



**CITY OF SEDRO-WOOLLEY**  
**PLANNING DEPARTMENT**  
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## **TRANSMITTAL & REPORT MEMORANDUM**

**DATE:** December 20, 2022

**TO:** Sedro-Woolley Planning Commission

**REGARDING** Amendments to SWMC 17.04.030 to Define “Alcohol Production Establishment”. Amendments to SWMC 17.20.010 and 17.28.010 to Add Alcohol Production Establishments as a Permitted Use in the Mixed Commercial and Industrial Zones.  
Amendments to SWMC 17.24.010 to Add Alcohol Production Establishments as a Conditional Use in the Central Business District Zone.

**FROM:** \_\_\_\_\_  
Nicole McGowan, Assistant Planner

The following amendments are proposed by the Planning Department and submitted to the Planning Commission for consideration. This report serves as the staff report for the proposed amendments and was submitted in accordance with Chapter 2.90 SWMC.

### **FINDINGS OF FACT**

#### **PROPOSAL**

Breweries, distilleries and wineries are currently only a permitted use in the Industrial zone as a form of processing. There has been question from developers as to whether such uses are allowed elsewhere the City and what regulations may apply. Such uses fit well with the intents of the Mixed Commercial, Central Business District and Industrial zones and would be valuable assets to the City of Sedro-Woolley. Staff has proposed amending SWMC 17.04.030 to include a definition for “alcohol production establishments,” which excludes “alcohol serving establishments” and specifically includes breweries, distilleries and wineries and associated dining and/or alcohol beverage service. Additionally, staff has proposed amending SWMC 17.20.010 and 17.28.010 to add alcohol production establishments as a permitted use in the Mixed Commercial and Industrial zones with specific requirements. Also proposed are amendments to SWMC 17.24.010 to add alcohol

production establishments as a conditional use in the Central Business District zone with specific requirements. The proposed amendments can be found in **Attachment 1**.

## **BACKGROUND**

Breweries, distilleries and wineries are permitted uses in the Industrial zone. The making of alcohol is typically considered a large-scale manufacturing process that has the potential to have an impact on neighboring properties, thus it is categorized as an industrial use. However, per 17.28.010A(6), retail and service uses associated with uses in the industrial zone – including gift shops, retail sales of the product, restaurants and tasting rooms – are limited to 5% of the total site. Staff presented this issue to the Business Development Committee of the City Council, and the committee approved the Planning Commission to study the topic in depth and propose making changes to the zoning code that would allow restaurants, tasting rooms and other retail aspects accessory to such establishments. To eliminate confusion for developers, staff recommended that the code identify these facilities under an overarching term and provide a clear definition for them separate from “alcohol serving establishments,” then specifically add such establishments as permitted or conditionally permitted uses in zones where they would fit best.

The Planning Commission discussed the project at its August 16 and September 20, 2022 meetings. The PC reviewed the second draft of amendments and has recommended additional edits. The PC requested that staff also provide examples from existing facilities from other jurisdictions of the percentage of floor area dedicated to production versus the percentage dedicated to retail to help determine what limitations would be reasonable.

## **ANALYSIS**

These recommended amendments are intended (1) to remove the 5% cap on retail and service uses associated with alcohol production establishments so that they may include gift shops, retail sales of the product, restaurants, tasting rooms and other retail aspects accessory to such establishments, (2) to provide a definition for “alcohol production establishments” that clearly separates these types of facilities from “alcohol serving establishments” and (3) to clearly identify in which zones alcohol production establishments are permitted or conditionally permitted and under what conditions.

Staff finds that by specifically excluding alcohol production establishments from the use restriction “limited retail and service uses up to 5% of the total site,” more reasonable limitations can be placed on accessory retail/commercial use by using minimum/maximum floor area percentages instead. For example, by placing a requirement that a minimum of 60% of the floor area must be retail for an alcohol production establishment in the Central Business District (CBD), it keeps the majority of the building open to the public – which is desired in the pedestrian-oriented downtown area – and prevents an overly industrial feel to the facility. Staff contacted several existing breweries, wineries and distilleries from Seattle, Woodinville, Bellingham and Ferndale and obtained the following information to

help determine reasonable limitations for floor area dedications based on the set up of existing, successful establishments:

### **Seattle**

Westland Distillery at 2931 1st Ave. S

Zone: Industrial

Production: 75%

Retail: 25%

Fremont Mischief Distillery at 132 N Canal St.

Zone: Commercial

Production: 60%

Retail: 40%

### **Woodinville**

20 Corners Brewing at 14148 NE 190th St., Ste. A

Zone: Industrial

Production: 43%

Retail: 57%

Novelty Hill Winery at 14710 Redmond-Woodinville Rd. NE

Zone: Industrial

Production: 50%

Retail: 50%

### **Bellingham**

Chuckanut Bay Distillery at 1311 Cornwall Ave.

Zone: Urban Village

Production: 25%

Retail: 75%

### **Ferndale**

Fringe Brewery at 5640 3rd Ave.

Zone: Commercial/Residential

Production: 76%

Retail: 24%

Staff also researched further into how Bellingham, Woodinville and Seattle all handle size limitations for these types of facilities and in which zones they are permitted outright or permitted as conditional uses. Bellingham permits breweries, wineries and distilleries outright in the Industrial, Planned Commercial and Commercial Core zones while they are

conditionally permitted in the Neighborhood Commercial, and Commercial Transition zone. There are no apparent size limitations.

Woodinville permits breweries, wineries and distilleries outright in the Tourist Business and Industrial zones while they are conditionally permitted in the General Business and Central Business District zones. In this jurisdiction, these facilities are permitted in conjunction with on-site tasting and/or retail sales of the products manufactured on site and are subject to the following production limits: wineries – 250,000 liters per year; breweries – 60,000 barrels per year; and distilleries – 60,000 gallons per year. A conditional use permit must be obtained if these production limits are to be exceeded.

Seattle permits breweries, wineries and distilleries outright with no size limitations in the General Industrial zone. These facilities are permitted conditionally in the Industrial Buffer and Industrial/Commercial zones with the condition that the retail portion does not exceed 3,000 square feet. There is no size limit for the production portion.

After considering these examples, staff finds that using floor area percentages as discussed with Planning Commission would be the best way to place size limitations on the retail or production portions of a facility because it would ensure that the use of the facility fits well with the intended uses of the underlying zone in which it is located. Staff also placed limitations on what can and cannot be counted toward those floor area calculations for clarification purposes. Outdoor seating areas have been specifically excluded from floor area calculations and any kitchen floor area is to be counted in the calculation for production floor area.

The terms “alcohol serving establishment” and “alcohol production establishment” are similar, but have very different meanings. An “alcohol serving establishment” is defined in SWMC 17.04.030 as “a business licensed to allow on-premises consumption of liquor, wine or beer where the sale and on-premises consumption of said product is the prime source (more than fifty percent) of revenue for the premises. It is not meant to include restaurants where food is prepared and served on the premises and where the sale of liquor, wine or beer is incidental to and not the prime source of revenue for the premises.”

To avoid confusion between the two terms, the definition for “alcohol production establishment” specifically excludes “alcohol serving establishment.” The intent of the draft definition is intended to clarify that they are different uses in the zoning code and as such, are regulated differently. The draft definition is also written to make sure that the two terms are not in conflict with each other.

Staff has also included a requirement that, in the CBD, a maximum of 25% of the alcohol production establishment’s street frontage may be designed to display the production portion of the facility or other non-retail/non-commercial uses, provided that all other applicable design standards are met. At minimum, 75% of the building’s street frontage must display a retail/commercial storefront. The intent is to prevent these facilities from

presenting an overly industrial look in zones where the atmosphere is intended to be primarily commercial/retail.

Staff also thought it reasonable to use a combination of SWMC 17.36.030 (G), “high intensity sales and service”, and (M), “industry, wholesaling, warehousing, nonpassenger transportation facilities except ministorage” for calculating the required number of parking spaces for an alcohol production establishment. This condition ensures that there will be ample parking provided for both visitors and employees of the establishment.

The proposed amendments are supported by and implement the following goals and policies from the Land Use Element and Economic Development Element of the Sedro-Woolley Comprehensive Plan.

Land Use Element:

*Policy LU1.4 – Pursue industrial park development within all industrial designated areas.*

Industrial properties are a prime location for alcohol production establishments as they are a form of manufacturing.

*Goal LU5 – To preserve community character.*

The proposed amendments include provisions to make sure that an alcohol production establishment fits in with its surroundings. The Planning Commission labored over what amount of production should be allowed in the commercial zones, and how much retail/commercial should be allowed in the industrial zone.

*Policy LU5.1 – Focus commercial development in the central business district and discourage strip commercial development.*

Alcohol production establishments, which would allow a mix of both manufacturing uses as well as associated dining and/or alcohol beverage service, are proposed to be conditionally permitted in the central business district. The amount of production facility allowed is limited by the proposed amendments – as is the amount of street frontage that is permitted to display industrial brewing facilities. Care will be taken during the review process to prevent strip commercial development in the central business district. Chapter 17.24 SWMC guides development away from strip style with the lack of setback and density requirements partnered with specific design standards and guidelines.

*Policy LU5.2 – Resist growth pressures which could have a negative impact on community values.*

The intent of the building floor area limitations proposed to be placed on the retail and production portions of alcohol production establishments is to ensure that the primary use of any given establishment of the sort fits well with the intended uses of the underlying zone in which it is located and helps maintain the city’s vision for that zone. For example, a requirement for a minimum retail floor area percentage will prevent an alcohol production

establishment located in the Central Business District from having an overly industrial look and/or function.

*Policy LU5.3 – Seek and support developments that further the community character of Sedro-Woolley.*

Alcohol production establishments that welcome the public in some way – through things like wine tasting rooms, brewpubs and facility tours, for example – draw visitors and work to create a community hub, bringing a source of local identity a jurisdiction.

*Policy LU5.5 – Prevent incompatible uses within residential areas.*

Alcohol production establishments are proposed to be permitted only in the industrial and mixed commercial zones and conditionally permitted in the central business district. They will not be permitted in any strictly residential zones.

*Policy LU5.7 – Recognize the rights of property owners to freely use and develop private property consistent with city regulations.*

These proposed amendments work to create clear, enforceable standards and regulations for the development and operation of alcohol production establishments.

*Policy LU5.8 – Encourage high standards of appearance in all residential areas and in other high visibility areas.*

Alcohol production establishments are proposed to have a requirement that in in the CBD, a minimum of 75% of the street frontage must be designed to display a commercial storefront in the effort to prevent these facilities from presenting an overly industrial look in zones where the atmosphere is intended to be primarily commercial/retail.

Economic Development Element:

*Goal E1 – To develop a sound fiscal base.*

Alcohol production establishments will help to establish a sound fiscal base for the City of Sedro-Woolley due to the sale of in-house produced alcoholic beverages as well as accessory retail and service.

*Policy E1.1 – Create employment opportunities within the Sedro-Woolley economy, particularly for residents who now commute to other distant employment areas.*

Alcohol production establishments will provide numerous types of employment opportunities for residents of Sedro-Woolley.

*Goal E2 – To increase economic opportunities.*

Alcohol production establishments will help to increase economic opportunities for the City of Sedro-Woolley due to the sale of in-house produced alcoholic beverages as well as accessory retail and service.

*Policy E2.1 – Encourage local business development opportunities and utilization by the private and public sector, particularly for small start-up businesses owned by or employing*

*Sedro-Woolley residents. Promote local use of special small business financing and management assistance programs.*

Alcohol production establishments will draw attention from both the private and public sector for both utilization and business development opportunities.

*Policy E2.6 – Create local employment, shopping and other urban service activities that reduce Sedro-Woolley’s dependence upon other urban areas.*

Alcohol production establishments will help reduce Sedro-Woolley’s dependence on other urban areas by providing employment opportunities for residents of Sedro-Woolley as well as providing food and retail services for locals.

*Policy E3.1 – Promote tourism as a means of diversifying the economy and preserving the history of the community.*

The opportunity for facility tours of alcohol production establishments will exist, should developers choose to incorporate them. Brewpubs and tasting rooms at distilleries and wineries are known to draw tourists into a city.

*Policy E3.19 – Promote the sprucing-up of the downtown business district. To instill a sense of ownership and foster long-term connections to the community, encourage youth participation in downtown revitalization.*

Many older buildings within the downtown area are underutilized. Re-developing to use them for alcohol production establishments can help revitalize the downtown area and draw positive tourist activity.

## **PROPOSAL REVIEW PROCESS**

1. Proposal introduced to Planning Commission at the August 16, 2022 Planning Commission meeting and the PC reviewed the first draft of proposed amendments to Title 17 SWMC.
2. Planning Commission reviewed a second draft of proposed amendments to Title 17 SWMC at the September 20, 2022 Planning Commission meeting.
3. Public Notice of the December 20, 2022 Planning Commission Hearing was published in the Skagit Valley Herald on December 8, 2022.
4. Hold a public hearing at the December 20, 2022 Planning Commission meeting.

## **RECOMMENDATION:**

Staff recommends that the Planning Commission:

- Review the third draft of proposed amendments to SWMC 17.04.030, 17.20.010, 17.24.010 and 17.28.010;
- Hold a public hearing and discuss the amendments; and
- Make a motion to recommend that the City Council approve the proposed amendments to SWMC 17.04.030, 17.20.010, 17.24.010 and 17.28.010 to address alcohol production establishments.

**ATTACHMENTS:**

1. Proposed Amendments to SWMC 17.04.030, 17.20.010, 17.24.010 and 17.28.010.
2. Notice of December 20, 2022 Public Hearing.

# Attachment 1

Proposed Amendments to Chapter 17.04, 17.20, 17.24 and 17.28 SWMC

## 17.04.030 Definitions.

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“Alcohol serving establishment” means a business licensed to allow on-premises consumption of liquor, wine or beer where the sale and on-premises consumption of said product is the prime source (more than fifty percent) of revenue for the premises. It is not meant to include restaurants where food is prepared and served on the premises and where the sale of liquor, wine or beer is incidental to and not the prime source of revenue for the premises.

“Alcohol production establishment” means a business involved with the manufacturing, bottling, warehousing, and distribution of alcoholic beverages, excluding alcohol serving establishments and specifically including breweries, distilleries and wineries. Food and/or alcoholic beverage service may be allowed accessory to such establishments.

“Area” means total horizontal area. “Lot area” for purposes of calculating buildable area shall not include:

1. The area encompassed in flag driveways to a property set back from a private or public drive, street or road;
2. Easements for ingress and/or egress; or
3. Easements for gas or power transmission lines.

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## 17.20.010 Use restrictions.

Use restrictions in the mixed commercial (MC) zone shall be as follows:

### A. Permitted Uses.

1. Retail, general services, recreational and cultural uses, light manufacturing, low-intensity agriculture;
2. Residential units contained above the first story of a commercial building (live/work units are specifically included), limited to eight such units per building;

3. *Repealed by Ord. 1709-11;*
4. Public utilities, other than wireless communications facilities;
5. Health facilities and services;
6. Alcohol production establishments, subject to the following conditions:
  - a. A minimum of 50% of the building floor area shall be designated for retail/commercial use. Outdoor seating areas are specifically excluded from floor area calculations. Any associated kitchen floor area is specifically included in the calculation for retail/commercial floor area; and
  - b. The required number of parking spaces shall be calculated by using a combination of SWMC 17.36.030 (G), "high intensity sales and service", and (M), "industry, wholesaling, warehousing, nonpassenger transportation facilities except ministorage."

B. Conditional Uses.

1. Quasi-public uses.
2. Wireless communications facilities.
3. Public uses.
4. All other uses not otherwise prohibited.

C. Prohibited Uses. All uses not allowed as permitted or conditional uses are prohibited. Adult entertainment is a prohibited use in this zone. (Ord. 1840-16 § 1, 2016; Ord. 1709-11 § 1, 2011; Ord. 1522-05 § 1, 2005; Ord. 1484-04 § 7 (part), 2004; Ord. 1312-98 § 1 (part), 1998; Ord. 1309-98 § 6, 1998; Ord. 1013 § 2.04.01, 1985)

## **17.24.010 Use restrictions.**

Use restrictions in the central business district shall be as follows:

A. Permitted Uses.

1. All forms of commerce; geared to the centralized provision of goods and services within easy walking distance. Commercial retail and office use on the first floor, and retail compatible uses on the second floor;
2. Multifamily housing located above the first floor or at the rear of a commercial and/or retail occupancy. An exception from the buffering and fencing requirement exists for

upper story residences in existing buildings in an area bordered by the tracks to the west, Puget Street to the east, the tracks to the north, and Warner Street to the south;

3. Multifamily housing, between two and four units per building, may be allowed independent of commercial uses outside of the area bordered by the tracks to the west, Puget Street to the east, the tracks to the north, and Warner Street to the south. Also excluded is property fronting on Metcalf Street, West Ferry Street, West State Street and property abutting the tracks between Rita Street and Walley Street (south of State Street). Multifamily housing per this subsection must also meet the following:

- a. The front entries must be oriented towards the public right-of-way,
- b. The development must meet the requirements of the Sedro-Woolley design standards for the CBD and multifamily development;

4. Parking lots serving any use; provided they are at the rear of a retail or commercial building, or facing a street other than Metcalf, Ferry, Woodworth, or State;

5. *Repealed by Ord. 1709-11;*

6. Public uses;

7. Public facilities.

#### B. Conditional Uses.

1. Alcohol serving establishments.

2. Alcohol production establishments, subject to the following conditions:

- a. A minimum of 60% of the building floor area shall be designated for retail/commercial use. Outdoor seating areas are specifically excluded from floor area calculations. Any associated kitchen floor area is specifically included in the calculation for retail/commercial floor area;
- b. The required number of parking spaces shall be calculated by using a combination of SWMC 17.36.030 (G), "high intensity sales and service", and (M), "industry, wholesaling, warehousing, nonpassenger transportation facilities except ministorage"; and
- c. A maximum of 25% of the building's street frontage may be designed to display the production portion of the facility or other non-retail/non-commercial uses, provided that all other applicable design standards are met. At minimum, 75% of the building's street frontage must display a retail/commercial storefront.

32. All uses not permitted above.

~~43.~~ Quasi-public uses.

C. Prohibited Uses. Adult entertainment establishments; heavy industrial uses as defined in Chapter 17.28; wireless communication towers. (Ord. 1709-11 § 2, 2011; Ord. 1696-11 § 2, 2011; Ord. 1693-10 § 1, 2010; Ord. 1664-10 § 2 (Exh. B) (part), 2010; Ord. 1451-03 § 3, 2003; Ord. 1312-98 § 1 (part); 1998: Ord. 1309-98 § 7, 1998: Ord. 1013 § 2.05.01, 1985)

## **17.28.010 Use restrictions.**

Use restrictions in the industrial (I) zone shall be as follows:

A. Permitted Uses.

1. Office parks, medical services, wholesaling, and light manufacturing and processing;
2. Industrial equipment, supplies, services, including storage;
3. Agricultural processing;
4. Parking lots serving any use;
5. Trade schools, warehouses, storage, utilities other than wireless communications facilities, government services;
6. Limited retail and service uses up to five percent of the total site;
7. Live-work units as a transition between industrial and residential;
8. On-site day care serving a specified permitted use;
9. On-site recreational facilities serving a specified permitted use;
10. Adult entertainment establishments, as herein defined; provided, that no adult entertainment establishment shall be located nearer than seven hundred fifty feet from any other adult entertainment establishment; and provided further, that no adult entertainment establishment shall be located nearer than seven hundred fifty feet from any residential zone, seven hundred fifty feet from any school, public or private, seven hundred fifty feet from any church, and seven hundred fifty feet from any park. Distances as provided in this subsection shall be measured by following a straight line, without regard to intervening buildings, from the nearest point of the property parcel upon which the proposed use is to be located to the nearest point of the parcel property of the land use from which the proposed use is to be separated.;

11. Alcohol production establishments, subject to the following conditions:

- a. A minimum of 50% of the building floor area shall be designated for production. Outdoor seating areas are specifically excluded from floor area calculations. Any associated kitchen floor area is specifically included in the calculation for retail/commercial floor area;
- b. The required number of parking spaces shall be calculated by using a combination of SWMC 17.36.030 (G), "high intensity sales and service", and (M), "industry, wholesaling, warehousing, nonpassenger transportation facilities except ministorage"; and
- c. SWMC 17.28.010(A)(6), which limits retail and service uses to 5% of the total site, does not apply.

B. Conditional Industrial Uses.

1. Vehicle wrecking yards, vehicle impound lots;
2. Power generation facilities;
3. Airports, heliports;
4. Prisons;
5. Incinerators;
6. Animal slaughtering and meat packing, food processing;
7. Wireless communication facilities;
8. On-site hazardous waste treatment and storage facilities as accessory to a permitted or conditional use are allowed as a conditional use; provided, such facilities comply with the state hazardous waste citing standards and Sedro-Woolley and State Environmental Policy Act requirements;
9. Garbage and/or recycling transfer stations or sorting facilities;
10. Composting facilities;
11. All uses not permitted above or otherwise prohibited.

C. Prohibited Uses. Residential uses other than those that are ancillary to an industrial use listed above. (Ord. 1664-10 § 2 (Exh. E) (part), 2010; Ord. 1484-04 § 8 (part), 2004; Ord. 1312-98 § 1 (part), 1998; Ord. 1309-98 § 5, 1998; Ord. 1063 § 5 (Exh. D § 2.06.01.05), 1988; Ord. 1013 § 2.06.01, 1985)

# **NOTICE OF PUBLIC HEARINGS**

## **CITY OF SEDRO-WOOLLEY**

### **Amendments to Development Regulations**

#### **Hybrid Meeting**

#### **City of Sedro-Woolley Council Chamber and Virtually via Zoom Webinar**

The City of Sedro-Woolley Planning Commission will hold public hearings on **December 20, 2022 at 6:30 PM** in the Sedro-Woolley Council Chamber and virtually via Zoom Webinar, to hear testimony regarding following proposed amendments to the City Development Regulations:

1. Possible amendments to create a new chapter in Title 17 SWMC to address state requirements for homeless encampments operated by religious organizations
2. Possible amendments to Title 17 SWMC to address retail uses associated with breweries, distilleries and wineries in the industrial and commercial zones.
3. Requested amendments to the Accessory Dwelling Unit (ADU) regulations in Ch 17.100 SWMC to address ADUs for spec-built homes

Interested parties can comment on the proposed changes in writing or at the hearing. Written comments will be read into the public record and **must be received by 4:00PM December 20, 2022** to be considered at this public hearing. Send written comments to: City of Sedro-Woolley Planning Department, ATTN: Assistant Planner, 325 Metcalf Street, Sedro-Woolley, Washington, 98284, or by email to [nmcgowan@sedro-woolley.gov](mailto:nmcgowan@sedro-woolley.gov).

Please go to the Planning Commission Meetings page on the Sedro-Woolley website (<https://www.ci.sedro-woolley.wa.us/>) to find the meeting materials and a link to join the webinar.

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