

What Happened to Gringo de Loco?

Many are asking so I decided to write a little about recent events at 928 Pacific Avenue in Downtown Tacoma. This might be a little self-indulgent, so bear with me.

A Short Personal Background

In May of 2003 I was walking out of the REI in Tacoma. From the entrance of the store on a rare clear day here in the Northwest, you get a really nice view of Mt Rainier. I had been looking up at that mountain most of my life, being a native of Tacoma, and at that very moment I decided I wanted to climb it. I walked back into the store and grabbed a pamphlet for Rainier Mountaineering Inc (RMI).

About a month later I was sitting on a backpack, shivering at 12,500 feet just above Disappointment Cleaver on the Edmunds glacier at around 4:00 am wondering what the hell I had gotten myself into. From that point on every step I took was absolutely grueling. I wanted to quit, sit down for good and tell the guides to call for a damn helicopter. I had nothing left in me to continue. I was spent.

But I continued. Despite how I felt I kept my complaints to myself and just put one foot in front of the other. I stopped thinking about the moment when I would arrive at the summit or climb back into my warm car. I just focused on the next step. Then, at around 7:00 am, quite suddenly actually, my team and I crested the crater rim and I found myself standing on top of Mt Rainier. I was tired, but far from collapse. I became a little angry with myself that I had made the climb so difficult with all the internal bitching. Something a yoga teacher had once said came to me, "The mind gives up before the body."

Thus began a three-year climbing odyssey. I was hooked. I climbed most of the major peaks of the Cascades and several minor ones, including Mt Rainier three more times. I traveled to Colorado and to Mexico where I climbed Iztaccihuatl at 17,342 feet and Pico de Orizaba, the third tallest mountain in North America at 18,409 feet.

My draw to climbing was not for the scenery, to be close to nature or to add another mountain to my climbing resume, it was overcoming the personal challenge. I felt more alive than I ever had and this became an analogy for everything I did in life.

A New Mountain To Climb

I had wanted to get into the restaurant business for quite a long time. I had grown up around the business and knew it fairly well. I had looked for restaurants to purchase or to start one from scratch before I had started climbing. However, other restaurant owners, family or friends would inevitably talk me out of it. "It's a tough business." Besides, I was a pretty successful independent Web Developer that worked from home about 4 to 6 hours a day and made nearly six figures. Why mess with a good thing? But, sitting in front of a computer at home just didn't

satisfy me. The money was good but the challenge was gone. However, armed with a new philosophy on life the time had come to pursue a dream.

In January 2006, my wife and I started on a build-out of a Blues club/restaurant across from the Pantages Theater in downtown Tacoma. But, it got too expensive for our budget and the venture eventually fell through. If we were going to do this we would have to purchase an existing restaurant and make it our own.

While this was going on, I was still maintaining my Web Development business. I had been hosting a website for The Mandolin Café and knew the owners fairly well. I told them of my intentions on opening a restaurant and what happened with my first attempt. They told me they were looking to sell the café and asked if I was interested. It seemed like a perfect opportunity. In July 2007 my wife and I took over operations at the cafe and within 3 months we had paid off most of the debt and for the first time since the café opened three years earlier, it was showing a bit of a profit. But things were not to be.

The problem we ran into was that the current owners still had a strong emotional attachment to the café and they wanted things run a very specific way. That led to the owners and I butting heads occasionally. We all decided it wasn't a good fit and at the end of December, we left the café not knowing what we were going to do next. It was disappointing but the café really wasn't what I was looking for anyway. I wanted something I could call my own. Something I had created.

Money was tight but despite that I immediately began looking around for restaurants that were for sale and in January 2008 my wife and I walked into La Costa. What a dump. It was clear the place was struggling and it had the signs of owner-burnout everywhere. Despite the sad shape it was in however, I could see the potential immediately. And best of all: I saw a challenge.

Mountain... or Titanic?

We put in our offer and on February 15th took over operations after a hasty stock sale. Unfortunately, we just didn't have the financial resources to really investigate the place we were purchasing. We talked about hiring an attorney but we were worried about burning through too much operating capital. Besides, the current owners seemed honest enough. We knew there were risks but crossed our fingers and dove in headfirst anyway.

The first thing we did was clean. It hadn't been thoroughly cleaned in a long, long time. After truckloads of garbage to the dump, gallons of cleansers and a little help from our friends things were starting to look promising.

By the first week of March however the true scope of what we had taken on was beginning to rear its ugly head. The office had been cleaned of all previous invoices and bills before our takeover. I thought I was starting at zero. But over the course of several weeks of creditors calling us asking for money, I had put a list together of who we owed money to and how much. The list was long and totaled over \$45,000.

At the time we took over, La Costa was months behind on the power and gas bills. Payroll was late. State and City taxes had not been paid for much of 2007. To sum it up, if there is a vendor or organization that a restaurant needs to deal with to conduct business you can bet we owed them something. To make matters even more difficult, the old owner had packed up and left for Guadalajara without a word just days into the month of March. Not a good sign.

Sales were also beginning to slip. The customer base La Costa had was small, but was becoming smaller since our takeover. We figured this was due to the old owner and manager leaving and the changes we were making. This wasn't a complete surprise considering the history of La Costa and its very specific customer base (this is another story). It was clear that the time had come to lay La Costa to rest and become something new.

In early April we closed for a week and painted everything, replaced the dated carpeting, recovered booths, installed new light fixtures, hung new art and fixed the heating and ventilation system (which had not been turned on in years), etc, etc.

A new name was all we needed. We tossed around some mainstream sounding names (like cities in Mexico) but none of that interested us much. Considering the events leading up to where we were today, a name suddenly seemed obvious, "Gringo Loco." We toyed around with that and (intentionally) came up with, "Gringo de Loco" and added our Blues music theme. Loco. Perfect.

We reopened on April 19th and the results were very encouraging. A totally new clientele was coming in and lunch revenue was up about 80% and dinner revenue about 20%. We were on the right track.

But the debt was there and we needed more operating capital to get caught up. After applying for a small bridge loan, a credit report came back on the corporation and we discovered we had IRS liens totaling over \$50,000. Not much of a surprise at all. Nobody was going to lend us anything.

The new business model was sound, sales were promising but the Titanic was sinking.

We just didn't have the operating capital to deal with the huge debt. But I did have quite a bit of equity in my house and had started refinancing way back in February even before we took over. This was part of the plan to begin with. But what should have taken weeks was taking months. The Fed's had lowered interest rates and everyone in America, it seemed, was scrambling to refinance. The loan had gone through underwriting and we were just waiting for docs to get to escrow. For weeks I heard, "you should sign tomorrow." But, the system was backed up and our loan was stuck somewhere.

A Perfect Storm

With debt totaling over \$100,000 we were running out of capital and time. Credit cards were nearly maxed and there were no viable resources left for us to tap into. Even though we could see things coming together at one end it was falling apart faster at the other.

At the end of the first week of May I got the word that the refinance was finally going through but after pouring over the books it seemed it just wasn't going to be enough considering the size of the hole the restaurant was in. I figured it would take about twice what I had coming, so the difficult decision was made to close the doors. Even if we had the capital it just didn't make financial sense to continue. The purchase agreement had a clause that allowed us to walk away and most of the financials will fall back to the old owners. So, at least we were not destroyed financially.

I have no regrets about what has happened here and I don't view it as a failure, we

were crippled before we even got started. We gave it a 100% and we did a great job considering the challenges we were faced with and I am amazed at what we were able to accomplish with the limited resources we had in such a short time. Sadly though, Gringo de Loco never really got a chance.

What is next? Well, rebuild.... and find a new mountain to climb.

--Gringo Loco

gringo@gringodeloco.com

