Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 846 (as enacted) **PUBLIC ACT 270 of 2014**
Sponsor: Senator Dave Hildenbrand
Senate Committee: Regulatory Reform
House Committee: Regulatory Reform

Date Completed: 7-31-14

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 redevelopment license to be issued, certain conditions apply regarding the amount of investment in the building that 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. Businesses receiving a redevelopment license must be engaged in activities related to dining, entertainment, or recreation, be open to the general public, and have seating capacity for at least 25 people. (Originally, the minimum seating capacity was 50, but that was amended in 2010.) Since this type of license was available only in cities, it was suggested that eligibility for a redevelopment liquor license should be extended to qualifying businesses in villages and townships.

CONTENT

The bill amended the Michigan Liquor Control Code to allow the Liquor Control Commission (LCC) to issue a public on-premises license, in addition to the allowed quota licenses, to a business located in a redevelopment project area or development district in a village or township, as well as one located in a city.

The bill took effect on July 2, 2014.

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 LCC 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 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 redevelopment area, which must meet a threshold based on the local units 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 25 people.

Under the bill, the LCC may issue redevelopment project liquor licenses described above to businesses located in redevelopment project areas in cities, villages, and townships. Previously, the Commission could issue these redevelopment project liquor licenses only in cities.

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

Public Act 501 of 2006 was enacted to help stimulate economic development in cities' redevelopment project areas or development districts, such as a downtown development authority (DDA) or a corridor improvement authority, particularly where traditional liquor licenses are in short supply. According to testimony before the Senate Regulatory Reform Committee by an attorney whose clients have used redevelopment liquor licenses, this effort is productive and aids development in the affected areas. Providing an opportunity for dining and entertainment establishments in redevelopment districts entices consumers to visit those areas, and makes the community more appealing to businesses considering locating or expanding there. It is unclear why redevelopment liquor licenses were originally limited to cities, and there is no reason not to extend this opportunity to businesses located in townships and villages.

Supporting Argument

Many townships and villages in Michigan have been expanding their business districts through redevelopment and tax increment financing efforts, and businesses in those communities should be allowed to pursue redevelopment liquor licenses. According to written testimony submitted to the Senate committee by the Ada Township DDA chairperson, the availability of on-premises liquor licenses in addition to those issued under the quota system will boost the township's efforts to make its business district a more attractive place to live, work, shop, and spend recreational time. By providing a desirable community environment, the DDA's redevelopment plans align with the efforts of the township's largest employer to attract and retain a high-quality work force. Stimulating economic development in the township through the issuance of redevelopment liquor licenses there will contribute to those plans.

In addition, allowing the LCC to issue more redevelopment liquor licenses is in line with Michigan's "placemaking" initiative, which is an effort to make more local communities the types of places where today's workers, entrepreneurs, and businesses want to locate, invest, and expand. According to the State's placemaking website, "people choose to settle in places that offer the amenities, social and professional networks, resources and opportunities to support thriving lifestyles" (www.miplace.org). The bill will play a role in transforming more Michigan communities into places where people will want to live and work.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill will have a neutral fiscal impact on the Department of Licensing and Regulatory Affairs (LARA) and an indeterminate fiscal impact on local units of government. Liquor license revenue is the primary fund source for the issuance of licenses by the LCC, so it expected that additional costs to LARA associated with issuing additional licenses will be offset by the revenue received with those license applications. On the local level, the Code requires 55% of liquor license revenue to be credited to county sheriff departments for the enforcement of the Code. Issuing additional licenses will increase the amount of license revenue granted to county sheriff departments, but it is not clear whether the additional revenue will be sufficient to cover increased law enforcement costs that may be associated with additional licensed premises.

Fiscal Analyst: Josh Sefton

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