



**STAFF REPORT ON PETITION FOR ZONING ORDINANCE TEXT AMENDMENT**

**PLN-ZOTA-22-00005: AMENDMENT TO LIGHT INDUSTRIAL (I-1) ZONE  
TO ALLOW CRAFT DISTILLERIES**

APPLICANT: TURNER PROPERTY 4, LLC

PROPOSED TEXT: (Note: Text underlined indicates an addition to the existing Zoning Ordinance; text ~~stricken through~~ indicates a deletion.)

**ARTICLE 8-22 LIGHT INDUSTRIAL (I-1) ZONE**

(b) Principal Uses.

4. Other industrial and manufacturing uses, such as auto parts rebuilding; battery manufacturing; beverage manufacturing; micro-brewery as regulated by KRS 243.157 and KRS 243.150; Class B (craft) distillery as defined in KRS 243.120, including all activities permitted in KRS 243.0305 and 243.035, without limitation, sampling, souvenir package sales, retail drink sales, and bottling; dairy and non-dairy and food and non-food product bottling plants; box and crate assembly; building materials sales; rental storage yard; bag, carpet and rug cleaning and dyeing; cabinet shop; cannery; cooperage; columbariums and crematories; dextrine and starch manufacturing; enameling, lacquering, and japanning; felt manufacturing; electric foundry; furniture manufacturing; heating equipment manufacturing; inflammable underground liquid storage; iron works (ornamental), and wire drawing; parcel delivery stations; phonograph record manufacturing; public utility service yard; radium extraction; railway or truck terminal; stone monument works; tool manufacturing; vehicle storage yards for which occupancy permits were issued prior to May 1, 1985; welding, and other metal working shops.

**STAFF REVIEW:**

The petitioner, Turner Property 4, LLC, is requesting a text amendment to the Zoning Ordinance to add Craft Distillery as a principally permitted use in the Light Industrial (I-1) zone (Article 8-22(b)(4)). The applicant opines that this text amendment will encourage new entertainment and quality of life opportunities for visitors and residents alike. The applicant further states that the flexibility of the I-1 zone will be enhanced with the ability to open not only micro-breweries, but craft distilleries, creating new opportunities for visitors of the Kentucky Bourbon Trail, as well as Lexingtonians looking for something new to do around town.

The state of Kentucky regulates the distillation of alcohol utilizing two levels of licensing: Class A and Class B. A Class A license allows distillers to produce greater than fifty thousand (50,000) gallons of distilled spirits per calendar year at the premises, and a Class B license, which is also referred to as a "craft distillery", allows distillers that produce less than fifty thousand (50,000) gallons of distilled spirits per calendar year (KRS 243.120(2)(b and c)). In either case, there is a base level of required production of six hundred (600) gallons of distilled spirits per calendar year (KRS 243.120(2)(a)). The



differentiation of the two licenses is meant to allow for smaller establishments to operate without the same level of taxation and broader impact than larger distillers. Within the Zoning Ordinance, as currently constructed, there is no differentiation between the levels of production of a distillery. The distillation of alcohol is only allowable within the Heavy Industrial (I-2) and Economic Development (ED) zones.

A similar text amendment was adopted in 1995 for the allowance of “micro-breweries” to operate as principal permitted uses in the Light Industrial (I-1) zone. At the time, the applicant (Lexington Brewing Company) contended that the micro-brewery, due to its limited size and scale, would not create the same nuisances that larger breweries create, like those found in Milwaukee and St. Louis. The applicant stressed that the limitations on the quantity of brewing would also mean that less canning/bottling and storage would occur onsite, and there would be a lower amount of heavy truck traffic. A sentiment that was also made within this application.

The applicant has indicated that this proposed text amendment would support and showcase local assets to further the creation of jobs (Theme C, Goal #1) and attract the world’s finest jobs, encourage an entrepreneurial spirit and enhance our ability to recruit & retain a talented, creative workforce by establishing opportunities that embrace diversity with inclusion in our community (Theme C, Goal #2). Staff found that between 2010 and 2016, it is estimated that employment at distilleries in the United States has doubled, suggesting that established large distilleries have grown and new businesses are entering the market (US Bureau of Labor and Statistics). The growth of small distillery operations (less than 20 employees) saw a dramatic increase between 2008 and 2017 jumping from 317 businesses to approximately 3,157 businesses (US BLS), a tenfold increase. This expansion in production is similar to the micro-brewery trend, which saw operations jump from just over 200 in 1996, to 7,346 in 2018.

Staff agrees that the inclusion of craft distilleries in the I-1 zone can be appropriate, as it provides a step down from the highest intensity production permitted in the ED and I-2 zones, similar to micro-breweries. However, staff does have a concern with some of the added language provided by the applicant stating “including all activities permitted in KRS 243.0305 and 243.035, without limitation, sampling, souvenir package sales, retail drink sales, and bottling.” Staff thinks that this addition is redundant and unnecessary to the text of the Zoning Ordinance. The staff recommends alternative language that conforms with the adopted language associated with micro-breweries and reduces redundancies as follows:

4. Other industrial and manufacturing uses, such as auto parts rebuilding; battery manufacturing; beverage manufacturing; micro-brewery as regulated by KRS 243.157 and KRS 243.150; [Class B \(craft\) distillery as defined in KRS 243.120](#); dairy and non-dairy and food and non-food product bottling plants; box and crate assembly; building materials sales; rental storage yard; bag, carpet and rug cleaning and dyeing; cabinet shop; cannery; cooperage; columbariums and crematories; dextrine and starch manufacturing; enameling, lacquering, and japanning; felt manufacturing; electric foundry; furniture manufacturing; heating equipment manufacturing; inflammable underground liquid storage; iron works (ornamental), and wire drawing; parcel delivery stations; phonograph record manufacturing; public utility service yard; radium extraction; railway or truck terminal; stone monument works; tool manufacturing; vehicle storage yards for which occupancy permits were issued prior to May 1, 1985; welding, and other metal working shops.



The Staff Recommends: **Approval of the staff alternative** text amendment to the Zoning Ordinance, for the following reasons:

1. Providing for craft distilleries in the I-1 zone, and by reference the I-2 zones, will permit additional opportunities to utilize land for production in support of the local economy.
2. The proposed text amendment will allow for stepdown from the most intense distillation of alcohol, and is consistent with other similar uses currently allowed in the Light Industrial (I-1) zone.
3. The inclusion of the craft distillery use in the Zoning Ordinance is in agreement with the 2018 Comprehensive Plan for the following reasons:
  - a. Craft distilleries are a growing industry that will support and showcase local assets to further the creation of jobs (Theme C, Goal #1)
  - b. The establishment of craft distilleries can attract the world's finest jobs, encourage an entrepreneurial spirit and enhance our ability to recruit & retain a talented, creative workforce by establishing opportunities that embrace diversity with inclusion in our community (Theme C, Goal #2)

HB/TLW

4/5/22

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