



## The Basic Steps of Opening a Micro-Distillery in Alberta

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## The Basic Process

Below outlines some of the common steps that are associated with opening a small distillery in Alberta. This is not meant to be an inclusive list, but a general guideline for people thinking of getting into the industry. Steps may happen in a different order, or there may be additional steps not listed below.

1. Learn How to Distill
  - a. There are a few short courses in Canada that give overviews of craft distilling.
  - b. Olds College provides a distilling course as an option for their brewer's program.
  - c. There are university style courses done in the US that can provide more significant education such as the Siebel Institute of Technology.
  - d. Heriot Watt University in Scotland is the most well recognized distilling education Master's degree.
2. Do Product Research
  - a. Visit distilleries, meet other distillers, test other products
3. Build a Business Plan
  - a. Things to include:
    - i. Product Types
    - ii. Financing
    - iii. 5-year plan
    - iv. Financial Plan for a minimum of 3 years (Income Statement, Cost of Goods, etc.)
    - v. Type of distilling equipment used
      1. Additional safety requirements you may need
      2. Hazards and controls to be identified
    - vi. Type of location that is desirable for your business
      1. What type of occupancy are you hoping to achieve
      2. What types of buildings would be suitable for your design
      3. What are the building code limitations and challenges you may face
    - vii. An understanding of municipal bylaws, safety codes and environmental regulations that will affect your development and operation of the business
4. Start a Corporation
  - a. You will need a lawyer to build a minute book and write a Unanimous Shareholder's Agreement if you plan to have investors.
5. Look for a Distillery Location
  - a. Leasing/Buying/Building is a major decision
  - b. Distilleries have significant limitations on where they can exist according to the Alberta Building Code and Alberta Fire Code. Reviewing them and consulting the City/Municipality for a "Pre-Application Meeting" is a valuable exercise early on in the location choosing process.
  - c. Understand that it may be difficult to secure the necessary permits and operational clearance that you require if modifications to your business plan take place after securing a location.
6. Get Financing
  - a. Personal Financing, Private Investors, or Bank Loans are some of the ways to get financing.

- b. If you have investors, make sure you abide by Securities Laws. Consultation with a lawyer before financing is imperative
  - c. The Canadian government backs loans like the BDC Small Business Loan and the Canadian Small Business Financing Program (CSBFP). The CSBFP requires a lease to be signed before it is accepted, so the process will be in tandem with the location choosing.
7. Signing a Lease – Conditional Lease
- a. A conditional lease should be signed before executing a lease, in order to determine if the lease is acceptable for a distillery operation.
  - b. During the conditional lease, a Development Permit for a Change of Use may need to be submitted to your municipality to determine if the zoning of the property can allow for a distillery usage to exist in the building in question.
  - c. If possible, get your lease conditional to your Building Permit. This will give you more confidence in the likelihood of being approved by your municipality before committing to a lease.
  - d. A “Pre-Application Meeting” with the building inspector and fire departments of your municipality is imperative at this stage.
  - e. Generally, a distillery will require sprinklers, a fire alarm system, and cannot exist in a building that also has an “Assembly” occupancy, due to the Building and Fire Code’s requirement that a distillery is considered a high-hazard industrial occupancy. If your space does not meet all of these criteria, you should be prepared to have to make significant and potentially costly modifications to the space to bring it up to code.
8. Submit a Development Permit application
- a. This will determine whether your municipality will allow a distillery as a permitted or discretionary use on the parcel of land on which you are building and if any “Development Variances” are required (NB Development Variance is different from “Code Variance” described below. While municipalities can be petitioned to change land zoning this process can be long and costly.
  - b. This will not determine whether the building has sufficient fire protection systems to allow a distillery to exist in it – a building permit will determine these parameters.
9. Design your Space and Process
- a. Hire an architect and engineers to design the space, as required.
  - b. The process design should be reviewed by an engineer in order to determine if there are any dangerous hazards that are not being assessed, and to determine the appropriate electrical hazardous area classification.
  - c. Review the Micro-Distillery Hazards Document by the ACDA, as well as other resources that can inform you about distillery hazards (eg. DISCUS Recommended Fire Protection Practices for Distilled Spirits Beverage Facilities).
  - d. If you have a tasting room, be conscious of the limitations of the Building Code and Fire Code. Significant time and effort may be required to satisfy your municipality and local fire department.
  - e. Once you have a design, you can submit your Building Permit application to your municipality for review. Do this as soon as possible.

## 10. Building Permit Application

- a. If possible, submit your Building Permit application to your municipality before you sign the lease. The sooner you do this, the less likely you have of getting into a situation where the lease is unacceptable for a distillery usage.
- b. If you have a tasting room, it is very likely you will need to request a “Code Variance (Alternative Solution)” to the code. A Code Variance is a document explaining how you meet or exceed the fire/building code’s prescriptive requirements, but with a solution that differs from the “Acceptable Solutions” already listed in the code. You should seek the assistance of an architect or engineer when preparing a Variance. These professionals will need to illustrate that your design will perform as well as a design that complies with the acceptable solutions of the code, and this takes considerable time and judgement.
- c. Applicable codes to be cognizant of include but are not limited to: National Building Code, Alberta Building Code, National Fire Code, Alberta Fire Code, National Plumbing Code of Canada, CSA Electrical Code, any related government STANDATAS, notifications and bulletins.

## 11. Get Equipment

- a. Lots of distillery equipment is custom built and thus can have lead times in excess of 1 year.
- b. Be conscious of safety when purchasing distillery equipment, there are few regulatory bodies that will inspect your equipment after it’s installed, so it is up to you to ensure the safe operation of your facility.
- c. It is good practice to have an engineer review the drawings of your equipment before purchase to ensure that you are receiving reasonably safe and properly designed equipment.
- d. Some equipment may be subject to provisions of the National Plumbing Code of Canada 2015 and/or CSA Electrical Code 2018

## 12. Sign a Lease

## 13. Start Construction once the Building Permit has been issued

- a. Hire contractors, and get them to sign contracts. Contracts may include:
  - i. Detailed descriptions of scope of work
  - ii. Agreements on timeline
  - iii. Limitations of their ability to charge you beyond the agreed quotation
  - iv. Descriptions of how the “Change Order” process must occur

## 14. Get Licenses and inspections

- a. AGLC licenses (small manufacturers, off-sales, tasting room)
- b. Excise License (Spirit Manufacturer)
- c. Business License/Building Permit Inspections (building, electrical, mechanical, plumbing, gas, AHS, fire)
- d. Food Handling Permits
- e. Fire Occupancy Load

## 15. Branding and Supplies

- a. Don’t forget to build your brand, find suppliers, and have all your supplies ready for when you open.

16. Distill!

a. Once you have all your licenses approved, you can start distilling; if you remember how.

17. Open for Business