



**CITY OF HUNTINGTON BEACH**  
**CITY COUNCIL MEETING – COUNCIL MEMBER ITEMS REPORT**

TO: THE HONORABLE MAYOR AND CITY COUNCIL

FROM: NATALIE MOSER, COUNCIL MEMBER

DATE: FEBRUARY 1, 2021

**SUBJECT: CONSIDER DIRECTING STAFF TO PREPARE A TEMPORARY ORDINANCE THAT LIMITS THE FEES PAID BY RESTAURANTS TO THIRD PARTY DELIVERY SERVICES DURING THE COVID-19 PANDEMIC**

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The COVID-19 crisis has placed extreme financial pressures on restaurants, due in large part to the restrictions that have been placed on indoor and outdoor dining. As such, restaurants have had to rely heavily on third party delivery apps such as Postmates, Grubhub, DoorDash and Uber Eats to generate sufficient revenue to stay in business and keep staff employed.

These third party apps require restaurants to pay high delivery fees that can at times exceed 30% of the cost of each order. Some restaurants pay these fees directly, which reduces their operating margins, while others have had to increase menu prices, which discourages potential customers.

Noting that restaurants have been disproportionately impacted during COVID-19, several cities have adopted temporary ordinances to limit the fees that third party apps can charge restaurants during the pandemic. For example, the City of Los Angeles implemented fee caps of 15% and 5% for delivery and non-delivery fees that restaurants have paid. Further, the Los Angeles regulations also mandate that 100% of tips go directly to the drivers.

Other cities that adopted similar measures in California include Alhambra, Palm Springs, and San Francisco. Of note, these measures are temporary and are set to expire upon the end of the pandemic or the lifting of indoor dining COVID-19 restrictions, whichever comes first.

I believe a similar ordinance in Huntington Beach is necessary to support our struggling restaurant industry, which is a major contributor to the vibrant economy that our City is well known for. Many of our restaurants have had to reimagine their business models and incur unforeseen expenses to comply with COVID-19 health and safety guidelines. By instituting a temporary cap on the fees that third party apps can charge our restaurants, the City can help alleviate some of the COVID-19 burden that our restaurants have had to face of late.

**RECOMMENDED ACTION**

I recommend that the City Council direct staff to prepare a temporary ordinance that places a 15% cap on fees paid by restaurants and a 5% cap on non-delivery fees paid by customers until current COVID-19 restrictions on both indoor and outdoor dining are lifted.