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The hunger games: Restaurants are struggling amid rising costs, falling profits and shutdown rules that are constantly in flux

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When there were vague reports coming out earlier this month that the outlying counties of Pittsburgh would soon be facing the kind of restaurant closing orders Allegheny County was dealing with, Julian Vallozzi's family jumped into action to prepare Vallozzi's in Greensburg for the changes.

While Vallozzi also worked to adapt the family's restaurant in downtown Pittsburgh, his family quickly procured a tent to set up in the Westmoreland County restaurant's expansive parking lot, one in which it could seat up to 40 people socially distanced if and when an order came.

But the anticipated order from the Pennsylvania Department of Health didn't arrive for several days, and when it did come through, it was different than initially anticipated.

On July 15, Gov. Tom Wolf announced additional mitigation efforts statewide that include limiting restaurants in Pennsylvania to 25 percent capacity for indoor dining and alcohol consumption allowed with meals and takeout only.



JIM HARRIS/ PBT

Clint Kuskie, owner of Dive Bar & Grille, in his outdoor dining space converted from space normal reserved for volleyball courts.

In Greensburg, Vallozzi said the restaurant will now likely go back to setting up that tent and prepare for the 25% indoors. But, he noted, "I'd rather them shut everything down at this point" until it was clear to fully reopen, suspecting the state is "really doing more damage than good."

Although he will follow the new guidelines, he further noted how difficult it is to schedule staff when he doesn't know how and when he can be open to operate.

"It's bad enough that they're treating us like yo-yos. We don't want to treat our staffs like yo-yo's either," he said. "It's getting very frustrating."

The governor's order is just the latest of several orders since March from the state and county, all of which have their own nuances and rules and come with little notice.

The restaurant industry is facing a triple whammy: A dramatic drop in sales, rising costs and constantly changing government orders that are making it difficult to plan for tomorrow let alone six months down the road.

And the perishable nature of the restaurant business, whether in food or time, makes it particularly vulnerable.

"We're not a light switch where you can turn us on and off," said Joey DiSalvo of DiSalvo's Station in Latrobe.

Orders with little notice

If there's a nagging frustration all restaurant operators share right now, it may be how little they can do to prepare for the closings and changes coming at them.

Clint Kuskie has been working to keep his five-location Dive Bar & Grille going through the pandemic, adding two new locations in close succession in Regent Square and Glenshaw not long before the first shutdown of on-premises dining occurred in mid-March.

"The hardest thing right now that we're dealing with is the orders come with such short notice" for restaurants, he said.

Kuskie demonstrated how the phenomenon played out when Allegheny County in early July announced a shutdown of on-premise dining for a week. The next week,

the county announced it was extending its shutdown order against on-premises dining another two weeks, but easing up slightly to allow a limited capacity of outdoor dining.

He had to notify staff of continued layoffs, as well as cancel food orders, only to then need to hire people back at his Glenshaw location — which has an ample patio and a sand volleyball court — for outdoor business.

Dive then reopened in Glenshaw on a Friday evening Kuskie described as “a cruel joke” since it rained all evening and into the morning.

Most if not all the major orders that have hit the region’s restaurants have come with very limited notice. Gov. Tom Wolf’s first announcement to shut down Allegheny County restaurants came on March 15, a Sunday evening. It went into effect on midnight the next day. Allegheny County’s ban on on-premise alcohol sales also came on a Sunday, and went into effect on Tuesday. Then that Thursday, Chief Executive Rich Fitzgerald ordered a week-long shutdown for restaurants in the county for on-premises dining, a measure extended for indoor dining for two more weeks after the first week ended.

And now the latest mitigation efforts from the state came on Wednesday and took effect only a few hours later at midnight.

“It’s really rough. It’s kind of like you’re on call,” said Terri Sokoloff, principal of Ross-based Specialty Group. “It’s very difficult for an operator in our industry right now to plan different strategies because things keep changing, sometimes hour-by-hour and day-by-day.”

The most recent closures have been spurred by a rapidly rising Covid-19 case count in Pennsylvania, particularly in southwestern Pennsylvania.

In a news conference on July 15, Wolf and his administration rated patrons of bars and restaurants as the No. 1 source of concern for the spread of Covid-19, referring to some instances as a “carelessness that has resulted in pockets of super spreading” of the coronavirus.

The state’s order, however, does not nullify Allegheny County’s two-week order, which is more stringent. The county cannot be less stringent, but can be more stringent.

“We are not like the rest of the surrounding counties. Our cases are much higher. We have more dense urban areas,” said Dr. Debra Bogen, director of the county Department of Health.

Sokoloff observed that overlapping layers of government authority only exacerbates the challenges restaurants face.

“You hear from the county, you hear from the state government. You hear from here, you hear from there,” she said. “When things are really unpredictable, the other challenge becomes who’s in charge?”

Industry damage

Even without all the confusion from conflicting orders, times are tough for the restaurant industry right now. National restaurant trade groups have detailed how the new pandemic business math for restaurants doesn’t add up.

The industry’s profit margin was a slim 5% prior to the pandemic, and most eateries only had enough cash savings to last 16 days, according to the [National Restaurant Association](#).

Three months of lockdowns and tepid re-openings have obliterated the financials for the sector as a whole, despite the support of billions in emergency federal and state stimulus funds.

The disruption to the U.S. economy will be substantial should the pandemic persist. Restaurants are one of the largest industries in America, and one of the hardest hit by restrictions imposed due to the coronavirus. The sector is the second-largest private employer in the U.S. with 15.6 million workers, and pre-pandemic sales were expected to top \$899 billion, according to the National Restaurant Association.

Between March and May, the industry lost an estimated \$120 billion in sales — about 13% of its annual top line, or about half of what it normally books during a three-month span. No surprise, only 75% of restaurants have reopened since the coronavirus triggered shutdowns in the U.S., according to polling done by the National Restaurant Association. Among those that can open, three in four say they won’t be profitable for at least the next six months.

Keeping his 16,000-square-foot restaurant closed until there's enough business to support it, DiSalvo with DiSalvo's Station in Latrobe is wary that his previous plans to adapt to the pandemic may be for naught as major banquets and weddings postponed during the spring shutdown were rescheduled for the late summer months.

"The new reset button is the question mark," he said. "How are we going to move forward in these challenging and unknown times?"

'Nothing but tough times'

Without additional support, the Independent Restaurant Coalition predicts 85% of nonchain eateries could permanently close.

In the Pittsburgh region, plenty of well-established restaurants have already closed their doors for good during the pandemic, whether Covid-19 was the chief cause or a mitigating factor.

Downtown, Union Standard was one of the Golden Triangle's most conspicuous closings, shutting down in the Union Trust Building in early June amid the pandemic.

Others to close permanently include Spoon and BRGR, two restaurants that anchored the East Liberty dining scene for years; Pizza Taglio a few doors down; Brugge on North on the North Side; NOLA on the Square in Market Square; and Green Forest Brazilian Restaurant, a 20-year mainstay in Penn Hills.

Some restaurants have closed with different motivations amid the pandemic, such as Alexander's Restaurant, which ended a 42-year run in Bloomfield earlier than expected because of the pandemic but was slated to close as part of a retirement plan.

Still others are closed "indefinitely," with an as-yet-undetermined plan to reopen but staying closed — and in control, as Vallozzi puts it — until the coronavirus' business-crushing ways have lifted and there's enough reason to reopen.

Among those falling into this category include plenty of fine dining mainstays such as Vallozzi's Pittsburgh location and The Carlton Restaurant downtown, Dinette in the East End, as well as Spork on Penn Avenue in the Garfield business district,

which, like many local restaurants, has also been hit by an employee coming down with Covid-19.

In a pandemic that has upended much of regular life, Vallozzi said there's a reason why just staying closed can be a sound strategy.

"If we're open with very little business, all of a sudden our bills start piling up again," he said. "We have more control when we're not open."

Then there are restaurants that have been working to expand or move only to be thwarted by the pandemic, including Dive Bar & Grille and Gaucha Parilla Argentina Wood Fired Grill, which was in the process of moving from the Strip District location in which it built a booming business to Penn Avenue downtown.

Gaucha owner Anthony Falcon said he's faced "nothing but tough times" in making the move amid the pandemic, announcing the opening downtown a day before Allegheny County announced its shutdown of on-premises dining right before the July 4 holiday weekend, forcing him to immediately close back down again.

Doing some take-out business in a downtown he described as like a ghost town, Falcon noted another growing business challenge: rising costs.

Restaurants generally spend their money by the rule of thirds: a third for staff, a third for food, and a third for overhead such as rent, utilities and the accoutrement that keep a restaurant humming.

The National Restaurant Association's Sean Kennedy said that those costs generally don't go down, or at least not enough to change the formula, just because a restaurant can only seat a portion its capacity. Rather, restaurants are heaping on new costs such as protective gear for employees and extra workers to handle carryout orders and sanitize tables and restrooms.

Along with increasing food costs, Falcon said he recently had to pay \$1,000 for a case of disposable gloves he's long used for his staff that once cost a small fraction of that but now are more essential than ever.

Falcon was wary of more economic fallout to come from the pandemic and the emergency measures taken to keep it from spreading.

"I'm seeing signs that are pointing in a very devastating direction for the economy," he said.

Kuskie said his crew is getting more used to adjusting on the fly, suggesting an approach that's more instinct than strategy.

"I guess the strategy is we're all a little bit more accustomed to making these crazy decisions on very short notice and retooling on a day or two's notice," he said. "It doesn't seem nearly as chaotic as it does the first time around. Nonetheless, it's not easier."

Then there's the mental preparation of expecting a drastic reduction in revenue, added Kuskie, something so many restaurants are learning to expect these days.

"I just hope we can get back up on our feet again," Kuskie said. "The longer it goes on, the harder it is on everybody."

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