

**SUPPLEMENTARY STAFF REPORT ON PETITION FOR ZONING ORDINANCE TEXT
AMENDMENT****PLN-ZOTA-25-00006: MICRO-DISTILLERY AS PRINCIPAL USE IN THE DOWNTOWN
BUSINESS (B-2) ZONE**

APPLICANT: NEW ERA WHISKEY & SPIRITS, LLC
PROPOSED TEXT: SEE ATTACHED (Note: **Red** text indicates an addition to the existing Zoning Ordinance; **Blue** text indicates staff alternative text; text ~~stricken through~~ indicates a deletion)

STAFF REVIEW

Staff's initial recommendation for postponement was based on the need to gather additional information concerning the potential impacts of permitting micro-distillery operations in the Downtown Business (B-2) zone. After further review, staff is confident that micro-distilleries with the proposed limitations would integrate well with existing downtown uses without disrupting residential or commercial neighbors. With a production cap of 10,000 gallons annually, these distilleries operate on a small footprint and typically generate minimal noise, traffic, and waste as well as require limited utility usage compared to larger industrial operations. Recently, a definition of micro-distillery was added to the Zoning Ordinance as part of Ordinance No. 036-2025 passed by the Urban County Council in June of 2025. The Zoning Ordinance definition is as follows:

Micro-distillery means a distillery that produces fifty thousand (50,000) gallons or less of distilled spirits per calendar year and operated under a Class B License as defined by KRS 243.120.

STAFF ALTERNATIVE TEXT PROPOSAL

The applicant's initial language did not provide an avenue for future growth or expansion past the 10,000-gallon limit they proposed. For some areas of downtown, distilleries that exceed the 10,000-gallon limit restriction could be appropriate. Adding Micro-distillery without restrictions as a conditional use in the Downtown Business (B-2) zone would provide a path to allow distilleries with higher production (up to 50,000 gallons annually), while also requiring the use be evaluated by the Board of Adjustment to ensure that a larger operation would not negatively impact the surrounding areas.

Permitting micro-distilleries in the Downtown Business (B-2) zone would, by default, allow them in the Downtown Frame Business (B-2A) as the two zones share principal uses. Although this interconnectivity of principal uses does not apply to the Downtown Center Business (B-2B) zone, micro-distilleries contribute to the unique character of a downtown area, aligning with trends in experiential tourism and local craftsmanship. Adding micro-distilleries to this zone, which includes



Rupp Arena/Central Bank Center, LexLive, Victorian Square, and the Lexington Opera House, could complement existing uses and serve as destinations for tours, tastings, and events.

EVALUATION

In Staff's review, the staff alternative proposal is in agreement with several Goals and Objectives of the Comprehensive Plan, as it encourages tourism (Theme C, Goal 1.d), provides an avenue for small business development and growth (Theme C, Goal #2.b), and provide entertainment and other quality of life opportunities that attract and retain young, and culturally diverse professionals, and a work force of all ages and talents to Lexington (Theme C, Goal #2.c)

The Staff Recommends: **Approval of the Staff Alternative Text**, for the following reasons:

1. The proposed text amendment allows micro-distilleries as a principal use in the Downtown Business (B-2) zone with restrictions. Allowing such diversification of the downtown economy can:
 - a. Create jobs in production, retail, and tourism.
 - b. Attract visitors and residents, increase foot traffic and benefit nearby businesses.
 - c. Encourage investment in underutilized or vacant properties.
2. Allowing micro-distilleries with the proposed restrictions to the Downtown Center Business (B-2B) zone would enhance the vibrant, mixed-use downtown environment that attracts residents and visitors.
3. Adding Micro-Distillery without restrictions to the list of conditional uses in the Downtown Business (B-2) zone would give producers the flexibility to expand while providing an additional level of scrutiny to protect neighboring uses.
4. The proposal meets several Goals and Objectives of the Comprehensive Plan relating to tourism, small business development, and the strengthening of the downtown core.



