

Memorandum



To: Charles Witherington-Perkins, Director of Planning & Community Development
CC: Randy Recklaus, Village Manager
From: Sam Hubbard, Development Planner
Date: 3/14/2019
Re: Early Review – Arlington Beer Company, 19 N. Hickory Ave.

Please find attached information regarding the Arlington Beer Company brewery and taproom proposed at 19 N. Hickory Avenue. Also included is a letter from Kathleen Egan, owner of Arlington Brew Company, dated March 4, 2019, requesting early review by the Village Board. Attached to this Memorandum are conceptual site plans and floor plans for the proposed brewery and taproom.

The Early Review Process, instituted by the Village Board in March 2001, allows developers, under certain circumstances consistent with the stated Guidelines of Early Review, to present projects to the Board in order to gauge the acceptability of development proposals. It should be understood that the results of the Village Board Early Review do not commit the Village to approving or denying a development proposal if and when the proposal moves through the review process. It is simply an opportunity for a developer to obtain a degree of preliminary feedback from the Board.

Background:

In 2012, the Arlington Beer Company (at that time known as Itasca Brewing) approached the Village with a proposal for a brewery at 3 N. Hickory Avenue. The proposed business was to be strictly for beer production and distribution and there would be no commercial or retail component within the facility. No taproom, onsite consumption, or retail sales was proposed (these functions have never been permitted in Arlington Heights until recently). A former planner informed the business that production and distribution of beer was permitted within the M-2 zoning district along Hickory Avenue, and based on this information the petitioners signed a lease for 3 N. Hickory Avenue. Subsequent to the Village informing the petitioners that beer production was permitted within the M-2 district, they also purchased a property at 19 N. Hickory. Production of ***non-alcoholic*** beverages was allowed within the M-2 District, however, production of alcoholic beverages was **not** permitted within the M-2 District in 2012. Since then, the Zoning Code has been amended to allow breweries within the M-2 District, however, the revised and latest proposal does not comply with the newly established brewery regulations (due to the proposed taproom size) or with parking requirements.

In 2014, the Arlington Beer Company submitted a zoning application for a land use variation to allow for the brewing of alcoholic beverages at both 3 N. Hickory and 19 N. Hickory. The 3 N. Hickory facility was modified to include a limited area for retail sales and tastings of beer on the premises, and the 19 N. Hickory facility would include beer production and a taproom. At that time there was no liquor license classification for a microbrewery that sold bottled beer to the public and provided beer tastings and/or taprooms. Staff informed the petitioner that until a liquor license was created to allow for this use, the land use variation for a taproom could not proceed, however, they could proceed for a land use variation to allow production and distribution of beer.

In 2018, the Village Board approved an amendment to the Liquor Code that created a class "M" license. This license permitted the onsite consumption of beer or ale brewed onsite at a microbrewery or brewery, subject to certain

restrictions (outlined in **Exhibit 1** at the end of this memo). Concurrently, the Village Board also approved a change to the Zoning Code to allow microbreweries and breweries within certain zoning districts, which also allowed limited space for a brewery/microbrewery to conduct retail sales (including on premise consumption) of alcoholic beverages. Specifically, where microbreweries are allowed within a business district, the retail sales portion is limited to 35% of the overall floor area of the brewery. Where microbreweries are allowed within a manufacturing district (such as the subject property), the retail sales portion is limited to 10% of the overall floor area. The retail sales size restrictions were added due to the Village Board's desire to restrict these facilities from becoming too much like a bar and to address limited parking in manufacturing districts. **Exhibit 2** at the end of this memo outlines the zoning regulations for breweries and microbreweries. Upon approval of the new liquor classification and zoning regulations, the Arlington Beer Company began working with staff to proceed with the zoning approval process.

Current Proposed Concept:

On January 18, 2019, the Arlington Beer Company submitted revised modified floor plans and a site plan for 19 N. Hickory depicting their new proposal for use of the building and property. These plans show a significantly amended project relative to the original proposal from the 2014 land use variation application. Specifically, size of the retail sales portion has increased significantly, and the petitioner is now proposing to use the exterior of the site for additional consumption of beer. Additionally, the size of the brewery portion of the facility has been scaled back and is now shown as occurring only within the separate accessory building located at the rear of the site. A copy of the 2019 floor plans and site plan is attached to this memo.

The petitioners have explained to staff that the proposed retail sales area is consistent in size to similar breweries and taprooms located in the Chicagoland area. Moreover, they believe that in order to make the proposed upgrades to the building exterior and to buildout the interior as a taproom, a 10% limitation on the retail sales would render the project infeasible.

Summary of Current Proposal:

The 19 N. Hickory site is composed of two buildings. The rear building is a one-story structure of 1,144 square feet and proposed for use as the brewery portion of the business. The front building is a two-story structure of 2,836 square feet and proposed for use as a taproom/bar on the first floor and with additional overflow/event space located on the second floor. A sizable outdoor area is also proposed. The site is located directly west of single-family homes within the Arlington Market subdivision and is located within the Hickory-Kensington Overlay Zoning District, which calls for future residential uses along Hickory Avenue. As currently proposed, the gross floor area of the brewery is 1,144 square feet and the gross floor area of the indoor/outdoor taproom is 4,411 square feet. Staff is of the opinion that the current proposal is too intense for the property and area, and may impact future redevelopment of the vicinity.

Zoning and Liquor Issues:

Based on a preliminary analysis of the 2019 proposal, the percentage of floor area devoted to retail sales is estimated at 42% of the total floor area of the two buildings (exclusive of common areas), which includes the first and second floors of the main building, as well as the rear accessory building. Therefore, a land use variation is required to allow a microbrewery with a retail sales floor area of 42% of the total floor area where code restricts the maximum percentage retail sales to 10% of the overall floor area. **Table 1** below summarizes this information:

Table 1 – Floor Area Calculations

	Total Square Footage (Gross)	Square Footage Devoted to Retail Sales (Net)
1st Floor	1,500 (38%)	917 (23%)
2nd Floor	1,336 (33%)	752 (19%)
Rear Brewery Building	1,144 (29%)	0
TOTAL	3,980	1,669
Outside Area	1,575	1,575

The petitioner is also proposing alcohol consumption in areas outside of the building, as well as a small space for recreational games (cornhole). The total square footage of the outside areas is approximately 1,575 square feet. Although this area is not considered "floor area" to be factored into the zoning limitation for retail sales, it should be noted that this is an additional area where consumption of alcohol would occur and this area is counted towards the parking requirement. In sum, the facility will provide 74 interior seats for alcohol consumption and 44 exterior seats for alcohol consumption, for a total of 118 seats (plus additional standing areas adjacent to the exterior game area).

Relative to parking, the site will not provide any on-site parking spaces. A preliminary analysis calculates that 52 parking spaces would be required for this use. Consequently, a parking variation will be required. Street parking is located along both Hickory and Douglas Avenues.

The proposed liquor license must be reviewed by the Village Board and Liquor Commission for interpretation as to whether the use conforms to the liquor license provisions. Additionally, the requested variations will require review by the Plan Commission and approval by the Village Board.

Questions for the Board:

1. This latest proposal represents a significant change from what was previously considered and does not comply with the recently created microbrewery and brewery regulations. Was it the intent of the Board to allow a brewery to be in a totally separate building from the tap room/bar area?
2. Is the Board agreeable to having a brewery area at 29% of the total interior floor area of the facility, a tap room/bar area at 42% of the total interior floor area of the facility (exclusive of common areas), plus an outdoor alcohol consumption area at 40% of the total indoor floor area size?
3. Does the Board concur that the proposal is more representative of a separate brewery and separate microbrewery/bar? Is this more similar to a restaurant with no kitchen and food service?
4. Does the Board believe that this location within a redevelopment area, with close proximity to residential uses, and with parking limitations is appropriate for the proposed use and variations being requested?

Options:

The Village Board may consider the below options when discussing this at Early Review. It should be noted that a higher percentage of floor area used for retail sales/consumption, such as 35% and greater, may create parking issues. Additionally, the liquor license states that consumption shall occur only within the retail portion of the premises. Clarification is requested from the Village Board as to whether consumption can occur outside so long as the total capacity limit at any time is not exceeded.

Staff presents the following options:

1. Concur with the request to increase the taproom/sales from 10% to 42% (net) in separate building and direct the petitioner to proceed with the Plan Commission process.
2. Reject the proposed taproom/sales area and require compliance with the 10% floor area restriction.
3. Consider alternative options such as:
 - a. Allow up to 20% of the floor area (796 square feet) to be used for a taproom/retail sales (similar to regulations in Elk Grove).
 - i. Limit the size of the taproom to 796 square feet and maximum occupancy to 53 persons.
 - ii. Require some of the brewery functions to take place within the taproom/sales building.

- iii. Provide for on-site employee parking
- iv. Reduce the extent of the outdoor area and screen this outdoor area from the residential areas to the east.
- v. Outdoor usage shall only operate when the brewery/taproom is in operation and shall comply with the outdoor dining regulations, particularly the 11pm closing time.
- b. Allow up to 35% of the floor area (1,393 square feet) to be used for a taproom/retail sales (similar to Arlington Heights regulations for a microbrewery within the commercial zoning district).
 - i. Limit the size of the taproom to 1,393 square feet and maximum occupancy to 93 persons.
 - ii. Require some of the brewery functions to take place within the taproom/sales building.
 - iii. Provide for on-site employee parking
 - iv. Reduce the extent of the outdoor area and screen this outdoor area from the residential areas to the east.
 - v. Outdoor usage shall only operate when the brewery/taproom is in operation and shall comply with the outdoor dining regulations, particularly the 11pm closing time.

Staff is seeking feedback and direction from the Village Board in order to determine if this proposal meets the intent of the Village Board liquor license and zoning codes. Staff is recommending that the Village Board evaluate the conceptual plans and preliminary information available at this time and provide preliminary feedback regarding the proposed development, specifically as it relates to the extent of the variation requested and the compatibility with the liquor license provisions.

If the Board believes that the proposal to increase the taproom size above the 10% allowance has merit, Option 3 outlines scenarios, such as Option 3a, that may be more in keeping with the intent of the Zoning Code and Liquor Code requirements.

Attachments:

- Site plan and Floor Plans
- Aerial

Exhibit 1: Class “M” Liquor License Provisions

Class “M” license shall permit the onsite consumption of the beer or ale brewed onsite at a microbrewery or brewery. Class “M” licenses are subject to the following conditions:

1. On-premises consumption shall be limited to the retail portion of the microbrewery or brewery, except during supervised tours and private events.
2. Beer and ale for onsite consumption shall be dispensed only in containers provided by the licensee.
3. No more than a total of 48 ounces of beer or ale shall be served for the purpose of onsite consumption to any customer in one day.
4. The retail sale of beer or ale produced off premises shall be permitted.

Exhibit 2: Zoning Regulations for Breweries and Microbreweries

Commercial Uses	B1	B2	B3	B4	B5	I	OT	PL	M1	M2
Microbrewery, more than 2,500 square feet but less than 4,000 square feet Note: the retail portion shall not exceed 35% of the total floor area of the unit or building occupied and shall be segregated from the remainder of the premises		s	s		s					

Commercial Uses	B1	B2	B3	B4	B5	I	OT	PL	M1	M2
Microbrewery, 2,500 square feet or less Note: the retail portion shall not exceed 35% of the total floor area of the unit or building occupied and shall be segregated from the remainder of the premises		p	p		p					

Manufacturing/Processing Uses	M1	M2	B3
Brewery (<u>including microbreweries</u>) up to 20,000 square feet Note: The retail portion shall not exceed 10% of the total floor area of the unit or building occupied and shall be segregated from the remainder of the premises. <u>Facilities greater than 4,000 square feet</u> shall not be permitted on a zoning lot contiguous to a residential district.	p	p	