

Alamo Beer Company Microbrewery Development Proposal



Submitted to the City of San Antonio

June 6, 2011

About Alamo Beer Company

The Alamo Beer Company was founded in San Antonio in 2003 by Eugene Simor. The company produces ALAMO Golden Ale. Presently, this beer is brewed under contract by the Real Ale Brewing Company, located in Blanco, Texas.

The Ben E. Keith Company is the statewide sales and distributor for ALAMO Golden Ale. Since its founding, sales have risen from 555 to 50,000 case equivalents for 2011 (estimate).

Given the strong sales, Alamo Beer Company intends to develop a small brewery (a “microbrewery”) to brew, bottle and temporarily store its beer products.

Microbrewery

A microbrewery is a term used to describe a small-scale brewery that produces less than 75,000 barrels annually. The process for brewing beer is similar to a bakery and is considered very safe. The process involves the mixing of grains and yeast with water. Over a fixed period of time the mix ferments in large holding tanks. It is not flammable and does not emit noxious odors. The entire process is indoors and does not create noise beyond its walls.

Once the beer is ready, it is packaged in bottles, cans and kegs and stored cold prior to distribution across Texas to various grocery stores, restaurants and taverns. It is important to note that under Texas law, brewers are not allowed to sale or distribute beer directly to consumers.

A microbrewery is very different than a “brew pub” (such as Blue Star Brewing Company or Freetail Brewing). Brew pubs actually brew and are permitted by the State of Texas to sell their beer directly to consumers (but only on their premises). However, brew pubs are not permitted to distribute their products to stores or other businesses.

Where does Alamo plan to build its microbrewery?

Alamo Beer Company proposes to acquire and develop approximately 1.69 acres of property currently owned by the City of San Antonio. This property is located on the southwest corner of North Cherry and Lamar streets (803 North Cherry). This property is presently zoned “D” which permits a microbrewery. The site is vacant and has been the site of illegal dumping. It has no functioning curbs, sidewalks, trees or visible utilities, and is clearly impacted by drainage across the site. The adjacent intersection (Lamar and Cherry) has long been afflicted with drainage issues that impact adjoining businesses and residents.

Additionally, Alamo Beer Company now controls property at 415 Burnet, south of this location. This property is secured, paved and could serve as a parking lot for employees and visitors to the brewery facility. Alamo Beer Company seeks to link the two properties. (Exhibit “A” shows the subject properties.)

The Project Scope

Brewing Operations. In its initial phase, Alamo Beer Company intends to develop an approximately 20,000 square-foot building. Due to the height of the fermentation tanks, the building will be at least 40 feet tall in the main production area. With further growth and product development, a second phase building of approximately 18,000 square-feet could be added. Alamo Beer Company intends to design and construct the facility to be architecturally attractive.

Event Venue. Additionally, Alamo Beer Company intends to develop the facility as a tourist destination and event venue. Microbreweries across the nation have proven to be successful tourist destinations. In larger cities, they can attract hundreds of visitors each week. Many microbreweries have become popular venues that are rented for catered corporate receptions, birthday parties, galas, wedding receptions, and similar events. Small samples of the beer are offered to adult visitors.

Beer Garden/Restaurant. As part of the microbrewery facility, Alamo Beer Company would like to develop a small “beer garden” restaurant. Under State law, Alamo Beer Company and its owners cannot own or operate such a facility in connection with the brewery. They contemplate leasing a small outdoor space on the rooftop of the brewery, which would be operated by a restaurant company. That company, under specific restrictions, could serve beer and limited food options. Alamo Beer Company wants to be a good neighbor, and is willing to agree to limit noise and operating hours of the beer garden so as to not disrupt nearby residents.

Improved Public Areas and Infrastructure. As part of the project development, Alamo Beer Company will be required to install curbs, drainage systems, sidewalks, trees, landscaping, and street lights. It may also be necessary to upgrade certain utilities or other infrastructure. Further, Alamo Beer Company desires to enhance and control the public areas around and under the Hays Street Bridge, effectively creating park-like amenities.

What is the economic impact of the Project?

Investment. The first phase of construction will require an investment of over \$5.7 million in facility development and equipment.

Job Creation. By the end of the first operating year, 10 new, full-time employees will work at Alamo Beer Company. Over the next seven years, total employment from brewery operations is expected to increase to 39 jobs. All jobs will meet or exceed the City of San Antonio's wage requirements. In addition to these jobs, the beer garden will have its own employees; additional employment opportunities will occur as a result of events.

Additional Taxes. Because the proposed project site is currently owned by the City, the property is exempt from taxation. By acquiring and developing this site, the City and all other taxing entities will receive increased property tax collections.

Will the Project create traffic problems for the area?

While a traffic study has not been conducted, we do not anticipate negative traffic impacts to the area. The parking lot on Burnet should accommodate all parking needs for the brewery employees and visitors. Drivers currently have direct access from major roads and highways, thereby reducing the likelihood of traffic on neighborhood streets. Burnet Street and Lamar Street (to the north of the site) presently accommodate truck traffic servicing nearby industrial users.

At its full capacity, the brewing operations are expected to involve approximately 40 employees. These employees may work different shifts and would arrive/depart at different times during the day. Because this is a microbrewery, it is anticipated that, on average, up to three delivery trucks per day may arrive or depart from the facility. Therefore, the overall impact on traffic is very low. Further, because most deliveries will be scheduled with suppliers, those drivers can be instructed to access the facility by routes to ensure delivery trucks will remain west of Cherry Street.

How does this impact the adjacent Historic Hays Street Bridge?

To the south of the proposed site is the Historic Hays Street Bridge. This impressive structure was constructed in 1881, but closed for safety reasons in 1982. Thanks to the dedication of community members and historic preservationists, the bridge was saved and renovated at a cost of \$3.7 million. It reopened on July 20, 2010. Sadly, the bridge has already been vandalized and the property has become subject to illegal dumping.

Alamo Beer Company intends to respect and celebrate this historic bridge by integrating it and its public spaces into the overall site improvements for the brewery. Specifically, Alamo Beer Company proposes the following:

1. To reach agreement with the City to permit pedestrian and vehicular access underneath the Hays Street Bridge in order to connect the project site and proposed parking area for the brewery.
2. To reach agreement with the City to permit either Alamo Beer Company or the operator of the beer garden facility to host public and private events on the Hays Street Bridge. Such events might include small convention receptions, corporate meetings, chamber of commerce mixers, fundraising walks or other similar functions. This agreement would necessarily include requirements and conditions for how and when the bridge could be used for events. Issues that would be addressed include, but are not limited to: public access across the bridge during events, use of security guards, hours of events, noise limitations, process for closure of the bridge for certain events, trash disposal and required upkeep.
3. To reach agreement with the City that would permit the beer garden/restaurant facility to place a limited number of tables/chairs on the bridge for use by customers during operating hours. It is intended that full public access on and across the bridge would not be inhibited in any way. The tables could be situated on the bridge, similar to how tables are placed along the River Walk. Additionally, issues regarding maintenance, cleanliness and revenues would be addressed fully in that agreement.
4. To reach agreement with the City to permit either Alamo Beer Company or the operator of the beer garden/restaurant facility to access the Hays Street Bridge for the above purposes. Toward this goal, it is contemplated that Alamo Beer Company would install a fully retractable pedestrian bridge that could be extended from the brewery building and connect temporarily to the non-historic, concrete bridge ramp for the bridge. The pedestrian bridge would be tastefully and carefully designed for this use. It would likely be subject to design review by the City.

Provided that Alamo Beer Company is able to develop the project and use the public spaces of the bridge as proposed, it will agree to provide daily cleaning and minor repairs to the bridge and public spaces underneath the bridge. This will relieve the City of San Antonio from the task and costs of regular mowing, cleaning, and abatement of accessible graffiti and upkeep of the public property. The agreement will not impose significant liabilities or cost obligations on Alamo Beer Company related to major facility repairs.

If Alamo Beer Company is able to access and utilize the Hays Street Bridge (as well as the areas underneath the bridge structure) for these purposes, this would likely have the following positive effects:

- Both residents and visitors to San Antonio will be introduced to the Bridge and the Dignowity Hill Neighborhood, and begin to appreciate its historic significance.
- The Bridge and areas around the bridge will receive increased maintenance and upkeep.
- The Bridge will see increased use and activity, which may improve safety and discourage vandalism and illegal dumping.
- The Bridge will continue to be open for public use.

Are economic development incentives requested for the Project?

Yes. The proposed development site lacks significant infrastructure, including drainage, and may require other upgrades to utilities. Although a detailed engineering and cost analysis has not been completed, it is anticipated that those costs could make development at this location prohibitively expensive. To the extent that they are justified, Alamo Beer Company seeks incentives from the City. Alamo Beer Company has not appraised the value of the site, but proposes to obtain the property from the City at price that reflects its discounted value considering its limitations. Additionally, Alamo Beer Company proposes to work with the City to identify other tax incentives or project-based funding sources to mitigate the public infrastructure costs. Alamo Beer Company will also seek incentives for such project under existing City policies, including the Inner-City Reinvestment and In-fill Policy (ICRIP).

What is the timeline for proceeding with the Project?

Alamo Beer Company desires to negotiate and finalize all necessary agreements by early August in order to permit the design and commencement of construction by late 2011. The facility would open in late 2012. For business purposes, it is critical that brewing operations commence prior to December 31, 2012.

Exhibit A

Proposed Development Site

