

# FOODSERVICE NEWS

Volume 28 • Issue 1

The News and Information Source for Restaurants and the Foodservice Industry

February 2017

[www.foodserviceneews.net](http://www.foodserviceneews.net)

## Urban Chic

In Downtown East Minneapolis, McKinney Roe has made a sizeable investment in the future



**Dennis  
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**A**T FIRST GLANCE, THE BEAUTIFUL new McKinney Roe may not be a bean counter's dream, but it has a lot going for it that doesn't take a spreadsheet to uncover. While those of us who are cost-conscious and consumed with ROI may gawk a bit at the amount of investment made in this space in the new west Wells Fargo Tower on 4th Street in Minneapolis, the location could not be any better for the office-worker density and, of course, the crown jewel that is US Bank Stadium just down the street. Even in winter, one can already imagine what will be a very popular and attractive patio scene.

The first thing that strikes you when you walk into the restaurant is a highbrow bar with a catwalk that functions as wine storage. It can be accessed through a spiral staircase behind the bar, or from a two-story dining area with a second, smaller bar. The restaurant has 325 seats, plus standing room for a busy happy hour. The bar has adequate TVs, but not enough to make it into a sports bar. For important games, there's a drop-down screen.

McKinney Roe's owner, Dermot Cowley, is a well-known restaurateur who owns and operates Lola's Lakehouse, Jake O'Connor's Public House and O'Donovan's Irish



**The look of the bar at Downtown East restaurant McKinney Roe is fashioned after the Nomad Hotel in New York.**

Pub. Others involved are Christian Osley (culinary director), Mike Jost (chef de cuisine) and John Ziegler (GM). Cowley worked for Smith and Wollensky in New York for 11-plus years. David Shea designed the space with Cowley overseeing every aspect of the design.

The restaurant itself is not huge at 5,300 square feet downstairs and about 1,700 square feet upstairs. An on-trend touch is the long bolstered backing (which serves as the back booth for a number of tables) and can accommodate groups of two to 20,

providing a sense of both community and separateness.

### Capital Investment

I thought Cowley might have spent \$3 million on the leasehold improvements, but he said it was north of that. The landlord gave him \$50 per square foot tenant improvement allowance, but even so, it is a large investment.

My concern is ROI. If you assume the all-in investment with working capital and start-up is \$3.5 million, and you want a 20 percent ROI for investors and

yourself, and you have normal margins with a 15 percent operating profit at the restaurant level (and if the shareholders are looking to get back their investment within seven years), the volume needs to be \$7 million to \$8 million.

The good news is the rent is a low percentage of sales, and Cowley believes this will be an \$8 million restaurant. Candidly, given the way they have constructed it, I tend to concur.

Rating: At this point, I would give 2.5 out of 4 stars because of ROI challenges and the need for doing such high volumes (but if anyone can do it, I believe Cowley can).

### **Food Costs**

There's a well-designed Minnesota menu, which means a combination of traditional Irish pub fare (hamburgers, various appetizers and such) and some complex entrées, such as balsamic lamb shanks. This mix is just what Minnesotans love. Cowley said the check average is \$30-plus, which is a comfortable price point. With the size of the restaurant and the patio, plus the number of table turns necessary, that should be a do-able

revenue level. In addition, there's no shortage of wine choices to bolster the check average: Their wine list showcases 3,000 bottles, including some pricey ones.

Food costs are running about 30 percent. Even though the menu has a lot of protein, it is not expensive protein. Because of the mix and safe harbors, McKinney Roe should be a welcome watering hole/dining experience for office workers, nearby urban dwellers and visitors to the stadium.

Rating: 4 out of 4 stars.

### **Labor Costs**

The service has been tremendous the times I've dined there, however, it did seem there were extra staff in the back of the house. The kitchen side is relatively small. When Cowley gave me a tour of the facility, I could see a good share of the prep for the current entrées was behind the front line.

They have a general manager, culinary director and a chef de cuisine. They certainly have staffed up on the food side. Like everything, the labor initially is going to be higher. It will be difficult to keep the labor costs down, particularly with the

happy hour, game days and other events. Anyone who can keep it to 30 percent, as Cowley suggested, is a miracle worker, but I think it will settle into 35 percent of sales.

Rating: 3 out of 4 stars.

### **Overall Profitability and Success**

The McKinney Roe concept is well thought out. It is being implemented in a strong, astute and professional manner. The location is great. Downtown East Minneapolis restaurants are a little bit ahead of their time, but with all the improvements to that area, their time finally may have come. We still don't have a handle on the overall nightlife and how the development by the Guthrie Theater will affect that. But, certainly McKinney Roe will be one of the guiding lights of the new area.

Overall rating: 3 out of 4 stars. 

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