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Pajarito Sings

Upscale Mexican restaurant has 2 talented chefs, classy good looks and best of all, ROI potential



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THE FIRST TIME I VISITED Pajarito was in the company of Rick Nelson, the restaurant reviewer for the Star Tribune (Rick and I aren't close personal friends, this dinner for four was a silent auction item from last year's Les Dames' fundraiser). As someone who enjoys food immensely, but doesn't review it for a living, it was educational—and fun—to get Rick's take on the restaurant. If you want more on the food, go to the Star Tribune website and read Rick's review. If you want more on the business side of Pajarito, keep reading.

The restaurant is located in the former Glockenspiel space on West Seventh Street in St. Paul. Pajarito evokes a neighborhood feel, but make no mistake, it's upscale Mexican food. The furnishings and art are modern Mexican. An oversized Day-of-the-Dead-style mural of a skeleton in a Kentucky Derby hat decorates the wall opposite the bar. Chandeliers enclosed in antique birdcages are a nod to the name of the restaurant, which means "little bird" in Spanish, and provide lighting over the bar. On the back wall is a cool art piece of old crushed paint cans, hung on a dark terracotta wall. The art is the perfect backdrop for the food and sets the tone of the dining experience.

The bar, which greets patrons as they

walk through the door, is both efficient and appealing. Bottles of the signature Mexican drink, tequila, are neatly stacked on one side, and the remaining liquor is on the opposite side of a large wall hanging that serves as a backdrop. This creates the expectation that you are going to get quality at Pajarito. The tables are set up for efficient serving, and the long alley-shaped restaurant presents separate dining areas, which is inviting to different dining styles. Drinkers are up front enjoying a great happy hour menu (I'd be remiss if I did not comment on the great churrito sliders), and diners have a back section with small to large booths and tables. The 127 seats is a nice size, but may not allow them to get enough volume.

The two principals, Stephan Hesse and Tyge Nelson, are veterans of the food scene, and skilled chefs.

Looking in from the outside, I can check two boxes on my list of things I like to see: A concept that can make serious money (Mexican); and one that has both a neighborhood and broader appeal. We have a shortage of fine Mexican restaurants in the Twin Cities, so attracting customers outside the neighborhood bodes well.

Let's look at the various components in the restaurant.

Revenue

With the current menu and setup, they have the ability to generate some significant revenue. Pajarito does not take reservations. However, the times I have been there (either right before or after a Wild game or on the weekends for lunch), the restaurant has been busy. It's been open several months, so while



it's still in the honeymoon phase, it's earning traction with regulars as well.

Chefs Hesse and Nelson said they are looking at two to three turns (remembers there are around 127 seats) on a weekday and more on weekends and during hockey season. They place the check average in the \$30 range. That being said, they are looking at potential revenue of up to \$2.5 million with a food/liquor split of 60/40. If that stays on course, it should create a profitable endeavor. Unfortunately, having a patio would have helped revenues.

Rating: 4 out of 4 stars

Food Costs

The food pricing is what I call Minnesota-friendly. Their happy hour has the famous \$3, \$4, \$5, \$6 structures that encourage people to drink (and eat). When it's not happy hour, beer prices are in the \$4 to \$7 range. Drinks are reasonably priced, unless you get the high-end tequila at \$11, and have clever names, such as A Mexican Monk Walks Into the Bar. Don't worry, wine drinkers, there's a good wine selection, as well.

Six distinct salsa offerings (buy them in sets of three or six) pair nicely with the \$9 guacamole (which most people

will order if there are more than one in the party). The chips are worth the carbs. The traditional Mexican entrées are in the \$10 to \$15 range, with the high protein items (chicken, steak, pork) at \$32.50. Pajarito is known for the sides, including the unconventional sweet potatoes and Brussels sprouts.

From a revenue standpoint, I think they probably will hit that \$2.5 million goal. In terms of controllable food costs, Mexican cuisine traditionally is not expensive. Hesse and Nelson said food costs will be 28 percent. I would be surprised if the food costs weren't more in the 25 percent to 26 percent range, given the "Minnesota nice" pricing. And, of course, the 60/40 split of food to alcohol helps get those check totals up.

Rating: 4 out of 4 stars

Labor Costs

They have laid out an efficient restaurant floor. In the bar there are about 40 high-top seats (which provides open space for standing and allows the servers to effectively work). In the back of the house, you have two primo chefs and if you look at that as a cost, you probably have higher

labor costs than normal. But it also allows them to attract experienced servers and cooks. Nelson expressed concern over the shortage of back-of-the-house personnel, but since every restaurant is experiencing that same phenomenon, it somewhat levels the playing field. But as Nelson tells me, they've already gone through eight to 10 dishwashers, so it probably doesn't feel very level.

Rating: 3 out of 4 stars

ROI and Capital Improvements

According to Hesse and Nelson, they only spent \$700,000 on the building. They negotiated reasonable rent and were able to use the original floor and ceiling, a nice savings. They broke up the bar and dining room with a simple serving table. A hanging sculpture of old bicycle wheels creates a see-through barrier.

Since they have kept their costs down, and if they do \$2.5 million in sales, that is more than three times the investment. In my book, that is a winner.

They have one outside investor group and were able to get an SBA loan with a small community bank. Small community banks do a considerable amount of SBA

loans, in particular to the restaurant sector, and are a good funding source.

I believe the profitability will be in the 15 percent range, which provides almost a 50 percent annual return on investment. In anyone's book, that is pretty darn good. The real issue will be how they attract the right kind of labor and keep their labor costs down.

Overall Rating: 3.5 out of 4 stars. The only reason I didn't give it 4 stars is because any time you have two talented chefs in one operation, it is hard to make optimum cash flow. But if anyone can do it, I'd wager these two chefs can. Why? Just say a little birdie told me. [FSN](#)

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