Increase the number of resort liquor licenses

The ORR/LCARC report recommends creating an additional 40 resort licenses per year, and lowering the capital investment threshold required for these new licenses to $500,000.

Currently, Michigan's on premises liquor licenses are issued according to a quota system that is based on the population of each city, township and village. The legislature has provided for licenses to be issued over and above the quota many times and for many reasons over the years. Currently there are approximately 1,194 existing resort licenses that have been issued without regard to the current quota requirements[1] and the statute (MCL 436.1531) allows the Liquor Control Commission to issue 20 more of these licenses every year.

The quota system was established to keep a balance in the number of establishments licensed to sell alcohol. Providing an additional avenue to avoid the quota limits puts existing businesses and public health at risk by:

- Devaluing the lifetime investments made by current licensees;
- Increasing the likelihood of selling to underage minors;
- Increasing the possibility of selling to intoxicated people; and
- Increasing the likelihood of other illegal acts.

These risks are real because businesses want to remain profitable, which becomes more difficult in light of the continual increase of licensed establishments, especially when many are allowed to enter the market with significantly less capital investment than existing licensees. Accordingly, in oversaturated markets licensees are more willing to sell to undesirable customers, such as intoxicated patrons and minors, in order to be profitable and remain in business.[2]

The number of original resort-type licenses issued by the Commission was capped at 550. However, over the years more have been created. Today, resort licenses are issued to applicants who operate businesses that meet certain requirements. Five of the 20 additional resort licenses that can be issued every year must be issued to applicants that invest at least $75,000. The remaining 15 of these resort licenses can be issued to applicants who invest at least $1.5 million in the business. They also must meet other requirements by being a full-service restaurant, a hotel with at least 25 rooms, a conference center that can accommodate at least 200 people, a sports/entertainment venue with at least 4,500 seats, such as the Palace of Auburn Hills, or an 18-hole golf course of at least 5,000 yards open to the public.

As it currently stands, not all of the approximately 1,194 available resort licenses are operating at this time. Of the 550 resort licenses that can be transferred anywhere in the

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[1] Michigan Liquor Control Commission

[2] Michigan Department of Community Health, Bureau of Disease Control, Prevention & Epidemiology (10/25/2011); Alcohol Justice, Alcohol outlet density and public health, (11/9/2011).

state, 75 are in escrow and available for transfer to qualifying businesses. There are 52 non-transferable resort licenses that are in escrow and not being used.[3]

The statute allows several other types of licenses to be issued without regard to quota as well. Cities, villages and townships that are experiencing redevelopment within their communities can qualify for additional licenses. Some cities, such as Grand Rapids, have a lot of money being invested in industrial, residential and commercial development and therefore qualify for many on-premises liquor licenses.

Despite the ready abundance of licenses that are available, the LCARC and ORR want to add another 40 licenses per year. They also want to lower the minimum investment to $500,000. Considering the fact that over the last five years, the Commission has issued 50 percent or less of the number of resort licenses available[4], this proposal is not needed.

With so many licensees available in the state as a whole, it is unwise to create new additional licensees that can circumvent quota requirements and be used in existing high density areas, rather than finding ways to better utilize the existing licenses that are available and not being used.

If a proposed licensee is unwilling to invest the capital to qualify for one of the many licenses already available, they may not be the type of business that the state should be licensing. This proposal is just an attempt to further circumvent the statutory on-premise quota limits in high license density areas of the state. As discussed above, these limits have already been drastically expanded due to numerous exemptions. By embracing the idea of expanding opportunities to avoid the quota limitation, the LCARC and the ORR are making an unsafe recommendation that will ultimately increase license density and negatively impact neighborhoods, families and public health.[5]

[3] Michigan Liquor Control Commission
[4] Michigan Liquor Control Commission
[5] Alcohol Justice. Alcohol Outlet Density and Public Health (11/9/2011); Cunradi CB et. al. Alcohol Outlets, Neighborhood Characteristics, and Intimate Partner Violence; Ecological Analysis of a California City. Journal of Urban Health; Bulletin of the New York Academy of Medicine, 88 (2); 191-200.