



DATE: October 2, 2018

TO: Mayor & City Council

FROM: Economic Development Manager

SUBJECT: Adopt a Resolution Authorizing the City Manager to Award a \$400,000 Small Business Incentive Program Grant to Russell City Distillery, Inc. to Complete a New Distillery and Tasting Room in Downtown

RECOMMENDATION

That the City Council adopts a resolution to authorize the City Manager to provide financial assistance in the form of a grant in the amount of \$400,000 as part of the Economic Development Small Business Incentive Program to Russell City Distillery, Inc. (RCD) to complete a new downtown distillery and tasting room.

SUMMARY

RCD is a boutique craft distillery maker of premium Spirits and is constructing a new distillery and small tasting room in downtown Hayward where patrons can sample and learn about the distillation process. The distillery and tasting room will provide a new destination for visitors of the downtown and will complement the existing restaurants and entertainment venues in the surrounding area. Customers will also be able to purchase product in the retail store to be located in the distillery, which will generate sales tax revenue to the City. RCD products will be sold throughout California and surrounding states. Staff recommends that the City Council adopts a resolution authorizing the City Manager to award a \$400,000 small business incentive program grant to Russell City Distillery, Inc. to complete a new distillery and tasting room in the downtown.

BACKGROUND

Geoff Harries has owned and operated Buffalo Bill's Brewpub, a successful restaurant and micro-brewery in the downtown since 1994. In 2010, he purchased the building located at 22549 Foothill Blvd. in downtown, which is adjacent to Buffalo Bill's Brewpub. Mr. Harries purchased this property to renovate it and eventually transform it into a new craft distillery and tasting room, called Russell City Distillery (RCD). . Mr. Harries owns over 80% of the new Russell City Distillery, Inc. and over 80% of the Buffalo Property Group LLC that owns the business properties. Mr. Harries has been preparing for the RCD project for several years and has attended the Siebel Institute on Distillation in Chicago, taken a distillation course in Arizona, and has consulted with owners of several local distillers. Mr. Harries will use many of the same service providers for RCD that he uses for Buffalo Bill's.

In 2012, Mr. Harries received construction financing from Seacoast Bank to renovate 22549 Foothill Blvd. for the RCD project. After several unforeseen project delays stemming from predevelopment and contractor delays, project costs have escalated, resulting in a capitalization shortfall of \$400,000 to complete the project.

DISCUSSION

RCD will be a boutique craft distillery maker of premium gin, vodka, rum and agave spirits. The RCD project will also include a small tasting room where patrons can sample and learn about the distillation process. The RCD project will create a unique addition to the downtown areas and it will become a new destination for visitors and residents. The project will also complement, not compete with, the existing restaurants and entertainment venues in the surrounding area. Customers will be able to purchase product in the retail store to be located in the distillery, which will generate sales tax to the City. RCD products will also be sold throughout California and surrounding states.

This grant will provide funding to enable Mr. Harries to complete the important RCD project. Upon project completion, Mr. Harries will immediately hire six new employees for the project, including tasting room employees, a master distiller, manager, and inside sales personnel.

ECONOMIC IMPACT

This grant will provide funds for project completion that are not currently available through traditional lending institutions. Micro-distilleries represent an emerging industry looking to create experiential retail. An experiential retail establishment would drive new visitors to Hayward, stimulating interest in other restaurant, retail, and entertainment venues in the downtown.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities Initiative is to create and support structure, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all. This item supports the following goal and objective:

Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods.

The RCD project will increase entertainment amenities in the downtown.

Objective 3. Increase collaboration with businesses, non-profits and neighborhood groups on placemaking projects.

RCD will provide a new destination venue for visitors and Hayward residents.

FISCAL IMPACT

The total cost of the recommended grant is \$400,000. Funds to support this economic development incentive have been allocated in the Economic Development Division budget adopted along with the rest of the City's FY 2019 Operating Budget. Hayward will be the point of sale for Russell City Distillery and will receive the City portion of the sales tax for all sales that are completed at the retail location.

Prepared by: Sally Porfido, Economic Development Consultant

Recommended by: Micah Hinkle, Economic Development Manager

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is positioned above a horizontal line.

Kelly McAdoo, City Manager