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BILL ANALYSIS



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Senate Bill 1493 (as passed by the Senate)
Sponsor: Senator Jason E. Allen
Committee: Economic Development and Regulatory Reform

(as enrolled)

Date Completed: 11-18-10

RATIONALE

Public Act 501 of 2006 amended the Michigan Liquor Control Code to provide for a new type of on-premises liquor license that may be issued to businesses located in a city redevelopment project area or development district. This license is not subject to the Code's population-based quota that typically applies to on-premises licenses. For the new license to be issued, certain conditions apply regarding the amount of investment in the building the houses the licensed premises, as well as the total amount of public and private investment in real and personal property within the project area or development district. In addition, the business receiving a license must be engaged in activities related to dining, entertainment, or recreation, be open to the general public, and have a minimum seating capacity of 50 people. Evidently, in at least one city, there are restaurants that would like to obtain this type of liquor license but are too small to meet the seating capacity requirement. It has been suggested that reducing the minimum seating capacity would make the license more accessible.

CONTENT

The bill would amend the Michigan Liquor Control Code to reduce the required minimum seating capacity of a business that may obtain a liquor license in a city redevelopment project area or development district.

Under the Code, a public license for the sale of alcoholic liquor for consumption on the premises may not be granted in excess of one license for each 1,500 people, but the

Liquor Control Commission may issue various types of additional on-premises licenses if local units or licensees meet certain criteria. These include licenses for businesses that are located in a city redevelopment project area or in a development district or area that is one of the following:

- A tax increment finance authority district.
- A development area established under the Corridor Improvement Authority Act.
- A downtown district established under the downtown development authority Act.
- A principal shopping district.

An applicant for this type of license must give the Commission verification of the redevelopment project area status, as well as an affidavit from the local assessor regarding the amount of investment money spent within the city's redevelopment area, which must meet a threshold based on the city's population. The amount spent to rehabilitate or restore the building that houses the licensed premises also must reach a certain level, and the applicant must verify that the business provides activities related to dining, entertainment, or recreation at least five days a week, and is open to the public at least 10 hours per day.

In addition, the business must have a minimum seating capacity of 50 people. The bill would reduce the minimum seating capacity to 25 people.

MCL 436.1521a

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Many municipalities are struggling economically and would like to draw people downtown for dining, recreation, and entertainment in establishments that serve alcoholic beverages. In some areas, however, there are no liquor licenses available due to the quota on the number of on-premises licenses that may be issued in a local unit. If a city's population is falling or stagnant, additional quota-based licenses will not be issued, and a city might even "lose" a quota license if it is transferred to another business within the same county—which can be especially problematic where licenses have been transferred from businesses in a city's aging downtown to establishments outside the city limits. Although a business might be able to buy a license on the open market, the cost can be prohibitive, particularly for the type of small, unique cafes or bistros that will attract people to a downtown area.

The 2006 legislation was enacted to address this situation by creating a new category of liquor license that the Commission may issue without regard to a local unit's quota of on-premises licenses. The new licenses resemble those that had been issued under amendments enacted in 1996 for restaurants in development districts. Like other types of licenses that are not subject to the quota, these licenses are designed to promote economic growth in the local units where they are issued.

Senate Bill 1493 would help accomplish this by reducing the minimum seating capacity of licensed premises from 50 to 25. This would accommodate small restaurants that otherwise meet the criteria. The amendment also would be consistent with the minimum seating capacity in the 1996 legislation, which required a licensee to have dining facilities that could seat at least 25 people. While the Commission may no longer issue those licenses, they remain valid and may be renewed if the licensing criteria continue to be met. The restaurants eligible for the new license should not have to be twice as large.

Response: Based on its experience with the development liquor licenses issued under the 1996 legislation, the Commission believes that a minimum seating capacity of 25 would make the new license available to too many establishments, and those establishments would tend to be more like bars or taverns than restaurants. Reducing the minimum seating capacity to 35 or 40 could help avoid these results.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Liquor licenses for the types of establishments that would be affected by the bill cost \$20,000. To the extent that the bill would lead to the approval of more liquor licenses, the Liquor Control Commission would experience increased revenue. Proceeds from liquor licenses are primarily used for liquor enforcement activities by the Liquor Control Commission as well as grants to local units of government for liquor enforcement. However, unless additional revenue is received and appropriated by the Legislature, local units of government will not receive increases in these grants.

Fiscal Analyst: Josh Sefton

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.