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June 29, 2005

TO: John Szerlag, City Manager

FROM: Charles T. Craft, Chief of Police *CTC*
Gary Mayer, Police Captain *GM*

SUBJECT: Intra-County Class C Liquor License Transfers

Recently, there has been action taken by local municipalities attempting to change the current Michigan liquor law that allows for the intra-county transfer of Class C quota licenses. This change in law would require that any and all quota liquor licenses be returned to the quota of the issuing municipality when no longer in use, regardless of the reason. It would end the practice of allowing an applicant to purchase an escrowed Class C license that has been issued in one municipality, and transfer it to another municipality within the same county.

As background, the Michigan Liquor Control Commission (MLCC) authorizes each municipality a specific number of licenses based on the most recent census, these license are referred to a quota licenses. In order for any Class C license to be issued or transferred-in, local governmental approval, in the form of a resolution, must be given. If approval is not granted, the license will not be issued/transferred. If all quota licenses are issued, a municipality may allow the transfer in of a Class C license from another governmental unit, within the same county, without the consent of the "donor" municipality.

Previous MLCC rules did not allow quota licenses to be transferred out of the originating community. As a result, the market value of resort Class C licenses, which could be transferred, skyrocketed. Often, owners of escrowed quota licenses owed back taxes and/or fees to a municipality, but were not allowed to sell the license to pay off their debt. When the Commission changed the rule to allow quota licenses to be transferred intra-county, there was a rush to buy up escrowed licenses. Many of the licenses were purchased out of escrow by large chain restaurants, and were transferred from older "core" cities to the suburbs.

Prohibiting intra-governmental unit transfers would serve municipalities who hope to utilize their quota licenses to attract investment. It would also serve a slow growth community, or one with a declining population, that would most likely not receive any additional quota licenses after the next census. As the City of Troy does not have any quota licenses remaining, banning intra-governmental transfers could negatively impact development. As example, the Class C license approved by Council for

Mayur Indian Cuisine was transferred in from Orion Township, and the recent request from Morton's Steakhouse involves a license being brought in from Farmington Hills. Additionally, if quota licenses were not permitted to be transferred, the cost of purchasing a Class C resort license would very likely skyrocket again.

In summary, if a municipality would like to increase the number of Class C establishments they have (over and above the number granted by quota), the current law allowing intra-governmental transfers benefits them. In that municipalities have the right to reject such transfers, the current law will not lead to a municipality becoming "over populated" with Class C liquor establishments, unless the governing body allows that to occur. Governmental units wishing to retain licenses for future issuance, without the fear of having them being purchased out of escrow and transferred, would support the changing of the current liquor laws.

Prepared by: Sergeant Tom Gordon

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