



CITY COUNCIL AGENDA REPORT

February 20, 2012

To: John Szerlag, City Manager

From: Gary G. Mayer, Chief of Police

Subject: Reference Information for Liquor License Types

Please allow this memorandum to serve as an overview of the common liquor licensing issues that may be presented to City Council. It is intended to answer some of the common questions that council members have asked in the past. We stand ready to answer any additional questions.

Different types of liquor licenses issued by the Michigan Liquor Control Commission (MLCC):

Class C	This license allows the business to sell beer, wine, and liquor (spirits) for consumption on the premises (The City of Troy is allotted 54 Licenses – 53 are currently taken. <i>The 54 quota licenses are based on 1 license for every 1,500 citizens. Any additional licenses over the 54 must be transferred in from another city and will be counted against their quota.</i>
Club	This license allows a non-profit private club to sell beer, wine, and liquor (spirits) to bona fide members . Note: Club members may purchase alcoholic beverages for their guests.
B-Hotel	This license allows a hotel to sell beer, wine, and liquor (spirits) for consumption at the bar, banquet and meeting rooms, and in the rooms of bona fide guests.
A-Hotel (none in Troy)	This license allows a hotel to sell beer and wine only for consumption at the bar, banquet and meeting rooms, and in the rooms of bona fide guests.
Tavern (none in Troy)	This license allows a business to sell beer and wine only for consumption on the licensed premises.
Special License	This license (often called a “24 hour permit”) allows a non-profit organization to sell beer, wine, and/or liquor (spirits) for consumption on the licensed premises for a limited period of time. This includes wine auctions for charities.
Resort-C (eleven in Troy)	This license allows operation of regular Class-C licensed business based on certain restrictions. These licenses are issued only if the MLCC considers the business is designed to “attract tourists and visitors to the resort area, whose primary purpose is not for the sale of alcoholic liquor”, and there is a capital investment in real property of a determined amount by the applicant.
SDD	Specially Designated Distributor license allows package sale of liquor (spirits) for consumption off the licensed premises. Troy is allotted 27 of these types of licenses – all 27 are in current use. <i>The 27 quota licenses are based on 1 license for every 3,000 citizens.</i>
SDM	Specially Designated Merchant license allows the sale of beer and wine only for consumption off the licensed premises.



CITY COUNCIL AGENDA REPORT

Troy also has several Wholesale licenses that do not sell to the public. These are businesses that import or export items to stores in Michigan or out of state.

Some businesses that have a Class-C or a B-Hotel License also have a SDM license. The establishments have the SDM license so they are able to sell a patron a bottle of wine that has been opened and not finished at the restaurant or sell beer and wine to customers to be consumed after they leave the premises.

Permits:

The MLCC also requires that on premises licensees acquire permits for a variety of activities that take place at the establishment. These permits are the most common in Troy and require local approval before the MLCC can approve the permit.

Entertainment- This allows for dancing or entertaining by employees, the showing of movies or closed circuit television (boxing matches, concerts) or contests (such as karaoke or costume contests).

Dancing- This allows dancing by patrons. The dance floor must be clearly marked and be at least 100 sq. feet.

After Hours Food- This allows the business to stay open and serve food when alcohol sales are prohibited.

Outdoor Service-This allows the sale and consumption of alcoholic beverages in a well-defined area adjacent to the licensed business.

Direct Connection-This allows connecting the licensed business to any unlicensed area (Neiman Marcus Café at Somerset, for example).

Resort Licenses:

In addition to the number of quota licenses, the MLCC also issues **Resort Licenses**. Resort licenses can be Class C, Tavern, B-Hotel, and A-Hotel classifications. They are available only after **all** the licenses under the quota have been issued and if the businesses to be licensed will directly benefit tourism or visitors. *Applicants for a particular type of Resort liquor license must meet the qualifications for that type of license and as a Resort. MLC 436.1531(2)(3)(4).*

Classifications and Restrictions

Transferable Resort Licenses (MCL 436.1531(2)) This classification is authorized to sell the same type of alcoholic beverages as the regular quota license (i.e., Class C and B-Hotel can sell beer, wine, and liquor; A-Hotel and Tavern Resorts can only sell beer and wine). These licenses may transfer ownership and location anywhere in the state with Commission approval.

Non-Transferable Resort Licenses (MCL 436.1531(3)) Authorized to sell the same type of alcoholic beverages as the regular quota license. These licenses may transfer ownership with Commission approval, but not location. There must be an investment of at least \$75,000.00 in real property, improvements, and fixtures.

Resort Economic Development Licenses (MCL 436.1531(4)) Authorized to sell the same type of alcoholic beverages as the regular quota license. These licenses may transfer ownership with



CITY COUNCIL AGENDA REPORT

Commission approval, but not location. There must be at least a \$1,500,000 investment in the premises including real estate, building, leasehold improvements, fixtures, and inventory.

In addition, the resort licensee must meet the following requirement:

- The business must provide full course meals (except A-Hotel and B-Hotel).
- The business must have seating for not less than 100 persons (except A-Hotel and B-Hotel).
- The establishment must offer at least one of the following: Some type of public recreational or entertainment activity on the premises or in close proximity OR sleeping facilities, meeting or conference rooms, or convention facilities.
- The majority of the gross income of the business must be from activity other than the sale of alcoholic beverages (sale of food, greens fees, room rental, etc.).

Other Common Terms:

Redevelopment License-- A Redevelopment and Development District or Area License can be issued in a city redevelopment project area or a development district or area established by the local unit of government as a redevelopment project area (**Big Beaver Corridor**) under the following specific acts created by the legislator: (i) An authority district established under the tax increment finance authority act; (ii) A development area established under the corridor improvement authority act; (iii) A downtown district established under 1975 PA 197; (iv) A principal shopping district. The number of licenses that can be established by the local governmental unit under this quota is determined by the amount of investment in real and personal property. This license can be issued as a Class C, Tavern, B-Hotel, and A-Hotel License. The license can transfer ownership but not location.

License Transfer--The MLCC also allows the transfer of intra-county licenses. A license may be transferred within the county with the approval of the MLCC, and for Class C and B-Hotel, the approval of the local government (City Council or Township Board). These transfers can put the amount of licenses within the city above the MLCC quota amount.

Escrowed License-- Licenses in escrow are liquor licenses owned by the business, but the establishments are no longer open for business. The businesses still have to pay the licensing fee to the MLCC and the license can be kept in escrow for 5 years.

Local Government Approval--The MLCC requires the local government to adopt a resolution to approve a new Class C quota, resort, or transfer of Class-C, Tavern, B-Hotel and A-Hotel license before the MLCC will grant approval. **SDD and SDM licenses do not require local approval.**

Conclusion:

We know that liquor licensing can be complex and confusing, with regular changes issued by the MLCC. We feel it is important to monitor the Troy establishments that hold a liquor license, due to the potential ramifications. As a result, we take liquor licensing issues very seriously in Troy.