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Can Vermont Restaurants Survive the COVID-19 Crisis?

Over the course of just a few days, Vermont restaurants painfully laid off several thousand employees, as we stared down the prospect of zero revenue for the foreseeable future, at a time of year when the well is already dry from the long winter. We discussed with heartfelt panic 'what to do' in group chats, and ultimately realized that a rapid transition to survival-mode was the only option. In 48 hours, my restaurant group went from about 230 employees to 5. And like others in our space, we pivoted to mass unemployment filings in an effort to get our staffs signed up for benefits as early as possible. The collective result is thousands of service workers without jobs, and the loss of millions of dollars in local food and beverage purchases that support so many others, particularly the state's small farms.

Tragic pages can be written about the crisis occurring in our hospitals, and the shortages those patients and workers are experiencing. Or about our Federal Government's unwillingness to acknowledge the scope of the crisis. I'm not qualified to speak to that - I'm a restaurant guy. What I do know is that Vermont restaurants, and other small businesses, need help if we are to survive this unfolding crisis.

Federal, State, and Local authorities have required rapid changes to our lives to help 'flatten the curve' and slow the spread of COVID-19 so that society can organize the needed public health response. This swift action was justified - a pandemic has engulfed the world, and everyone needs to do their part. I raise these concerns about our restaurant industry not out of concern for myself - I have my health, a house, and food, so I am among the lucky. But restaurant businesses such as mine are uniquely and tragically caught in the middle of this crisis. And our communities need restaurants to survive this. We are key buyers and marketers for Vermont agriculture. We are important community gathering places. But above all, our value is the jobs and paychecks that we make possible. And the employment spigot will need to eventually turn back on just as quickly as it was turned off.

Painfully, we see the insurance industry standing on the sidelines with folded arms. This is apparently not a covered loss and we are now learning of 'virus exclusions' that are buried deep in the fine print of our policies. At present, this industry is offering no solutions.

Restaurants need immediate short term cash flow assistance if they are to survive. Expenses such as rent, loan payments, and other fixed costs remain largely intact,

yet revenue is non-existent or only a very small fraction of previous levels for those who are taking a stab at temporary take-out only models. Already slim cash reserves are running dry. Furthermore, restaurants will need substantial resources to actually reopen when the shutdown ends. Staff will need to be onboarded and new inventories purchased.

Our government and communities need to understand that many restaurants simply don't have the cash to handle this problem on their own. Addressing the health crisis is paramount, but we also need strategies in place aimed at positioning small businesses to bounce back when the time comes. We're only days in, and I already know of several Burlington restaurants that are done - and I mean for good. If this shut down goes longer than, say, 10 weeks I predict that conservatively 10-20% will not make it to the other side. A prolonged shutdown will be permanently fatal for many Vermont restaurants.

What to do? The Federal government wants to help, but they don't know how. State and City can only do so much, but they are trying, and to their credit they are engaged and listening to our concerns. The proposed payroll tax credit at the Federal level doesn't help us (nor our laid-off employees) because we are no longer processing payrolls of any substance, if at all. The Small Business Administration (SBA) has offered loans. But who wants to borrow more money in the middle of a pandemic and as we enter a global recession? States likely need to remain focused primarily on the public health response, and on providing unemployment relief to laid off workers.

Here are three proposals that, combined, would offer much needed aid to those in my industry, impose no real long-term cost to society, help keep Vermont restaurants alive in the pandemic's aftermath, and offer us a sense of hope:

- The banking industry should not only offer new debt options, but also solutions designed to help us manage existing debt and provide short-term cash flow relief. How about SBA-backed refinancing options with low fixed interest rates, interest-only payments for 180 days, and term lengths of 10+ years? Ease our long-term exposure and cash flow, and more importantly give us desperately needed short-term breathing room.
- Any assistance given to commercial property owners such as shifting of property tax payment deadlines must come with a required moratorium on the invoking of personal lease guarantees and evictions to current commercial (and residential) tenants who, of no fault of their own, are caught

in the middle. Most of my landlords have been helpful, but I'm hearing some bad stories from colleagues. Imagine owning a business that has to close permanently because you've burned through all of your cash reserves, and yet you still have to pay rent to a landlord post-pandemic because you were required to personally guarantee the lease. This should be viewed as an unacceptable outcome in our communities. Can City and State court systems step in and offer protections? Can Mayors and other leaders at City/Town levels help? Give us some hope, and protect those who don't make it through.

- Relief of State and City/Town fees and taxes due from small businesses. We don't need a handout, but we do need local leaders to work with us. Consider measures such as a needs-based program that offers a 180-day pause on collections, and then terms out the monies owed over the next 180 days. Municipalities could charge a modest interest on deferred payments and make up the difference in time.

I've spent the past decade building *The Farmhouse Group* into a company that has sought to provide not only a great product to customers, but a uniquely Vermont product, like so many other friends and colleagues in our State's interconnected restaurant, agricultural, and beverage industries. Almost exactly 10 years ago, we renovated a run-down Burlington building, and opened a community cornerstone called *The Farmhouse Tap & Grill*. Since then we have added more employment opportunities that include important benefits packages as our company grew and became more successful. As we all confront the totally unprecedented threat to societal health, we also need to make rapid decisions aimed to ensure that small businesses are able to survive. This will be a key part of winning the battle with this terrible pandemic. The one message I heard loud and clear from my employees this past week was: "please reopen, and please rehire me."

Jed Davis

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