

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the regulation of food delivery businesses and platforms; adding a new Chapter 7.30 to the Seattle Municipal Code.

Summary and background of the Legislation:

In recent years, third-party online food delivery platforms have been steadily growing in popularity, and due to the COVID-19 pandemic and associated restrictions on indoor dining to protect public health, usage of these platforms has increased substantially. Competition between food delivery platforms to gain market share has resulted in restaurants being listed on the platforms without restaurant owners' awareness or permission, which can cause a variety of problems for both restaurants and their customers, including incorrect menu and pricing information, and excessively long delivery times. Customers, who reasonably assume that the restaurant consented to being listed on the food delivery platform, then blame restaurants for the errors and poor service. This can damage a restaurant's reputation and result in a loss of income if customers post poor reviews to discourage others from ordering from that restaurant.

This legislation would require that any food delivery platform operating in Seattle first execute a written delivery service agreement with a restaurant prior to offering delivery or pick-up of orders from that restaurant. Restaurants may terminate the agreement at any time by submitting a written request; food delivery platforms are required to remove the restaurant from its listing within 72 hours of receiving the request. Food delivery platforms that violate this requirement are subject to a maximum fine of \$250 per infraction and restaurants would have a private right of action, allowing them (individually or as a class) to sue food delivery platforms directly in court for failing to comply. Revenue from penalties would be used to provide support to restaurants with five or fewer employees. The agreement requirement would have a delayed effective date to allow time for restaurants and food delivery platforms to establish agreements prior to the requirement going into effect.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes X No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes X No

Does the legislation have other financial impacts to The City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

The legislation would create a penalty for food delivery platforms that violate the requirement to execute a contract with a restaurant's owner prior to offering delivery services from the restaurant. Each infraction would result in a maximum fine of \$250 per infraction, with each day of noncompliance considered an individual infraction. The amount of revenue that would be generated by violations cannot be estimated at this time. Related, administrative costs of enforcement are also unknown. Based on California's experience following passage of similar legislation, food delivery platforms are expected to be largely compliant, suggesting that enforcement action and resultant fines may be minimal.

Is there financial cost or other impacts of *not* implementing the legislation?

Without this legislation, food delivery platforms operating in Seattle would be allowed to continue their current practice of offering delivery or pick-up from a restaurant without receiving that restaurant's permission.

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

This legislation would require that the Department of Finance and Administrative Services enforce the new regulation. The Office of Economic Development (OED) would advise the Mayor and City Council on how to use any revenues from penalties to support restaurants with five or fewer employees. Additionally, OED and other departments, such as the Department of Neighborhoods and Office of Immigrant and Refugee Affairs, may be involved in conducting outreach and education regarding the new regulation to restaurant owners.

b. Is a public hearing required for this legislation?

No.

c. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

d. Does this legislation affect a piece of property?

No.

e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?

This legislation is intended to protect restaurants from the negative reputational and economic impacts that can occur when they are listed on a food delivery platform without the restaurant's consent. Most recent available data (2016) shows that 48 percent of business owners in the food and accommodations industry in the Seattle area identify as Black, Indigenous, and People of Color. Due to the racial and ethnic diversity of Seattle's restaurant owners, the City and its partners will need to conduct outreach in a wide variety of different

languages to make restaurant owners aware of the new regulation. Some restaurants may also need translation services to assist with executing an agreement with food delivery platforms.

Workers for food delivery platforms may also be impacted by this legislation, which could result in a decrease in jobs. National statistics show that these gig workers are disproportionately Black and slightly more likely to be Hispanic/Latino. While this legislation may diminish the number of restaurant delivery gig opportunities, it will benefit the workers by reducing potential conflict with restaurants, who may not want to offer delivery through the platform.

f. Climate Change Implications

1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?

No.

2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.

No.

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)?

Not applicable.

List attachments/exhibits below:

None.