5 percent fee per order, and a delivery fee collected pursuant to subdivision (1) of this section, are unlawful, provided that such a cap shall not apply to a credit card fee that is charged to a third-party food delivery service and is charged in the same amount by the third-party food delivery service to such restaurant.
3. . It shall be unlawful for a person to cause a third-party food delivery platform to reduce the compensation rate paid to a delivery service driver or garnish gratuities in order to comply with this section.
4. No third-party food delivery service may impose on a restaurant with fewer than 10 locations, by contract or other means, any restrictions on the prices that a restaurant may charge for food or beverages, whether sold through a website, app, or other service operated by the third-party food delivery service, or sold directly from the restaurant, or through any other means.
5. Should a restaurant with fewer than 10 locations want to contract for additional marketing, search engine optimization, advertising or other services from the delivery company, the third-party delivery service will provide a separate contract for these services. It shall be unlawful for the third-party delivery service to require additional marketing contracts or threaten or pressure restaurants to enter into additional marketing contracts.

Section 4. Enforcement

If a third-party food delivery service charges a restaurant fees that violate this Local Law, the restaurant shall provide written notice to the third-party food delivery service requesting a refund within seven days. If the third-party food delivery service provider does not provide the refund requested within seven days or the third-party food delivery service continues to charge fees in violation of this Local Law after the initial notice and seven-day cure period, a restaurant may enforce this Chapter by means of a civil action seeking injunctive relief and damages in the amount of any fees charged in violation of this Local Law.

Section 5. Severability

If any clause, sentence, paragraph, section, subdivision or other part of this Local Law or its application shall be adjudged by a Court of competent jurisdiction to be invalid or unconstitutional, such order or judgment shall not affect, impair, or otherwise invalidate the remainder of this Local Law which shall remain in full force and effect except as limited by such order or judgment.

Section 6. Preemption

This section shall be null and void on the day statewide legislation goes into effect, incorporating either the same or substantially similar provisions as are contained in this law, unless state law specifically exempts from preemption earlier enacted local laws in this area. The County Legislature may determine via resolution whether or not identical or substantially similar statewide legislation or pertinent preempting state or federal regulations have been enacted for the purposes of triggering the provisions in this section.

Section 7. Effective Date

This Local Law shall take effect in accordance with the provisions of the Municipal Home Rule Law and the Monroe County Charter.

File No. 21-0_____

ADOPTION: Date: _____ Vote: _____

ACTION BY THE COUNTY EXECUTIVE

APPROVED: _____ VETOED: _____

SIGNATURE: _____ DATE: _____

EFFECTIVE DATE OF LOCAL LAW: _____