

## **Open Work Session**

### **Letter of Support for SBY Distillery Corp D/B/A Winder Distilling Co. to Receive Funding from the MD Department of Housing and Community Development for Construction Costs for Property Located at 117-119 West Main Street, Salisbury to Open a Restaurant, Distillery, and Speakeasy December 7, 2021**

Mr. Bret Davis, Co-owner of SBY Distillery, Corp, came before Council. He said he is a real estate developer and today he is here to discuss the new distillery and steakhouse he is putting Downtown. Mr. Dodd asked if it will be on the Plaza, to which Mr. Bret Davis responded, yes, it will be right on the Plaza at 117 West Main Street in the old White and Leonard Building.

Mr. Dodd said, for the record, Mr. Psota has signed a letter, so they are looking for a consensus to join him on this letter.

Mrs. Acle said this is a distillery and speakeasy, but the Housing and Community Development grants are insured loans for purchase of construction of housing for low-income families that helps with low to moderate income families buying or renovating houses and aids nonprofit organizations with grants or loans to house the elderly.

Mr. Bret Davis responded, this is not a grant for the elderly or for low-income housing. He explained, this just happens to be through the Department of Housing and Community Development (DHCD) and is called a Neighborhood Business Works loan and it specifically cannot be used for any of the purposes Mrs. Acle just described. He said it is only for new businesses on Main Street or those types of areas specifically in cities in the State of Maryland.

Mr. Bret Davis said Neighborhood Business Works was created in 2006, and they qualify so perfectly because this is a vacant property on Main Street, and this is not tied to other DHCD programs. He clarified, it is called the Neighborhood Business Works program, and they have already qualified as they meet the program goals. He explained, DHCD wants confirmation that putting a distillery on Main Street is not working against the community, and that the County Council does not hate the idea of it being on Main Street. He clarified, that is what they have requested the letter for, and this does not apply to those other items.

Mr. Dodd said he has not heard from anyone who is against this, so, on his end, that is a good thing.

Mr. Cannon said the particular guidelines they follow are actually for mixed use, which is what they are looking at with the downstairs as commercial and the upstairs as residential, and it seems to fall right in line with what the requirements are.

Mr. Bret Davis said he would love to share what they are actually going to do. He said they are going specifically for a business program, and this loan is more specific to the business than the residential part. He said they are refinancing the property, and they do not have low-income housing in there. He said they have eight apartments, which are currently one bedroom, but they are converting three of those to two bedrooms.

Mr. Bret Davis said downstairs they will have a first floor steakhouse, so about 80 indoor seats right up front, and then the City is actually redoing St. Peter's Street, so they will have approximately 20 to 30 outdoor seats as well, and those will be attached to the property in the sense that the fence will be

adjacent to the property. He said there will not be a bar on the first floor, but behind the steakhouse will actually be a distilling area. He clarified, when he says distillery, it will not be something worth touring because it is small. He said they are going to use an iStill program out of Europe, which is, basically, modern technology meets distilling. He explained, instead of 40 pieces of equipment, it is one massive piece of equipment where they can press go with all the specific parameters in which they want their liquor, and it does it perfectly every single time. He said there are some other steps, and they can add flavoring. He said, if they make something and have to age it, they will still be putting it in barrels, so there are still a lot of the same processes, but they can take what would normally be a 3,000 to 5,000 square foot project and put it in 1,500 square feet, and that is the distillery behind the steakhouse.

Mr. Bret Davis said the fun part about this is that all of this is one business, so what they are actually applying for with Neighborhood Business Works is in conjunction with a unique distilling license, so they will be able to distill liquor in the back and then serve it up front, of course all only on premises.

Mr. Bret Davis said, in the basement, they will have a second portion of the restaurant, which they are referring to as a speakeasy. He said outside they will have a phone booth with a rotary dial to get in, and people will need to have a passcode, and inside there will be a cool entrance. He said they do not want to go with everyone else in the United States who have the same exact speakeasy, but they are thinking more of an upscale Frenchesque where they have leather seats and it really has a classier feel, but not trying to do the same exact thing as everyone else. He said they would like to give the perception of historic nature, but at the same time a nod to the fact that it is not. He said downstairs is actually larger than the first floor seating, so they are looking at almost 100 seats in the basement where the bar will be located, as well as a second kitchen.

Mr. Bret Davis said, all in all, this is an 8,000 square foot project, and they are actually already under construction, so the goal of this request is that the most logical financing for them is using State financing through the Neighborhood Business Works. He explained, the reason is that they currently have a loan on the property for over \$1 million dollars, so the Bank of Delmarva has already supported the initial construction. He said the unique part is they are trying to build a distillery in Downtown Salisbury, so the amount of people at banks who believe in them is limited, but the amount of people in the State Department who are willing to support small business is much larger.

Mr. Bret Davis said they ask that the County supports them in requesting from the State to be able to use this Neighborhood Business Works loan because their other banks are saying it is just kind of a different business. He said, keep in mind, they will be using the same ownership structure and same staff as Mogan's Oyster House, so he thinks they have shown that they are going to put out a really classy product, and this will only act as a counterpart to that, so it is going to be a step up from Mogan's, but they are serving steak instead of seafood.

Mr. McCain asked if basically the local banks are financing the real estate and this will actually be the business, to which Mr. Bret Davis responded, this will actually be both. He explained, the State loan will actually be a refinance of the Bank of Delmarva loan because local banks do not finance restaurants, especially during a pandemic. He said the State sees the progress and sees that they can get a little bit more creative, so that is why they are requesting the money from them. He said, again, the State is actually in full support. He said they have brought down every single individual who would be making this decision at the State level, and they have also gone through local historical approvals. He clarified,

everyone on a local level has been asked for permission, so this is not something they are asking the Council for as an initial step, they are actually one of the last to review it.

Mr. Hastings said he sees that the owner contribution is a little over \$3 million dollars and total project cost is \$5.3 million, to which Mr. Bret Davis responded, that is not correct. He said it is a \$2.5 million dollar total project cost, and they are contributing 10 percent.

Mr. Hastings asked why they chose to invest in this space in Salisbury, to which Mr. Bret Davis responded, after going to school here, he really believed in everything that has been going on, and he thinks Downtown Salisbury has the right pieces in place that other towns do not. He said, candidly, Berlin is too small, and most everywhere else on the Shore is too small for the downtowns to succeed, and he means that on a sticks and bricks level. He said there are enough buildings in Downtown Salisbury to cause this to succeed, so they feel like the right pieces are in place. He said, with getting to use this alcohol distillery to sell to other restaurants they own, it will make it a lot more economical. He said they believe, if they have two restaurants within walking distance, people will want to eat at both of them for the same type of night out.

Mr. Dodd said he knows Mr. Bret Davis' story, as he read it on Facebook, and he commends him and congratulates him. He said he knows that building and has been in there many times and he is really glad to see that somebody is redeveloping it because it is long overdue.

Mr. McCain said he has visited an operation almost just like this in Charlotte, North Carolina, and they have a speakeasy downstairs and restaurant upstairs, and they have to go in the back door to the speakeasy, which is kind of neat.

Mr. Bret Davis said he promises what they are going to build is going to be an establishment that they all will brag to their friends about, he can guarantee that. He said his brother said they made a lot of mistakes on Mogan's, and they are excited to show what it looks like the second time they build a restaurant.

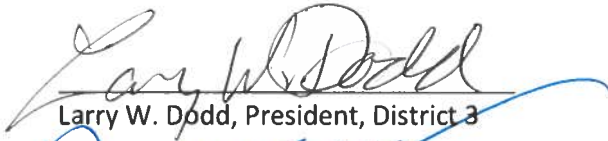
Mr. Hastings said this is not in his district, but in sight of his district, and of course there is the new bridge at the end of Downtown which touches his district, so a lot of residents will walk over. He said he has not heard any complaints whatsoever, but a lot of excited people who are excited for what could come. He said he heard about a year ago that this could potentially be coming Downtown.

Mrs. Acle said she has already toured this and it is an amazing concept, and she thinks it is going to do very well here, but she is just questioning the application. She said there have to be at least eight subsidized housing initiatives, affordable housing initiatives, or elderly, to which Mr. Bret Davis responded, he thinks that is a different application. He clarified, he knows that is a different application. He said this is called the Neighborhood Business Works, to which Mrs. Acle responded, that is what she is looking at. Mr. Bret Davis said they are one of the few applications that does not have to have residential in it, so there is no actual requirement for residential in the project, and they are doing the same thing in Pocomoke for space for their fiber company. Mrs. Acle said she just wanted Mr. Bret Davis to be aware of this.

Mr. Dodd said it is good that Pocomoke is getting something new. He then asked what Mr. Bret Davis is putting in, to which Mr. Bret Davis responded, they are putting in a data center for a fiber company, and it will be in the old Pocomoke Firehouse, which they are restoring.

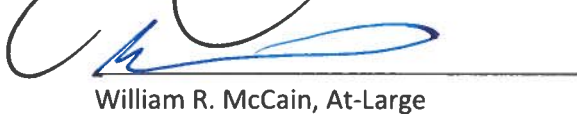
Mr. Dodd asked for a consensus for the letter of support, to which there was.

There was no further discussion.

  
Larry W. Dodd, President, District 3

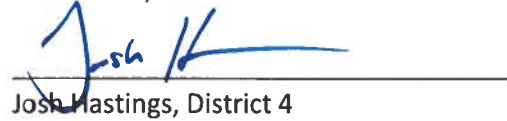
  
Joe Holloway, Vice President, District 5

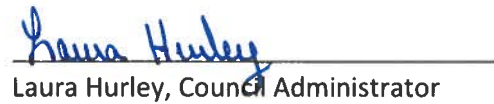
  
John T. Cannon, At-Large

  
William R. McCain, At-Large

\_\_\_\_\_ absent \_\_\_\_\_  
Ernest F. Davis, District 1

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Nicole Acle, District 2

  
Josh Hastings, District 4

  
Laura Hurley, Council Administrator