FOOD TRUCKS

UNMASKED

Despite all the hype, the food-truck business isn't really taking off in Chicago. That's because it's a lousy business. Says one owner, "If you have a day job, don't do this."

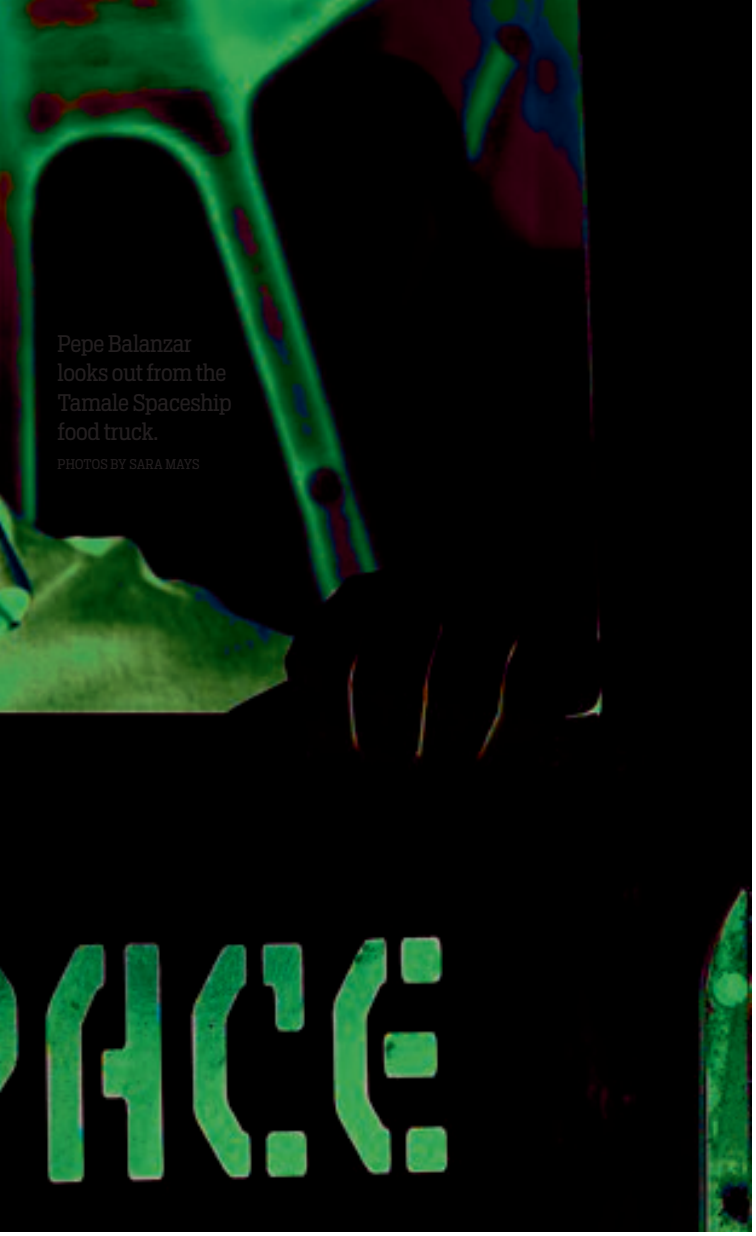

Hernandez

BY DEBORAH COHEN

In Chicago's nascent food truck scene, Manny Hernandez, 41, is as close to a grizzled veteran as it gets.

His Tamale Spaceship, launched in January 2011, was the third truck in the city. After a year of hustling up to twelve hours a day, he pushed the business into the black. The Tamale Spaceship has been named best food truck in the city by the Chicago Reader and Chicago Magazine. More than 70 percent of his customers are regulars.

On the face of it, Hernandez, a former manager at Adobo Grill, embodies the account spun by the city and optimistic foodies, both of whom have advanced a millenarian vision in which independent-minded restaurateurs and entrepreneurs, finally unshackled, will change the way we eat. New city regulations passed last



Pepe Balanzar looks out from the Tamale Spaceship food truck.

PHOTOS BY SARA MAYS

Balanzar serves a customer at the Tamale Spaceship.

July were touted as the path to a new era of Chicago street food, spawning a narrative of mobile businesses profitably prowling the streetscape. When the City announced in April that food trucks would be making their first appearance at the Taste of Chicago, Mayor Emanuel said in a press release, "The food truck industry continues to build in strength and numbers, and my administration is committed to creating the conditions and opportunities that will allow this industry to thrive."

Somebody forgot to tell Hernandez. "It's a very tough business," he says. "If you have a day job, don't do this."

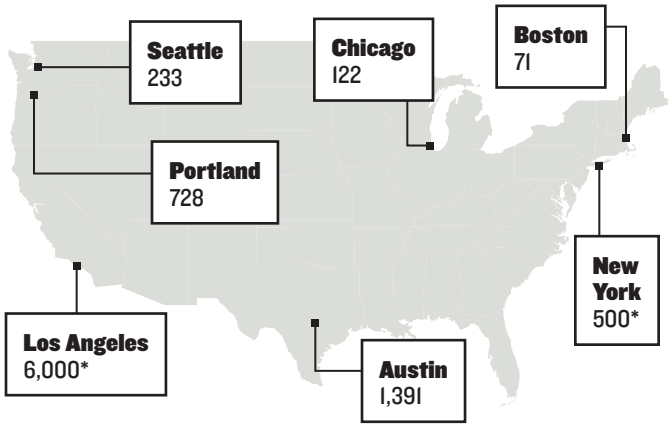
Of course, every business is tough. But in the hand-to-hand combat of the food industry, truck owners like Hernandez are fighting an uphill battle.

Competitive pressure from fast-food joints effectively caps prices. Chicago winters force many operators to close for a full season; those who stay open see business cut in half. Trucks must also contend with some of the country's highest gas prices, a diffuse population and the challenge of competing against a vibrant and powerful brick-and-mortar food industry.

"Because of the regulations

BY THE TRUCKLOAD

Bad weather puts a damper on business, as shown in the number of food trucks licensed in snowy cities like Boston, Chicago and New York.



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GRID

and the price pressures, [food trucks'] profit margins don't warrant them being able to stay in business," says Bonnie Riggs, an analyst at Rosemont-based market researcher NPD Group. "They can't make a living on it."

Making it worse, some say the legislation that took effect nearly a year ago, touted by City Hall as a boon to the trucks, falls short of its intended mark.

"Chicago still has some of the most restrictive food truck laws in the country," says Richard Myrick, editor in chief of Berwyn-based Mobile Cuisine, an online trade magazine. "Because it's such a large restaurant city, you've got a lot of large restaurant voices and politicians listen to them."

The issue has spiked blood pressure on both sides. Prominent restaurant owners say they've received hate mail from food truck advocates, while truck owners claim that some aldermen are in the pocket of the Illinois Restaurant Association, the trade group that represents brick-and-mortar eateries.

Although the amended law — passed 45-1 by the City Council — now allows truck owners to cook onboard with the proper licensing, the city didn't budge on a restriction requiring trucks to park at least 200 feet from permanent restaurants. The city has established 30 dedicated food stands around the city, including five downtown, to provide a landing spot for trucks, and stresses that the downtown area has parking restrictions for all drivers. But outside of snagging a coveted space at one of the stands, food truck owners say the requirement still presents a conundrum in locations with high foot traffic such as the Loop, where restaurants line the streets.

FOOD TRUCK RULES

Last July's amendment to the mobile food vendor ordinance sanctions on-board cooking for the first time. It also established dedicated vending stands. Here are some of the hurdles the legislation imposes:

200 FEET

Trucks must park at least that far from any established restaurant — 7-Eleven included.

2 HOURS

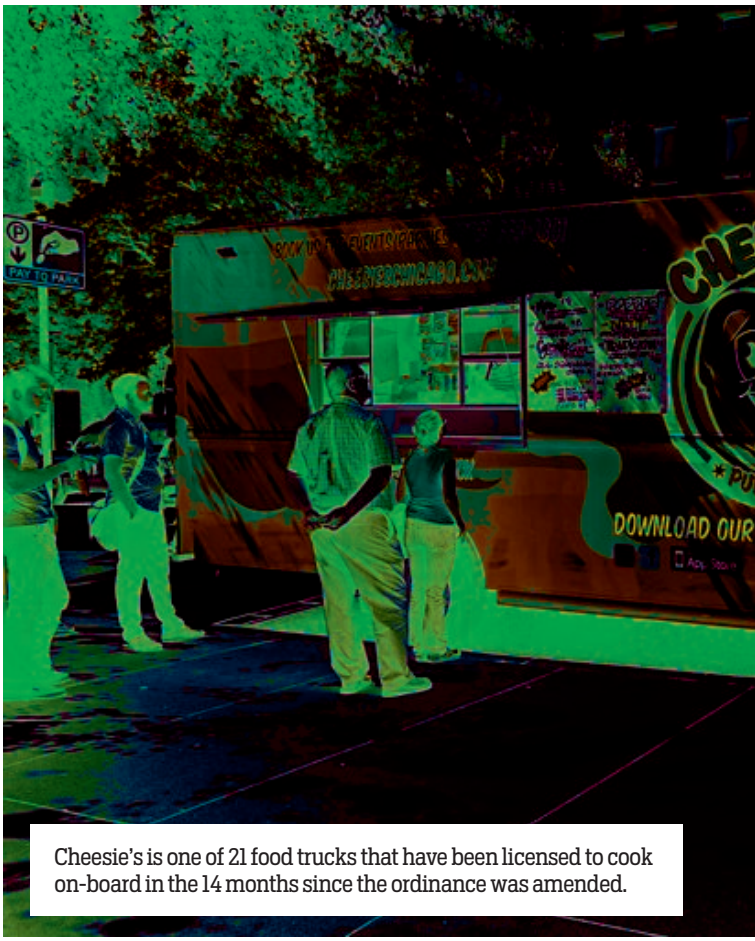
How long trucks have before they need to move.

GPS

All trucks must have a GPS installed on their truck which broadcasts their location at least once every five minutes.

$2,000

The maximum fine imposed for violations, up from $500 under the previous code.



Cheesie's is one of 21 food trucks that have been licensed to cook on-board in the 14 months since the ordinance was amended.

Compounding the challenge is a trick of labeling. Under the city's code, even CVS and 7-Eleven stores are considered restaurants. The new code also calls for trucks to install GPS systems so the city can track their whereabouts.

Restaurant owners contend that the restrictions aren't tilting the playing field, but leveling it. "It's about parity, the justice of having someone locate a business in an area without paying the dues associated, paying fairly for the right to be in that area," says Dan Rosenthal, owner of seven restaurants, including Poag Mahone's and several Sopraffina Marketcaffes in the Loop.

According to some observers, the city has supported that position. "When the municipal code was changed last July, some things got a little better, a lot of things got a little worse, some things stayed the same," says Beth Kregor, director of the Institute for Justice Clinic on Entrepreneurship at the University of Chicago School of Law. The Institute has studied the food truck business and lobbied on behalf of truck owners in several cities, including Chicago.

Kregor and many food truck owners claim the new laws were heavily influenced — some even say ghost-written — by the Illinois Restaurant Association. A spokesperson for the IRA declined requests for an interview but provided a statement from President Sam Toia, saying the group was "pleased to collaborate" with the mayor's office and city aldermen on the current regulations.

For its part, the City says the new ordinance provides "much-needed new opportunities and as a result we expect continued growth of the food truck scene in Chicago." It's hired consultants to help operators through the new licensing process and argues that its parking policies are benevolent in comparison to cities like New York, which has capped the number of mobile food vendor permits it issues, and Boston, which charges vendors a daily fee to operate in crowded areas.

Hernandez says he's never been ticketed for parking within 200 feet of a restaurant, but he's taken exceptional care to stake out his territory. In the initial stages of the Tamale Spaceship, Hernandez would get up in the middle of the night with his partner, Pepe Balanzar, and drive down to the Loop with a piece of rope 200 feet long, trundling slowly through the empty streets to scour for blocks where it looked like they'd have enough space to operate legally.

But Hernandez and other

operators can't stay for long in the spaces they find. The code also requires that operators move their trucks every two hours or face a fine of between $1,000 and $2,000 — up to quadruple what they had to pay before the city amended the code last July. In light of the 30 to 60 minutes it takes a truck to prepare before serving at a location, the requirement has led some truck owners to abandon the notion of working a regular route.

Justin Large, former chef de cuisine of Wicker Park's Big Star and One Off Hospitality's culinary director, says it wasn't feasible for him to operate downtown. "For us to run around and spend X amount of labor and man hours, to be in place for two hours ... at the end of the day our net really isn't that great," he says. "The city approaches food trucks in a very prohibitive manner."

Large turned to catering, and he isn't alone. Hernandez does 10 weddings a year. Aaron Crumbaugh, owner of the Wagyu Wagon, reckons he does 10 times as many private events as food truck events, and avoids going downtown altogether for fear of getting fined. "I can go down in various locations in the parks, and sit there, and hope for customers," he says. "Do I want to kill myself for maybe a couple hundred bucks?"

Catering doesn't just have less red tape. It also provides much more price elasticity and better margins. "In a hardcore, let's-make-some-money way, the best thing we can do is get catering opportunities," says Cary Taylor, former chef of The Southern and of The Southern Mac and Cheese Truck. "The event makes the whole week for us."

Operators who choose to make a go of it on the streets find themselves lumped into a category of restaurants that makes it tough to eke out a profit. According to NPD, about half of those who patronize food trucks in Chicago would otherwise be eating at fast-food restaurants. That's a strong indication that many consumers equate the quick-service space with food trucks, placing significant downward pressure on prices.

"I would imagine that consumers would be expecting to be priced competitively with fast food. So if they are on the pricey side, in today's market, that's not going to serve them well," Riggs says.

Catering and events don't just provide Hernandez better margins — they also provide respite from the weather, which keeps many customers indoors for months at a time. In the winter, the Tamale Spaceship's sales drop by as much as half. Many, like Crumbaugh, opt out entirely. Last year, he closed the Wagyu Wagon for three months in the winter and another in the summer. "It was too damn hot. If it's 80 to 90, you're at 110 in the truck," he says.

According to Myrick, the shortened season is typical, and it takes a big bite. Each day that inclement weather forces a truck to close costs the average operator between $700 and $800 a day in gross revenue. "A lot of the trucks close when the first snows come," he says. "Those weeks can really hurt an operator's bottom line."

Myrick contrasts Chicago, with about 122 food trucks, according to the city's latest data, to cities with less severe weather, like Austin, Texas, where the culinary landscape is dotted with high-end street food from nearly 2,000 mobile vendors, and Portland, Ore., which has 728.

With so many challenges and a relatively limited upside, many are coming to view the food truck not as its own end, but as a steppingstone to a kitchen without wheels. "A lot of these food truck operators are starting these businesses they can afford to start with the dream of starting a restaurant," says the University of Chicago's Kregor. "[They're] a restaurant incubator."

To be sure, some Chicago trucks have grown into street-level establishments. Two former food truck chefs, Amy Lee of Duck n Roll and Rafael Lopez of the Wagyu Wagon, in May opened Saucy Porka, an Asian-Latin restaurant, in the financial district. Meanwhile, Smalls Smoke Shack, a 500-square-foot barbecue joint, opened in June in Irving Park. It's the latest creation of Joaquin Soler, who honed his Asian barbecue mix running the Brown Bag Lunch Truck. Hernandez himself just signed a lease on a small Wicker Park storefront — four high-tops and a counter.

Such transitions might testify to the maturation of the industry, or to a desire to get out. "I think a lot of the luster of the food truck scene in Chicago has come and gone," Taylor says.

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> -**Cary Taylor**, former chef of The Southern Mac and Cheese Truck