Ep #63: Not All Restaurant Deals Are Created Equal



Full Episode Transcript

With Your Hosts

Patrick Totah and Andy Mirabell

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Welcome to *Restaurant Deal Making EXPOSED!*, the only show that equips you with everything you need to know about restaurant transactions. In this show, we tell you all about how to make the sale or purchase of your restaurant not just possible, but successful. Now, here are your hosts, ex-restaurateurs, and seasoned brokers, Patrick Totah and Andy Mirabell.

Andy: Welcome back to Restaurant Deal Making Exposed! Today's episode is "Not All Restaurant Deals Are Created Equal." I'm Andy, I'm here with Patrick, and we have an interesting topic for you today that we will discuss.

Hello again, listeners, and welcome back to Restaurant Deal Making Exposed! I think it's clear by now what Patrick and I do professionally and what kind of business brokers we are. We sell restaurants.

Today, we will talk about something that makes our niche in restaurant brokerage so unique: not all restaurant transactions are created equal. Selling a full-service restaurant is very different from selling nightclubs, a bakery, a commercial kitchen, or a franchise location. Each business comes with its own set of requirements, challenges, timelines, and appropriate potential buyers. From ABC license and health department requirements to franchisor approvals, landlord negotiations, and making sure the right buyer is stepping into the right business, there is a lot more to these transactions than one may think.

Today, we will break down the different types of businesses, what makes each transaction unique, and why having experience across these different categories make Patrick and I an asset to these kinds of transactions, given our understanding and experience with each of these different transaction types.

Patrick, it's easy to say, "We sell restaurants." I think people are like, okay, we get it. But it's pretty wild that one, each deal we do is quite different from the previous one for a lot of different reasons, not just the type of business. Also, who's involved, the type of buyer, seller, the type of landlord, and so on. So do you want to touch on how, you know, the diversity we deal with?

Patrick: So, yeah, it's interesting, right? When people ask, "What do you do?" It's like, "Hey, yeah, we sell restaurants." What does that mean? I mean, a lot of

people are kind of blown away by, like, what does that actually mean? Because they have this idea when you sell something, it's like a tangible, like property or something like that, right? Versus like trying to sell...

Andy: Right, real property.

Patrick: Like the business itself within the property. So yeah, I mean, there are so many different kinds that we sell. There's the full-service restaurants, there's quick-service restaurants, there's cafes, restaurants without alcohol, bars with no food service, nightclubs, commercial kitchens, bakeries, franchise locations. You know, I'm probably about to list something that has a ravioli manufacturing component to it. So really, anything that has a food and beverage component.

Andy: Yeah, I think the ravioli business should be with the Italian broker over here, but you go ahead with that one, Patrick.

Patrick: Hey, I'm the one who used to work in all the Italian delis growing up, you know?

Andy: Yes, exactly. And you're right, you brought up commercial food production and so on. I've dealt with USDA-approved facilities. Those are pretty intense to work with as far as the requirements to produce there and transfer ownership. So really diverse. Do you have a favorite type of business to sell within some of the examples you just shared?

Patrick: You know, I like to sell a business that is profitable, you know, that has a really reasonable buyer and a reasonable seller. I think it's more—I'm more focused on the components of a sale versus, like, the kind of sale that it is, right?

Andy: That makes sense. That's very sensible. You can't say it's not fun to sell a really well-known legacy brand, a really well-known concept, or something that's just really interesting. I think that stuff's fun because it keeps you really excited, and you always learn more on those types of transactions, I think, also.

Patrick: So let me add to that. I think the deals that make me feel the best, like for instance, I sold a legacy restaurant to somebody who was a first-time owner.

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You know, they'd been working in the restaurant industry for a very, very long time, and this was going to be their first restaurant. And it reminded me of when I first bought my first restaurant. So, you know, those kinds of sales always feel good because a lot of times it's really hard to get the deal done with the landlord. First-time owners, landlords don't typically want to take that, you know, a shot on that kind of a sale. So that always feels good when you're—you're actually, you know, doing something great for somebody to have an opportunity to change their lives.

Andy: I feel warm and fuzzy inside for you, Patrick. It's nice. Those are the warm and fuzzy transactions. You walk away feeling really good about how it was all put together, the right buyer, the seller gets to walk away happy, fulfilled, and so on after what they've built.

Patrick: Or yeah, like a retirement of some sort, right? Like that always feels good. Yeah. So, yeah, absolutely. I like all that good stuff.

Andy: Do you want to touch on why every transaction is essentially different?

Patrick: Some restaurants have ABC licensing, beer and wine, or full liquor. Some don't. Obviously, that affects the timeline tremendously when you have the ABC license component. You're looking at a much longer timeline. I think we've talked about that on a few different episodes.

Andy: Yeah. It definitely adds a layer of paperwork, more so on the buyer's side, the applicant side. It also is a little bit of extra vetting from the state and federal government about their background. So there are some components of that involved that we need to, as brokers, gently ask about before we enter into contract with a restaurant to make sure that their background is appropriate to hold an ABC license.

Patrick: Yep. All the permits and licensing, you know, with health department. There's like, for instance, I sold an ice cream-making business retail, and they had the special license. Actually, I've sold two now where they had to have the special, you know, license from the state for basically, it's called a clean room to make ice cream. And when having dairy, it's a different license than just like a normal health permit. So, you know, that was a new added little thing that I had

to learn to do when I did that first transaction. Licensing and permits could be different per transaction.

Andy: Or per county.

Patrick: Franchises, franchises are very different, right? Because you have a franchisor involved. There's a transfer fee, there's a training fee. There's also an interesting little, you know, when a seller goes to sell their franchise, there's an agreement that you have to, like, not remodel, but you have to freshen up the concept. So they take advantage of that at the end of that sale. So that's another little component that you have to do.

Andy: There's oftentimes franchise transfer fees that the seller should be aware of in their agreement. There might be a—if this is a newcomer to the franchise family or the franchisor, they may have to pay an initiation fee to become a new franchisee of the location. Also, with franchises, it's a whole other layer of vetting. The biggest hurdle we have as brokers is most often getting the buyer approved as a tenant to assume a lease or for a new lease. So the landlord can be a bottleneck in these transactions. But then you bring into, you know, the conversation or the transaction, a franchisor also has to approve their background, their experience, their financial strength, and ability to represent the brand. So that's another approval layer.

Patrick: Yeah, and then, you know, the most important part of every transaction is your quote-unquote partner in the deal, which is the landlord. Is it going to be on a lease assignment? Is it going to be a brand new lease? You know, what kind of qualifications does the buyer need to get approved for the lease? Will the seller remain on the lease, you know, and not get a full release of liability? There's so much that goes on with just the landlord part of it. It's the make-or-break of most deals, right? And...

Andy: It really, it really is. And landlords, for the most part, commonly are protecting themselves. So, you know, that can add some big decision-making to the transaction for the buyer.

We got to take into consideration, too, the different kinds of equipment that are in different kinds of businesses. If you're buying a bar, maybe it's pretty basic.

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Maybe it's got a very high-end, 100-tap glycol beer tap system. Maybe it has one of those new pour yourself three ounces of beer, automatic digital systems for people who are sampling different beers. Maybe it's an old-school bar with one ice well and one hand sink and one prep sink and that's it.

So there's a lot of different kinds of things we deal with as far as locations that have different kinds of specialized equipment. We see catering kitchens and commercial kitchens that have some very expensive high-level equipment that's worth, you know, five and six figures at times. And then, you know, we most often deal with full-service restaurants. So there's quite a different array of equipment that we have to assess when we do these walkthroughs and value the business.

I think one of the most important things we do—it's not our decision to get into contract, it is the buyer and seller's decision to get into contract fully based on the terms. But we, as brokers, want to vet the type of buyer for the particular listing or business they're looking into to make sure it's a good fit and maybe raise pros and cons for that buyer for our client, who is the seller, to make sure that we're not getting into contract with someone who's just going to get denied by the landlord right away or is not going to be a right fit for the business or maybe set up to fail. That's a really important part of it.

I think one of the best examples I have is when we're listing a bakery, production bakery, things like this, that I instantly remind people who reach out for bakeries that are doing a lot of production, high-level stuff, that they should have a background in baking. They should have a partner that is a baker. They can't just go in blind to the bakery. Baking is science. So if you go in and don't know what you're doing, there's a high likelihood you're not going to maintain the consistency and baking is very unforgiving.

Patrick: A lot of times what I find is that people want to buy a business, and they think it's like a laundromat where you get to like sit back and make money.

Andy: Collect checks.

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Patrick: And I don't know that the restaurant or food and beverage industry is that, you know, immediately. Potentially, it could be that with a lot of hard work and putting everything into place. Someone wants to buy a bar and they think from day one, they can kind of just, you know, manage it at arm's length. But like anybody who has been to a bar knows that there's a lot that happens at night between the bartender and the person getting drinks, free drinks, bartenders drinking, free drinks for tips. A lot of nuance there, right? That you're going to miss if you're not putting in the hard work upfront to kind of set expectations and being the eyes and ears. I mean, you can do whatever you want. If you want to buy a business and do that, I just think that you may be setting yourself up for potentially a bad situation.

Andy: Another thing, and it sounds like you kind of found a diamond in the rough for the example transaction you talked about that was a legacy restaurant and you found the right buyer. I believe I know which transaction you're talking about and we had them on our podcast, right?

Patrick: You got that one right.

Andy: Yes. Okay.

Patrick: No, no, actually, this was an over 100-year business. You're talking about Orphan Andy's. I was talking about St. Francis Fountain, which has been in business for longer than 100 years here in San Francisco.

Andy: Wow.

Patrick: Yeah.

Andy: Brilliant.

Patrick: The 49ers were developed at St. Francis Fountain on a napkin at a table at St. Francis Fountain.

Andy: Wow, there's a little tidbit with our 5- 0 Niners. Love it. Okay, so another good example is this. If it's your first restaurant, first cafe, you really have the passion to do it, maybe you've worked in restaurants before, managing them.

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We don't want that buyer to be someone who's going to take on a $5 million operation with 60 staff and so on. Hey, if they're set up, they have the experience and have been there and done that in the jobs they've had previously, so be it. But we do see certain buyers trying to bite off more than they can chew, and it can be a recipe for failure. Again, our role's not to dictate who can buy the business, but to help the seller understand the risks and strengths of each prospective buyer.

Let's touch on timelines. We—you said it briefly as regarding to ABC, for example- that can add quite a bit of time to a transaction, but let's bring up a couple of other examples of how timeline can change from different kinds of businesses that we're transacting.

Patrick: You know, obviously the most straightforward transaction is going to be like a cafe that has no ABC license. I think you can get it done in two months, you know, 60 days.

Andy: That's due diligence and the transaction. You can get it done in two months.

Patrick: Yeah, and if the landlord is working on board with you and everything is meeting timelines, you may be able to get it done under two months. It's very hard these days because nothing gets done super quick anymore. But the transaction itself is going to take 30 days, but the due diligence and lease is at the minimum 30 days. So that's a 60-day transaction.

You know, a lot of people go into this and they're just like, "Why can't we get this done in 30 to 45 days?" I'm like, it's not real estate. There's a landlord here, and like right now I'm dealing with a deal, and the landlord is taking so much time every step of the way. We are like four months in the transaction right now, and we haven't even opened escrow. Everything's been agreed to.

Andy: I have a very similar situation with a trust, and there's too many cooks in the kitchen. And so we can't get any of these small details take weeks and weeks to move beyond. So I understand that, can relate to that on a daily basis. You know, we talk about ABC a lot, but it generally can add another 65 to 90

days on to the end of a transaction, and as of today, in 2026, it's taking in many counties many, many, many, many more weeks to get the supervisors to sign off and send them to, you know, headquarters in Sacramento. And Sacramento has even slowed down.

So it's frustrating. It's frustrating from a broker and a buyer-seller standpoint. It's especially frustrating to me because I really like to say I can help with an educated prediction of when we can close, when the license will transfer, and it's becoming more and more of a moving target right now, which is frustrating.

Patrick: Sure, depending on what district office, depending on what agent, depending on who the buyer is and how fast they get things done. Obviously, everybody wants to get the transaction done as quickly as possible, so the pressure is on us as agents to kind of keep things moving along.

Andy: True. We want to identify where there could be delays or surprises, but we too are still surprised by how slow sometimes the state moves.

Well, let's talk about one last subject on this topic of our episode today is the value of specialized restaurant brokerage. I want to highlight that when we say we're restaurant brokers—again, Patrick, you said it in the beginning, some people go like, "What?" But this is our lane. We sell food and beverage-driven or hospitality-driven businesses. And there is a value to have a specialized agent along with you on this ride because there are so many complexities, there are so many different kinds of businesses within this industry that we focus on. Why does experience matter in this, Patrick?

Patrick: Wow, I mean, every transaction is a learning experience, and you can't substitute for that. Every bad transaction has taught me more and more over the years, and I bring all that expertise into every transaction. Plus, we're very specialized. We take what we do with pride. There's other agents out there that sell everything and anything, and I think we're very prideful of what we do, and we kind of puff out our chest a little bit like, hey, we sell restaurants and bars because nobody else wants to do it.

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Andy: We also have been restaurateurs. We've done what you do. So that helps, you know. I think a very important part of what we do is identifying obstacles before they can derail a transaction. I think that's something that is key to our role. I think setting expectations that are realistic for buyers and sellers as far as timelines, as far as terms, or even as far as valuing a business. I'm not just going to slap a big number on it because it's shiny and pretty. The numbers have to justify what the price is.

And then I think because a lot of agents don't love selling restaurants because of all the gotchas, surprises, timelines, complexities, we more often than most agents are dual agents, and that is a difficult role to navigate sometimes, but we have learned to do that professionally, respectfully of both sides, and I think we can mitigate surprises for both parties in these transactions because we set them up for success once we get into contract.

So, in conclusion, the type of restaurant business you're buying or selling determines much more than the purchase price. It influences who the right buyer is, what approvals are needed, and how long the transaction takes and how complicated the process becomes along the way. Additionally, having the right broker to guide you through this is paramount.

All right, Patrick, you thought I was going to hit you with a fluffy question today, but as I can see—our listeners can't see this, but as I can see on video here are both our bald, shiny heads. We were joking beforehand. What kind of hair—hairdos were you rocking in your 20s and such?

Patrick: I had a pretty set kind of look, faded on the sides and back, really long hair on top with like that put it into a...

Andy: A viking man bun? I can see you with it, Patrick.

Patrick: I had some pretty long hair back in the day, very luxurious, my friend.

Andy: Wow. So I was the only one with big curls and round hair on top. Once I shaved my head from having my big curls, my 40 time went way down.

Patrick: You had curly hair?

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Andy: I have big curly Italian hair. Yeah.

Patrick: Wow, I can't even like...

Andy: So I kept it short most of the time because I wasn't always proud of it when I was a little kid to have these big curls. So you've seen every hairstyle and color you can imagine on me, but now all you see is tan skin.

Patrick: Man, I'm... I'm having a—I'm just like trying to picture that. That's quite a look.

Andy: You're getting hot and bothered? Okay, we're way off topic here. So thank you for listening today, guys. Tune in next time for another episode of Restaurant Deal Making Exposed. Thank you.

Thank you all for listening to this week's episode of *Restaurant Deal Making EXPOSED!* If you're considering selling your business and would like a free consultation, reach out to patrickAndAndy@therestaurantsalesbroker.com or visit TheRestaurantSalesBroker.com to learn more.