

September, 2016

TO: The Honorable Mayor and City Council

FROM: Brian Kischnick, City Manager
Gary Mayer, Chief of Police

SUBJECT: Reference Information for Liquor License Types

Please allow this memorandum to serve as an overview of the common liquor license types. It is intended to answer some of the questions that council members have asked in the past. There are many types of liquor licenses issued by the Michigan Liquor Control Commission (MLCC). Listed below are some of the most common types of liquor licenses. A complete list of all the liquor licenses types is available on the MLCC website at www.michigan.gov/lcc.

We stand ready to answer any additional questions.

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

Class C 64 in Troy	This is an on-premise license that allows a business (typically a restaurant) to sell beer, wine, and spirits to be consumed on the business premises.
Club 4 in Troy	This license is for non-profit licensed clubs such as Elks and VFW, where beer, wine and spirits can be sold and consumed on premises by registered members of the club, but not by the general public. Club members may purchase alcoholic beverages for their guests.
B-Hotel 8 in Troy	This is the same as a Class C license, but for hotels or motels to allow patrons to consume beer, wine, and spirits in the hotel or motel bar or restaurant or meeting rooms and in the hotel or motel guest rooms.
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.
Special 1-Day License	This license (often called a "24 hour license") allows a non-profit organization to sell beer, wine, and/or liquor (spirits) for consumption on the licensed premises for one day. This includes wine auctions for charities.
SDD	Specially Designated Distributor License is an off-premise license that allows the licensee to sell spirits to customers to be consumed off the licensed premises. This is the type of liquor license that some of the party stores, grocery stores, or liquor stores acquire in addition to a SDM. Troy is allotted a quota of 27 of these types of licenses, and all 27 are in use. The 27 quota licenses are based on 1 license for every 3000 residents in the city.
SDM	Specially Designated Merchant License is an off-premise license that allows the licensee to sell beer and wine to customers to be consumed off the licensed premises.

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.

Another type of liquor license is known as a Tavern License. This is an on-premises license that allows a restaurant to sell only beer and wine to be consumed at the business. There are none of these licenses in Troy, and they are not very common throughout the entire state of Michigan.

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

The number of on-premise liquor licenses (typically used in restaurants) in the City of Troy is based in part on a quota system. The MLCC issues on-premise quota liquor licenses to cities/townships in proportion to the most recent U.S. census population of the city/town (1 on-premise quota license for every 1500 residents in the city). As of the most recent census (Year 2010), the City of Troy is permitted 54 on-premise quota licenses. The official population will not change until after the next census is taken in the year 2020. Therefore, the number of 54 permitted on-premise quota licenses in the City of Troy will not change until after the 2020 census.

There is no statutory requirement that a local government unit must fill all of the quota liquor licenses that are available. City Council can determine to authorize an available quota liquor license for issuance or hold onto the license for future consideration.

Liquor License Transfer:

Even when there are no on-premise quota liquor licenses available, a business owner can still purchase an escrowed liquor license from another owner and request to transfer the license to the City of Troy. In order to transfer a liquor license to the City of Troy, applicants must begin the process with the MLCC. The application forms are on the MLCC's website www.michigan.gov/lcc, and the MLCC maintains a list of licenses that are in escrow on their website. The liquor license lists are found under the headings *Licensing Lists, Active and Escrowed License Lists By County*. A business owner can review the list of escrowed licenses and contact the owner of a liquor license to arrange for the purchase of the license. Then the business would apply to the MLCC in order to remove the license from escrow and transfer it to the City of Troy.

Currently, there are 64 on-premise Class C liquor licenses (typically used in restaurants) in the City of Troy. Most of those were quota licenses, and there are also several on-premise Class C liquor licenses that were transferred into Troy from other cities.

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).*

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 MLCC approval.

Non-Transferable Resort Licenses (MCL 436.1531(3)) Are 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)) Are 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 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.).

MLCC Permits:

The MLCC also requires that businesses with an on-premise liquor license obtain permits for various activities that take place at the business. The permits listed below are the most common in Troy.

Entertainment Permit - This allows for a performance of 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 Permit - This allows dancing by patrons. The dance floor must be clearly marked and be at least 100 square feet.

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

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

Direct Connection Permit - This allows connecting the licensed business to any unlicensed area.

Local Government Approval for Liquor Licenses and Permits:

In the year 2012 the MLCC began a series of on-going changes to the liquor license approval process. As a result of those changes made by the MLCC, there is no longer any approval required from City Council or the Police Department for most liquor license applications, including, but not limited to: transfer of Class C licenses to Troy, transfer of Hotel licenses to Troy, transfer of Resort C licenses to Troy, transfer of BrewPub licenses to Troy, transfer of ownership stock/transfer interest, also including any applications for Entertainment Permits, Dance Permits, Outdoor Service Permits, Direct Connection Permits, Sunday Sales Permits, Additional Bar Permits, Extended Hours Permits, among others, and all applications for off-premise businesses (party stores, grocery stores, liquor stores), including all SDD and SDM license applications.

The MLCC requires the local government (Troy City Council) to adopt a resolution to approve a new on-premise quota Class C license, a new Club license, a new BrewPub license, a new Resort license, a new Tavern license, a new Hotel license--and not much else--before the MLCC will grant their approval.

Conclusion:

We know that liquor licensing can be complex and confusing, especially with regular and frequent 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.

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