Legislative Analysis

Phone: (517) 373-8080
http://www.house.mi.gov/hfa

Analysis available at
http://www.legislature.mi.gov

CONCESSIONS AT STATE-OWNED BUILDING: CREATE EXCEPTIONS

Senate Bills 803 and 804 as reported without amendment
Sponsor: Sen. David Hildenbrand
House Committee: Regulatory Reform
Senate Committee: Regulatory Reform
Complete to 5-7-18

(Enacted as Public Acts 158 and 159 of 2018)

SUMMARY:

Senate Bill 803 would allow alcohol to be sold for on- or off-premises consumption in a state-owned building under certain conditions.

Senate Bill 804 would exempt a state-owned or state-leased building that meets certain criteria from the requirement that concessions be operated by a blind person.

As written, the bills would pertain only to Cadillac Place, a state-owned building in Detroit that houses several state offices. Specifically, the bills would do the following:

Senate Bill 803 would amend the Michigan Liquor Control Code. With a few exceptions, the Liquor Control Commission is prohibited under the Code's provisions from issuing a liquor license to an establishment situated in or on state-owned land. The bill would create an additional exception for a building that meets all of the following conditions:

- The building and the land on which the building is located are owned by the state.
- The building is more than 1 million square feet.
- Space within the building is leased to a private entity that provides services to the general public in the building and that holds a liquor license.

MCL 436.1519

Senate Bill 804 would add a new section to Public Act 260 of 1978, the enabling act for the Commission for the Blind. With a few exceptions, the act requires a concession in a building or on property owned or occupied by the state to be operated by a blind person. The bill would add an additional exception for a building or part of a building owned or occupied by the state if the building is larger than 1 million square feet. Further, the Commission would have to exercise its authority under the act to provide for automated vending machine concessions in such a building, and the Department of Technology, Management, and Budget would have to provide 1,700 square feet of space to the Commission at the same rental rate provided to state agency tenants in such a building.

The bill would take effect 90 days after being enacted.

MCL 393.359 and 339.360a

BRIEF DISCUSSION:

With few exceptions, concessions in state-owned or leased buildings cannot serve or sell alcoholic beverages and must be operated by a person who is blind. For the state-owned

Cadillac Place office complex in Detroit, the policy is hindering the state from exploring opportunities to partner with other businesses to grow the New Center economy. Currently, a concession stand operated by a blind person and a Subway sandwich shop are the only vendors serving state and private-sector office workers in the building. Under state law, when the lease for the Subway expires soon, it cannot be renewed since it is not operated under the authority of the Commission for the Blind. In addition, over 80,000 square feet of unused space could be leased to various types of retailers, according to representatives of the Department of Technology, Management and Budget. Reportedly, building use studies indicate that any successful plan must involve food retailers, including one or more that serve alcoholic beverages. Further, businesses in the Fisher Building, located across the street from Cadillac Place, have reached out to the state about developing the empty storefront. Studies show that people will only walk a short distance past empty storefronts before turning back. Developing the storefronts should increase foot traffic and stimulate economic activity for surrounding businesses as well.

To do so, however, current law must be amended to exempt Cadillac Place from the current prohibitions on non-blind concessionaires and serving or selling alcohol. The amendments are not expected to create unfair competition between privately owned businesses and any retailers setting up shop in Cadillac Place, as those businesses would also be privately owned and operated. Moreover, the state is required by law to charge fair market rent for those businesses, thus obviating any competitive advantage over nearby businesses. Revenue received by rents would go back into building maintenance, potentially lowering rents for state agencies and saving taxpayer dollars.

FISCAL IMPACT:

Senate Bill 803 would not have a significant fiscal impact on the state or any unit of local government. The bill would allow for the issuance of a retail liquor license to establishments that are located on state-owned land and that meet the criteria established by the bill (namely, the bill would allow for issuance of licenses at the Cadillac Place office complex in Detroit). Since such a small population of entities would be affected by the bill, it would have a negligible fiscal impact.

Senate Bill 804 would have no fiscal impact on the state or local units of government.

POSITIONS:

Representatives of the Michigan Department of Technology, Management, and Budget testified in support of the bills. (4-25-18)

The Michigan Liquor Control Commission did not take a position on the bills. (4-25-18)

Legislative Analyst: Susan Stutzky
Fiscal Analyst: Marcus Coffin