



## MEMORANDUM

**TO:** Phillip L. Rodenberg, City Manager  
**FROM:** Kevin Gullette, Director of Economic Development and Tourism  
**DATE:** February 11, 2008  
**SUBJECT:** Ale House of Fredericksburg Incentives

*c: Mayor/Council*  
 EDA will consider before  
 Council considers  
 the Performance Agreement.  
 -PR 2/14/08

### ISSUE

Ale House of Fredericksburg is seeking an incentive in the amount of \$100,000 to assist in opening their newest location in downtown Fredericksburg.

### RECOMMENDATION

I recommend that the City Council approve the incentive package for Ale House of Fredericksburg under the following terms and subject to pending EDA approval of an economic development grant:

1. Capital Ale House will:
  - Invest minimum of \$1.5 million dollars in renovations and lease terms
  - Create no fewer than 35 full-time and 35 part-time employees
  - Generate not less than \$100,000 in new local sales and meals taxes
  - Locate within the downtown district
  - Obtain certificate of occupancy by November 2008
  - Maintain regular operation hours (lunch and dinner) for duration of the grant
  - Operate Ale House of Fredericksburg with the same operational and quality standards of their Capital Ale House's in Richmond, Virginia as it relates specifically to alcohol policies and security procedures
  
2. City of Fredericksburg will:
  - Offer an economic development grant of \$75,000 for 10 years under the following guidelines:
    - i. Waiver of BPOL taxes and granting of 13.5% of estimated local sales and meals taxes in year 1 of not more than \$25,000
    - ii. Waiver of BPOL taxes in years 2 through 10 of up to \$5,500 or \$50,000 whichever comes first.

3. Economic Development Authority will:

- Offer an economic development grant of \$25,000 upon completion of interior renovation in accordance with lease requirements with the property owner

**BACKGROUND**

Capital Ale House, LLC of Richmond, Virginia approached the City of Fredericksburg in November of 2007 to begin looking for a new business venture in this market. The Ale House of Fredericksburg is doing due diligence on property in downtown and will execute their lease pending City approval of their incentive package. The City worked with the property owner and Capital Ale House to secure their interest in downtown Fredericksburg.

Capital Ale House, LLC of Richmond has a sterling reputation for well managed operations in Richmond and Henrico County and has pledged to bring those same standards to a downtown Fredericksburg location.

Staff worked on developing an incentive package that allows the Ale House of Fredericksburg to meet their request of \$100,000 in assistance, with half of that amount coming in the first year. What has been proposed is well within the guidelines of the Downtown Tourism Zone as far as waiver of BPOL taxes generated based on the Ale House of Fredericksburg's estimates.

Staff has also worked with the Economic Development Authority in proposing an economic development grant for \$25,000 under the EDA's guidelines. The Authority will meet again in March and this item will be on their agenda for discussion and approval.

Staff will propose a performance agreement that will address the issues stated above as well as a non-transfer agreement on the incentives, provisions for adequate on-site security to minimize impact on police service, provisions for operating in compliance with all health and safety issues from the health department, and payment of incentives from the City to be paid in arrears. This agreement will be forthcoming for Council to consider for final approval.

**FISCAL IMPACT**

The fiscal impact will be the addition of not less than \$100,000 in annual new revenue through local sales and meals taxes generated from Ale House of Fredericksburg. It will also mean the unrealized collection of not more than \$5,500 in BPOL taxes over the 10 years of the grant.

<u>Year</u>	<u>Est. Sales</u>	<u>Sale/Meals/BPOL</u>	<u>Incentive</u>	<u>Net revenue</u>
1	\$2,800,000	(\$173,600)	\$25,000 (BPOL/sales)	\$ 148,600
2-10	\$25,200,000	(\$1,562,400)	\$49,500 (BPOL)	\$1,512,900

**ATTACHMENTS**

Incentive Application from Capital Ale House

# City of Fredericksburg Incentive Application

## Application/Contact Information:

Company Name: Ale House of Fredericksburg, LLC dba/ Capital Ale House  
Contact/Title: Matthew Simmons / President  
Address: 915 East Caroline Street  
Fredericksburg, Virginia 22401

Mailing Address: Ale House Holdings, LLC  
619 East Main Street, 2<sup>nd</sup> Floor  
Richmond, Virginia 23219

Office Phone: 804-822-3072  
Cell Phone: 804-350-9355  
Fax: 804-649-0401  
E-mail: [matt@capitalalehouse.com](mailto:matt@capitalalehouse.com)

## Project Information:

Description of Business:

A.

The Capital Ale House is an upscale-casual eating and drinking establishment that first opened on November 4<sup>th</sup>, 2002 in Downtown Richmond. The goal of the company was to create a concept that featured the resurgent product of craft, micro-brewed and import beers paired with a diverse menu of quality food in an atmosphere that was clean, warm and inviting.

The food menu features a large selection of appetizers, soups, salads, sandwiches, entrees and desserts. Prices range from \$5.99 - \$19.99 for appetizers, \$6.99 - \$11.99 for sandwiches and salads and \$12.99 - \$29.99 for entrees. Our menu allows for regular visits with lower price points as well as destination dining with higher price points.

Craft, micro brewed and import beers are our calling card and we stock 75 different brands and styles of draught and over 300 different bottled versions of beer. Our beer menu lists 35 pages of these beers and is updated weekly. In addition to our great beer selection we also feature 20 different wines by the glass or bottle and carry a selection of only premium liquors.

Great food and beer served by our well-trained staff has made the Capital Ale House very successful in the Richmond market. In April 2004 a second Capital Ale House opened in the Innsbrook Shoppes at the front of the Innsbrook Business Park in Glen Allen, Virginia. Sales for this location topped 4,000,000 in 2008.

In 2006 we leased and renovated the \$10,000 sq ft space next to our Downtown Richmond restaurant and added a live entertainment specific Music Hall that accommodates 300 guests and a 90 seat outdoor "Beer Garden". We also added office space for the administration of the company and a training room for employees. The additional office space was added in preparation for the company's continued growth. Downtown sales topped 3,000,000 in 2008 and is expected to reach \$3,800,000 in 2009 with a full year's worth of sales in the expanded areas.

Our third location is set to open March 2008 in the Village of Midlothian with projected annual sales of \$4,000,000.

Projected sales for the possible Fredericksburg location are \$2,800,000 annually.

We are very proud of our concept in that it offers something for everyone and during many different day parts. We have a solid business lunch, excellent after work sales, dinner sales and a fun late night crowd. Single professionals and students can get an excellent burger and beer several times a week, families enjoy the reasonably priced menu as well as a children's menu, business travelers enjoy our free wireless internet access, destination diners can celebrate special occasions with excellent seafood offerings and Certified Angus Beef steaks at higher price points, and those out late can get a bite to eat after a night class or during a night on the town. Our atmosphere is warm and without pop culture. No TV's are available which promotes conversation the way a good pub should and the background music is blues, jazz, swing and American standards.

B.

Ale House of Fredericksburg dba/ Capital Ale House will be owned by Ale House Holdings, LLC. Ale Holdings also owns Ale House Companies LLC, Ale House LLC, Ale House of Innsbrook LLC and Ale House of Midlothian LLC. Ale House Holdings and all of the individual LLCs within it are owned by Matthew Simmons of Richmond, Virginia - President 33 1/3%, Christopher Holder of Richmond, Virginia- Vice-President 33 1/3%, and Barley Enterprises LLC 33 1/3%. Barley Enterprises LLC is owned equally by Michael and Linda Jones of Midlothian, Virginia.