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**BILL ANALYSIS**

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Senate Bills 162 and 163 (as introduced 2-3-05)

Sponsor: Senator Gilda Z. Jacobs (S.B. 162)

Senator Jason E. Allen (S.B. 163)

Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 9-13-06

CONTENT

Senate Bill 162 would amend the Michigan Liquor Control Code to do the following:

- Allow the Liquor Control Commission (LCC) to issue a public on-premises license, in addition to the quota licenses allowed, to businesses located in a city redevelopment project area that met specified criteria.
- Require the businesses to be engaged in activities related to dining, entertainment, and urban recreation.
- Require that commercial investment in the redevelopment project area constitute at least 25% of the total investment in real and personal property in the area.
- Establish investment thresholds that a license applicant would have to meet.

Senate Bill 163 would amend the Code to eliminate the LCC's authority to issue development district licenses to restaurants that meet certain criteria, but provide that current licenses would remain valid and could be renewed if licensing requirements continued to be met.

The bills are tie-barred to each other.

Senate Bill 162

Under the bill, the Liquor Control Commission could issue public on-premises licenses in addition to those quota licenses allowed in cities under Section 531(1) (which limits the number of public licenses granted for the sale of alcoholic liquor for consumption on the premises to one license for each 1,500 of population), "in order to allow cities to enhance the quality of life for their residents and visitors to their communities". The licenses would have to be issued to businesses that were located in a city redevelopment project area meeting specified criteria; and were engaged in activities determined by the LCC to be related to dining, entertainment, and urban recreation.

The LCC could not issue a redevelopment project license unless the applicant fulfilled the following in relation to the licensed premises:

- Provided activities determined by the LCC to be related to dining, entertainment, and urban recreation at least three days a week.
- Was open to the public at least 10 hours per day, five days a week.
- Presented verification of redevelopment project area status to the LCC.

The verification would have to include a resolution of the governing body of the city establishing its status as a redevelopment project area; and an affidavit from the assessor, as certified by the city clerk, stating the total amount of investment in real and personal property within the redevelopment project area of the city during the preceding three years. Additionally, the verification would have to include an affidavit from the assessor, as certified by the city clerk, separately stating the amount of investment money spent for manufacturing, industrial, residential, and commercial development within the redevelopment area of the city during the preceding three years.

In the case of an applicant seeking a license within the first license cycle after the bill's effective date, the time period covered by the assessor's affidavits could be up to five years.

The amount of commercial investment in the redevelopment project area within the city would have to constitute at least 25% of the total investment in real and personal property in that redevelopment project area as evidenced by an affidavit of the city assessor. This would not prevent the city from realigning the redevelopment project area in the presentment of verification regarding the amount spent for manufacturing, industrial, residential, and commercial development.

An applicant would have to meet at least one of the investment requirements described below during the three years preceding application, or within the preceding five years in the case of an applicant applying during the first license cycle after the bill's effective date. The total investment in real and personal property in the redevelopment project area within the city over the appropriate time period would have to be at least one of the following:

- At least \$50.0 million in cities having a population of 50,000 or more.
- At least an amount reflecting \$1.0 million per 1,000 people in cities with a population under 50,000.

The LCC could issue a license for each monetary threshold, or for each major fraction of a threshold.

The LCC could issue a redevelopment project license without regard to the order in which applications were received. Each year the LCC would have to report to the Legislature the names of the businesses issued licenses and their locations.

The LCC could not transfer a redevelopment project license to another location. If the licensee went out of business, the licensee would have to surrender the license to the LCC.

"City" would mean a city established under either the Home Rule City Act or the Fourth Class City Act.

Senate Bill 163

Under the Michigan Liquor Control Code, in addition to any licenses for the sale of alcoholic liquor for on-premises consumption that may be available in the local governmental unit under Section 531(1) (the population quota licenses), and resort and economic development licenses, the Liquor Control Commission may issue a maximum of 50 tavern or Class C licenses to people who operate businesses in development districts. The businesses must meet all of the following conditions:

- The business is a full-service restaurant, is open to the public, and prepares food on the premises.
- The business is open for food service at least 10 hours per day, five days a week.
- At least 50% of the gross receipts of the business are derived from the sale of food (excluding beer and wine) for consumption on the premises.

- The business has dining facilities to seat at least 25 people.
- The business is located in a development district with a population of not more than 50,000, in which the authority, after a public hearing, has found that the issuance of the license would prevent further deterioration within the development district and promote economic growth within it.

"Development district" means any of the following:

- An authority district established under the Tax Increment Financing Authority Act.
- An authority district established under the Local Development Financing Act.
- A downtown district established under the downtown development authority Act.
- A principal shopping district established under the principal shopping district Act.

Under the bill, beginning on the effective date of Senate Bill 162, the Commission could not issue any tavern or Class C licenses under these provisions. The licenses issued before the effective date of Senate Bill 162 would remain valid and could be renewed if in compliance with the licensing requirements.

The bill would delete provisions related to the issuance of development district licenses. The provisions do the following:

- Prohibit the LCC from issuing a license unless the local unit where the authority is located, after a public hearing, passes a resolution concurring in the authority's finding.
- Require the license applicant to state and demonstrate that he or she attempted to secure an on-premises escrowed license or quota license and, to the best of his or her knowledge, none is available.
- Provide that only one license may be issued in a development district to any individual or entity.
- Prohibit the LCC from issuing a license if the local unit of government has not issued all appropriate quota licenses available or if an appropriate on-premises escrowed license is readily available.
- Prohibit the LCC from issuing more than two licenses in any city or municipality with a population over 50,000.
- Require the LCC annually to report to the Legislature the names and locations of the businesses issued licenses in a development district.

Proposed MCL 436.1521a (S.B. 162)
MCL 436.1521 (S.B. 163)

Legislative Analyst: J.P. Finet

FISCAL IMPACT

Senate Bill 162

The bill would allow the Liquor Control Commission to issue licenses for city redevelopment projects meeting certain criteria, in addition to the licenses that may be issued based on population. These additional licenses could be issued under any of the existing categories of class types. The amount of revenue that would be generated would depend on the level of licensing activity that occurred as a result of this change. For example, if 12 licenses were awarded under the Class C category at \$600 per license fee, this would generate \$7,200 in new annual revenue. Under the Act (MCL 436.1543), all licensing revenue is allocated based on a formula, with 41.5% allocated to the Michigan Liquor Control Commission for licensing and enforcement, 55% allocated to the local community in which the license is issued, and 3.5% used to support alcohol prevention and treatment programs.

Senate Bill 163

The bill would eliminate authorization for the Liquor Control Commission to issue up to 50 liquor licenses in development districts. These licenses already have been issued by the Commission.

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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.