National City
Strategies Aimed at Attracting the Craft Brewing Industry

Fall 2014 • Public Administration • PA 660

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Sage Project Staff

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About the Sage Project

The Sage Project is a partnership between San Diego State University (SDSU) and a city or government entity in the San Diego region. The mission of the program is to engage students from across the University to assist the local government with projects that address their smart growth, quality of life, and sustainability goals. Students have the opportunity to engage in meaningful real-world projects and make positive contributions to a community in SDSU’s service area. The program’s vision is to connect SDSU students and faculty with high-priority, high-need community projects, thereby generating interest and fresh ideas that create momentum and provide real service to the community. The Sage Project embodies the University’s commitment to serving local students, engaging alumni, and contributing to the public good by focusing thousands of hours of course-based student involvement with high-impact activities.

The program is based on the highly successful and award-winning Sustainable City Year Program (SCYP) at the University of Oregon and is a part of the SCYP network. National City, California is the Sage Project’s 2013-2014 partner city. Participating courses come from the following disciplines: Anthropology; Audiology; City Planning; Civil Engineering; Communication; Criminal Justice; Geography; Graphic Design; Homeland Security; International Security and Conflict Resolution; Marketing; Political Science; Public Administration; Public Health; and Speech, Language, and Hearing Sciences.

About National City

National City is a highly urban community of about 60,000 residents in south San Diego County. It is the second oldest city in the county and boasts a rich history, a diverse community, and is known as one of the most walkable cities in San Diego County. Located just south of downtown San Diego and just north of the US-Mexico border, the city is flanked by freeways and is home to large-scale industries. National City is a mid-size city that faces big city challenges, and, like many municipalities, the city is challenged to meet community needs and new demands of sustainability. By providing new ideas and human capacity, this partnership with the Sage Project will help National City implement sustainability concepts and practices into projects that will improve livability.
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Executive Summary

National City is interested in breaking into the lucrative craft brewing industry. The objective of this project was to examine the sustainability of city services and revenues through policy analyses concentrated on attracting craft brewers. Included in this scope of analyses are policy options that may deter brewers and possible negative implications of an increased craft brewing presence. Craft brewing is integral to the economy, infusing cities with a new business stream and acting as a catalyst for revitalization efforts.

Nationally, California produces more craft beer annually than any other state, and San Diego has been crowned craft beer capital of America. While the economic downturn has affected consumer spending, craft beers are defying recessionary trends with an impressive upward trajectory. As popularity and craft beer-centric events grow, San Diego’s tourism industry has witnessed paralleled growth. Attracting tourism from outside of National City’s boundaries is important to stimulating the local economy. Additional revenues for local governments are paid through licensing and development fees, retail taxes, real estate and personal property taxes, business income taxes, excise taxes, and sales taxes.

This report is divided into four sections of recommendations that provide a range of possible strategies the City can utilize to attract this prosperous industry.

The “Building Community Buy-In” section presents the importance of creating an accepting community that buys into the idea of having craft brewery presence in the City. Stakeholders include residents, local businesses, elected officials, and bureaucrats. A key component to building acceptance is dispelling negative stereotypes associated with alcohol consumption and misuse. Highlighting the positive contributions craft breweries have on the economy and revitalization efforts can be helpful. Communication, education, and early engagement are the best options to develop a policy for attracting craft brewers and solidifying surrounding community buy-in.

The “Marketing to Craft Brewers” section contains information officials can use to market their city to craft brewers. On the surface, the demographics of the population residing in National City do not match the ideal demographics of craft beer consumers. However, examining projected market trends tells a different story about the expanded consumer base that lies in wait in National City. Also in this section are recommendations for an Innovative Business Committee, successful economic incentives deployed by other cities, a marketing brochure, and a how-to manual to provide prospective brewers.

The “Policy Analysis” section proposes revisions to policy language for conditional use permits and establishment of new microbrewery policies. There are recommendations on how to address nonconforming liquor stores, amend existing land use and zoning policies, and support co-existing industries. Included are policies that mitigate negative impacts associated with increased brewery presence.
Finally, the “Vision Plans” section presents existing National City resources that can be leveraged to attract craft brewers. Local business partnerships can be beneficial for establishing a distribution hub for Southern California. Different business models (milling, aquaponics, urban farming, and agritourism) can be incorporated to offer tourists a unique craft beer experience. National City also has valuable resources to help businesses identify and apply for tax credits and exemptions, wage reimbursement programs, and green business incentives.
Introduction

This synopsis embodies research and original recommendations formulated by Master’s of Public Administration graduate students at San Diego State University. The objective was to examine the sustainability of city services and revenues through policy analyses concentrated on attracting craft brewers to National City. Included in this scope of analyses are policy options that may deter brewers and possible negative implications of an increased craft brewing presence in National City.

The Economic Impact of the Craft Brewing Industry

National City’s desire to break into the lucrative market is well-founded. Craft brewing is integral to the economy, infuses cities with a new business stream, and acts as a catalyst for revitalization efforts.1 Nationally, California produces more craft beer annually than any other state. Sales of craft beer nearly doubled in the U.S. increasing from $5.7 billion in 2007 to $12 billion in 2012.2 As a labor-intensive industry made up of small manufacturers, craft brewers provide a substantial source of employment. In 2012, California’s craft brewers supported 45,000 jobs.3

San Diego is the “craft beer capital of America”.4 Within the past two years, the number of breweries and brewpubs in San Diego County has more than doubled. As of December 2014, there were ninety-seven licensed breweries and brewpubs in the County. With forty-one more in the planning stages this industry continues to thrive locally.5 According to The National University System Institute for Policy Research, craft brewing generates one and one half times greater revenue than that of Comic-Con International, San Diego’s largest annual convention. Total annual sales have grown from $680.9 million in 2011 to $781.5 million in 2013. In 2011, breweries and brewpubs in San Diego employed 1,630 workers. By December 2013, that figure increased by forty percent to 2,279 workers.6

![Figure 1: Total Annual Sales Revenue for San Diego Craft Brewing Industry](image-url)
As craft brewing popularity continues to grow, San Diego’s tourism industry has witnessed a symbiotic growth. Attracting tourism from outside of National City’s boundaries is important to stimulate the local economy. Craft brewers further contribute to the city’s economy by hosting festivals, yearlong events, and brewery tours. These activities are held during the “nonpeak” times of tourism bolstering the economy year-round. Craft breweries also generate revenues for local governments by paying license fees, development fees, and numerous local levies that include, but are not limited to, retail taxes, real estate and personal property taxes, business income taxes, excise taxes, and sales taxes. In fact, in 2012, California’s breweries paid at least $850 million in local, state, and federal taxes. The multi-faceted economic and revitalization impact of the craft brewing industry is undeniable.

**Building Community Buy In**

**Background**

The American craft brewing industry is extremely collaborative in nature. This notion of collaboration extends to the community that supports their local brewery. Many breweries are involved with charities, fundraisers, and support local events with the mindset of giving back.

Community is a broad term that encompasses all stakeholders, such as residents, local businesses, elected officials, and bureaucrats. To nurture a mutually beneficial relationship between the community and brewing industry, key stakeholders must buy into the idea of having brewery presence in the community. Negative stereotypes normally associated with alcohol consumption and misuse need to be dispelled. There is a significant difference between the craft brewery patrons and those that frequent dive bars. Communication and early engagement are the best options to develop a policy for attracting craft brewers and solidifying surrounding community buy-in.

**Stakeholder Analysis**

**Leah Dutra**

Key stakeholders are identified by their power to influence the goal of attracting craft brewers. Conducting a stakeholder analysis indicated that the wielders of power are:

- elected officials who create legislation that impact how attractive the regulatory environment is
- the planning commission that evaluates policy in the land use arena and engages the public during the comment process
- citizens who influence elected officials
Consulting all key stakeholders is imperative for gaining the community support necessary to usher in new policy.

* refer to Appendix A for stakeholder analysis findings

**Dispelling Myths Can Impact Licensure**

**Lorraine Cheung**

The community can impact the relative ease of obtaining licensure. Within thirty days of public posting, any person can protest the issuance of a license. Common concerns include creation of a public nuisance, crime, zoning law violations, and oversaturation of similar businesses. The traditional perception of beer is a mass-produced, commercialized alcoholic beverage sold in an environment that promotes brazen drunkenness and bad behavior. Craft breweries make small batch, high-quality beer with distinct flavor. Establishments are usually laid-back, family-friendly environments. The typical patron is not consuming alcohol to get heavily intoxicated.

Ensuring that the National City community perceives craft beer in a positive context will ensure the least resistance, making the permitting and licensing process for prospective craft brewers smoother.

* refer to Appendix B for a sample educational brochure that can be distributed to the public

**Revitalization Benefits**

**Sandra Rodriguez**

City officials play a crucial role in garnering support for craft brewery presence in National City. Arming officials with information on the ways craft breweries facilitate neighborhood revitalization is relevant to understanding the industry impact on communities. A case study of Williamsburg in Brooklyn, NY allowed for comparison of pre and post-craft brewery presence.

Historically, Williamsburg was plagued with urban decay, high crime rates, low median household incomes, low rental and real estate costs, and dilapidated buildings. Since the launching of Brooklyn Brewery in 1996, it is now one of the trendiest neighborhoods in the city. Real estate prices increased 145% in the last ten years, and violent crime dropped 73% from 1993 to 2010. The brewery has not only garnered local and tourist support, but has also become an ally of local government. Brooklyn Brewery spent eight million dollars in 2011 on a new building whose construction was funded in part by an $800,000 Downstate Revitalization Grant from Empire State Development.
Recommendations
Lorraine Cheung, Leah Dutra, Sandra Rodriguez

Educational and participatory strategies to increase community buy-in and alter the negative perception include:

• create community awareness and foster interest through
  • adult learning classes on home brewing
  • ticket discounts to the Beerology exhibit at the Museum of Man
  • an informational website where the community can ask questions and read articles
  • encouraging local organizations and businesses to host home brewing competitions
• fusing the Baja craft brewery scene into all local events to bridge the cultural divide amongst the Latino market
• partnering with the National City Chamber of Commerce to feature newsletter articles
• inviting brewers to
  • economic development meetings to meet other business owners and share industry information with the local government
  • participate in neighborhood revitalization efforts
• encourage city officials to focus on new nano-scale breweries rather than pre-existing large craft brewing establishments
Marketing to Craft Brewers

Background
The craft brewery community may have a mindset forged in collaboration, but at the end of the day, they are also a profit-driven entity adhering to business principles of economic viability. With any service or product in a free enterprise economy, marketing is crucial to appealing to clientele. Marketing with effective suasion campaigns, economic incentives, and service policies will highlight and reinforce why breweries should locate to National City.

Shifting Demographic Trends
Leah Dutra, Danielle Halton, Ling Yaiin Liou

According to the Beverage Media Group, “the stereotypical craft beer drinker is 21-44 years old, earns at least $50,000 annually and are white consumers”.12 The table below compares the stereotypical craft beer drinker to the average National City resident.13

<table>
<thead>
<tr>
<th></th>
<th>Craft beer consumer</th>
<th>National City resident</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>household income</strong></td>
<td>drinkers earning $50,000+ consumed 78% of the total craft beer volume</td>
<td>37% of households earn $50,000+</td>
</tr>
<tr>
<td><strong>race</strong></td>
<td>13% Hispanic/Latino 85% White</td>
<td>63% Hispanic/Latino 42% White</td>
</tr>
<tr>
<td><strong>college degree</strong></td>
<td>50%+</td>
<td>13%</td>
</tr>
<tr>
<td><strong>age</strong></td>
<td>47% are 21-44 years old</td>
<td>median= 30 years old</td>
</tr>
</tbody>
</table>
Recommendations
When marketing National City to brewers, focus on these shifting market trends:

- **Income** – skeptics argue that National City residents are “low income”. The mean income in National City comes in at $38,000, while the state median is just over $58,000. However, recent research shows that the bottom 60% of households in income now consume 40% of the country’s craft beer. High income is no longer a prerequisite for craft beer consumption.

- **Race** – there is a misconception that primarily Hispanic populations will not support the craft brewing industry. Data disproves this notion.
  - Craft brewing is thriving in Baja. According to the Association of Baja California Craft Brewers, the Baja Beer Fest has doubled in attendance.
  - Hispanic consumers have been increasingly turning to craft beer, with 38% indicating that they consume craft beer on a regular basis.
  - This group’s buying power should not be underestimated. “Spending by this demographic is expected to hit $1.5 trillion in 2015, up from $1 trillion in 2010”.
  - Craft brewers are aware of the potential the Latino base carries and have begun to tailor craft beer recipes to attract this untapped demographic. Craft beer recipes now include horchata porters, cocoa mole beer, and café con leche stouts.

- **Age** – research shows the stereotypical craft beer consumer is 25-34 years old. Overall, 36% of U.S. consumers drink craft beer, 50% of them are older millennials (25-34 year olds). In National City, the median age is thirty, a statistic which will undoubtedly appeal to craft brewers.
  - As a demographic bonus, the close relationship with the navy brings tens of thousands of navy personnel to the 32nd St. Naval Base. Mayor Morrison notes: “this is a new Navy, one composed of a bunch of young and sophisticated people. They are looking for craft beer, organic food, and a night life”.

In many ways, National City is an ideal location for the craft beer industry. Craft beer continues to pick up other demographics. Despite the urge to “temper marketing efforts to capture the 'holy grail' demographic, there is enormous potential in other markets of drinkers as well”. The demographic makeup of National City should be marketed as the expanded consumer base that craft brewers need.
note A template marketing piece was created by Ling Yaiin Liou and is being provided separate of this report. This template highlights assets National City has in regards to: shifting demographic trends, distribution needs, leveraging local partnerships and events, and business resources. This marketing piece was also created as a power point presentation, which can be made available upon request.

Innovative Business Committee
Alicia Duncan

Cities often are challenged with limited staff resources and time. In order to assist with marketing, an Innovative Business Committee (IBC) should be formed. The purpose of the IBC is to attract new businesses by offering them a free, elite service. It would come with a 48-72 hour response time frame for business inquiries. This committee would consist of graduate students working collaboratively with one National City staff member (serving in an advisory capacity) to function as a communication and resource bridge to prospective businesses. Additionally they would be responsible for enhancing community development through special projects.

Four students from varied fields of study would provide a balanced and strategic approach to projects. A business student can project future outcomes by studying trends. A public administration student can review city budgets, pull city/state/federal regulations for the purpose of aligning policy, and research policy updates. An IT student can assist in creation of mobile applications, domain email, and web design. A public relations student can work towards changing the public opinion of National City.

Recommendations
• One recommended project the IBC would undertake is policy interpretations to create a unified and concise guide for businesses opening in National City.

• To recruit the graduate students, market the IBC as an internship opportunity and partner with the graduate school’s internship programs.

• As incentive, offer scholarships to those participating in the IBC.
Opening a Brewery in National City: A How-To Manual

Susana Tello

With craft brewing being a new industry to National City, it is important to provide clear and accessible information about key processes. A how-to manual is a user-friendly tool that would serve as the main source of information guiding brewers through necessary processes, such as obtaining a conditional use permit, National City’s business license application, licensing processes with the State of California’s Department of Alcoholic Beverage Control, and registering with California’s Board of Equalization.

Creation of a how-to manual will expedite the time it takes to open a brewery because all the necessary information can be found in one centralized location. This will help establish a positive, collaborative partnership between National City and the brewer. Promoting National City as a city that does the best it can to help its local businesses will permeate to and attract other fledgling businesses as well.

Recommendations

• Hold a request for comment type forum with various brewers to solicit suggestions for what information would be useful to include in the manual.

• Have a centralized point of contact for brewers who would become an “expert” on the manual.

• Create a portal on National City’s website for breweries and brewery-related businesses.

• Hold training sessions on the various processes for prospective brewers.

*note* A template how-to-manual was created by Susana Tello and is being provided separate of this report.
Economic Incentive Programs

Brittany Bermingham

Several cities have launched successful campaigns to entice craft brewers. It would be wise to incorporate their strategies into a viable marketing plan.

- San Leandro, CA launched an aggressive local brewery campaign called the Business Incentive Craft Brewery Program. Through this program a brewer could apply for a forgivable loan of up to $25,000 to be used for fees, tenant and infrastructure improvements. The cost to the city was $25,000.

- Boulder, CO offered a Flexible Rebate Program. This provided rebates for certain permit taxes and fees, sales tax, and taxes paid on fixed assets, such as equipment. Grants were approved by the City Manager. Rebates were paid only after the initial investment was made. The cost to the city was $350,000 which ultimately became a neutral cost since rebates only got paid after the initial investment was already made by the brewery. This incentive was utilized by Avery Brewing Co. who has been awarded $90,000 in rebates.

- Asheville, NC provided an Industrial Development Grant. The City makes a grant to the business based on the amount of new capital investment, which is calculated based on actual value, schedule and payment of property taxes. Once the business has paid its property taxes in full and met all criteria then the city pays the first grant installment. The costs to fund this grant come from new incremental increases in real estate and machinery/equipment taxes. New Belgium took advantage of this and invested $175 million within the city. The city will earn $879,000 in tax revenues.

- San Diego, CA implemented a fee reimbursement program that offers direct financial assistance to businesses that create base sector jobs, tax revenues or urban revitalization. This is funded through future tax revenues paid to the City’s General Fund by the company as a result of real property improvements and the operation of a beer manufacturing plant. This was utilized by Ballast Point Brewing to reimburse fees associated with retrofitting and improving their former factory. There are no true costs since this gets reimbursed by taxes generated by this new business.
Policy Analyses

Background

Modern economies and societies need effective regulations to support growth, investment, innovation, market openness and uphold the rule of law. Regulatory reform has already supported structural reforms, entrepreneurship and market openness. The Craft Brewing Report of 2013 indicates “the success of California’s craft brewing industry remains tied to the policies and regulations that can either foster or impede growth”.

Policy on Single Serving Containers

Alan Gonzalez

National City’s current policy restricting single-serving containers of various sizes can be a deterrent to craft brewers. While policies with volume minimums may effectively combat a litany of nuisances like homeless drinking and public inebriation, it negatively impacts breweries that rely on single sales revenue. Specialty bottles can represent a huge one-day return while standard bottles offer consistent sales; both bear importance to brewery operations. Lost Abbey released a specialty bottle that sold approximately 1,200 bottles at $40.00 per bottle. This one-day release yielded $4,800 in single bottle sales alone.

Removal of restrictive policies on to-go sales of alcoholic beverages would attract brewers. The concern is that removal of such policy means liquor stores could also sell 40 oz. beverages, tall cans of malt liquor, single shot spirits, and miniature wine bottles.

Recommendation

Regulate sales in breweries and tasting rooms differently from other licensed vendors. Under the Alcoholic Beverage Control (ABC) regulations there are multiple license types for alcoholic beverage sales.

- Type 1 (large brewery) or Type 23 (small brewery) license is what would be used when opening a brewery.

- Type 20 (off-sale beer and wine) and Type 21 (off-sale general) licenses which are used for most markets, convenience stores, and liquor stores.

An option is to enforce restrictions on new Type 20 and Type 21 licenses to volume minimums when selling malt beverages, but to not restrict new Type 1 or Type 23 licenses to the same standard. This policy would allow brewers to sell single-serving containers and simultaneously deter the issue of homeless drinking.
Should the concern rise that homeless patrons will seek to purchase single-serving items at craft breweries, it should be noted that the average 40 oz. malt beverage at a liquor or convenience store costs $2.17.22 Meanwhile, a sample of twelve different 22 oz. and 750 ml San Diego craft beers runs an average of $9.74.22 The average price for craft beer is more than four times the price of your typical 40 oz. malt beverage. The homeless, public inebriation problem results from seeking the largest and cheapest option, which would not be craft beer.
Conditional Use Permits for Satellite Tasting Rooms

Danielle Halton

The City Municipal Code requires Conditional Use Permits (CUPs) for the sale of alcohol for on- and off-site consumption. The conditions of approval apply to all new CUP applicants and modifications of existing CUPs. Brewers seeking to develop a satellite tasting room are required to complete this process. The following chart highlights the current policies which create an issue and the specific conflict.

<table>
<thead>
<tr>
<th>Condition Number</th>
<th>Policy</th>
<th>Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Condition 1</td>
<td>(off-sale alcohol) The sale of beer or malt beverages in quantities of quarts, 22 ounce, 32 ounce, 40 ounce, or similar size containers is prohibited.</td>
<td>Satellite Tasting Rooms sell beer in growlers, which exceed the size limitations.</td>
</tr>
<tr>
<td>Condition 2</td>
<td>(off-sale alcohol) No beer products shall be sold of less than manufacturer’s pre-packaged three-pack quantities of 24 ounce cans per sale. There shall be no sale of single cans or bottles.</td>
<td>Satellite Tasting Rooms (and the Craft Beer Industry in general) thrives on single bottle sales, often in 22 ounce sizes.</td>
</tr>
<tr>
<td>Condition 12</td>
<td>(off-sale alcohol) The quarterly gross sales of alcoholic beverages shall not exceed the gross sales of all other commodities during the same period. The applicant shall at all times keep records which reflect separately the gross sales of alcoholic beverages and the gross sales of all other items.</td>
<td>Satellite Tasting Rooms do not sell food or other commodities.</td>
</tr>
<tr>
<td>Condition 14</td>
<td>(on-sale alcohol) The sale of alcohol shall not exceed the sale of food. With the annual renewal of the City business license, the business proprietor shall submit a statement clearly indicating total alcoholic beverage sales and total food sales. Said statement shall be subject to audit and verification by employees of the City, who are authorized to examine, audit and inspect such books and records of the license, as may be necessary in their judgment to verify that the sale of alcohol does not exceed the sale of food. All information obtained by an investigation of records shall remain confidential.</td>
<td>Satellite Tasting Rooms do not sell food or other commodities.</td>
</tr>
<tr>
<td>Condition 15</td>
<td>(on-sale alcohol) Alcohol shall be available only in conjunction with the purchase of food.</td>
<td>Satellite Tasting Rooms do not sell food or other commodities.</td>
</tr>
</tbody>
</table>

Figure 3
Recommendation

Revise policy language to clearly distinguish the various types of serving rooms associated with craft brewing. Essential policy terms include:

- Brewery Tasting Room means an establishment licensed by the ABC under a Type 1 or Type 23 duplicate license to sell malt beverages the licensee produces for on-site and off-site consumption.

- Brewpub means a bona-fide eating establishment licensed by the ABC to manufacture and sell alcoholic beverages on the premises for on- or off-site consumption.

- Brewpub Tasting Room means an establishment licensed by the ABC to manufacture and sell alcoholic beverages on the premises for on-site or off-site consumption.
Microbrewery Policy Analysis

Jose Mendoza

The City of San Diego implemented policy clearly defining and targeting breweries. The Microbrewery Ordinance amended the municipal code and allowed beer manufacturers to build and operate large full-service restaurants within breweries, as accessory use if the eating and drinking environment does not exceed 25% of the gross floor area. In addition, it also classified microbreweries as light manufacturing use, which permits them to operate in most industrial zones.²³

The Business & Industry Incentive Program (Council Policy 900-12) provides flexible economic development incentives that help businesses if they provide significant revenues and/or jobs, promote growth in city taxes, encourage business and development in older parts of the city, and follow the city’s community and economic development strategy.²⁴ This policy leads to the establishment of an Economic Development Agreement that would be used to entice breweries through fee reimbursements. The policy states that all or a portion of City permit fees can be reimbursed and it is up to the discretion of the city council to approve such incentives. This policy successfully prevented Ballast Point Brewery from relocating and simultaneously attracted AleSmith into the City’s premises.

The City of San Diego broke down the Reimbursable Taxation Credit Formula into categories. Fully reimbursable items included:

- property taxes that would increase the valuation of the property and base of improvements
- taxable property like equipment and furnishings
- tax on taxable fixtures, furnishings and equipment

Also, sales from sales of beer, retail, prepared food, and other merchandise to consumers outside of the City would qualify for 50% reimbursement.

Recommendations

- Replace the requirement for discretionary use permits with a policy that classifies microbreweries as light manufacturing use. This will allow them to operate in most industrial zones.
- Establish clarity in the permitting processes to provide breweries a visible road of the necessary requirements for specific permits.
• Establish a policy similar to the Council Policy 900-12, Business and Industry Incentive Program. Under this new type of policy the city can set up its own requirements for offering the incentive to breweries.

  • This option means the city does not risk the loss of revenue sources.
  
  • First, the city should collect fees from the establishment of the new brewery to generate an initial revenue stream.
  
  • Next, reimburse half of the fees paid by the brewery through new taxes generated from its establishment. By doing this, the City does not risk current tax revenues and only reimburses the brewery if it is able to generate new taxes that the city previously did not receive from the location it will occupy.
  
  • The taxes that the city can use to reimburse the fees to the brewery are sales and property taxes.
  
  • Use of property tax reimbursement should be applied if the brewery makes improvements to the facility.
  
  • If the brewery does not improve the facility, then the fee reimbursement will be derived from the sales tax the brewery generates.
Nonconforming Liquor Stores

Phillip Beck

National City is faced with pre-existing, nonconforming liquor stores that are grandfathered in and abating the conditional use permit (CUP) regulations. A case study of Oakland, CA revealed businesses required CUPs for alcoholic beverage sales. Businesses prior to 1977 were grandfathered in. To combat associated problems of traffic, blight, noise, and crime, the city imposed tougher requirements to obtain CUPs. Rather than solving the issues, this course of action escalated the problems to prostitution, drug transactions, loitering, and public drunkenness.

Passage of the Deemed Approved Program (Ordinance 11624) charged fees to all businesses with alcohol licenses regardless of their grandfathered-in status. Fees went to fund an Alcoholic Beverage Action Team (ABAT) that regulates and enforces codes through random bar checks, loitering alcohol consumption enforcement, minor decoy stings, stolen property investigations, and shoulder tap outreach. Since 2009, there have been reduced numbers of retail alcoholic beverage licenses from 1,037 to 930. The purpose of the Deemed Approved Alcoholic Beverage Sale Regulations were to protect and promote public health, safety, comfort, convenience, prosperity, and general welfare.

Recommendations

Proposed methods of implementation:

1) Outline performance standards for business compliance to obtain the deemed approved status.

* refer to Appendix C for performance standards language utilized by Oakland

2) Once a business is determined to be “deemed approved activity,” it will need to adhere to clearly written, high standards to continue operation.

3) Businesses are in a state of fluctuating approval.

4) A designated enforcement official known as an Alcoholic Beverage Sales Administrative Hearing Officer (ABSAHO) will be assigned to conduct public hearings and make recommendations on how to achieve compliance for particular sites.
5) The ABSAHO notifies business and property owners of their Deemed Approved status through certified mail. Included in these transactions are copies of performance standards, which will also be posted on the physical business property in clear public view. A review fee will be collected as part of the master fee schedule.

6) Anyone can complain of a violation against the standards. Complaints will be processed and reviewed in a publicly notified hearing overseen by the ABSAHO. If noncompliance is found, the hearing officer will stipulate conditions of approval. An appeals process and appeals fee should be worked in.
Conditional Use Permits and Training Requirements

**Michael Condon**

The current process of obtaining a CUP is slow and cumbersome. Streamlining this process can only contribute to National City’s ability to attract breweries. Potential roadblocks in the permitting process are city council members who may have residual negative associations of the alcohol industry fresh in their minds. Should this be the case, the city council can adversely impact the passage of CUPs.

The ABC sets forth guidelines regarding the types of alcohol education for servers. The Licensee Education on Alcohol and Drugs (L.E.A.D.) content includes identification of inebriated patrons and methods of promoting safe drinking habits. Additionally, Responsible Beverage Server (RBS) Training has been proven to reduce injuries caused by over-serving. Training and active enforcement are key components of early low-cost prevention measures to mitigate accidents and physical altercations between patrons. If training and oversight mechanisms were incorporated into the CUP process, the city council may sense that proactive measures are being taken to mitigate negative side effects. This reassurance may expedite their decision to approve CUPs.

**Recommendations**

- Require proof of L.E.A.D. certification and RBS training for the owners of any craft brewery applying for a CUP.

- Require tasting rooms to have at least one L.E.A.D. certified staff present at all times during the first two years of operation.

- Create or utilize an existing enforcement agency to inspect these establishments monthly to ensure compliance.

- Establish a progressive discipline policy to maintain training for all staff. Continued violation would result in withdrawal of the CUP.

- This specialized CUP may last three to five years and can be relaxed as more tasting rooms open up.
Land Use and Zoning Policies

Brett Kim

Amending land use and zoning policies could give National City an edge over neighboring cities. The ABC issues two main licenses, Type 1 and Type 23 licenses. San Diego County has twice as many Type 23 licenses as any county within the state. Therefore, success entails focusing on the Type 23 licenses. The current problem is the National City General Plan makes no distinction between microbreweries and larger style breweries. Microbreweries fall into the light manufacturing zoning code. This means they are zoned the same as crude oil and gas, which limits them from being located close to homes. Differentiating between big, nationally known breweries and small local brewers allow them to open up brewpubs and tasting rooms in the city’s urban core making the product more accessible to the public.

A case study of Dallas, TX revealed breweries were only allowed in an industrial park. Brewpubs were categorized in a different part of the code, but production for off-site consumption was not allowed. In 2012, policy changes allowed microbreweries to manufacture for distribution and tastings would be available to the public. The revised land use code clearly distinguished between business models. “Microbrewery, microdistillery, or winery means an establishment for the manufacture, blending, fermentation, processing, and packaging of alcoholic beverages. A facility that only provides tasting or retail sale of alcoholic beverages is not a microbrewery, microdistillery, or winery.” This amendment allowed for operations in nonresidential and mixed used areas. Issue permits gave the city more direct control over the operations that were most likely to result in neighborhood conflict. These permits outline when a brewery can brew and how much beer it can produce. These restrictions are based on lot size and proximity to housing. These permits also are a good alternative to costly rezoning processes.

Multiple cities in North Carolina updated zoning codes to accommodate craft breweries and microbreweries. Language used: “the production cannot exceed 500,000 gallons per year. The operations are typically small occupying no more than 10,000 square feet of production space. The use cannot have more than two loading docks. The docks must be located off of the public street.” This amendment limits how much the brewery can produce, the size of the production space, the number of loading docks. They amended the zoning ordinance by adding microbreweries as an allowed land use within the downtown, commercial district.

Recommendation

• Change land use codes and zoning laws rather than going through an extensive rezoning process.

• Amended policies should distinguish between small craft breweries like microbreweries and brewpubs, and large industrial size breweries similar to Anheuser-Busch.
Supporting Co-Existing Industry

Helin Argav

The food truck industry is a co-existing industry that promotes city and local businesses. Brewery food can be expensive, not diverse enough, or food might not be featured. As a result, a symbiotic relationship between breweries and food trucks exists to satisfy patrons’ appetites. Assuring city policies are conducive to supporting food trucks will simultaneously attract craft brewers.

Statistics show that 25% of the individuals in National City live below the poverty level. Many people do not have the financial means to eat at a brewery. Food trucks could ameliorate this problem by providing food at a lower cost. By bringing more food trucks to National City, craft brewers can focus on what they can do best, which is brewing beer.

The new Food Truck Regulation from the City of San Diego dictates that food trucks will be allowed in city streets, but with some restrictions that include the number of parking spaces and the distance the truck must park away from crosswalks. Additionally, food trucks operating within 300 feet of a dwelling unit will face curfews. This will not cause any problems since breweries generally close around eleven in the evening on weekends. If a brewery is located in an industrial zone or certain commercial business parks, food trucks are permitted to operate on the property without a permit. National City’s plans to create an industrial zone will attract food trucks.
Water Quality
Deanna Wolf

Water is an essential part of the equation that all craft brewers must consider before they begin the brewing process. The type and flavor of beer are determined by the quality of water from which it is brewed. If National City is looking to attract craft brewers it must closely examine its water supply.

Examination of the water provided by Sweetwater Authority reveals a few causes for concern:

• **hardness** – harder water is ideal for brewing pale ales. Extremely soft water is ideal for brewing darker beers like Pilsners. National City’s water falls in the soft to medium range at 193ppm. This is neither hard enough to brew a pale ale (250-500ppm range), nor soft enough to brew a Pilsner (softer than 150 ppm).

• **pH** – pH is a scale used to measure how basic or how acidic water is. Craft brewers ideally want water to be neutral or as near neutral as possible. This means the pH of water should fall within the range of 6-7. Sweetwater Authority holds a pH ranging from 8.3-8.6.

• **salinity** – high levels of sodium create problems for the flavor of beer. Water with sodium levels greater than 75ppm will create a disagreeable harshness in beer. National City’s water has sodium levels of 98-130 ppm.

A close examination of the quality of water sourced by Sweetwater Authority to National City reveals that if this water is to be used in the brewing of beer it will need to be treated extensively to adjust the hardness, pH, and sodium levels in the water.

**Recommendations**

• In order to address concerns of water quality that may deter craft brewers, it is imperative that the city collaborate with the Sweetwater Authority. Creation of a joint advisory committee between the city and the region’s water board can facilitate discussion of the needs of brewers.

• It is clear brewers will have to extensively treat water to ensure its hardness, sodium, and pH are at desired levels. This added expense may deter brewers from National City. To offset and subsidize this expense, partner with water filtration systems providers to offer low-cost water filtration systems as an incentive.

• Discuss with Sweetwater Authority, creating a partnership in which employees of the water agency would conduct free water quality testing and consultations to interested craft brewers.
Policies To Mitigate Negative Impacts

Water Reduction Policy
Anthony Brandstrom

Approximately 75% of water consumed by breweries becomes wastewater that needs treatment prior to discharge into sewage systems. Higher water consumption and treatment equates to higher costs for businesses. When the costs of treatment are factored in, breweries’ disposal costs are higher than the actual cost of water itself. With this in mind any brewery going into an area will want to do a cost/benefit analysis of this line item expense. This presents a potential incentive or deterrent to locating a brewery in any given area.

<table>
<thead>
<tr>
<th>Annual Beer Production (bbl)</th>
<th>2bbl ww/bbl beer</th>
<th>4bbl ww/bbl beer</th>
<th>10bbl ww/bbl beer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000 – 15,000</td>
<td>$550 - $8,200</td>
<td>$1,100 - $16,400</td>
<td>$2,800 – $41,000</td>
</tr>
<tr>
<td>15,000 – 100,000</td>
<td>$8,200 - $54,700</td>
<td>$16,400 - $110,000</td>
<td>$41,000 - $274,000</td>
</tr>
<tr>
<td>100,000 – 600,000</td>
<td>$54,700 - $328,000</td>
<td>$110,000 - $656,000</td>
<td>$274,000 - $1,700,000</td>
</tr>
<tr>
<td>600,000 – 2,000,000</td>
<td>$328,000 - $1,100,000</td>
<td>$656,000 - $2,200,000</td>
<td>$1,700,000 - $5,500,000</td>
</tr>
<tr>
<td>&gt;$2,000,000</td>
<td>&gt;$1,100,000</td>
<td>&gt;$2,200,000</td>
<td>&gt;$5,500,000</td>
</tr>
</tbody>
</table>

In general, current practice of breweries is to discharge their wastewater directly into treatment centers. A case study of San Marcos, CA revealed the relocation of Stone Brewery from San Marcos to Escondido was partially due to the costs of treating wastewater. Escondido reduced the costs of waste water treatment to incentivize...
businesses like breweries. Unfortunately, this ultimately led to large amounts of pollutants discharged into the Escondido River. To address this community need, Stone Brewery’s master plan incorporated increased recycling of their waste water.

**Recommendations**

- Focus on water reduction policies that incentivize breweries to reduce wastewater disposal. This could be in the form of tax breaks if they create more advanced filtration systems.

- Create lower costs for breweries entering the area. The City could set lower prices for wastewater treatment/disposal.

- Create a table/chart outlining the target wastewater discharge amounts for breweries and give incentives to businesses that hit those targeted values.

- Give breweries a grace period in which wastewater disposal fees are low, then apply appropriate fees once that grace period is over.
Water Usage Policy
Samantha Valencia

Almost as important as attracting breweries is the ability to keep them. Lagunitas Brewing Company decided against expanding further in California, stating that “water is a major reason craft beer behemoths...are congregating around the Smoky Mountains’ substantial water supply”.

Water is an integral part of the brew process and is used for the operations and maintenance, including cleaning and sanitizing equipment and facilities. Several San Diego-area breweries have implemented recycling systems to reduced waste of reusable water. Current regulations allow for water used for cleaning, heating and cooling purposes to be recycled and reused but does not allow for reuse of recycled water for any other purpose, such as brewing or drinking water.

Additional factors to consider are compliance with drought conditions and subsequent increases in water rates. Breweries are trying to limit their water consumption in the brewing process, and operationally, by installing “low-flow toilets, faucets with sensors that automatically shutoff and water-smart landscaping”.

Recommendations
Incorporate conservation methods as standard operating practices for potential breweries.

• Implement a water usage cap for both water and wastewater flows/usage.
• Mandate use of low-flow toilets and automatic shut-off faucets in restrooms.
• Require use of sprayer nozzles with shut-off valves.
• Implement clean-in-place systems, rather than having an employee wash down equipment with a hose. This system is set inside a tank and cleans from within with a preset water level.
• Implement a hot water recovery system to recapture hot water for other uses in the brewhouse.
• Mandate use of a water treatment facility to recycle water used for cleaning purposes.
  Because this is an expensive facility to implement, along with other purifying systems like osmosis units, this requirement may be considered just for large-scale brewers who produce a considerable number of barrels each year.
• Implement only drought-resistant landscaping.
• The City could research any underfunded water or well projects and offer incentives to potential brewers, allowing them to help the City while also benefitting from a potential new water source.

• Create a new part-time or full-time position at the City to assist brewers in the establishment period and all items related to policy and regulations, including incorporation of sustainable water practices.

• City employees should conduct regular leak and broken valve checks.
Public Safety

Karl Halbritter

There are unintended public safety side effects of attracting businesses that sell alcohol. Typical concerns revolve around incidents such as public drunkenness, fights, vandalism and property damage. Craft brew establishments have relatively low frequencies of these crimes commonly associated with on-premise alcohol sales. Craft beer consumers are a different type of consumer that is more cooperative than those frequenting other types of bars.

Utilizing an online database, a survey of these specific categories of criminal activity was conducted for craft breweries in San Marcos and Vista, CA. Results demonstrated few or no crimes reported over the past two years. Areas with higher crime rate instances were found to be related to a permeation of crime in the general neighborhood, not dependent upon the presence of craft breweries. Examining National City, the zone that includes the marina waterfront area is shown to be a higher crime zone. However, when reviewing data of individual incidents, the marina area would be one of the safer areas if it had its own zone.
Recommendations

• **Partnership** – build collaboration with business owners with the common goal of keeping the area safe and attractive to patrons. A designating small business liaison, with reasonable level of authority to garner assistance from various departments, can act as the conduit for concerns to be voiced and addressed.

• **Training** – ensure bar and security staff receive high quality training in recognition of potential problems and pre-emptive resolutions.

• **Transportation** – lack of adequate transportation can cause increased instances of driving under the influence and assault due to people congregating outside or competing over limited transportation. Ensuring that public transportation is available at key times and that there are sufficient designated areas for taxis will be crucial.

• **Environment** – the physical atmosphere affects the mood and actions of customers. High noise levels, lack of seating and over-crowding can cause irritation. Special use permits should include minimum percentages of square footage designated as customer seating areas.

• **Diversions** – live music occupies crowds, keeping them from becoming hostile. Some reports indicate certain types of music may aggravate or attract the wrong type of crowds. However, the presence of music or a live musician is likely to be beneficial both in terms of attracting customers and in maintaining a desired atmosphere.
Environmental Impact

Ricardo Morones-Torres

An environmental impact analysis demonstrated the adverse impact that a brewery can potentially have on air quality. Breweries create direct and indirect air pollution. Direct air pollution includes the emission of carbon dioxide, methane, and sulfur dioxide, nitrogen oxide combustion of natural gas from an onsite boiler, and release of carbon dioxide during the fermentation phase of beer production.

Indirect air pollution is caused by the high amount of energy consumed for beer production. High electricity consumption is an indirect air-pollution contributor if the power sources, such as power plants, primarily rely on coal or natural gas to generate the needed energy.

Recommendations

The brewing industry can reduce direct and indirect air pollution contributions in several ways.

- High levels of carbon dioxide are released during the fermentation phase. By utilizing a carbon dioxide recovery system, one can capture, store, and prevent release of carbon dioxide. The stored gas can be used in a different production phase called carbonation. This system reduces energy and operational costs for breweries.
• The wort boiling phase releases a significant amount of steam. Breweries can capture and recycle this steam for later use via vapor condensers. This allows breweries to use less electricity or natural gas, resulting in additional savings.

• Utilize technological alternatives, such as solar energy. Solar panels capture energy from the sun to generate electricity. This system only captures solar energy in sunny conditions. However, it has the capacity to store solar energy for later use during cloudy weather conditions. The costs of these panels can be exorbitant. Strategies to offset these costs include:
  
  • Purchase Power Agreement- breweries and energy providers agree to install solar technology at low or no capital cost to the businesses with the condition that the energy provider will be the supplier of the power.
  
  • the state’s Solar Power Property Tax Exemption program, through which the state excludes the implementation of solar photovoltaic systems or the purchase of a building that has solar technology from California’s property tax assessment.

• Breweries can install fuel cells to reduce use of onsite natural gas. This system produces little or no pollution. They are also scalable (which allows installations to be tailored to consumers’ needs) and can operate off- or on-grid. In 2010, Sierra Nevada Brewing Company’s fuel cells generated 48% of their electricity, which saved an estimated $400,000 a year in expenses. The brewing company received financial assistance from the Pacific Gas and Electric Company via the Self-Generation Incentive Program, which provides rebates for businesses implementing green technology.

• Upgrading from incandescent and compact fluorescent lamps to high-lumen lamps results in an estimated 35% in energy reduction and costs.

• The municipality’s officials should meet with incoming brewery representatives to discuss the impact that brewing can have on air quality and persuade them to apply innovative technology and utilize incentive programs to fund such projects.

• National City officials could use monetary tools to incentivize environmentally-friendly technology through
  
  • reduction of impact fees paid by developers to fund all of the relevant, supporting infrastructure that commercial projects require. Since California’s municipalities lack a central formula to calculate impact fees, National City has authority to reduce these fees.
  
  • financial incentives, such as low interest loans, tax deductions, or even subsidies.
Low Wages and Benefits

Moriah Saldana

The types of jobs breweries offer are packaging, maintenance, information technology, supply chain management, finances, sales, and marketing positions. Brewpubs, or the tasting room components of breweries, are generally hospitality-centric positions with an emphasis on hosts, servers, bartenders, and dishwashers. In San Diego, more than two-thirds of jobs in the craft beer industry are brewpub/tasting room jobs. However, wages are even lower than what could be deemed a “living wage in San Diego County. The statewide average gross annual salary of an employee in the brewing industry is approximately $37,000”.

The figure below shows state’s average wages for various positions at a typical craft brewery.

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Average Wage (California)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brewpub</td>
<td></td>
</tr>
<tr>
<td>Small Brewpub Brewmaster</td>
<td>$45,829</td>
</tr>
<tr>
<td>Small Brewpub Asst. Brewer</td>
<td>$21,490</td>
</tr>
<tr>
<td>Large Brewpub Brewmaster</td>
<td>$60,985</td>
</tr>
<tr>
<td>Large Brewpub Asst. Brewer</td>
<td>$26,614</td>
</tr>
<tr>
<td>Large Brewpub Cellar Manager</td>
<td>$29,625</td>
</tr>
<tr>
<td>Brewery</td>
<td></td>
</tr>
<tr>
<td>Small Brewery Brew Master</td>
<td>$42,411</td>
</tr>
<tr>
<td>Small Brewery Asst. Brewery</td>
<td>$24,325</td>
</tr>
<tr>
<td>Small Brewery Cellar Manager</td>
<td>$28,229</td>
</tr>
<tr>
<td>Small Brewery Packager</td>
<td>$21,948</td>
</tr>
<tr>
<td>Small Brewery Lab Tech</td>
<td>$25,000</td>
</tr>
<tr>
<td>Med-Large Brewery Brewmaster</td>
<td>$74,366</td>
</tr>
<tr>
<td>Med-Large Brewery Head Brewer</td>
<td>$47,181</td>
</tr>
<tr>
<td>Med-Large Brewery Asst. Brewer</td>
<td>$32,842</td>
</tr>
<tr>
<td>Med-Large Brewery Cellar Manager</td>
<td>$39,938</td>
</tr>
<tr>
<td>Med-Large Brewery Packager</td>
<td>$25,000</td>
</tr>
<tr>
<td>Med-Large Brewery Lab Tech</td>
<td>$39,120</td>
</tr>
</tbody>
</table>

*Figure 7*
To avoid adding more low-paying jobs into the economy, National City can focus on attracting non-brewing industries in the craft brewing cluster. A business cluster is defined as a “concentration of interconnected companies, specialized suppliers, and service providers”\textsuperscript{44} Growth of the craft brewing industry has led to the rise of cluster industries. Companies that provide brewing equipment design and manufacturing, yeast suppliers, home brewing supply stores, and hop farms currently employ approximately 145-161 people and generate $56.6 million in annual sales\textsuperscript{44}.

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>No. of Firms</th>
<th>Employees</th>
<th>Annual Sales (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brewing Systems &amp; Equipment Design</td>
<td>1</td>
<td>19-35</td>
<td>$45.2</td>
</tr>
<tr>
<td>Brewing Yeast Supplier</td>
<td>1</td>
<td>100</td>
<td>$2.9</td>
</tr>
<tr>
<td>Home Brewing Supply Stores</td>
<td>11</td>
<td>26</td>
<td>$8.5</td>
</tr>
<tr>
<td>Hops Farms</td>
<td>4</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total</td>
<td>17</td>
<td>145-161</td>
<td>$56.6</td>
</tr>
</tbody>
</table>

Figure 8

Recommendations

Capitalize on the craft brewing cluster of industries. In this way, National City would still benefit from the rising growth of the craft brewing industry, but experience less of the negative effects of adding more low-paying jobs to the city’s economy.
Vision Plans- Leveraging Existing National City Resources

Background

National City is known as the second-oldest city in San Diego County.\(^{45}\) History has mixed with modernity to create “a desirable blend of old and new”.\(^{46}\) “Here there is an attitude of acceptance that comes from realizing this is a great city, with great history, and a great future”.\(^{18}\) National City is rich with historic and modern resources that can be leveraged by prospective craft brewers.

Marina District and Malt Houses

Helen Gao

The strategic location of the Marina District, with its blend of maritime, industrial, commercial, and recreational uses along with the area’s robust transportation infrastructure, make it an ideal fit for craft beer supply-chain businesses and related industrial tourism.

Before grain can be fermented into beer, it must be malted. This is a process of sprouting and drying seeds that primes a grain for brewing. Small-scale malt houses produce unique batches of processed grains that create distinctive flavors. Brewers pay a premium for these specialty malts. Craft malters are widely seen as the next hot emerging segment in the artisan beer movement. Currently, the specialty malts are imported since there are no malt houses in San Diego. With the freight rail connection at the Marina District, opportunities exist for local breweries to contract with growers in the Midwest to cultivate special varieties of grains and have them shipped to National City for processing.

Aside from processing grains for local breweries, malt houses can attract visitors by offering tours that show beer enthusiasts how malt is made. Brewery tourism is an “important driver of regional tourism”. Studies note that many of the leading San Diego breweries offer tours and have packed event calendars.\(^{47}\) Along with tours, the malt houses can build retail outlets in their processing plants to sell malt to tourists and home brewers. These types of operations will make the Marina District a one-of-a-kind tourist destination.
Recommendations

- Market existing vacant lots to brewers, such as parcels
  - next to the Pier 32 Marina and the Bayshore Bikeway at West 32nd Street and Marina Way.
  - at the northeast corner of Bay Marina and Marina Way, across from the 174-room Marina Gateway hotel and restaurant completed by the Sycuan Indian Band.

- Market National City as a prime location for a malt house, which would be a unique craft-brewery experience.

- When speaking to brewers, highlight the Bayshore Bikeway as one of this region’s premier bike amenities that connects to Pier 32. Given the growing popularity of bike brew tours, the Bikeway has the potential to be a conduit for bringing visitors and tourists to National City.
Distribution Hub Resources
Heather Reynolds, Helen Gao, Ling Yaiin Liou

Exports are making up an increasingly large share of some local craft breweries’ reve-
nues. By all indications, craft beer exports will continue to see explosive growth as the beer craze goes global. There is a need for a distribution center close to the border and next to a marine terminal. National City is a prime location for a distribution center.

Craft beer distributors can lease space from two existing facilities or build a distribution facility from the ground up. The existing facilities to partner with are San Diego Cold Storage and National Distribution Center. Both offer cold storage, which is essential to preserving the freshness of craft beer.

The location is ideal due to its proximity to many transportation infrastructures. Interstates 5 (I-5) and 805 (I-805) connect National City to destinations north and south, and State Route 54 (SR 54) connects the city to destinations east and west. The I-5, I-805, and SR 54 in turn link up to other regional freeways and highways, giving National City-based businesses unparalleled access to markets in all directions and across the border.

The marina is home to a thriving marine terminal. This is ideal for shipping to Asia and Central and South America. It is also home to a rail yard that connects to the Burlington Northern and Santa Fe (BNSF) Railway. This railway has historically played a major role in moving grains from Montana and North Dakota to major malters in the U.S. and to Mexico.49

Figure 9
Distribution Center Deterrents

Scott Gerdes

National City is currently not a feasible distribution hub based on analysis of the factors that influence a distributor’s decision to locate in a given area. The two main factors that would deter distributors from locating in National City are centralization and the ability to meet demand. In terms of centralization, distributors tend to locate around clusters of regional manufacturers. Currently, National City does not have any manufacturers. Until manufacturing materializes in nearby cities like Chula Vista, Bonita, Otay Mesa, or Imperial Beach, there is no current need for a regional distributor. Subsequently, because there are no current production facilities, the ability to meet demand is a moot point. Even after manufacturers begin to locate in and around National City, it may take time for manufacturing facilities to develop sufficient production capacities to necessitate a distributor.

National City is located between the I-5 and I-805, which allows it to ship products either north or south. Chula Vista and Mexico are the only two southern locations, but Chula Vista is the only viable option, since brewers open facilities in Mexico as opposed to shipping products across the border. This only allows for shipping north, but the north is already occupied by distributors.

Recommendations

A number of factors that affect a distributor’s decision to locate in National City are out of the City’s control, such as location of competition, national and state excise taxes, and regional fuel costs. For areas that National City can control, the following suggestions are recommended:

1) Influencing Location Factors

• **Regionalization** – develop relationships with adjacent municipality’s craft to improve National City’s attractiveness as a distribution hub. Once a cluster of breweries locate in a given region, distributors tend to follow.

• **Location of production** – develop production capacities in and around National City in order to increase the attractiveness for distributors. In order for alcohol distributors to locate in National City, it is imperative to have a product to distribute.

• **Community support** – businesses are hard to get off of the ground without community support. Hosting community events to develop a culture of craft brewing within and around National City will create conditions in which brewers are more likely to set up shop.
2) Influencing Cost Factors

- **Construction** – highlight certain areas in or near the port that are ideal for distributors to build facilities. When the appropriate time comes to cultivate a distribution hub, offer distributors tax incentives and specialized building permits to appeal to their needs.

- **Self-distribution and specialty distribution** – self distribution appears to be the most viable distribution option for National City. It would be a sound decision to assist the brewery that emerges as a favorite in southern San Diego and provide them with the necessary assistance to transition from a self-distribution company to a specialty distribution company that transports its own craft beer and craft beers of other local brewers.
Aquaponics and Urban Farming Resources

Angelica Truong

Aquaponics is a sustainable approach to agriculture development. The system uses a recycling method where fish waste fertilizes produce. In turn, the produce cleans the water to provide a safe environment for the fish to live in. It is a system that can be housed anywhere and “uses only a fraction of the resources required by conventional farming to produce the same amount of food”.[50] Vegetables and herbs are not the only produce that flourishes under these conditions. This method of farming has been used to grow hops for home brewers. Water, yeast and malt supplies in San Diego are sufficient, but local hops production is scarce. Breweries are constantly looking for unique techniques and tastes to incorporate into their brewing methods. Aquaponics farm breweries could very well be the next green initiative to appeal to brewers.

Figure 10 Source: theaquaponicssource.com
1) Benefits include:

- **Locally grown** – ingredients are local. The brewer knows exactly how they are grown and can adjust factors that might impact taste.

- **Cost effective** – getting hops a few miles away will cut down on transportation costs.

- **Positive environmental impacts** – this process decreases the use of harmful toxins in soils on large-scale farms—that pollute the air, water and soil quality. An additional benefit is the reduction of unwarranted emissions associated with cross-national and overseas transportation used to import hops.

- **Job opportunities** – urban gardens require constant maintenance. Employing local residents will create jobs and educational opportunities.

2) Many states have enacted farm brewery ordinances permitting operation of a farm winery or brewery. Incentives offered include:

- **Tax benefits** – breweries manufacturing less than a specified amount of gallons are eligible for a refundable tax credit. They are also exempt from tax filing and the large costs associated with such tax requirements.

- **Farm Brewery license** – the farm brewery license allows for products to be made and sold on the same grounds. It allows for breweries to open restaurants to sell products, tastings, and souvenir items. The license requires beer to be brewed using primarily locally grown or farm products. Local hops and ingredients must make up at least 40% of the beer. After a certain number of years, the act states the percentage of locally produced ingredients should be at least 90% of the beer.

- **Liquor Authority Fee Exemption** – small-scale breweries are exempt from the annual brand label fee, saving them “thousands of dollars and helping smaller breweries retain the capital they need to grow their operations and create jobs”\(^{51}\).
3) Potential National City sites:

- Bayfront Park is an ideal site due to its existing recreational characteristics.

![Figure 11](image11.png)

- Vacant Lot (3202 Hoover Avenue) – vacant lots are perfect candidates because the space is empty and allows enough area for greenery transformation to take place.

![Figure 12](image12.png)
• Kimball Park has a large dirt area that can be refurbished to house a community garden.

![Kimball Park Site](image13)

**Figure 13**

• National City Golf Course could be converted into a large scale urban farm.

![National City Golf Course Site](image14)

**Figure 14**
Recommendations

- Survey possible land plots available for urban farming. Market the abundance of vacant lots, warehouses, industrial, and open space to existing breweries and craft beer guilds.

- Create urban farming committees and employment opportunities to help maintain the gardens.

- Design and implement a Farm Brewery Ordinance.

- Create a green initiative business model for existing and proposed restaurants and eateries to supply and use organic and locally-grown produce.
Local Partnerships and Events

Ling Yaiin Liou

Tapping into the historical nostalgia associated with seasoned businesses in National City can make brewers stand out against their competitors and usher in creative collaborations.

Recommendations

Highlight the following National City businesses as strong, prospective partnership options:

- Niederfrank’s Ice Cream has been in business since 1948. The historical nostalgia and quality of ice cream attracts people for near and far. “Beer enthusiasts are putting beer in ice cream”. Stone Brewery has partnered with Niederfrank’s to create a Mexican chocolate orange peel Stone stout ice cream. Collaborating with Niederfrank’s can make brewers unique and provides the opportunity to tap into a large, existing customer base.

- Stein Family Farm is a two-acre “living history farm museum” and is the “last remaining farmstead in National City”. There is land to grow hops. A brewery interested in growing hops and agritourism could collaborate well with Stein Family Farm. Additionally, Stein Farm’s animals can eat the brewery’s spent grains for feed which will render additional cost savings on waste disposal fees.

- National City hosts annual events that draw thousands of people. Events like the Automobile Heritage Show with 5,000-8,000 participants, the weeklong Fourth of July Carnival with 30,000-50,000 people, and the Mariachi Festival with 11,000 attendees are ideal places to promote businesses and get people to sample craft beer.
Business Resources
Helen Gao, Ling Yaiin Liou

National City should highlight the many ways they support businesses from inception to opening day. Resources to leverage include:

- The San Diego Center for International Trade Development at Southwestern College which “offers education, technical assistance, and training to firms doing business locally or globally”. This includes a certificate and associate degree program in international logistics and transportation. Among the center’s services are “free or low-cost import and export education programs, one-on-one counseling, access to international trade shows, and opportunities to join trade missions”.52

- The Chamber of Commerce has staff that can assist potential brewery businesses with applying for tax credits and exemptions, wage reimbursement programs, and green business incentives.
Conclusion

The craft brewing industry has substantial impacts on multiple levels. Economically it reinvigorates a community with new revenue streams and creates jobs. Through redevelopment efforts, it beautifies neighborhoods by way of renovation or new construction. Its presence and tourist appeal promotes other small businesses in the area. Interested in locating in communities rich with culture and history, it re-introduces residents to historical landmarks and regional facts. Unexpectedly, public safety is strengthened by encouraging increased policing in otherwise neglected areas. Breweries provide residents with a local hang out which tends to create strong ties of loyalty. And they provide residents and visitors with “locally made” American products.

This report has established that a relationship with craft breweries is beneficial to National City and its residents. It has presented many strategies to attract craft breweries and highlighted possible negative impacts the industry could pose. The leadership of National City, in partnership with the Sage project, has already shown initiative in proactively recruiting the craft brewing industry. Ultimately, success will require a plan that involves all key stakeholders and has mutually beneficial incentives that support a symbiotic relationship. Marketing and appealing to the visionary spirit of the craft brewing industry will increase National City’s success. Undoubtedly, National City has immense untapped potential that could ignite new craft brewing industry trends.
# Appendix A

Leah Dutra’s stakeholder analysis chart

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Stakeholder Interest</th>
<th>Influence / Power</th>
<th>Level of Interest</th>
<th>How can this stakeholder impact success?</th>
<th>Strategy / Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mayor &amp; City Council (GOV)</td>
<td>Wants to bring economic development and attract visitors, but maintain a safe, peaceful community</td>
<td>9</td>
<td>10</td>
<td>Make necessary regulatory changes, allocate resources, communicate with citizens about the craft beer industry, support engagement events</td>
<td>Make attracting brewers a talking point at events, set updates on meeting agenda to facilitate stakeholder education and communication.</td>
</tr>
<tr>
<td>Community &amp; Police Relations Commission (CPRC)</td>
<td>May see an increase of police interaction with public in an area where brewers establish tastings.</td>
<td>3</td>
<td>4</td>
<td>This entity would likely only be impacted after a brewing business presence has been developed.</td>
<td>Updates on communications with law enforcement aspect of alcohol control. Commission could assist in informing resident's of police presence change.</td>
</tr>
<tr>
<td>Parks, Rec., &amp; Senior Citizens Advisory Board (PARK)</td>
<td>Could object to an alcohol related business near a park or recreation facility.</td>
<td>6</td>
<td>7</td>
<td>Helping establish community events and enrichment related to craft beer. (i.e. home brewing classes at a community center)</td>
<td>Monthly memo briefings on project results and work done toward goal. Invitations to leadership learning opportunities related to industry.</td>
</tr>
<tr>
<td>Planning Commission (PC)</td>
<td>Key in choosing region for businesses. Forum for public input. Zoning and land-use changes to attract brewers</td>
<td>9</td>
<td>10</td>
<td>Evaluate the best options for placement of a brewing business that will result in public support.</td>
<td>Set agenda items related to progress of development. Hear public input on possible locations and policy change and should be included in learning about industry impacts.</td>
</tr>
<tr>
<td>Traffic Safety Committee (TSC)</td>
<td>Alcohol related businesses could pose a traffic hazard. Increased pedestrian flow in an area previously not used for entertainment could need new safety measures</td>
<td>7</td>
<td>7</td>
<td>Prepare solutions to traffic issues that would mitigate public concern for traffic safety.</td>
<td>Should be involved in location selection to give input regarding traffic safety concerns that could influence selection. Lead public discussion of safety concerns. B involved in any meeting with law enforcement</td>
</tr>
</tbody>
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## Chart 2: Stakeholder Analysis: Craft Brewing Industry Development in National City

<table>
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<th>Stakeholder</th>
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<td>Neighborhood Councils (NC)</td>
<td>One or more of the neighborhoods could be impacted by a craft brewing establishment and the visitor related traffic. Quality of life impacts from alcohol control changes.</td>
<td>7</td>
<td>9</td>
<td>They could decide to obstruct necessary policy changes that would attract craft beer and use political pressure to oppose location of brewing industry. Provide educational forum for residents to learn real world outcomes from other neighborhoods with brewing industries.</td>
<td>Monthly updates throughout process. Notification of engagement events and inclusion in policy deliberations and site selection.</td>
</tr>
<tr>
<td>City Attorney (LAW)</td>
<td>Responsible for enforcement of any code changes or any liabilities the city may have in changing current practices.</td>
<td>8</td>
<td>8</td>
<td>Assist with formation of legally feasible and prudent policy changes related to the development process.</td>
<td>Office should be be given all information related to policy development at every stage.</td>
</tr>
<tr>
<td>Community Services Department (CSD)</td>
<td>Alcohol related businesses may conflict with dept. mission. Could be asked to provide brewing related classes.</td>
<td>4</td>
<td>6</td>
<td>Support the engagement efforts to include the community in the craft beer culture.</td>
<td>Begin a dialogue about community inclusion and the equity issues of drawing craft brewers into a community that is not a consumer.</td>
</tr>
<tr>
<td>Development Services (DS)</td>
<td>Would be responsible for administering any ordinance or land use changes.</td>
<td>6</td>
<td>8</td>
<td>Input into policy formation early in the process could alleviate issues and create a smoother process for businesses. Land use and community plan expertise for site selection.</td>
<td>Seek input in policy proposals.</td>
</tr>
</tbody>
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### Chart 2: Stakeholder Analysis: Craft Brewing Industry Development in National City

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<tr>
<td>Engineering &amp; Building Services (EBS)</td>
<td>Site evaluation for impact to infrastructure Would need to be involved in early plans for where to locate brewing establishments.</td>
<td>5</td>
<td>7</td>
<td>Researching infrastructure impact of brewing industry to make an informed site selection that would be least costly and offer options for seeking exactions.</td>
<td>Contact before and after site options are proposed and ask for assessment of infrastructure needs and possible upgrade costs.</td>
</tr>
<tr>
<td>Public Works (PW)</td>
<td>Would be responsible for maintenance of city streets that could receive more pedestrian and vehicle traffic related to new industry. Could require new staffing resources to meet greater workload.</td>
<td>4</td>
<td>8</td>
<td>Defining possible needs for staffing to ensure the least impact on streets and parks near brewing industry. High level of cleanliness and repair will be needed to attract visitors and deter crime (broken window theory)</td>
<td>Encourage dept. leadership to contact public works of Vista and San Diego to assess the strain brewery industry put on maintenance staff. Inform when location options have been narrowed so staff management needs can be prepared.</td>
</tr>
<tr>
<td>Neighborhood Services (NS)</td>
<td>Involved in processing special events that might be used to develop community interest in craft beer.</td>
<td>3</td>
<td>3</td>
<td>Processing temporary use permits for craft brewing related events</td>
<td>Consult about event activity to coordinate possible craft brewing event dates with other planned events to avoid conflict or undue stress on city services</td>
</tr>
<tr>
<td>Public Safety (PS)</td>
<td>Law enforcement and fire protection would need to prepare for visitors and events that might require added protection.</td>
<td>8</td>
<td>9</td>
<td>Police could be opposed to alcohol control changes. Staffing and budget issues could limit police ability to protect a rise in visitors, especially ones who may be engaging in alcohol use. Fire protection could limit site options.</td>
<td>Police should be given data related to law enforcement impacts in other cities with a craft brewing presence. Fire needs to be consulted early in the site selection process to avoid consideration of areas that will be a problem to protect facilities that host large gatherings of people.</td>
</tr>
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</tr>
<tr>
<td>Chamber of Commerce (CC)</td>
<td>New industry could compete with local established businesses. Could benefit from new membership. Current members could be impacted by regulatory changes.</td>
<td>8</td>
<td>9</td>
<td>Provide outreach for public engagement. Offer brewers business development resources and regulatory navigation assistance. May also be able to provide insight on regulatory environment.</td>
<td>Elicit support early in the process to have access to private enterprise input on policy changes. Keep informed of all engagement evnts and solicit assistance in demonstrating positive aspects of National City Business climate.</td>
</tr>
<tr>
<td>Political Party local groups and clubs (PP)</td>
<td>Interested in influencing policy to reflect political ideology</td>
<td>6</td>
<td>4</td>
<td>Party leaders could sway public opinion on policy changes</td>
<td>Periodic updates should be given for dissemination a meetings. When position on policy is established. Supportive parties can sway public opinion and educate membership, who tend to be more engaged with civic issues.</td>
</tr>
<tr>
<td>Community Organizations (philanthropic, cultural, interest based) (CO)</td>
<td>Dependent on focus. Some groups may be impacted by site location, traffic, or safety concerns. Some may find opportunity for involvement in community building aspects of engagement efforts.</td>
<td>5</td>
<td>5</td>
<td>Could provide volunteer support for engagement events. Outlet for education on the brewing industry and alcohol, controls.</td>
<td>Maintain a list of supportive groups that are informed of events that are relevant to group focus. Provide information on process and craft beer industry for dissemination to members.</td>
</tr>
</tbody>
</table>

**Chart 2: Stakeholder Analysis: Craft Brewing Industry Development in National City**

- **Influence / Power**
  - 1: Least influential
  - 10: Most influential

- **Level of Interest**
  - 1: Lowest level of interest
  - 10: Highest level of interest
## Chart 2: Stakeholder Analysis: Craft Brewing Industry Development in National City

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<tr>
<td>Citizens (PUBLIC)</td>
<td>Greater impact for those near establishment. General impact from alcohol controls.</td>
<td>8</td>
<td>8</td>
<td>Support and engagement could draw interest from brewers. Opposition to quality of life changes could prevent policy changes needed to attract brewers.</td>
<td>Offer participatory meetings for discourse and consensus building. Involve in policy making to create a public sense of interest and responsibility for outcomes. Provide engagement events to immerse the residents in the craft beer culture so they can understand there will be limited impact on quality of life with a permanent brewing sector.</td>
</tr>
<tr>
<td>Citizens of adjacent municipalities (OTHER)</td>
<td>A new entertainment option closer to home that could provide options for residents or competition for visitors to local businesses.</td>
<td>4</td>
<td>5</td>
<td>If engagement events draw Latino visitors from nearby cities, craft brewers could see National City as a gateway to an emerging market</td>
<td>Contact through regional media and civic groups that may cross city borders.</td>
</tr>
</tbody>
</table>
Appendix B
Lorraine Cheung’s pamphlet

San Diego County, the “Craft Beer Capital of America” prides itself on having nearly 90 craft breweries, many of which have produced award winning beers recognized at an international level. In addition to the nearly $300 million in direct economic impact to the region, craft brewing also supports over 2,800 jobs in San Diego County. Craft brewers are creating jobs, tourism dollars, and tax revenue at a time when the region continues to recover economically. More than half of local breweries are less than two years old with increasing numbers of new licenses being issued each year.
San Diego County, California has been called “the Craft Beer Capital of America,” home to nearly 90 licensed craft breweries and countless more home brew enthusiasts.

The region’s brewers have pioneered several specialty beer styles, most notably the Double India Pale Ale, known as Double IPA or San Diego Pale Ale. Craft brewing is one of the fastest-growing business sectors in the San Diego region, with increasing numbers of new licenses being issued each year. In 2011, the brew industry in San Diego generated $300 million in direct economic impact, made $600 million in sales and supported over 2,800 jobs. To put this into perspective, the economic contribution of craft beer to the region is more than one and a half times that of Comic-Con, our largest annual convention! Brewery tourism is alive and well in America’s Finest City. Visitors to San Diego from all over the world enjoy checking out the burgeoning beer scene, learning the science behind the brewing process, and of course, tasting award winning craft brews in the company of a passionate craft brewing community. Notable brew companies that got their start in San Diego include Stone Brewing Company, Karl Strauss Brewing Company, and Ballast Point Brewing Company.

Beer brewing in this region has a rich history. Just about every culture in the world has developed a fermented drink and the indigenous people of this area were skilled at brewing such beverages even before the Europeans arrived with their techniques. Mesoamericans brewed “iquiuate” from fermented corn and “poozi” from corn and cocoa beans, both of which can still be found in Mexico today. European-style beer brewed with barley was introduced by the Spanish soon after the arrival of Hernan Cortez. Beer brewing took off and by 1918, there were 36 beer producers in Mexico. Prohibition in the United States during the 1920’s attracted many Americans to Mexico, spurring breweries to pop up along the border such as the Mexicali Brewery and the Aztec Brewing Company, both in Baja California. Large, national brewers dominated the beer market in San Diego from the 1950’s until the 1970’s when state law made home brewing legal and a 1982 measure allowed brewers to operate restaurants on premises, creating the first “brewpubs”.

Today, San Diego County is home to nearly 90 craft breweries and brew pubs, as well as dozens of commercial tour companies operating year-round “beer tours.” And in North County, Stone Brewery and Gardens is the third largest visitor destination (after the San Diego Safari Park and Legoland).

San Diego Beer Week, which launched in 2009, is a 10 day county-wide festival attracting thousands of locals and visitors alike. This kicks off in early November with the San Diego Brewers Guild Festival and continues with hundreds of small events hosted by breweries, ale houses, and pubs.

The San Diego International Beer Festival takes place during the San Diego County Fair every June and includes seminars, brewing classes, beer tasting, and competitions with renowned brewers from all over the world.

Also check out: Beerfest at Petco Park, CityBeat Festival of Beers, San Diego Brew Fest, and the San Diego Festival of Beer.

Brewing is SCIENCE!

Brewing is the production of beer by steeping a starch source in water and fermenting the resulting sweet liquid with yeast. The basic ingredients are water and a starch source such as barley or wheat. Most beer is fermented with yeast and flavored with hops.

Check out the Beerology exhibit at the Museum of Man in Balboa Park to learn more about the history of beer. Agriculture, cities, writing, and religion all have ties to ancient craft brewing. Ancient civilizations around the world each perfected their brewing arts in unique and interesting ways.
Appendix C

Phillip Beck’s policy sample

The City of Oakland

Five performance standards a business needs to comply with in order to retain their deemed approved status:

1) Activity does not result in adverse effects to the health, peace, or safety of persons residing or working in the surrounding area.

2) Activity does not result in jeopardizing or endangering the public health or safety of persons residing or working in the surrounding area.

3) Activity does not result in repeated nuisance issues within the premises or in close proximity of the premises, including but not limited to: disturbance of the peace, illegal drug activity, public drunkenness, drinking in public, harassment of passersby, gambling, prostitution, sale of stolen goods, public urination, theft, assaults, batteries, acts of vandalism, excessive littering, loitering, graffiti, illegal parking, excessive loud noises—especially in the late night and early morning, traffic violations, curfew violations, lewd conduct, or police detentions and arrests.

4) Activity does not result in violations to any applicable provision of any other city, state, or federal regulation, ordinance, or statute.

5) The businesses upkeep and operating characteristics are compatible with and will not adversely affect the livability or appropriate development of abutting properties and the surrounding neighborhoods.
Sources


51) Retrieved from Stein Family Farm website http://thesteinfamilyfarm.org/history/history.html