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Craft Breweries and Downtown Revitalization

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CRAFT BREWERIES AND DOWNTOWN REVITALIZATION

1. Background to Topic.

A. The craft beer phenomenon in Taylor, Texas. I first ran across the phenomenon of craft breweries' effect on neighborhood revitalization and economic development in an article in Urban Land, a publication of the Urban Land Institute, which is cited later in this paper. I had personally encountered the effect of local craft brews with a craft brewery start-up named Cedar Creek Brewery located in a small town called Seven Points in Henderson County, Texas, which is adjacent to Cedar Creek Lake. Seven Points is not urban, gentrifying or a millennial hot-spot, but the effect of this craft brewery as a site for the local community to gather has been noticeable. And, in case the reader is wondering, there are other places where one can buy beer and wine for local consumption, but the craft brewery raced to the head of the line for this service in Seven Points. Thus, I became intrigued with the topic.

While the ULI article and other publications focused on larger cities, I was looking for a story on the effect of craft breweries on a smaller city in Texas. Tim Taylor, a partner with Jackson Walker in Austin, told me about Ian Davis, J. D. Gins, the owners of Texas Beer Company and its decision to locate in Taylor, Texas. After a visit to Texas Beer Company's very busy tap room on Taylor, Texas', main street, which had been preceded by a visit to Louie Mueller's very famous barbecue restaurant, which is only a block away (a fine combination of opportunities), I decided that hearing the story of the location of Texas Beer Company from both the city and company perspectives would be informative for the conference attendees.

Let me express my appreciation to Tim Taylor for arranging for Jesse Ancira, Jr. and Ian Davis to speak. Mr. Ancira, Jr., the former mayor of Taylor, Texas, shepherded the economic development incentive package for Texas Beer Company through the city political processes and will speak on this experience. Mr. Davis will talk about the formation of the company that he and Mr. Gins own and their process in deciding to locate their business in Taylor, Texas.

Let me add that any errors in this paper are mine alone. The paper is not comprehensive, but rather is intended to provide an overview that will allow a lawyer quickly to gain background information, which can be followed up with a more comprehensive review of the laws applicable to any particular client's needs. In particular, the liquor laws in Texas are very complex and will need an experienced lawyer for advice. This paper provides some historical perspective on these laws, looks at examples on zoning, and notes that crowdfunding financing, which only very recently has existed, may offer new opportunities for securing financing for craft breweries and start-ups more generally.

B. The craft beer phenomenon more generally. Tap rooms, craft beers, and local breweries, play increasingly important roles in economic development and urban redevelopment. Texas Beer Company, a new craft brewery with a tap room in downtown Taylor, Texas, and an expanded brewery also in Taylor provides the example for today's talk. This paper will look at three areas applicable to craft beer – first, the craft beer phenomenon itself and the effect this is having on downtown and urban development, secondly, some of the zoning issues that craft beer raise, and lastly, a brief look at the liquor law issues

that both the craft brewer and the municipality may need to address. The paper also looks at crowdfunding, a new financing method,

This paper will not look at the specific economic development agreement issues since these types of issues have been covered and covered well in several papers and talks in the last two years including: ABCs of Development Financing, by Julie Y. Fort and Misty M. Ventura (2017 Land Use Conference), Tax Credits by Cynthia Bast (2017 Land Use Conference), Economic Development Agreements by William S. Dahlstrom and Peter G. Smith (2016 Land Use Conference) and Negotiation of Development Agreements from the Developer and Municipal Perspectives by Alan J. Bojorquez and Henry N. Gilmore (2016 Land Use Conference). These papers provide a detailed review of economic development issues that address legal and other concerns for economic development agreements.

Jesse Ancira, Jr. will address local political challenges in securing passage of an economic development agreement. He will give us practical information on the actual implementation of the laws and rules as they apply to economic development incentives. Ian Davis, who along with J.D. Gins, is one of the co-founders of Texas Beer Company will provide the craft brewer's perspective on this process and on the steps required for the business.

One other objective of this paper is to list some online sources that the reader may find useful whether you are advising a municipality or a private sector party. Some of the sources are directed to craft breweries and some to zoning and liquor laws in Texas. Hopefully, the reader will find these to be of some value for further investigation. Now, let's get started.

2. Craft Breweries – land use and economic development

The effect of craft breweries on land development was first impressed on me in Urban Land in an article by Steve Houston. dated June 5, 2017, entitled "Craft Breweries Bring Placemaking and Economic Development to St. Louis Neighborhoods." Before Prohibition, St. Louis had more than 40 breweries. By 1980 that number had declined to two, with one of those two, Anheuser Busch, being the largest brewer in the world. The sale of Anheuser Busch to InBev in 2008, shifted the culture of beer in St. Louis. Former Anheuser Busch brew masters and others began to brew beers in St. Louis that they hoped would appeal to their local communities. These brew masters knew how to brew and distribute beer, but now they would do this on a local, as opposed to national and international, level.

St. Louis currently has an estimated 50 local breweries. The new brewers look for a growing neighborhood and efficiency in distribution from their brewery. One brewery, Urban Chestnut, has energized two neighborhoods by providing a social anchor. In doing so, the brewery draws visitors and strengthens the existing businesses through relationships with restaurants. Urban Chestnut has seen a lot of organic growth in its neighborhood since its opening because of the customers and visitors that it draws and the community that it builds. Some of the craft brewers want to invest in their city, in this case, St. Louis, and this offers an opportunity to do so. See, "Craft Breweries Bring Placemaking and Economic Development to St. Louis Neighborhoods," at page 2.

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