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BILL ANALYSIS

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Senate Bill 432 (Substitute S-1 as reported) *(as passed by the Senate)*
Sponsor: Senator Hansen Clarke
Committee: Economic Development and Regulatory Reform

Date Completed: 5-4-09

RATIONALE

A public-private partnership known as the South Village is located on Woodward Avenue in Detroit on property owned by Wayne State University (WSU) that has been designated for commercial development. The project has both residential and retail space and includes a 10,000-square foot area for a restaurant/bar operation on the street level. A liquor license, subject to the local quota established under the Michigan Liquor Control Code, reportedly is available to the restaurant operator, but the Code generally prohibits the Liquor Control Commission (LCC) from issuing a license that would allow the sale of liquor on State land, which includes university property. The Code makes a number of exceptions to this restriction, however. These include a provision allowing the LCC to issue a license to a private entity for a hotel operated on land owned by Central Michigan University (CMU). Some people believe that the LCC also should be authorized to issue a liquor license to the operator of the restaurant in the South Village project.

CONTENT

The bill would amend the Michigan Liquor Control Code to allow the Liquor Control Commission to issue a license to a private entity for the sale of alcoholic liquor for consumption on the licensed premises of a restaurant located on land owned by Wayne State University, if both of the following circumstances existed:

-- The land was leased or subleased at fair market value to a private entity that owned, leased, or subleased the restaurant.
-- The restaurant was located within an area designated for industrial, research, or commercial development by the WSU governing board.

Issuance of a license under the bill would be subject to Section 531 of the Code (which prohibits the granting of an on-premises license in excess of one license for each 1,500 of population and provides for the transfer of on-premises escrowed licenses).

MCL 436.1513

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

The South Village project on the Wayne State campus is a privately owned residential and retail development that represents a $23.0 million economic development investment in the City of Detroit. The street-level retail space of approximately 30,000 square feet is 100% leased out to private businesses, including a 10,000-square foot space for a restaurant and bar to be operated by Starter's Bar & Grill, a well established family-owned Detroit eatery. The restaurant plans to create up to 120 new jobs at the South Village location, which will generate significant new business tax, sales tax, and income tax revenue.

In order to provide full food and beverage service to their customers, the restaurant owners would like to offer alcoholic beverages for on-premises consumption as they do at their other locations in Detroit and Dearborn, but there is no provision in the Michigan Liquor Control Code for the LCC to issue a liquor license to a private enterprise located on WSU's property. The Code itself provides a precedent for such an arrangement, however, as it allows the Commission, subject to local liquor license quota requirements, to issue a license to a private entity for the sale of alcohol for consumption on the premises of a hotel located on land owned by Central Michigan University. By authorizing the LCC to issue a license to the restaurant venture in Detroit, the bill would help to facilitate a promising economic development effort in the city and would treat WSU's public-private venture consistently with the hotel operation on CMU's campus.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have a minimal impact on the Liquor Control Commission's administrative costs and license fee revenue.

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