

# HERALD STREET

## BREW WORKS

Fri. March. 22, 2019.

Dear Mayor Helps and Council,

Our business model, Herald Street Brew Works, an all ages venue, would be in the center of what has become known as Victoria's Brewery District, located in the downtown area, at 506 Herald Street.

We have been notified about the last minute letters of concern that the city received on the day of the last council meeting, concerning our brewery lounge liquor application. It's our understanding that almost 300 letters went out, outlining the correct details about possible licensing hours and occupancy load to the closest residents and businesses 30 days before this council meeting, and only 2 letters against and one in support were received. Appropriate city supplied notifications were posted for the same period of time in the windows of 506 Herald Street. These new last minute letters did not give us an opportunity to respond, and goes against the established notification process.

It seems that there is also confusion about information that went out concerning what we hope will become Herald Street Brew Works. Over a year ago, when we started work on our new business, the Old Town area was and still is zoned for businesses that included licensed drinking establishments such as restaurants, bars and nightclubs, but was not zoned for the use of a brewery. We had to apply for a 'site specific' zoning addition. To start this process, over 300 letters went out to the DRA inviting all to attend an information session at 506 Herald Street. The meeting was held on March the 26th 2018 in the brewery space, and 12 citizens attended. Occupant Load numbers had not yet been determined as the final design had yet to be completed. Any occupant load numbers and operating hours discussed were 'best guess' and 'generally speaking' in nature. This rezoning process was halted, as the city instituted changes to the Old Town zoning that added Breweries and Distilleries to the allowable use. .



Our business will be liquor licensed as a manufacturer with a 'Lounge Endorsement' and a 'Store'. Under this license 80% of sales in the Lounge(seating area) and 100% of sales in the Store(growler fill station) must be product we produce on-site. The 20% of other products allowable in the Lounge sales would consist mostly of locally produced cider and wine.

The model is similar but does not mirror Phillips Brewing, which is a full production facility. Matt Phillips set his own hours of operation based on his own reasoning. Phillips Tasting Room is more of a 'marketing tool' as opposed to a stand alone business that HSBW would be. The bulk of revenue for Phillips Brewing, Distilling & Malting Co. comes from distribution through kegs to bars and restaurants, and cans/bottles to retail liquor stores.

As the new Old Town zoning is meant to ensure that the businesses remain 'retail' in nature, the 'production area' can not be more than 35% of our floor space. As this will restrict us from ever being able to do packaging and distribution (as there will not be 'allowable space' to facilitate that), we will need to cover all our costs through sales in-house. We would hope to have every opportunity to cover those costs.

We have been paying rent for 506 Herald for 17 months as we work through all the processes for permits and licencing. Our lease started in February in this year and that monthly payment has increased. The total investment is forecast to be \$1.8 - \$2 million. This includes budget for the second phase, a roof top deck, that will be built out 2 years from now. We have invested \$160,000 into the project so far. Part of the initial budget is about \$250,000 worth of structural work inside the space, that has to be done at the beginning of the build out, to allow for the roof top deck later on.

Some notes about hours of operation. Two great downtown businesses, located near out address are Canoe which closes at 1 a.m. and Swans which closes at 1 a.m. Both of these locations are much closer to residential buildings than our location. Infinity Night Club in Market Square operated until 2 a.m., and was surrounded by residential condos (The Union, The Janion, and condos over the Cigar Shop). On the other side of our location, The Duke Saloon closes at 2 a.m. As these businesses are...or become...entertainment venues in the later hours, it means that a good number of patrons are leaving at the same time, closing time. This is not something we would expect to see at Herald Street Brew Works. There is a definitive difference between the average craft beer consumer and the patrons of bars and nightclubs. The traveling craft beer enthusiast is part of the 'Cultural Tourist' group (Beercations are a thing now! read



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<https://www.travelweekly.com/North-America-Travel/Tourism-on-tap-Beer-related-travel>

). These vacationers are looking for unique experiences that, preferably, are different than what they can experience at home and gives them a sense of the local scene. It is our aim to make Herald Street Brew Works that kind of experience. The city of Victoria has a substantial food and beverage industry employing many people, many of whom get off shift in the later hours. A 2 a.m. closing time would allow many of them to have a comfortable space to unwind after their workday. For many this would be preferable to a nightclub setting. As at The Drake Eatery, we expect our clientele not to arrive in their car. So we do not expect vehicle traffic to increase. We want the ability to flesh out what our operating hours should be to best serve our guests.

We signed a lease in 2013 for what was to become The Drake Eatery. At that time, lower Pandora was considered unattractive for new business. ALL retail space on the Pandora side of Market Square was unoccupied. Since opening in August of 2014, The Drake Eatery has quickly gained the attention and respect of the Craft Beer Industry not only in Victoria but down the west coast and beyond, recently acknowledged as "one of the best places in the world to drink beer" ( Source - "Where to Drink Beer" by world renowned brewer, Jeppe Jarnit-Bjergso ). We have personally hosted here in Victoria, at our invitation, craft brewers & craft brewery owners, chefs & restaurant owners as well as authors from Toronto, Vancouver, Seattle, Portland, San Francisco and San Diego. This reputation has given our brewery project the very unique opportunity to do collaboration beers with many of the world's best brewers. Many offers have already been extended to us (even before we have a built out our brewery). We are doing our little part of promoting the city of Victoria to the world.

The Drake Eatery has given out over \$20,000 in donations to support local non-profit and charitable organizations and our budget for this year is \$9,000. We love Victoria and we love operating a business in downtown Victoria. We fully expect that if we are able to open our brewery that it will be able to extend the same kind of support to local community organizations.

At The Drake Eatery we employ up to 35 staff, pay above the industry standard (our two managers own homes in Victoria), offer health benefits and accommodate and support any learning opportunities, within our trade or new endeavors. Given the opportunity, we would expect to do the same at Herald Street Brew Works.



- A couple of points to clarify...

1 - 'Occupant Load' vs 'Seating Capacity'. Occupant Load is the total number of people that can be safely in the building as determined by city building inspectors and Fire dept. This would include owners, managers, brewers and all other staff that we would expect to be in the building at any given time, that is up to 12 people. And, as we plan to do on-site retail sales of our beer in Crowler/Growler format 'to go' (as allowed in the new zoning) it also means that we need to allow for the customers that may want to come in and quickly purchase beer to take home, we estimate that could be up to 15 customers at any given time.

2 - Liquor License Hours vs Operating Hours. The provincial regulators offer this kind of license to operate within a range of hours extending from 9 am. until 2 am. If this is what is approved then the operator is free to sell and serve licensed beverage anywhere within that time frame. Following the advice given by our liquor inspector, it's a good idea to apply at the outset for the maximum allowable hours then if there is ever an occasion where we would like to operate outside of our regular business hours, we can do so avoiding the costly and lengthy process involved to get an extension.

Thank you for your consideration.

Sincerely,

Mike & Lee Spence