



## REPORT/RECOMMENDATION

<b>To:</b> MAYOR AND COUNCIL	<b>Agenda Item</b> <u>Item No.VIII. B.</u>
<b>From:</b> Debra Mangen City Clerk	<input checked="" type="checkbox"/> <b>Action</b>
<b>Date:</b> March 6, 2012	<input type="checkbox"/> <b>Discussion</b>
	<input type="checkbox"/> <b>Information</b>
<b>Subject:</b> On-Sale Intoxicating and Sunday Sale Liquor License Renewals For Cocina del Barrio	

### ACTION REQUESTED:

Council grant a twelve month probationary on-sale intoxicating and Sunday sale liquor license to Cocina del Barrio and impose a \$500.00 fine. License effective date shall be April 1, 2012 through March 31, 2013. Staff will work with the licensee during the probationary period. A monitoring visit will take place in six months.

### INFORMATION/BACKGROUND:

Edina City Code Section 900 requires that all establishments holding liquor licenses within the City of Edina maintain a ratio of food to alcohol sales of sixty percent food to forty per cent alcohol. The City Council at their meeting on February 21, 2012, adopted an amendment to the City code that would allow them to grant a probationary license to an entity not achieving the required 60/40 ratio. The new ordinance requires the licensee to develop a plan by which they hope to achieve the required 60/40 ratio within their twelve month probationary period. It also specified a staff visit at six months.

At the time Cocina del Barrio submitted its application for renewal their ratio was at 51/49. However, the owner, Ryan Burnet has stated in the attached letter his intention on working toward achieving the ratio and accepting a \$500.00 fine. Mr. Burnet has also developed strategies the establishment intends to use to increase their food sales. He met with Police Chief Jeff Long, Dep. Clerk Jane Timm and myself to explain the strategies they intend to pursue. Staff believes they are sincere in their desire to achieve the desired ratio.

Attachment:

Sgt. Draper's Memo

Ryan Burnet Letter of 2/15/2012

# Memo

**To:** Chief of Police Jeff Long  
**From:** Tom Draper  
**Date:** March 1, 2012  
**Re:** **Liquor License Renewal**

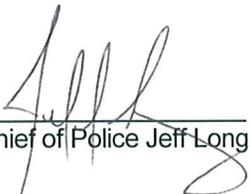
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Background checks have been completed for the 2012-2013 licensing period for Cocina del Barrio's, On-sale Intoxicating and Sunday Sale Liquor License.

An unqualified recommendation for approval of this renewal application is warranted with a 12 month probationary license and a \$500.00 fine. Concina del Barrio should continue to work on their efforts to meet the 60/40 ratio during the probationary time.

## On-Sale Intoxicating and Sunday Sale

Cocina del Barrio

  
\_\_\_\_\_  
Chief of Police Jeff Long



February 15, 2012

Honorable Mayor Hovland and Edina City Council Members;

As reflected in our City on-sale liquor license renewal application, Cocina del Barrio did not meet the City's percentage food sales requirement for 2011. Please let me start by saying we are dedicated to meeting the City's food percentage requirement, and we take this requirement very seriously. We like doing business in Edina and feel like we are a good addition to the 50<sup>th</sup> and France area. We hope the solution will be a collaborative effort with you and ask that the strategy, the regulatory overview process, and timeframe set forth for compliance affords us sufficient time and flexibility to make any necessary changes to the strategies we propose. The gravity of this situation is not lost on us, and we will treat this as our top priority.

We bought the building in 2010 and over 50% of it is dedicated to kitchen and food prep areas. We offer chef - driven Latin cuisine and every plate is made from scratch. Cocina del Barrio translated means "Kitchen of the Neighborhood". We are not a bar, we are a restaurant that serves tapas-style food. We are doing so in an economy where restaurants are struggling to survive and our niche comes in affordability of smaller plates that have authentic, made from scratch ingredients. We source almost all of our food from local, organic farmers. Our accolades are extensive and include Best Restaurant of the Year in the Star Tribune and Minneapolis St. Paul Magazine.

We currently employ approximately 75 individuals in various capacities at our restaurant. We are active members of our community and donate food to the Edina Girls & Boys basketball tournament, to charities holding local auctions, as well as sponsor several local youth baseball teams. We are active member of the Edina Chamber of Commerce and the 50<sup>th</sup> & France Business Association. In addition, we intend to increase our community involvement in 2012 in the City.

Our challenges in food sales for 2011 include factors such as a slow start to lunch and brunch business which is common for most new restaurants, and the economic reality of competitive, maximum pricing on the Latin foods offered under our concept despite our increased costs in offering a higher quality product that is local, sustainable and organic. For instance, tacos and enchiladas are a main part of the food program at Barrio. In 2011 these sales accounted for 15.95% of total items purchased; however, sales in terms of dollars amounted to only 10.66% of our total sales.

A comparison of our cost of goods sold data for 2011 for food and for beverage alcohol sold at Cocina reveals that the cost of food sold were 30% higher than that of cost of beverage alcohol sold. The cost of goods sold is an accounting indicator of the volume of food sold at the restaurant. Our strategy for food sales in 2012 includes increasing the volume as well as the overall percentage in terms of dollars of food sales. Our strategy includes increased promotion of Sunday brunch (started in mid-November 2011) and lunch and exploring the possibilities of new food options such as family-style meals and food tasting options.

With respect to our challenges in beverage alcohol sales, it is significant to note that we have not decreased the regular price on beverage alcohol since opening of Cocina del Barrio; our company philosophy includes pricing alcohol at a socially-responsible level. The beverage

alcohol brands offered at Cocina and their corresponding price points are befitting of not only our concept, but of our City. For instance, our most popular margarita, The Trinity, sells for \$ 9.50 and features a premium label tequila. Part of our proposed strategy for 2012 involves adding a lesser-expensive margarita to our menu as an option to our most popular at a \$ 2.50 reduction in price. Admittedly, this strategy causes us some consternation as the brand in the lesser expensive margarita is not a premium label and we truly feel, not necessarily consistent with either our image at Cocina del Barrio nor that of the City of Edina, nor is as socially responsible. It is the case that the price of distilled spirits is elastic, with a considerable drop in demand with an increase in price.

Tap beer at Cocina starts at \$ 4.00 (Coors Light & Grainbelt Nordeast) with a price point beginning at \$5.00 for Mexican and other imports, and craft beers offered in the \$6 - \$8 range. We do not offer inexpensive brands that tend to be popular with young individuals on tap. It is the case that 60 – 70% of all beer sold at Cocina are brands in the \$6 - \$8 price point range. We are reluctant to reduce our beer prices at this time. We are considering decreasing our price for certain varietals of wine by the glass for 2012. As you can see, our alcohol price strategies have the effect of increasing the percentage of sales in dollars for a similar volume sold in a comparable category elsewhere.

Restaurant concepts featuring affordable food items and responsibly-priced beverage alcohol on a regular basis face real challenges in meeting a 60% food sales requirement. We respectfully ask that the Edina City Council review and study this issue during the 2012 calendar year, perhaps in one or more council study sessions. A study session would allow the council to better understand these challenges and consider options that meet the City's intent and definition of/requirements for a restaurant. We welcome the opportunity to present information and options that allow restaurants more latitude to offer creative, eclectic, affordable organic, local, and sustainable menus and premium brand labels, wine varietals, craft beers and imported brews that are more reflective of the restaurant's concept, the City's image, customers' expectations, and socially-responsible pricing. One suggestion might be to consider the volume of food sold and additional operational requirements as part of a restaurant's food sales and operational requirements.

I underscore that we are committed to achieving the City's annual percentage food sales requirement and respectfully request approval of our 2012 liquor license renewal application with the needed flexibility and timeframe to initiate, evaluate, and amend strategies as we review the outcomes of our proposed strategies. If the City Council is inclined to levy a fine for failure to meet the percentage food sales requirement, we are agreeable to a \$ 500.00 fine. I ask for your continued support in helping us be a successful restaurant operation in the City, one that is a highly-regarded and valued member of our community.

Sincerely,



Ryan Burnet, Managing Partner  
Barrio 50<sup>th</sup> LLC  
dba: Cocina del Barrio

**OPERATIONAL AND PRICING STRATEGIES FOR INCREASING FOOD SALES VOLUME &  
PERCENTAGE FOR COCINCA DEL BARRIO**

February 15, 2012

***CONFIDENTIAL***

*Please note that the strategies outlined herein are subject to amendment, deletion or substitution at any time if they are not deemed effective in attaining our goal of increasing food sales volume and/or percentage of overall food sales.*

- ✓ **Continued and increased promotion of Sunday brunch sales :**
  - Project a 800% increase in brunch sales in 2012 due to significant increase in number of weekends offered, marketing and exposure to new guests; (brunch initiated 11/15/11)
  - Note: Our typical sales mix during brunch : Food to Liquor ratio: 90% food ; 10% liquor
  
- ✓ **Continued and increased promotion of lunch sales :**
  - Projection a 50% increase in lunch sales in 2012 due to marketing and exposure to new guests as well as being more involved with the community and gaining more support from the surrounding neighborhoods;
  - Historically, lunch sales grew by 50% per year during our first three years of operation at our Minneapolis and Saint Paul locations;
  - Note: Our typical sales mix during lunch: Food to Liquor ratio: 80% food; 20% liquor
  
- ✓ **Explore the option of a Family Style main course to the menu to compliment the sharing style of our small plates on our current menu:**
  - Projection for this menu addition is an additional sale of approximately \$7.00 - \$15.00 per person during the dinner hour for customers ordering family style meals .
  
- ✓ **Explore the possibility of a food-tasting option on Friday & Saturday evenings :**
  - Offering for a fixed price (approx \$ 35.00) three courses to our guests subject to change weekly
  
- ✓ **Reinforce with staff the importance of promoting food service first and foremost with every guest, including at the bar:**
  - Ensure that serve staff promotes the food menu and all food specials with each guest
  
- ✓ **Addition of the Barrio Margarita at \$7.50 (a market-rate margarita vs. current premium margarita):**
  - Current average sale per Margarita is \$9.75;
  - The Barrio Margarita should allow us to drop overall liquor sales on at least 40% of margaritas by \$2.25
  
- ✓ **Decrease the price of a glass of entry-level wine by \$1.00 per glass.**