**The Process of Starting a Brewery**

After a few nudges about options for blog updates, it seems a couple few individuals want to know more about the process of getting to the point of leasing a space. I hope to do this over a series of posts and itemize the process into a series of steps that make it easy to follow. Hopefully this will become a little more of a how to for people, rather than what my blog has become, which is more just what we are doing. Please remember that I am based in East Vancouver, Canada and my experience is largely influenced by the Province of BC and the City of Vancouver. Also remember that many of the items on this blog aren’t relegated to one silo, they overlap several, if not all the phases of the opening.

To give you an idea, its been about 8 years since I had this dream that wouldn’t leave my head. I’m not saying you should take this long, but patience will be key. As I have always indicated, cash is king and it is so important to keep this at the forefront of everything you do. I find its easy to spend money, but harder to save it, which is more important.

Anyhow, I hope to add to the subpages as items come to mind. For now, this is definitely a partial list of things.

**Phase 1: Research and Network**

Overall this step should take you anywhere from 3 months to 3 years. For me, I spent a little longer in this phase, as I wanted to enjoy meeting people and talking beer. To this day, I continue to research and meet with people. I am always meeting with friends, associates, mentors, people with experience to learn as much as possible. At the end of day, a lot of people could potentially skip this step and move onto phase 2 if you are pretty aware what is happening with craft beer.

Have the dream: I’m not sure how others get this, but I got it from my family genes. Some people get it from a dead-end job, seeing others follow their passion, or just a need to be an entrepreneur. What

Make sure your family and friends are supportive of the dream: If these people don’t support your dream, and view it as selfish and a bad decision, then maybe you need to look in the mirror and really take stock of what the hell you are doing. I have probably spent about 5,000 hours of my time on this plan so far, without making a single penny. In fact, this business has cost me thousands of dollars on top of the time. When the brewery finally starts selling beer, I am sure there will not be a lot of money to go around, so I expect to make a very modest wage for several years. If you don’t have friends and family that support you through these tough times, going into this business should be a non-starter.

Start with the end in mind: In other words, start planning how you are going to make money to live while you embark on this process. As you are likely aware starting a brewery takes a lot of money. Its not like you can quit your job and run at this full time and not make any money in the meantime. Thats something you do when you have a space leased and you are ready to go at this full time.

Start networking with other people who share the dream: Reason being is you are going to need money and partners. I could not have made it this far without my team supporting and helping fill holes and put out fires. It sounds silly, but a lot of my time is spent working in the business. There needs to be a shift soon after you start selling beer to working on the business, so that you can move towards a successful business.

Skills analysis: This is a good time to analyze what you know and what you need to learn. What you don’t want to learn, find someone who already knows this or wants to learn. Take courses on accounting, bookkeeping, marketing, sales, get experience, volunteer at other breweries, attend tastings, etc.

Register your company through BC Online: I wouldn’t worry about the name you will do business as. You can change this later. Our name took years to arrive in our little heads. For now, think about creating the shell of the company you are going to build, and then you can add other stuff like a fancy name, or physical location of the brewery. When we started, I used my home address for everything.

Register for GST: The reason to do this early on is so that you can write off the tax on items you are going to purchase over this process. To give you an idea, I spent about $5,000 on little bits and pieces before anything really ever started to take shape. The tax on $5,000 is substantial enough that you will want it back. From the date that you register for GST, you can only back date receipts for 30 days, so in other words, you can’t claim GST for time periods longer than this.

**Phase 2: Business Plan**

This step of the process can take the longest of all the steps. Writing a business plan for something like a brewery is a cash flow nightmare. I think my cash flow is over 250 rows from start to finish. It all depends on how robust you want to make your projections. I would hate to have a small little spreadsheet that didn’t give an exact picture of the way things look when you get busy. Spend the time on this and get it right the first time.

Write your business plan: This never ends, but the rudimentary plan should take a solid 6 months if you have other commitments (family, full time job). For me, it took almost 1 year of playing with the plan, learning more, making the revenue and expenses more robust, adding in all the applicable taxes, raw materials costs, energy costs, etc, etc.

Shop your business plan to get feedback: Not from an investment standpoint but more from a feedback on your writing style, does your plan cover everything off? Is it written in an easy to read style?

Follow Blogs like mine: (shameless plug I know, but the more you can learn from my mistakes the better off you will be), so that you can learn what you are about to do. I hope to share content on what this process is like, as I found it a little difficult to find the process itemized out like I had hoped to.

Keep working on your business plan: If your plan is done properly, you will have been making decisions throughout this process. Off the top of my mind, things like: Name, type of brewery, aspirations, bottle/can/neither/both, self distribution versus LCDB, etc

Find yourself a Lawyer, Accountant: You will need these guys down the road, and best to make the choice while you have time.

Start looking for money: When you business plan is written, is presentable, and is in a state that you are happy it details your business in fair and positive light, put it out there to the world. Don’t bother with any NDA agreements for anyone that is sophisticated, they will be insulted.

Get healthy – Mentally, physically and emotionally: Ok, this isn’t so much related to starting a brewery as it is something to just do while you can. Further down the road, you will be working 12 hour days with several fires to put out a day, meaning exercise and time for yourself evaporates. More importantly, the stress can lead a person to become run-down and develop bad habits. Yoga, running, hockey, playing with my kids, eating healthy and always getting 6-1/2 hours of sleep a night are how I cope.

**Phase 3: Work the Plan**

When I say work the plan, what I mean to say is start taking it to anyone you can for review and ask them to pass their feedback along. This includes investors, friends, family, experienced investors, bankers, lawyers, essentially anyone that can give you an opinion on one part or another. Also during this stage, you will start to expand your work. You will go from working on the business plan, to exploring spaces, meeting with potential bankers, accountants, architects, etc. I think its a good time to do this, so you can get these important items checked off while you have some time.

While you are starting to look for money, start looking for a space: Again, you might get lucky early on, but you will need to have a few disappointments before you find your “Prince Charming”. You will also need to learn about retrofit costs. It is a necessary process so when you find the space that is right for you, a quick decision will be needed (most likely)

Pick some of your Professionals: When you start looking for a space (in the near future), it is a good time to pick an architect, and start thinking about general contractor versus no general contractor. For us a general contractor and architects are must haves. It is best to meet with several architects who have experience working with breweries. There is a lot of detail to putting together a brewery, and an architect is the point person for everything with your space (apart from you of course).

Back to the Plan: Go back to your business plan and start making sure you put update costs on your estimates and projections in cash flow. When you think about a 6,000 square foot space, delays in opening, and other occurrences in business, make sure you factor this into the plan. More importantly, you have likely gathered feedback along the way from people, and you should incorporate this not your plan.

Satisfied with your Plan?: When you business plan is at the point that you think it takes everything into account, and it is essentially a finished product, PDF it and apply for the eBC tax credit program through the Province of BC.

Pick your Banker: They normally like to see your business plan, to know what level of knowledge and sophistication you may or may not have. Simply put, cash is king in business, so if you don’t have a good banker who can help you with the process expect challenges down the road.

Pick an area for your Brewery: It would seem like a good time to decide on a general location for your brewery. When you pick an area, pick a commercial realtor that works only in that area. Lots of commercial listings are not put onto MLS or any other website, so someone with the knowledge of what is and isn’t available is a good move

Work with your lawyer closely here: To incorporate and create a share registry, shareholders agreement, share ownership agreement, and various other forms needed to government, investors and any partnership agreement you have. Expect legals to be about $10,000 before any sort of name Trademarking.

**Phase 4: Look for a Space**

When you feel like you have checked a lot of big items off your list, it will be time to start looking for a space to lease. You have likely been already casually looking, but this is about the time that you need to seriously look for a space. This step can take a long time. If you were to speak with any of the owners of the recent breweries that have opened, they would tell you it takes luck, the willingness to jump at the right opportunity and a great commercial realtor to find a space. It took us 18 months of looking for a space to finally stumble upon the space we ended up leasing.

Lets assume about now you find a space you like: You have to decide if you think you can get the investors you need on board to make this work. We took the leap after many long conversations with potential investors and their level of interest. There are a lot of layers to this onion, but essentially friends and family are good for some money, but others will walk when you counted on them (and that is totally ok).

Take the amount of money you think you need and multiply by 1.25: It always seems to happen, that when you start looking at spaces you optimistically view the expenses associated with it. We heard others do it, so we tried to always guesstimate higher costs than what we thought, and we were still too low. At the end of the day, you need to guess, but at least try to get as much information as you can before making the guess.

Negotiate a lease but know that you are a ‘nobody’ to a landlord: So don’t expect much in terms of tenant inducements. We were able to negotiate a few things, but only because our landlord is an individual and not a corporation, and more likely we just got lucky. Expect a personal guarantee coming down the road, so start preparing your partner for putting a lot of your personal wealth on the line.

Big worries when looking at spaces: Seismic upgrades to the space needed, sprinklers, flooring, electrical power, mechanical requirements. There are huge swings in cost on all these things. For instance, if you were to lease the space that Powell Street Brewing is going to vacate when they grow, your costs would be much less than finding a space that was used as a storage facility and needs upgrades to everything.

Keep working on your business plan and meeting with investors: At this point in our press we didn’t have all our money. Likely, you have some of the money you need, but not all of it yet. Plus, when you actually start asking for the money, people may have a change in circumstances that preclude them from investing as much or at all.

Work on your marketing: This is do as I say, and not as I have done, as we really delayed this part of our process. We really struggled with picking our name, so don’t fall into the same trap we did. Set a drop-dead date and stick to it. Pick your name, start the process of trademarking, figure out a logo and start researching other brewery websites. Also a good time to meet with firms that can help you with this. It will give you an idea of what others envision for your brand.

**Phase 5: Signing a Lease**

What I really mean to say is this: Phase 5 is about investigating whether or not a warehouse is right for you or not. So most likely, you will get to this stage several times and revert back to Phase 4 as you don’t work out a deal for one reason or another on a warehouse. Also assume that you are going to start forking out cash for answers when looking at warehouses. Architects fees, contractor fees, engineering fees, code review fees, etc. The more you examine a space, the more you fork over. Anyhow, I will assume that you find a space you eventually lease for this part of things.

Lets assume you have found a space: Big if here, as it will take some time. I know first hand that 33 Acres feel super fortunate to have their space, and I know of a few others that feel the same way. Remember, you can have a good landlord, a good space or a good lease rate, but you can only have one of these things. Which would you pick? If you want a prime location like we did, you are going to need to pass on the other things.

Preliminary code Review: Get your architect to do a preliminary code review to understand what aspects of the brewery you will need to upgrade when putting in a brewery. As I indicated previously the important items are: Electrical (4ooamps minimum for a 20 HL brewhouse), plumbing, sprinklers, seismic upgrades, water upgrade, sanitary sewer. If you need to change these things down the road, just know that each of these items can come with a huge bill. An electrical upgrade in our space is about $40,000 and up, and a seismic and sprinkler upgrade can be even more than this.

Know the locations and code: Some areas allow outright brewing and others require an application to the City. For us, we picked an area where brewing was conditional so we had to submit a Development Permit to be able to brew beer in this space. It takes about 90 days to get approval and will require the work of an architect. Brewing is only an outright use in M2, so start with these areas, but as you will quickly find, there isn’t a lot of M2 in the city. It is in these areas that you seem to start to make educated guesses at outcomes of properties.

Get your Contractor into the Space to give you a real world opinion: Sometimes, you can guess the cost of things, and at other times you need the help of someone who has experience with these things on a daily basis. A contractor can help you figure out what the actual cost of something can be. This is another reason that you should use someone who is focused on your project, but also has experience in dealing with other breweries. That way they should know what the heck goes on and when.

Go talk with the City of Vancouver: Make sure you have done this in the past so that you know what some of the basic things they are going to ask you. So you go to City Hall, you go to the inquiries desk and get in line to speak with a specialist who will help you understand how the space relates to your use. They will look at things about the zone and building you are in, and remind of what may or may not need to be done. They talk about retail areas, your use, parking requirement, sprinklers, etc. This is by no means a deep dive into things, but they will help you make sure there are no obvious issues missed.

Getting your Ducks in a row: So getting the opinion of your professional team, and finding out the information you need about how your business will work can take a bit of time. For us it took about 2 weeks to get the information we needed, and this is where you need luck on your side. If your landlord finds someone else with an established business, that fits the space better than you, say bye-bye to any sort of chance you have. So the lesson here is to act quickly on a space that you find. It is also why kissing a few frogs makes you know when you see a space that could work really well for you.

Make your Offer: So once you figure your space is a good option, make the offer. We found that unlike residential real estate where there is a lot of negotiating back and forth, in commercial real estate, it is less emotional and a lot quicker in terms of negotiations. In your offer, you will have subjects and these will provide you a chance to delve even deeper into understanding your space. We made our offer subject to a few things, allowing us to get more answers before we would decide if we wanted to move forward or not. Expect a personal guarantee, and expect to pay the full lease rate if you want any landlord sponsored work completed at the brewery.

Conditional Period: If you do get your offer accepted, you will have a conditional period where you figure out many of the details on things. Expect the money to start rolling out, and expect things to go from a passing interest in starting a brewery, to very real. You will need to have some money, you will have your personal finances looked at, you will start taking on risk and you will start needing to make decisions …. very important ones that will effect your business way into the future. Our conditional period allowed us to apply for a development permit, so we could know if we were able to brew beer in this space. I have written about the process of applying for a development permit, so look for more detail there if you like.

Back to the Start: I would encourage you to go back to the back to the start of this process if you seem to crossing a lot of obstacles. Know this: You will always be able to find an answer, as there is virtually no problem in a space that you can’t throw a bunch of money at to fix. OK, maybe permits is not something you could change, but everything else for sure. So if you get to this point, and it seems like there are an onerous amount of things to do, back away, take a loss and move onto the next space. Just know that your realtor, your architect, your partner and your own inner voice may all tell you to go for it. They want to see you get a space so they can get deal, get to work and get going with things. However, you will be the one paying and working through the problems, so make sure you are comfortable with what you are getting yourself into. When in doubt, contact me and I can offer some arms length advice on what to do.

Remove Conditions and Go Firm: This can be one of the greatest days of the process, and also one of the most nerve racking: The day your remove conditions and have a firm lease. You have jumped through hurdles, put your personal wealth on the line, learned about the space, determined how your business will operate in the space (nano versus micro), answered questions on things you never thought you would learn about, spent lots of money in the hopes that things will work out, and spent thousands of hours to reach this day. Celebrate, you have a space! It is also the day that things “just got real”. To make a deal go firm, you are writing a big cheque to the landlord, and starting the real work of starting a brewery.

**Phase 6: Leased Signed but Pre-Possession**

This is a period of time between when you sign your lease and when you take possession of your space. Don’t be mistaken, this is a hugely critical period for a brewery, as you can make some decisions that will set you up well for the future. Take a few missteps, and you could be set back months on your build out and eventual opening. Like everything else, we did a few things really well and a bunch of other things not so well.

After you have a night of celebration that you have secured a space to brew your very own beer, wake up early and get cracking on the thousand details that go into the next step. For starters, have you raised all the money you need to raise? Have you come up with a name? More than these questions, there is a myriad of things that need to happen at this point. In no particular order, I would say the following needs to happen:

If you haven’t submitted for development permit and you need to, all your effort should be focused on this. This can take 90 days to receive from the time it is submitted, so getting on top of this is huge. It will require you to have a basic floor plan and layout of the space, and you should try and get this as close to the reality as possible. This can be a real tricky thing, as you need to plan for now and in the future. My partner, Iain Hill is a master of this kind of thing, so if you are here, send me a message and I will get him to help you out.

If you have submitted your Development permit, you should immediately start working on your building permit submission. This the other big item to look into and work on. You can do no work without a building permit. In Vancouver a building permit can take up to 16 weeks, so this is another huge amount of time spent doing very little while you are waiting for the City to approve your plan. Submitting for building permit will require getting detailed answers from other professionals, so be sure to be ready for some big bills.

Put it this way: The process of getting a development permit and building permit took a total of 6 months for us. We were able to negotiate the time we need into our lease agreement, thereby minimizing the amount of time we had to pay lease while we waited for the permits we needed. You need to keep this in mind when assessing spaces and making offers on properties.

Hand-in-hand with the above points is to work closely with your architect. You will have lots of meetings, and hopefully you are working together on building out your space, and figuring out a layout. Your architect will know the building code, and can advise a little on the cost-benefit of making choices. Focus on layout and not finishing at this point. Your architect should have an idea of what things will look like, but they are secondary to getting the layout locked in.

Start meeting with Electrical and Mechanical engineers so that you can plan the layout of these things. We made bad choices on these things, and though initial returns were great, throughout the process they have slowed us down measurably. When you are getting a professional to agree to a scope of work, I would encourage you to put in specified dates as to when stuff should happen. Leaving this open ended will mean that there will be delays in getting stuff done.

Get building insurance as you will need (we needed it as part of our lease) for possession. I can’t imagine a landlord letting you take possession without it. We used Brody Stonehouse from ACD Insurance. You can get all his companies details at this link. He specializes in brewery insurance and he has done a great job for us. When you deal with someone who knows an industry, he is able to help give you a plan that saves you money and fits with what the landlord and your operations need and want today, and change that for tomorrow.

You may also want to have in your back pocket a Structural and Geotechnical Engineer. You definitely need a structural and you may or may not need a geotechnical engineer depending on the site and situation of your warehouse. These bills can be substantial so make sure you do your research.

Open a bank account. By now you should have one of these, and if you haven’t opened one, just go do it. Don’t wait any longer, as it will make balancing your books, taxes, etc a lot more difficult if you don’t have one.

If you have collected money from investors, put it into something more than just a bank account. We are earning 2% with no virtual risk, and on $500,000 that can be a really good return over a few months. It will help to offset some of the costs down the road.

Start getting quotes for brewhouse, tanks and packaging line. Knowing what your system looks like, and I am talking all the nitty-gritty details is important when it comes to pipes, intakes, power requirements, etc is really good to be able to calculate loads, etc.

Continue to work on your marketing and branding. By now you should have all your social media locked in, as well as having an idea about what your brand will be and how you will enter the marketplace.

You will likely be needing a lot of American dollars in the next 9-12 months, so if you think you can get a good rate, I would suggest changing some money over, especially if the outlook is for the Canadian dollar to fall.

If you have picked your name, then apply for trademark. I seem to hear of more and more breweries being sued or approached to change their name because of trademark infringement. We picked a name that we knew we are pretty sure we can trademark in Canada and hopeful that we can get passed in the USA.

Start hammering your budget to figure out exactly how much everything is going to cost. Get a preliminary budget for your space. A good ballpark would be as follows: For the first 5,000 square feet I wold assume $100 per foot minimum. For every square foot passed this, use $75 per square foot. So if you are 5,000 square feet, expect retrofit costs of $500,000. For 10,000 square feet, expect retrofit costs of $875,000. This is a very rough estimate. I couldn’t imagine anyone being able to retrofit a space for less than $250,000, so I would use this as a minimum.

Start deciding on equipment. I would encourage you to talk with other brewers and find out their experience with different manufacturers, costs, advantages of using different equipment, etc. We went with a system that would take advantage of our space, and if we got a different space, we would have looked at different equipment.

Keep your nose in the business plan. As you make decisions on packaging line, brewhouse size, location, your brand will begin to evolve. It is important to keep checking back in, updating your plan with the latest details, and keep on top of all the changes. The business plan is really a living document that is meant to help guide your business. So keeping it up to date, and adding to it, will keep your ideas refined, your scope on point, and make you aware of some things that you may be ignoring.

Keep working with the end in mind. Focus on how you want to end the process and make the necessary step to get there. There are so many thousands of details and decisions that if you start to veer slightly off your course, you will end up at a different place than you had intended when you first started out.

**Phase 7: Possession**

In a perfect world, the day you take possession is the day that you would be ready to start building and getting ready to open your brewery. The reality is that you will likely be nowhere near ready to get things going. There are usually a list of items you need to decide on, or get answers on that will prevent you from being ready to go on day. Lucky for you there are things you can do while waiting, that will move the project forward.

Our experience is this: We applied for a development permit at the end of August, we received our development permit at the end of November. We submitted our building permit at the end of December, and we received our building permit in March. We could have shaved a month off this time, but that is about it. So expect 6 months for this process. Ideally, you will take possession of your space as close to the day you get your building permit as possible. The trouble is, it will be hard to find an owner that will give you the time to apply for permits, while tying up their property. Most likely, you will need to make an educated guess as to whether or not the space will be granted a development permit if the brewery is not zoned in M2 in Vancouver. Oh yes …. this is where shit gets real!

When you make this decision, it will be the day you take the proverbial step off the curb. The comfort and relaxing life you may have dad, dreaming about all the fun will come right of the rails. You will be consumed with following your passion, but that will entail details and decisions along the way.

When you take possession, here are the things you should be working towards.

Know your floors: Thats right, the floors in your space can make or break you, as I have always said. So get up close and persona with your floors and make them what you need them to be.

Document your process. You will likely only ever get one chance at doing this, so make sure you document as much as you can with a video camera, camera, etc. You will be thankful you did.

Test for asbestos: Very important that you test for asbestos at this point. In Canada, if you want to demolish something, you need to have a permit that says you have had any asbestos removed from the space. Ideally, you would do this with a site visit before you even take possession of your space, as the results can take up to a couple weeks to receive. Once you have this testing done, cross all your fingers, as removal of asbestos can be a concern depending on how much you have.

Asbestos removal: You will need to pay an approved company to remove any and all of the asbestos from your space, and this can cost money. Lucky for us we had our landlord agree to pay for this after the fact, and we are thankful for this.

Demolish: This is easily the most fun part of your building process. We spent 2 entire days breaking everything down and destructing what the last business created. It was not only great fun, it was very rewarding.

Clean the details: We had some tile on walls, wire running here, there and everywhere, so we took the time to remove these items from the space. All the details needed to do this can be time consuming but very worthwhile down the road.

Quick clean of space: This could involve power washing, hosing, sweeping, or even vacuuming (or some combination of all these like it did for us). Open the loading doors and get your place clean. It will make you feel good about things, and while your space will get even more dirty when your floors are cut open, you are likely a little away from this happening, so it will feel nice to remove some of the dirt from your site.

Get tradespeople through: Get all the sub trades into your space, so they can gauge what they are getting into, review IFC (Issued for Construction) plans for errors or omissions (they are really good at this), they can give you an accurate fee proposal, and you can hear of ways to save money. By now, you will have doubled your budget for everything, so stop living in the past, and get on board with the fact that everything will cost more than you thought. No need to stew about this, just find solutions.

Layout your design on the ground: Even if you are Frank Lloyd Wright or Frank Gehry, laying out your proposed floor plan with tape will give you a sense of how the layout will really work. So within a few days after clearing your space, get on this.

Order Equipment: Your brewhouse has likely been ordered, but maybe your conditioning and fermenting tanks and your packaging line have not been ordered, so work on that. We have been told that tanks can take about 3-4 months to make it to your facility. One thing is for sure: You don’t want your tanks too early in the process and you don’t want them too late. Ideally, about 2-3 months before you start brewing beer for real, but after the majority of your plumbing and electrical upgrades have been completed.

Paint the walls: If you plan on painting the walls inside your brewery (we suggest you do), this would be a good time to do it. Go buy a professional paint sprayer, lots of plastic, rolls of tape, and all the other supplies needed to paint and get cracking. It is really hard to paint walls inside your brewery when you have all your stainless tanks and equipment inside your space. So this is the time to do it, when there is nothing of importance inside your space. For us this process took 3 guys 3 weeks working most every day at preparation and execution. We had 6,600 square feet of wall space to paint, and we had to guard against windows getting sprayed as well as the ceiling. If you have concrete block walls like most warehouses do, plan for at least 1 coat of primer and then 2 coats of paint. Every coat will need to be back rolled so prepare your shoulders for pain.

Layout your finalized floor plan: When you have decided on the exact location of all your production and tasting room facilities, spend a couple days and lay them out on the ground. For us that meant getting chalk lines, huge squares, etc to get the floor plan bang on. When you have finished putting the chalk lines down, spray paint on a matte clear coat art supply paint, to make sure that your chalk lines stay in place.

Now that the pre work is compete, the actual buildout of the space will written about in Phase 8.

**Phase 8: Work Towards Opening Day**