



# Temporary Limit on Food Delivery Fees



July 6, 2020

San Leandro City Council

# Overview

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- Direction on a temporary limit on the fees charged by third-party food delivery companies
- City Manager, as Director of Emergency Services, may issue a declaration for limit
- Economic Development staff will continue conversations about proactive measures food delivery companies can take to assist San Leandro restaurants

# Background

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- Role of food delivery companies during pandemic
- Major companies:
  - DoorDash, GrubHub, Postmates, and UberEats
- Total Fees - 20%-30% of sale
  - Service Fee – avg. 15%
  - Delivery Fee – avg. 10%
  - Credit Card Fee – avg. 3%
- Customer pays taxes, delivery fee, gratuity

# Fee Limits

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- Authority under local emergency powers
- Low risk of legal challenge
- CA Examples:
  - Enacted – San Francisco, Los Angeles, Santa Cruz, Marin Co, Santa Monica, Glendale, West Hollywood (modified)
  - Considered but not enacted – San Jose, Sacramento, Oakland

# Fee Limits

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## Potential Requirements:

- **Fee Limit** – typically 10%-20%, 15% average
  - May specify types of fees limited
- **Applicability** – all businesses or only those with 5 or fewer locations
- **Timeframe** – typically ends once dine-in permitted
- **Enforcement** – at civil level, restaurants may request refund from delivery co. if don't receive reduced fees



# Restaurant Feedback

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- Deliveries 20%-50% of orders
- High cost, limits profit
- Valuable service that businesses need to keep afloat
  - 'Can't afford *not* to use them'
- Allows customers to get food while sheltering in place
- Recognize marketing value, customer generation
  - Keep them engaged so will come back when reopen
- Raise prices to cover costs
- Not planning to cancel

# Delivery Company Feedback

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- Struggle to cover costs under fee limits
- Other services/elements suffer with fee limit

*Potential areas that have been impacted in other markets include:*

- Higher delivery costs for customer = lower number and size of customer orders = less takehome pay for drivers
- Reduced marketing services for restaurants
- Reduced delivery areas – may not serve hard-to-reach areas
- Reduced company workforce
- Reduced driver pay

# Delivery Company Feedback

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- Offering assistance and promotions for restaurants

*Each company has a varied approach, which may include:*

- Free signup and webpage setup
- No fees for pickup orders
- Daily payout of online sales
- Driver support – PPE, paid medical leave
- Special marketing, promotions
- Customized support/promo programs with Cities



# Overall Business Assistance

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- Staff's ongoing work:
  - Special promo/assistance for SL biz from delivery companies
  - Resource referral
  - Temporary Outdoor Facilities Program
  - Keeping it Local
  - Emergency Declaration

# Next Steps

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Direction on whether and how to require temporary limit of fees by third party delivery companies

# Fee Limits

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