



MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

October 17, 2017

Isiah Leggett
County Executive, Montgomery County
Executive Office Building
101 Monroe Street, 2nd Floor
Rockville, MD 20850

Dear County Executive Leggett:

Montgomery County is currently home to at least seven breweries, four wineries, and one distillery. Several of these have opened in recent years as your administration and the Council have worked closely with State legislators and local businesses to address many regulatory and legal issues. Many of the successes can be traced back to the great work done by the Night-Time Economy Task Force. These successes include:

- Allowing craft brewers to self-distribute their own products
- Allowing craft brewers to sell growlers
- Repealing distance requirements of breweries from churches and schools
- Extending hours of operation for alcohol licensees to 2 am on Sunday through Thursday and 3am on Friday and Saturday.
- Reducing the food to alcohol ratios for alcohol licensees to allow for more flexibility
- Clarifying rules to allow craft distilleries in the County's urban and light industrial areas
- Allowing craft brewers to sell more beer on-premise and allowing farm brewers to self-distribute

Later this fall the County Council will be considering zoning reforms that create more flexibility for brewing and distilling uses in the County's commercial zones. These reforms, when taken as a whole, have made the County much friendlier to local production. Nevertheless, we are presumably at the earliest stages of growth in our locally-produced beer, wine and spirits sector. The potential for this sector in the County is great.

While the regulatory climate has improved and will continue to improve, there remains a significant financial barrier to entry due to very high capital costs. Initial investments for craft breweries, wineries, and distilleries can reach several million dollars, depending on the size and business plan. Much of that capital investment is front-loaded into equipment, build out, and lease costs. We have had many conversations with current and prospective craft alcohol production companies, and they cite this as one of the largest hurdles to launching a successful business.

The craft alcohol production sector is highly relevant to our economic development goals precisely because it creates good middle-income jobs in manufacturing, management, marketing, and sales, among others. The County's economic development strategic plan, "A Plan for Economic

Prosperity," cites the dearth and relative decline of middle-skill, middle-income jobs in the County and suggests that it is important for the County to take steps to reverse these trends to help foster a balanced economy. Statewide studies have shown that Maryland brewers alone will generate nearly a billion dollars in economic impact by 2019, contribute over eleven million dollars in state tax revenue, and capture between 7.6%-11.5% of all beer sales. Those figures are sure to rise.

Supporting the sector also furthers the placemaking goal in the strategic plan. Wineries enrich and make more sustainable our Ag Reserve, while breweries and distilleries produce placemaking and night-time economy benefits that help us attract and retain talent by helping create the vibrant urban centers many employees and employers are looking for. We have already witnessed how the County's seven breweries, four wineries, and one distillery, have contributed to the vitality of their respective neighborhoods, but much more can be done.

Given these challenges and the great benefits this sector brings to the County, we request that your administration modify the County's MOVE program **to allow eligibility for craft alcohol production companies whose primary use of the space is production, not retail.** The current MOVE program precludes their eligibility simply because these businesses have a retail component, regardless of the primary use of the space. Under our proposal, these companies would still need to meet every other requirement of the program. Below you will find our requested language to the second criterion of the MOVE program (underlined).

2. All businesses are eligible except for retail, restaurant, and independent financial or insurance agent/broker establishments. Independent agent/broker establishments are defined as a sole proprietorship that primarily sells products underwritten by a third-party.
 - a. Craft alcohol production companies (breweries, cideries, distilleries, and wineries) whose primary use of the space is production are eligible notwithstanding their retail operations.

We appreciate your attention to this matter, and we look forward working to closely with you and your administration on our collective economic development goals.

Sincerely,



Hans Riemer
Councilmember, At-large



George Leventhal
Councilmember, At-large