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The Trifecta

There's a lot to love about the renovation and expansion of the Alma hospitality brand



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Monroe**

LOVE NUMEROUS PROFIT CENTERS in restaurants. I also love maximizing the use of the real estate. With the addition of a café concept and a boutique hotel to his high-end Restaurant Alma, award-winning chef Alex Roberts has me head over heels with his new project.

Roberts bought the entire building that housed Alma and a former Dunn Bros Coffee shop. He turned the upstairs into a boutique, seven-room hotel, and made the former coffee shop a café, turning what was once a single restaurant into a multi-restaurant/hospitality location.

There's one entryway and three directions to go. Go straight and you'll take a majestic stairway upstairs to the hotel rooms (which are wonderful). Head to your left, and you walk into a bistro café space with a pastry counter. Turn right, and you're in the original Restaurant Alma, which has been updated and refreshed.

James Dayton Architects and Talin Spring of Spring Finn & Co. were the creatives behind the design for the boutique hotel and the café with a retail store. Dayton also did a fabulous job with The Bachelor Farmer's café addition.

At Alma, there was not an excessive amount spent on the space but the result looks top notch. I couldn't pin



Two dishes from the three-course prix fixe menu at Restaurant Alma.

Roberts down, but I would say he did the new café for \$1 million or less, with the whole project costing about \$2.9 million. For a real estate venture in southeast Minneapolis, this is an extremely good investment.

On the formal restaurant side, Roberts didn't change the whole appeal, which has been there for 18 years (and made Roberts one of the top chefs in the Midwest). The restaurant is sleek with midnight blue walls and understated chic. Located at the corner of University and 6th avenues, the complex is a great addition to southeast Minneapolis.

Restaurant Alma is a dinner-only restaurant with brunch on Sunday and reservations highly recommended. The new café serves three meals a day, including a breakfast featuring a robust supply of pastries. It doesn't accept reservations, and there's a rush for seats for the evening. Valet parking lessens the pain of finding a spot along University Avenue.

Let's look at the various components.

Revenue

The hotel will only provide a small percentage of the total revenue, probably less than 10 percent, but it does

constitute a draw, which helps the overall revenue of the two restaurants. The new café brings two additional dayparts, and because of its location on University Avenue near the freeway and the University of Minnesota, it can be a drop-in destination. I estimated the overall check average close to \$40 for dinner. There are 26 seats at the bar and approximately 56 seats in the rest of the dining room. They can do a volume in excess of \$2 million with that type of check average and three dayparts. This is a lucrative revenue source.

The traditional Alma has a much higher check average. From what I can glean, they probably are doing \$2.5 million. They also have a private dining space with 40 seats, which has the lore to be booked solid.

From a revenue standpoint with the combined areas, it is a \$5 million-plus business, which certainly meets all of my criteria for revenue.

Rating: 4 out of 4 stars.

Food Costs

The food and wine needs in both Restaurant Alma and the café allows Roberts to order larger quantities, which will bring down food costs.

They can serve cocktails from one side to the other. The kitchens can be utilized fully, plus the prep area in the back is more efficient thanks to a new dishwasher system. With the unique ingredients and protein used, my assumption is food costs are a little under 30 percent, which Roberts confirmed. Portion sizes are on the small size. With the full bar now, the food-to-alcohol ratio has definitely improved.

Rating: 4 out of 4 stars.

Labor Costs

Management is shared. One of the top general managers for the café also serves as the manager for the hotel. Outside hotel workers are only brought in when they have occupancy and personnel moves between the restaurant and the café. While there are separate kitchens, they also have a back kitchen with the aforementioned efficient dishwashing system. Because of the great labor-saving devices, the labor costs will be far below what's normally expected for the fine-dining Alma. As usual, the service is great

on both sides. From a service standpoint, it should be noted that the café is not taking reservations unless it is a party of five to 10 people. I think there is still a lot to be worked out concerning labor costs between the two areas to become more efficient

Rating: 3 out of 4 stars.

Return on Investment

It is hard to know exactly how much money was put into the building, but the dollars appear to have been efficiently used. The benefit of owning the building is that even if the rent is internally charged, it still keeps the occupancy costs down. From what I can see, with all the profit centers, plus the potential for carryout in the café (which they don't currently take advantage of), they should be in a strong position to get a requisite 20 percent return. For instance, if the restaurants do \$5 million (and assuming they are not paying any rent because you are looking at overall return of the building and such), they should probably

net before rent somewhere around \$1 million. If the overall investment is \$5 million (which may be high) and includes the building, that would bring a return of 20 percent. This will be a destination place so you can charge significant amounts for the menu items at both the restaurant and café.

Rating: 4 out of 4 stars

This has all the elements of being an effective business: the neighborhood draw; the destination draw; a somewhat high, but not unreasonable check average for Minnesotans; and a reasonable investment with an award-winning chef. What's not to love?

Overall Rating: 4 out of 4 stars. 

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