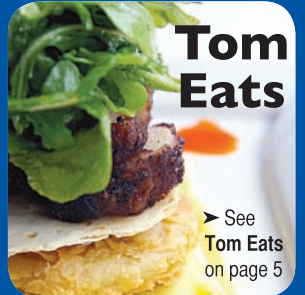




Atlanta Cuisine

"Atlanta's Great Gastronomic Gathering"



Tom Eats

See Tom Eats on page 5

ATLANTA'S FOOD & DRINK NEWSPAPER

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Wine "Guy"de

Summer Sippers



See Wine "Guy"de on page 9

Reviews

Downtown's smoking BBQ scene and Korean BBQ with an uptwn flare

See Reviews on page 6



Inside

WORD FROM THE PUBLISHER3

Around Town4

DINING OUT

Tom Eats5

Review.....6

Restaurant Guide7

BEVERAGES AND LIBATIONS

Tales From a Beertender8

Wine "Guy"de9

IN THE KITCHEN

Deep Dish..... 11

LIVING SECTION

Fodder12

Foodie Crossword Puzzle13

Horoscope de Cuisine14

CLASSIFIEDS 15

Around Town

What Recession?

by Christine L. Carrizales

Atlanta - It was 10 p.m. on Mother's Day evening and Café Intermezzo on Ashford-Dunwoody Road was a hive of activity. Servers hurried from table to table, trying to keep up with the vibrant Sunday night crowd's steady demand for coffee, crostini, and croissants. Steve Josovitz watched the scene unfold before his eyes, and one thought crossed his mind: "What recession?"

While the nightly news depicts a weak national economy, skyrocketing gas prices, and a shaky housing market, the economic picture is not all doom and gloom for Atlanta's restaurant industry. "If you really look at a lot of restaurants, you would not think there was a recession," said Josovitz, a commercial restaurant real estate specialist who is vice president of The Shumacher Group, Inc. "What's strange is that even with this economy, with gas prices and food prices going up dramatically, you can go to any big-box restaurant - like Cheesecake Factory, Bahama Breeze, and Pappadeaux - or any big restaurant in Buckhead, or those in front of the regional malls, and they have lines out the door."

Owners of the smaller, independent establishments had an equally positive outlook. "My sales are pretty good," said Joe Amitrano, president and founder of Verra-Zanno Pizzeria in Duluth. "I've seen steady growth. We're probably seeing less new customers, but sales haven't dropped. The cost of goods is probably the biggest problem we're dealing with."

Food quality has been Amitrano's method of keeping a loyal customer base during tough economic times. He has kept prices reasonable, and he benefits from a location convenient to many residential areas. Still, there are challenges. The higher cost of ingredients has cut into profit margins. Amitrano gave his

Continued on page 4



Steve Josovitz, Vice President of The Shumacher Group, Inc.

Tom Mitton

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What Recession?

Continued from cover

employees cost-of-living raises so they could afford gasoline to get to work. And the food distributors have tacked on a fuel surcharge of \$10 per delivery, which amounts to an extra \$100 out the door every week.

Various factors influence how a restaurant owner is being affected by the sputtering economy. Experts say it depends on the business size, professionalism, food quality, and staying power of the establishment. The large national chains and established restaurant groups with multiple sites fare much better during an economic downturn. Some segments of the casual dining market, such as Chili's and Macaroni Grill, have taken a hit and closed down locations. "But for every national chain cutting back on some of their growth, there's another upstart concept looking to enter the Atlanta market," Josovitz explained. He said that his firm has signed a dozen restaurant deals in the last two months alone.

Those in the business of securing money for new restaurant ventures noted that lending institutions are closely scrutinizing each applicant's business's size and track record. Business owners with a proven track record – such as franchisees with multiple locations that are turning a profit – have a greater chance of getting long-term loans. However, newcomers to the restaurant industry are generally limited these days to short-term working capital.

"It's tough right now," said Brian Josselson, a broker who is the chief executive officer

of National Restaurant Funding. "A lot of restaurants are closing. A lot of them that were here last year aren't here now. But there are a lot of people trying to get in to open a restaurant. A lot have no credit and a lot have no business plan."

Lending companies are intent on minimizing their risk in an industry that has a 70% to 80% failure rate for startup ventures. They have tightened the requirements for long-term funding. About 90% of the clients of National Restaurant Funding relied on short-term working capital because they didn't qualify for a long-term loan, said Rebecca Watkins, chief operations manager at the restaurant funding organization.

"Ease of long-term funding has dried up," Watkins said. "Your credit has got to be stellar to get a long-term funding product. Traditional commercial lenders have shied away from restaurant lending. The market is not soft enough for anybody to get money from a bank right now."

It's those small, independent, family-owned establishments, many of whom are located in strip malls in the outlying suburbs, that are most affected when the economy stalls. They take a direct hit when families examine their budgets and re-prioritize how they'll spend their disposable income. "The mom and pops are going to feel the effects more than anyone," Josovitz said. "With gas now reaching \$4 a gallon with no end in sight, a commuter is feeling that pinch. Tie that in with being 'mortgage poor', and people are going to eat at home more. When the diner is looking to choose where they go, they're going to look for it to be something special and exciting."

In some places, such as Buckhead, dining takes on more of a social connotation. Restaurant patrons, who are looking to see others and be seen, are drawn by the overall experience as much as the food. "When (president of Here to Serve Restaurants) Tom Catherall opens up a 20,000-square-foot restaurant designed by a world-famous architect as opposed to a 2,000-square-foot neighborhood café with red tablecloths and consignment art on the walls, it's a no-brainer where you want to spend your very precious dining dollars," Josovitz said. "If you're coming in to Atlanta for a night on the town, you're going to choose the sexy, glamorous restaurant that puts out gorgeous food in a gorgeous surrounding served by gorgeous people."

But just like Amtrano, other independent restaurateurs in the outlying areas are standing strong.

Bruce Blumberg, owner of Bella's Pizzeria in the suburb of Smyrna, said that for his clientele, quality of food is the important factor. And that has been the key to his success. People who once picked up just any pizza on the way home are now making more thoughtful choices, he said, and selecting restaurants where the food will be worth the expense. Blumberg's sales have not suffered. His establishment enjoys a loyal following from diners who appreciate his use of high-end ingredients, such as grande cheese and high-gluten flour that sells for \$14.50 per bag.

"We're really fortunate," Blumberg said. "Our sales have held steady. I like to believe that our product is better than the other people. I'd rather spend the extra dollars to get the better ingredients."

For the most part, Atlanta's diners seemed

AROUND TOWN



unfazed by the situation. They admit to keeping a closer eye on gasoline costs and planning their dining trips accordingly. But no one interviewed for this article had cut back on dining frequency.

Doraville resident Scott Buford said that economic factors haven't changed his family's patterns of dining out at all. "We're probably eating out the same number of times, or even more than before," Buford said, adding that he and his wife dine away from home about three times a week on average. Gas isn't much of a factor, according to the 39-year-old Buford, because he lives close to Peachtree Industrial Boulevard and Buford Highway, in close proximity to family favorites such as Burger King, Applebee's, and Ryan's. Buford, who works at Home Depot, said it's a matter of convenience, and they prefer to dine out frequently instead of spending the time cooking at home.

Realtor® Beverly Hanson of Tucker said she eats out two to three times a week, which includes a weekly "Girls Out" night and some business meals. "I probably go out about as frequently as I always have," Hanson said, "but I usually eat at restaurants that are less expensive, and closer to my home." Two of her favorite spots are Taqueria los Hermanos and Enzo's Pizza, both close to home and reasonably priced.

Paul Cook, president of Post Creek Mortgage, LLC in Roswell, said economic factors really haven't changed the frequency with which he and his fiancée have dined out. On the average, they enjoy one or two nice dinners out per week, which is about the same as last year. However, Cook said that he and his fiancée are choosing less expensive restaurants, and they also consider distance in order to conserve gasoline.

"We really like eating out," Cook said. "We like to try different places. It's one of the things we really enjoy, so we try and limit (expenses) in other ways."

With more than 9,500 restaurants in the metropolitan Atlanta area, Cook and his fiancée have a lot to choose from. The city has one of the highest rates of restaurants per capita in the nation. What's unique about the city, Watkins said, is that even during tough economic times, Atlantans are willing to try almost anything when it comes to their food and drink. She recently heard about plans to open a Christian bar here.

"Atlanta is uniquely experimental," she said. "It's almost like a proving ground for the restaurant industry. There's so much growth and such a diverse population that anything will fly."

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