

**STAFF REPORT ON PETITION FOR ZONING ORDINANCE TEXT AMENDMENT****PLN-ZOTA-25-00006: ADDING 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:

New Era Whiskey & Spirits, LLC of Jessamine County, Kentucky is requesting a text amendment to allow micro-distilleries to operate as a principally permitted use in the Downtown Business (B-2) zone.

The intent of the B-2 zone is to accommodate existing and future development in the downtown core area. The zone is a specialized district for the location of high density residential and high intensity commercial and mixed-use developments. This zone recognizes the downtown core as the focal point of business, recreation, and transportation facilities and activities for Lexington. Development within this zone should coordinate with adopted plans and studies, including corridor studies and streetscape plans. This zone should be located and developed within the Downtown Place-Type and should be established in accordance with the Goals, Objectives, Policies, and Development Criteria of the Comprehensive Plan.

Currently, distilleries are permitted as either principal or conditional uses in the following zones:

Principal:

1. Economic Development (ED) zone
2. Heavy Industrial (I-2) zone
3. Light Industrial (I-1) zone – The Light Industrial zone allows Class B (craft) distilleries as defined by KRS 243.120.

Conditional:

1. Agricultural Rural (A-R) zone – Allows a distillery associated with an existing small farm winery and located on an active farm that produces less than 1,000 gallons of distilled spirit annually, and operated under a Class B License as defined in KRS 243.120. The small farm micro-distillery must include at least one agricultural resource grown on the property (e.g., grapes, corn rye, wheat) as a component of the product produced by the distillery. The small farm micro-distillery may include all accessory activities as permitted in KRS 243.0305 and 243.035, without limitation. Such uses include product sampling, souvenir package sales, retail drink sale, and bottling.
2. Corridor Node (CN) zone – The Corridor Node zone is limited to a micro-distillery.
3. Neighborhood Business (B-1) zone – The Neighborhood Business zone is limited to micro-distilleries subject to the following requirements:
 - a. Production shall be limited to ten thousand (10,000) gallons of distillate annually;



- b. Distilling operations shall occur within a structure; and
- c. There shall be an associated retail component or eating and drinking establishment.

The Board of Adjustment shall consider the following:

- a. A proposed operations plan for production and storage of distillate;
 - b. A proposed operations plan for stillage; and
 - c. The impact of truck traffic on adjacent roadways.
4. Corridor Business (B-3) – The Corridor Business zone is limited to a micro-distillery.

TEXT AMENDMENT PROPOSAL

The applicant's proposal would add the following language to Section 8-17(b) (B-2 Principal Uses) of the Zoning Ordinance:

- 20. Micro-distilleries subject to the following requirements:*
- a. Production shall be limited to ten thousand (10,000) gallons of distillate annually;*
 - b. Distilling operations shall occur within a structure and*
 - c. There shall be an associated retail component or eating and drinking establishment*

The applicant's proposed amendment is fairly simple as it involves only adding micro-distilleries to the list of principal uses to Section 8-17(b) of the Zoning Ordinance. Essentially, it adopts the language of the Neighborhood Business (B-1) zone minus the language that enumerates the additional conditional use requirements.

The applicant opines that permitting limited distilling operations to occur in the B-2 zone would further the Goals and Objectives of the Comprehensive Plan by promoting job growth, tourism, enhance downtown activities and highlight an industry of both local and statewide significance.

EVALUATION

Distilleries, with certain limitations, could be an appropriate use in the Downtown Business (B-2) zone. Staff recommends additional research and conversations with stakeholders to discern what types of limitations would be appropriate. Such limitations should not be so restrictive as to render the proposed use infeasible but should protect the mixed-use nature of the downtown zones to ensure compatibility with existing uses.

The Staff Recommends: **Postponement**, 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. Additional research and analysis are necessary regarding the appropriateness of these restrictions and how they align with the intent of the Downtown Business (B-2) zone.
2. Additional time is necessary to research best practices and other ordinances that regulate the proposed use as well as related definitions.

