

“Lots of capital is required, and you don’t know if it will work until it opens.”

Rich Melman, the founder of Chicago’s Lettuce Entertain You restaurant group interviewed by Burt Wolf for “The Making of a Restaurant-Part 1.”

Analysis Assignment

Current restaurant market and trends

Potential restaurant concepts that might fit Bess site

Costs associated with a new restaurant development

Economic sustainability for restaurant concepts

Current Market

- Glenview has largest share in sub market
- High volumes at high visibility locations
 - Willow
 - Waukegan
 - Milwaukee
 - The Glen Town Center
- Glenview's capture rate is 181%
 - Resident Spending: \$73.3 million
 - 2017 Restaurant Sales: \$132.9 million

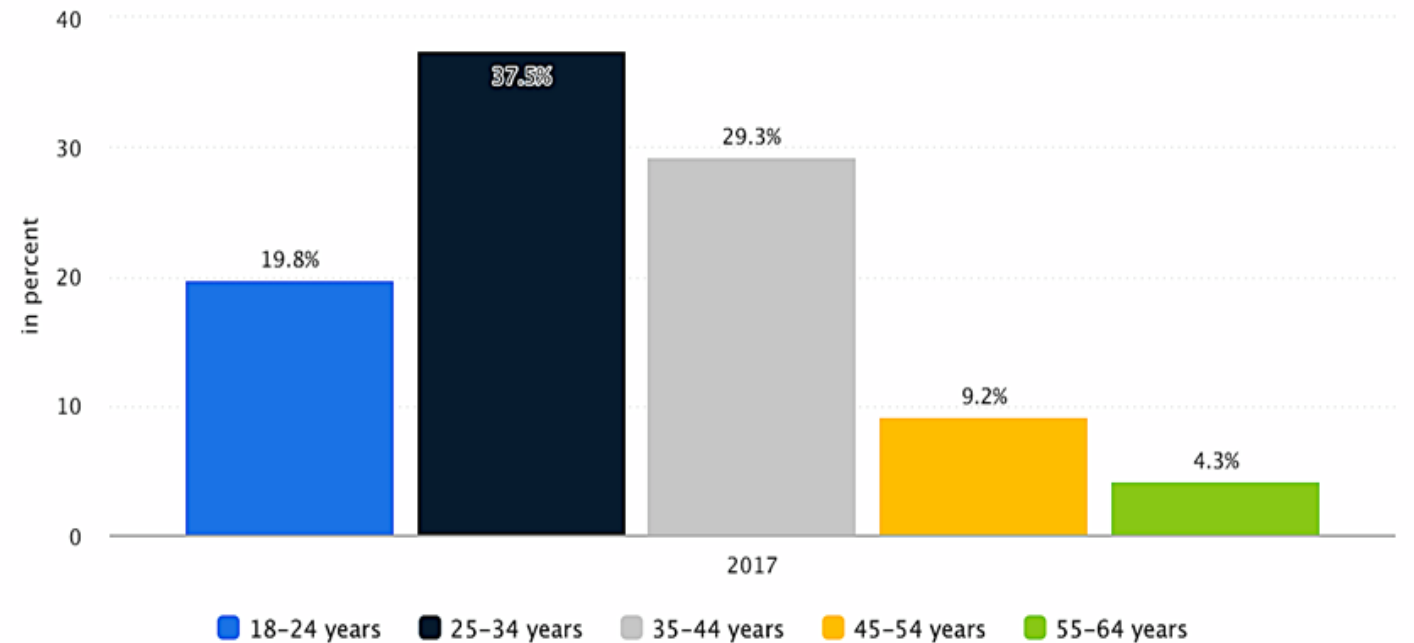
	2017
Glenview	31%
Northbrook	25%
Niles	22%
Wilmette	9%
Morton Grove	10%
Northfield	3%
Total Sales	\$438,853,817

Source: Illinois Department of Revenue 2016 Sales Tax Report; BDI

Restaurant Trends

- Off Premises Sales
- Chef Driven Fine Dining
- Non-traditional Competition
- Labor Constraints
- Guest Technologies
- Media Influencers
- Food Halls

Ordering and Delivery Users by Age



Source: Statista Global Consumer Survey, January 2018

Potential Restaurant Concepts: Investment

	Destination Concept (8,000 square feet)	Local Concept (5,000 square feet)	Remodel Existing Space (5,000 square feet)
Building construction	\$1,959,791	\$1,030,852	\$100,000
Kitchen	\$300,000	\$250,000	\$125,000
Furnishings	\$40,000	\$25,000	\$25,000
Parking @ \$6000/space	\$597,858	\$653,243	\$0
Total Investment	\$2,897,649	\$1,959,095	\$250,000
Land	\$2,225,000	\$2,225,000	\$0
Sources: http://www.buildingjournal.com/construction-estimating.html ; Village of Glenview; BDI.			

Potential Restaurant Concepts: Operations

	Destination Concept (8,000 square feet)	Local Concept (5,000 square feet)	Remodel Existing Space (5,000 square feet)
With Land Cost Included in Investment			
9% ROI (rent)	\$461,038	\$376,569	\$112,500
Sales that meet 6% rent ratio	\$7,683,974	\$6,276,143	\$1,875,000
Sales/Square foot	\$960.50	\$1,255.23	\$375
Rent per square foot	\$57.63	\$75.31	\$22.50
Sources: Baker & Tilley, Restaurant Benchmarks, 2016; BDI			

Economic Sustainability for Restaurant Concepts

- Parking is a key decision
 - Included in rent of existing property
 - Sharing with Metra
 - Uber/Lyft impact
- Rent in profitable restaurants is 6% of sales
 - Sales \$1,000 per square foot: \$60 per square foot rent
 - Sales \$350 per square foot: \$21 per square foot rent
- Incentives can change new construction economics but usually not enough
 - Sales Tax Rebates
 - Property tax reductions
 - TIF

Additional Considerations

- Ground floor restaurants are a poor fit with upper story residential
- Tenant/Concept is first step not a site
- Competition for top quality restaurants is fierce
- Best municipal incentives results are remodels
 - Large incentive
 - Associated with high conversion costs
 - Liquor license
- The Glen Town Center and The Glen Gateway Shoppes are accurate models

Recommendations

- Adopt incentive programs that encourage conversion of former store space into restaurant space
 - Ventilation
 - Grease Traps
 - Outdoor dining
 - Grab and Go Orders
 - Uber and Lyft ride sharing
- Recognize the high risk of new restaurant development

Discussion
