'Are we closing?': 16 Lots Southern Outpost shuts down kitchen, seeks larger brewery partner to save Newport on the Levee location





Craft brewery 16 Lots Southern Outpost could close inside Newport on the Levee. Photo By: VICTOR MATOS By Christian LeDuc – Staff reporter, Cincinnati Business Courier Jan 22, 2024

One of the newest Newport on the Levee tenants could potentially close its doors for good by the end of the week — less than one year into its 10-year-long lease at the development. Craft brewery 16 Lots Southern Outpost, at 1 Levee Way, closed its kitchen over the weekend and is going to operate the 10,700-square-foot location as a taproom only for the rest of the week.

This is second location for Mason-based 16 Lots. Del Hall, co-founder, and chief commercial officer of 16 Lots Brewing Brands, said the company was looking for the right location to launch its expansion when the opportunity to move into Newport on the Levee presented itself. "The dream was to take it somewhere more urban," Hall told me.

The company opened in the new location in May 2023. The space was designed to be an explorer-themed taproom and restaurant that paid homage to Ohio's riverboat history. It includes 7,700 square feet of interior space for the brewery, taproom and gastropub. There is also an additional 3,000 square feet of patio space: 2,000 of which is located between the Taylor Southgate Bridge and the Purple People Bridge. The space also includes a 1,000 square-foot cigar lounge.

Mason craft brewery 16 Lots opened its Southern Outpost at Newport on the Levee in May 2023.

"We had such a bad start to this location," Hall said.

The initial build out was expected to be around \$2 million, but it ended up costing upwards of \$3 million. According to Hall, this caused the brewery to trim its marketing budget. Hall said a couple of "bad hires" early on also caused the business to suffer. "We're on our fourth general manager," he said. "Now, the leadership team is phenomenal ... but it's too little too late." The brewery is out of operating capital, and this is the slowest time of the year for the industry. Hall recently cut the staff at the Newport location from more than 20 to just four. But despite the dire situation, Hall isn't giving up yet.

"Are we closing? Are we not? Truth: this could be our last week," the company wrote on social media. "More truth: we're hoping not – a few more irons are still in the fire."

"There are still some balls in the air," Hall said. "If we can weather the storm, there are brighter days ahead." According to Hall, North American Properties, the owner of Newport on the Levee, is willing to work with the company to see if it can feasibly operate just as a taproom and not a restaurant.

North American Properties has not responded to the *Courier's* request for a comment as of the publication of this article. The other option that could save the business is a partnership with another brewery. The goal is to partner with another company that is looking to expand into the Cincinnati-area market.

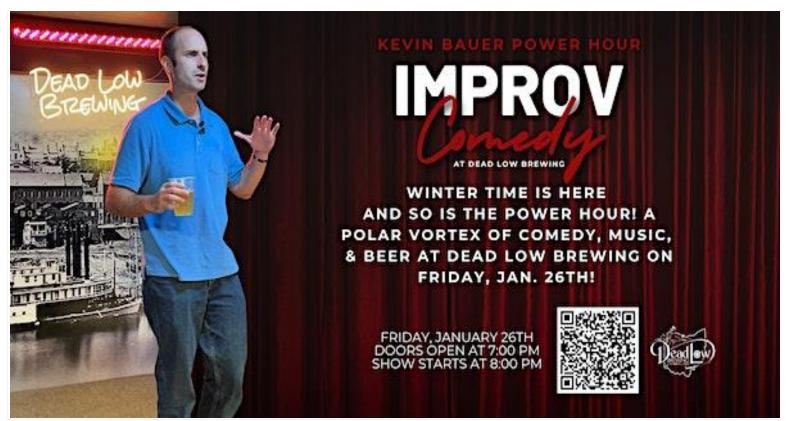
"We are reaching out to larger regional and national breweries," Hall said.

Hall is confident the Levee is going to develop into an amazing destination, and he really hopes that 16 Lots will be there to see it.

In 2021, North American Properties unveiled a planned \$100 million revitalization at the property. The project includes a complete overhaul of the 360,000-square-foot Gallery building, revamped outdoor spaces, an outdoor park with bars and food vendors in converted shipping containers and a conversion of the former Barnes & Noble into a rotating market for local vendors.

On top of that, in 2026, the Margaritaville Resort will open at the Levee. It's expected to include 246 hotel rooms, three restaurants and amenity spaces including a rooftop pool.

Hall said that if he is forced to close the Newport location, it could negatively impact the original Mason location, which his business partner, Mike Burton, opened in 2017. It was the first craft brewery in the city.



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Raise a glass: Ohio sets new record for number of craft breweries

Rick Armon Canton Repository

Ohio set a new record for craft breweries last year, despite increased competition and many consumers drifting away from drinking beer. There were 434 craft breweries operating in the Buckeye State last year, with 44 opening, the Ohio Craft Brewers Association announced this week at its ninth annual conference in Toledo. There were 420 in the previous year. There are now craft breweries in 73 of Ohio's 88 counties – and at least another 68 breweries are in the planning stages statewide. But the industry also has seen significant challenges, leading to 20 breweries closing last year, such as Two Monks Brewing in Akron, Zaftig Brew Pub in Columbus and Taft's Ale House in Cincinnati, and some established operations are going up for sale. R. Shea Brewing Co. in Akron also announced a crowdfunding effort to save its production brewery because of its weighty debt. The overall issues include increased costs for ingredients and utilities, and changing consumer tastes, with many people reaching more for alcoholic seltzers and premade cocktails. Movements such as "Dry January," when people avoid alcohol, also have made an impact. "The brewing industry's challenge is to reach out to untapped customer bases and reconnect with those who are currently choosing other beverage options," said Justin Hemminger, deputy director of the Ohio Craft Brewers Association. "Craft beer has always been more than just a product on a shelf and needs to reinforce the positive impacts that small and independent breweries have in their local communities."

Craft breweries keep opening in Ohio. The craft beer industry has been on a meteoric rise in Ohio. In 2011, there were 49 breweries, including Anheuser-Busch and MillerCoors. Ohio's jump has mirrored the national trend. Nationwide, there were 9,456 breweries in June 2023, the latest number available, according to the Brewers Association, a Boulder, Colorado-based trade association. The question – which has been around for years – is how long the number of breweries can keep going up. "It's not sustainable," Mike Malinowski, an award-winning brewer and owner of <u>Paradigm Shift Craft Brewery</u>, a 10-barrel brewpub in Massillon, said about Ohio continuing to add breweries. "We're seeing addition but also subtraction."

He cited the increased competition and shifting consumer tastes as two main reasons for concern. "You've got to be more creative," Malinowski said. He noted that his customers are asking for more special limited beers, also known as

one-offs. There are still cities out there that don't have a ton of breweries, or any at all.'



John McGroarty, brewer, and co-owner of the new <u>Green Valley Brewing Co.</u>, which opened late last year in Hudson, said there's still room for more community breweries rather than those that focus on production and distribution. "There are still cities out there that don't have a ton of breweries, or any at all," he said. He said new breweries have to focus on not only producing excellent beer, but also providing good food and an environment that encourages people to come back. "The community has really embraced us and (they) are enjoying what we are doing," McGroarty said. Hemminger agreed that new community breweries can still be successful.

"Operating a small, community-focused brewery and taproom is still a viable business path," he said. "The bulk of the newer breweries that have opened in the past few years are following this model, leaning on taproom retail revenue over the lower margin potential in wholesale beer distribution. Reform of Ohio's antiquated franchise laws that hamstring small breweries in wholesale contracts will help breweries in distribution, but the overall trend in the industry is toward growth of taproom retail."

Rick Armon can be reached at 330-580-8310 or rarmon@cantonrep.com. He's the author of two books on the Ohio brewing industry: "Ohio Breweries" and "50 Must-Try Craft Beers of Ohio."



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