

Ethan Stowell  
RESTAURANTS



# Potential Impacts of a Minimum Wage Increase

Data submitted separately by restaurants  
and compiled by Councilmember Clark's office



**Restaurant Name:** Ethan Stowell Restaurants

**Type of Restaurant:** Full Service Restaurants

**Bar service?:** Yes – 22.51% wine sales, 8.61% beer sales, 3.73% liquor sales

**Number of Locations (in Seattle/outside Seattle):** Currently operating nine restaurants in Seattle w/two more opening soon.

**Ownership:** Individual LLC's, seven of which owned 100% by Ethan & Angela Stowell. Outside partners own 35% of the other two.

**Years in Business:** 11 years. First restaurant, Union, opened in 2003 and closed in 2010. We turned our first profit in 2010 on the restaurants opened in 2007, 2009 and 2010. Never turned a profit on our first restaurant.

**Number of Employees:** around 200

**Compensation for Employees**

	Employee Type Server	Employee Type 2 Host/Busser/Expo	Employee Type 3 Dishwasher	Employee Type 4 Line Cook
Base Pay \$ / hr	\$9.32	\$10.32	\$12.49 avg	\$14.79 avg
Average Tips / hr	\$22.73	\$9.91	\$.55	\$.92
Average Hs Worked / wk	25	23	34	38.5
Benefits Cost / hr	\$.50	\$.50	\$.50	\$.50
PTO avg	\$.40	\$.48	\$.39	\$.41
<b>Total</b>	<b>\$32.97</b>	<b>\$21.21</b>	<b>\$13.93</b>	<b>\$16.62</b>

\*\*National average cost of culinary school: \$15,000 annually (programs vary from 2-4 years and can cost up to \$25,000 annually).

**Annual Budget/Profit Margin:**

**2013**

\$8.9 million combined with a 6.2% net income before capital investments, debt repayment, tax and depreciation.

Debt repayment consumes nearly all of our profits. We still owe money on all but one of our restaurants and will not be out of debt for another five to seven years.

Labor cost already averages 40%

# Ethan Stowell

R E S T A U R A N T S

## **What would happen specifically to your business if minimum wage raised to \$15 immediately?**

- Net income would reduce to -7.48%.
- Payroll cost would increase by \$517,000 or 15.66%. (this \$ amount does not include wage compression).
- \$100,000 of annual charitable giving would be eliminated.
- Consider expanding/relocating restaurants outside of Seattle.
- Increase menu prices by 25% to offset increased costs. That means a typical \$25 entrée would cost over \$31. Average guest check would go from \$94 to \$117.
- Resulting price increases could result in a loss of up to 25% of our customer base. No data has been provided to show \$15 hour earners would have discretionary budgets to fill gap of lost clientele at restaurants in our price point.

## What would make your business sustainable if the minimum wage was raised?

### Total compensation:

- Best way to minimize the negative impact on restaurants.
- We would see a much smaller labor cost increase (closer to \$93,000).

### Phase in:

- Not a substitution for total compensation, but would ease the burden on local, independent and non-tip based businesses.
- A phase in would provide more time to adjust our business model, increase prices slowly, retain more customers, pay off debt and free up cash flow to ensure the overall health of our company. **A phase in without considering total compensation does not address the issue of income inequality in the restaurant industry.**



**Restaurant Name:** Pagliacci Pizza

**Type of Restaurant:** We have pizzerias and delivery kitchens throughout the Seattle area

**Bar service?:** no

**Ownership:** Matt Galvin and Pat McDonald. They both grew up in the area and purchased Pagliacci from Dorene Centioli-McTigue, the founder, in 2000.

**Years in Business:** Pagliacci celebrates its 35<sup>th</sup> anniversary this year.

**Number of Locations (in Seattle/outside Seattle):** The first location opened in 1979 on the University Ave. We now have 24 locations all of which are in the greater Seattle area. Sixteen of our locations are within the City of Seattle. Our Phone Center, Commissary and Support Office are located on Capitol Hill.

**Number of Employees:** We have 650 employees, of which 480 work in the City of Seattle.



## Compensation for Employees

	In House Cooks Average	Delivery Driver Average
Base Pay	\$11.00*	\$9.32
Average Tips	\$3.50	\$11.12
Average Hours Worked	25	20
Benefits	\$2.58 Health Insurance & 401k	\$2.58 Health Insurance & 401k
401k contributions	\$.42	\$.42
Other	Peformance bonuses, free food, birthday gifts	Peformance bonuses, free food, birthday gifts
<b>TOTAL</b>	<b>\$17.18</b>	<b>\$23.12</b>

\*Average wage for crewmembers with Pagliacci for over one year.





## **Annual Budget/Profit Margin:**

Our Seattle locations each generate over \$1 million in sales and we typically see a 6 -8 % net profit in the good years.

- We have spent over \$4 million in capital improvements, created 50 new jobs, and learned the hard way that maintaining our locations is incredibly expensive!
- Another significant component that is not unique to any business is debt. In our case, our debt obligations exceeded \$2 million in 2013. We will see a similar debt load in 2014 and 2015.
- For Pagliacci, the rent payments are fixed and run over \$1 million a year for the next several years.



## **What would happen specifically to your business if minimum wage raised to \$15 immediately? If phased in?**

The near term impact of a \$15 minimum wage will increase our labor by over \$3 million a year. We would likely implement many of these without a phased in approach:

- Raise prices between 10 – 15%
- Add a delivery fee of \$2-\$3 for Seattle deliveries.
- Remove the tip line from our receipts.
- Reduce or eliminate health insurance, our 401k match and other benefits.
- Move our Phone Center, Commissary and Support Office out of Seattle.
- Stop expansion and/or remodeling of current locations in Seattle until we can prove it is economically feasible.
- Reduce or eliminate charitable giving and donations.
- Reduce quality of food benefit. We provide nearly 10,000 meals a month for our Seattle based employees.
- Reduce the current PTO benefit that is in excess of what the City mandates.



## **What would make your business sustainable if the minimum wage was raised?**

### **Total Compensation**

In order for Pagliacci not to radically alter our business approach, total compensation must include tips and health care contributions. As a former tipped employee myself, I can assure you that any employee that receives tips is counting on this form of compensation to pay their bills.

### **Phase-In approach**

A minimum wage should include total compensation and be phased in over at least five years. This allows time to service existing debt obligations and to complete the term of the leases.

### **No Exemptions**

Whatever passes should apply to all employers and employees. If the goal is income inequality, why would any organization get a pass?

### **Help with cost of training new employees**

As an employer with 16 managers that were hired as teenagers, I believe it is paramount to consider the need to encourage employers to hire young or inexperienced crewmembers.



**Restaurant Name:** Auntie Anne's Pretzels

**Type of Restaurant:** Snack/light meal – Fresh baked, hand-rolled, soft pretzel bakery. Franchise. National/International brand

**Bar service?:** no

**Ownership:** I am a Franchisee, an independent owner/operator – CenterTwist Inc. is my corporate name: d.b.a. Auntie Anne's Pretzels

**Years in Business:** I opened my first Auntie Anne's Franchise in 1993 in Bellevue Square

**Number of Locations (in Seattle/outside Seattle):** In Seattle: New store to open the first week of May in Westlake Center. (I sold my Northgate Mall location in 2008).

Outside Seattle: 9 franchises in Washington, 3 in Alaska.

**Number of Employees:** In Seattle: will have around 10. Seasonally we will have more over Christmas and Summer/tourism months. Currently my business model focuses on hiring youth, disabled/disadvantaged, and others in our community who deserve a chance at a job but struggle to get employers to give them a chance.

Outside Seattle, currently have about 120 in Washington and 45 in Alaska (also increases seasonally)



**Auntie Anne's™**  
PRETZEL PERFECT

## Compensation for Employees

	Employee Type 1	Employee Type 2	Employee Type 3
	Employee Type 1 Manager 1 <sup>st</sup> year	Employee Type 2 Shift Leadership	Employee Type 3 Crew - starting
<b>Base Pay</b>	\$42,000	\$12.50 - \$14.00	\$12.00
<b>Average Tips</b>	N/A	0	0
<b>Average Hours Worked</b>	45/week	20-40/week	20-30
<b>Benefits</b>	Med/dent. 401k match Vacation, Sick pay,	Sick pay, 401k match (>21 yr), anniversary pay	Sick pay, anniversary pay
<b>Bonuses</b>	range \$375-\$700 per month	Range \$0-\$150/month (Avg \$50/mo)	0
<b>Other</b>	free meals, free uniforms/shoes, misc contest prizes,	Free meals, free uniforms, safety shoes, contest prizes, flexible schedules for students	Free meals, free uniforms, safety shoes, contest prizes, flexible schedules for students

Seattle Wages: Note these are higher than non-Seattle wages by  
+\$2.00/hr for SL and Crew



## **Annual Budget/Profit Margin:**

Non-Seattle stores:

Average store sales (9): 2011- \$486,300; 2012- \$506,000

Net Income 2011 6.3%; 2012 7.2% (before capital investments, debt repayment, income tax and depreciation)

We expect to operate at a loss for the first year: Just for the Westlake only location our estimated range based on estimated sales is a net income loss between -1% to 5% (starting pay at \$12)



**What would happen specifically to your business if minimum wage raised to \$15 immediately?**

**If phased in?**

- My range of net income loss based on estimated sales would be between -4% to -10%
- If a new city minimum wage of \$15.00 was to take effect immediately, I would be counting on the income from my other locations to subsidize the Seattle store.
- I already signed and committed to a 10 year lease with Westlake Mall (General Growth Properties), so I have no option to relocate if costs are too high.
- Customers are price sensitive. Raising prices will not offset the labor cost.
- We would look at revising staffing models to staff with two people at \$15 vs. three
- Reduce hiring people with special needs that require more support and flexibility



## **What would make your business sustainable if the minimum wage was raised?**

### **Recognize/establish some training period for new employees (6 months)**

I have entry level jobs that I train people for in basic food preparation and customer service skills. An incentive to hire those with little or no proven experience is important.

Keep state minimum wage for teens/students - don't give an incentive to drop out of school to earn \$

### **Adopt a Total Compensation model in any new Seattle minimum wage policy**

Recognize other benefits as part of total compensation wages – medical/dental

### **Adopt a smart, responsible phase-in approach to any new Seattle minimum wage policy**

A 7 year phase-in would help local franchisee operators like me adapt each year.

### **No Exemptions**

We are all in this together to strengthen our community. We should not create complicated tiers or make arbitrary judgment calls on businesses based on type or size.





**Phở Cyclo Café**

**Restaurant Name:** Phở Cyclo

**Type of Restaurant:** Vietnamese Restaurant

**Bar service?:** no

**Ownership:** Corporation

**Years in Business:** 11 Years

**Number of Locations (in Seattle/outside Seattle):** 4 within Seattle, 1 in Bellevue

**Number of Employees:** 40



# Phở Cyclo Café

## Compensation for Employees

	Employee Type 1	Employee Type 2	Employee Type 3
Base Pay	\$15-\$17	\$12-\$16/ per hour	\$10-\$11/hour
Average Tips	0	\$40-\$60 month	\$40-\$60 month
Average Hours Worked	40	40	20-40
Benefits	Paid vacation, sick leave	Paid vacation, sick leave	
Bonuses	yes	yes	yes
Other			



*Phở Cyclo Café*

**Annual Budget/Profit Margin:**

Annual gross sales \$2,200,000/

Profit margin 2%-3%



**What would happen specifically to your business if minimum wage raised to \$15 immediately? If phased in?**

The immediate impact to our business would be to lay off part time employees. Specifically college students working less than 20 hours a week. We would also lay off a large group of immigrant workers and opt to hire more qualified workers at the \$15.00 rate. Some benefits will be cut and yearly bonuses would also be cut to level 2 and 3 employees. There would also be a gradual increase in price to compensate for the increase in food and wage costs.

**What would make your business sustainable if the minimum wage was raised?**

To sustain our business, we will stop expansion in Seattle look to expand in other cities, purchase our supplies and products outside of Seattle from Vendors that are not under the same wage increase burden. We would also look to utilize services and vendors outside of Seattle.