



Legislation Text

File #: 18-870, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Conduct the first reading of an ordinance amending Section 3-3-11 of the Naperville Municipal Code increasing the serving limitation of the Class S - Specialty Wine Shop and Class P - Manufacturer as well as removing the restriction that wine and beer be manufactured on premises in the Class P - Manufacturer license classification, and increasing the yearly Marketing Permits available per Class P licensee from 2 to 12.

DEPARTMENT: Legal Department

SUBMITTED BY: Jennifer Lutzke, Senior Assistant City Attorney

BOARD/COMMISSION REVIEW:

On September 6, 2018, the Liquor Commission voted unanimously to recommend a liquor code text amendment increasing the serving limitation of the Class S - Specialty Wine Shop and modifying the Class P - Manufacturer classification.

BACKGROUND:

Class P - Manufacturer

The Class P - Manufacturer license allows for local craft beer, cider, wine, and distilled spirit manufacturers to include a retail component onsite where the manufacturers' may offer their craft beer and cider for retail sale, both for consumption on premises and off premises (package sales). At present, there are two Class P licensees: Solemn Oath Brewery and 2 Fools Cider, both located on Quincy Ave. On August 21, 2018, City Council raised the Class P liquor license cap to allow for three Class P licensees; there is one Class P license available.

The Class P license restricts on premises consumption to three servings per person, per day and limits retail sale to craft beer, cider, wine, and distilled spirits manufactured on premises.

Class P licensees are also eligible to apply for a Marketing Event permit. The Marketing Event permit allows for a one (1) day, for profit, marketing event twice per year.

On August 13, 2018, Governor Rauner signed a new state law, Public Act 100-0816, which amended the Liquor Control Act of 1934 to allow for breweries to purchase beer and cider from either a wholesaler or self-distributing brewery and sell it in their taproom. The new state law also creates a Brewer Warehouse Permit, which allows breweries to transfer and store a fixed amount of beer at an offsite warehouse.

Class S - Specialty Wine Shop

The Class S - Specialty Wine Shop allows for the retail sale of wine in its original package for off-premises consumption and on-premises consumption of a maximum of 12 ounces of wine per person per day. There are four current Class S licensees: Cooper's Hawk Winery & Restaurant, 1740 Freedom Drive; Le Chocolat du Bouchard, 127 S. Washington Street, SixtyFour - A Wine Bar, 123 Water Street, Suite 105A; and Tasting deVine Cellars, 21 West Jefferson Street.

DISCUSSION:

Class P - Manufacturer

In 2012, Solemn Oath opened in the industrial park located at Quincy Avenue. Since its opening, Solemn Oath has experienced significant growth. Its production has increased from 1000 BBLs (1 BBL = 31 US gallons) to 7500 BBLs. In 2018, it was one of the top ten largest craft breweries in the state and currently employs twenty-five people.

Solemn Oath requested removal of the limitation restricting retail sale to craft beer, manufactured on premises; removal of the restriction would mirror the change in state law. Solemn Oath requested removal of the restriction because it needs flexibility to move beer through either secondary facilities or contract brewing agreements. It anticipates that it may move production of Snaggletooth Bandana, its number one brand, offsite to free up tank space at its facility. Without the requested change to the ordinance, Solemn Oath would not be able to serve this product in their taproom.

Solemn Oath also requests removal of the consumption limit of three servings (48 ounces) of beer per person, per day. There are currently forty other tap rooms in Illinois, but only two outside of Naperville, located in Downers Grove and Elk Grove Village, have consumption limitations. Solemn Oath contends that it is at a competitive disadvantage due to lost revenue from the consumption limitation; it is unable to host corporate events, weddings, and or rehearsal dinners.

Solemn Oath also requested a text amendment to the Marketing Event Permit to increase the amount of permits available annually for each Class P licensee from 2 to 12. Currently, Solemn Oath has an annual anniversary party, Oath Day, that approximately 2,000 people attend. The event is held at the brewery, on private property, by using a fenced off portion of the parking lot. Solemn Oath also holds an Oktoberfest event with approximately 600 attendees. This event is held in front of the tap room at the brewery. If Solemn Oath's request for an increase in marketing event permits is granted, they indicated that they would like to hold an auto show and farmer's market.

The Liquor Commission voted unanimously to recommend Solemn Oath's requests to City Council for approval.

Class S - Specialty Wine Shop

The Class S - Specialty Wine Shop was initially created for Tasting deVine Cellars ("Tasting deVine"). At the time that the license classification was created, Tasting deVine was primarily engaged in the sale of gift baskets. As Tasting deVine evolved, its primary focus shifted to the sale of wine. Tasting deVine also sells cold food products such as cheese and dried meat plates to pair with wine.

On September 6, 2018, Tasting deVine petitioned the Liquor Commission requesting an increase in

the on-premises serving limitation from 12 ounces to 18 ounces of wine. Since glasses of wine are served in 6 ounce containers, it is essentially a request for an increase from two glasses of wine to three glasses of wine. Tasting deVine explained that the increased serving limitation is necessary to generate more business. The Liquor Commission voted unanimously to recommend raising the serving limitation to 18 ounces to City Council for approval.

Minutes from the September 6, 2018 (draft, unapproved) Liquor Commission meeting are attached.

FISCAL IMPACT:

This ordinance will have a fiscal impact associated with the increased revenue received from associated sales tax.