Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bills 803 and 804 (as enacted)
Sponsor: Senator Dave Hildenbrand
Senate Committee: Regulatory Reform
House Committee: Regulatory Reform

PUBLIC ACTS 158 & 159 of 2018

Date Completed: 7-10-18

RATIONALE

The Cadillac Place, formerly known as the General Motors Building, is a 15-story, 1.4-million-square-foot State-owned building located in the New Center district in Detroit. Currently, the building houses several State offices and a few retail establishments, but a large portion of the building remains vacant. Some people recommended that the State lease the vacant space to retail and restaurant establishments in order to contribute to the economic development of the area. Michigan law requires that a concession in a State-owned or -occupied building be owned or operated by a blind person, and prohibits the issuance of liquor licenses in a building or on property owned or occupied by the State, subject to some exceptions. It was suggested that exceptions to these laws be made so the State may attract potential retail and restaurant business to the Cadillac Place.

CONTENT

Senate Bill 803 amended the Michigan Liquor Control Code and Senate Bill 804 amends Public Act 260 of 1978 (which relates to blind and visually impaired individuals) to do the following, respectively, regarding a State-owned building larger than 1.0 million square feet:

-- **Allow the Liquor Control Commission to issue a license to sell alcohol liquor in the building if space in it is leased to a private entity that holds a liquor license.**
-- **Make an exception to a requirement that a concession in a State-owned building be operated by a blind person.**

Senate Bill 804 also requires the Department of Technology, Management, and Budget to provide 1,700 square feet of space to the Commission for the Blind at the same rate provided to State agency tenants in the building larger than 1.0 million square feet.

Senate Bill 803 took effect on May 23, 2018. Senate Bill 804 will take effect on August 21, 2018.

Senate Bill 803

Subject to certain exceptions, the Liquor Control Code prohibits the Liquor Control Commission from issuing a license to sell alcoholic liquor, on or off the premises, if the property or establishment to be covered by the license is situated in or on State-owned land.

The bill made an additional exception to this prohibition for a building to which all of the following apply:

-- The building is owned by the State.
-- The State owns the land on which the building is located.

-- The building is more than 1.0 million square feet.
-- Space within the building is leased to a private entity that provided services in the building to the general public and that holds a license to sell alcoholic liquor as provided in the Code.

Senate Bill 804

Public Act 260 of 1978 requires a concession in a building or on property owned or occupied by the State to be operated by a blind person, subject to certain exceptions (described below). The Act also requires the Department of Technology, Management, and Budget to submit plans relative to concessions in State buildings or on State property to the Commission for the Blind, which has the final authority over the location of concessions.

Under the bill, subject to the following provision, the requirement that a concession in a State-owned or -operated building be operated by a blind person will not apply to a building or part of a building owned or occupied by the State if the building is larger than 1.0 million square feet.

The Commission will have to exercise its authority over the location of concessions to provide for automated vending machine concessions in such a building.

The bill also requires the Department to provide 1,700 square feet of space to the Commission at the same rental rate provided to State agency tenants in a State-owned or State-occupied building larger than 1.0 million square feet.

(The requirement that a concession in a State-owned or -operated building be operated by a blind person does not apply to a concession operated in connection with the State Fair, with the use of State fairgrounds, with a State educational institution, State penal institution, military establishment, armory, or State park.)

MCL 436.1519 (S.B. 803)
393.359 et al. (S.B. 804)

BACKGROUND

In 1919, General Motors (GM) founder William Durant began construction on a permanent GM building in downtown Detroit and commissioned prominent Detroit-area architect Albert Kahn for the project. Durant originally intended to name the building after himself, but he lost the naming rights after losing control of the automaker in 1921, and the building, instead, was named after the company. The building became fully operational in 1923 and was the second-largest office building in the world. From that time, the building served as the GM World Headquarters, until GM purchased the Renaissance Center in 1996. The Cadillac Place was designated a National Historic Landmark on June 2, 1978. In 1999, GM transferred the property to New Center Development, Inc., a nonprofit in which the State had an ownership stake, which began renovation of the upper floors. The State entered into a 20-year lease agreement to use the building for government offices with the option to purchase the building for $1 at the end of the lease. Upon completion of the renovations in 2002, the General Motors Building was renamed "Cadillac Place" in honor of Detroit's founding father, Antoine de la Mothe Cadillac. The Michigan Strategic Fund purchased the Cadillac Place in 2011 as part of refinancing the building. The building now houses offices for several State agencies, including the Michigan First District Court of Appeals.

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 New Center district is a commercial and residential historic district in Detroit located adjacent to Midtown, approximately three miles north of downtown. The district is an up-and-coming area that recently has seen increased real estate development and retail activity. Currently, the Cadillac Place is an underused resource that could contribute to the economic success of the area. While the New Center district presents great potential for retail opportunities, the area needs food establishments and other services businesses that will bring in foot traffic. The State wishes to find a good use for the vacant space in the Cadillac Place and has been approached by potential tenants who wish to lease space in the building.

According to retailers, economic development groups, and developers in the area, any successful retail plan in the building must include restaurants and food services, which may constitute anywhere from 25% to 50% of the tenants in the building. Without restaurants to draw and feed customers, the retail space will not thrive. Some of these restaurants also will have to sell alcohol in order to succeed. Michigan law prohibits liquor licenses in State-owned buildings, and requires that all dining and concession establishments in State-owned buildings be owned and operated by someone who is blind, but the State has been having difficulty filling the vacant space in the Cadillac Place with blind restaurant owners. The bills make exceptions to these existing laws for State-owned buildings exceeding 1.0 million square feet. The Cadillac Place is the only State-owned building to fall under the exceptions. Senate Bill 804 also enables the State to renew the lease of a Subway sandwich shop that is set to expire in 2020. Subway was being operated before the State took ownership of the building and is the only dining establishment currently operating in it.

The New Center district has the potential to become a thriving district for small business, and repurposing the Cadillac Place will be a key contributing factor to the area's success. Allowing the State to market and develop the Cadillac Place for retail and restaurant business will promote the economic development of the area.

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

Senate Bill 803

The bill is not expected to have a significant fiscal impact on the State or local units of government. The bill effectively allows for private tenants in the State-owned Cadillac Place office complex in Detroit to obtain a liquor license provided they already have a liquor license, presumably for another location. The Michigan Liquor Control Commission uses 41.5% of liquor license fee revenue to cover the costs associated with license issuance; 55.0% is given back to county sheriffs to enforce the State's liquor laws; and the remaining 3.5% is used to support alcoholism treatment programs. Because the bill affects only a single facility, it is expected that additional revenue from the new license or licenses that may result will not be significant.

Senate Bill 804

The bill will have no fiscal impact on State and local government as the Department of Technology, Management, and Budget has stated that current policy is to charge the same rate as charged to the State agency that occupies the building.

Fiscal Analyst: Joe Carrasco
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