Local Pub Expansion Brews Up Success

During the fall of 2008, Roger Garthwaite, co-owner of Otto’s Pub & Brewery in State College, came to the SBDC ostensibly for assistance to develop a business plan to build out a separate brewing facility. The thirst of patrons for Otto’s microbrews had outstripped capacity to quench that thirst. Garthwaite felt they were losing market share because they simply could not brew enough beer to satisfy their clientele and their distributors. Over the coming months, financial projections for several different expansion scenarios were developed and revised all with an eye towards building out a separate facility.

During the winter of 2009 an unprecedented opportunity opened up to buy an existing restaurant facility which had closed. The local Quaker Steak and Lube franchise had gone out of business, and their two-year-old facility was only a few hundred yards from the existing Otto’s location. The bank which had foreclosed on the property and the owner of the land that the building was built on were excited about working with Otto’s principals and offered incentives to make the move attractive. The facility had good parking, would triple the restaurant space and double the brewing capacity. The hurdles were overcoming PLCB issues that lingered from the previous restaurant owner, working through local zoning issues, and working with banks to refinance existing debt while looking for new money to support the proposed expansion. Finally after a year of negotiations and working through the hurdles, a deal was struck. A key component to those negotiations was the ability of the SBDC to respond to changes and adapt the proformas, until the financing was in place.

Renovations began during the spring of 2010 and Otto’s opened their new facility to resounding success in November 2010. All sales projections have been exceeded and far surpass expectations—2011 revenues were 34% above projections! Most evenings you will find the restaurant full to capacity, with a waiting line out the door. Currently more than 100 employees work at Otto’s in a variety of capacities, up from 30 at their former location. Garthwaite said that if this trend continues, they may need to consider an expansion to the expansion! Naturally, if that would occur, the SBDC is ready to help.