

TO: MAYOR LANDRY AND NOVI CITY COUNCIL
FROM: COUNCILMEMBER ANDREW MUTCH
SUBJECT: REDEVELOPMENT AREA LIQUOR LICENSES
DATE: JANUARY 11, 2009
CC: CLAY PEARSON, MARYANNE CORNELIUS

*Mayor and Council # 4
Jan 26, 2009*

Summary: Direct city administration to review the opportunity for the city to issue additional liquor licenses through the designation of a Redevelopment Project Area.

Background: In 2006, the State of Michigan amended the Liquor Control Code to provide for a new method for cities to issue liquor licenses. This new method allows the city to issue additional liquor licenses beyond those already allocated to the city under the current population-based allocation. The new method allows a city to designate a Redevelopment area that, if it meets certain criteria, permits the city to issue additional liquor licenses to businesses that are located or will be locating within the designated area. Unlike the quote license, these licenses would be restricted to use in the city of Novi. They could not be transferred out of the city and if a licensee went out of business, the license would have to be surrendered.

The city has been approached by a number of businesses seeking the city's quote liquor licenses. In most cases, the city has rejected these requests because the Council has decided that the particular businesses have not met the city's standard for uniqueness. In some cases, these businesses have gone outside the city to acquire licenses. These new licenses would give the city the ability to meet these license requests. By allowing for the city to issue additional licenses in a defined Redevelopment Area, the city would add another tool to our economic development and retention toolkit while also retaining control over the number and location of where new liquor licenses are issued.

Requested Action: Direct city administration to review the opportunity to issue additional liquor licenses through the designation of a Redevelopment Project Area and make a recommendation to the City Council on proceeding with that process.

Council Goal/Strategy: Encourage economic development to maximize City revenue and job growth 2008 – 2009 goal: Business Recruitment/Retention

Introduction

Public Act 501 of 2006, which creates new redevelopment liquor licenses, has passed into law. This is a tremendous victory for the many Michigan communities who have businesses that want to locate locally but cannot acquire a liquor license. This new law has the potential to greatly increase walkable traffic and entertainment in downtowns, and will be a boon to community economic development and redevelopment.

How to Apply

Just like all other on-premises liquor licenses, the municipality (city, village, or township) must pass a resolution approving the applicant (business owner) for the license. A sample resolution is attached. In addition to the language in the sample resolution, it should also include the words "Approved Above All Others" and should indicate that the approval is for an on-premises liquor license issued pursuant to PA 501 of 2006.

If the license is in the area of a Downtown Development Authority, Tax Increment Financing Authority, Corridor Improvement Authority or Principal Shopping District, the resolution should indicate that the license should be issued under Section 521a (1)(b) of PA 501 of 2006. If the license is in a city redevelopment project area (see below) the resolution should indicate that the license should be issued under Section 521a (1)(a) of PA 501 of 2006. This will ensure that the LCC knows what kind of liquor license is being requested.

The resolution must be forwarded to the LCC prior to or at the same time as the application. An application most likely will start a file for that license request. LCC staff has indicated that they can start accepting applications as soon as they receive this resolution from the community in support of the application and the information required in PA 501 (as follows).

The business owner then fills out an application for a liquor license. The applicant can obtain an application form for a new on-premise license by contacting the LCC licensing division at 517 322-1400, or by downloading the form at the LCC website at www.michigan.gov/documents/cis/CIS_LCC_lc687_181912_7.pdf. Most license applicants will want a Class C license (for restaurants, bars, etc). Hotels, though, may be in a different category and the applicant should discuss this with the LCC staff. The applicant may also want to indicate on the application that it is applying for a license as provided by PA 501 of 2006, but this is not necessary as the municipality will have already put this in the resolution.

The applicant will need to demonstrate to the LCC that it has attempted to secure an on-premise escrowed license or quota license issued under section 531 of the Liquor Control Act and that one was not readily available within the local unit of government, Section 521a(9). Businesses will also have to pay a \$20,000 fee for the license when it is approved.

The Act provides for two distinct types of licenses – "Development Authority Districts" and "City Redevelopment Project Areas" – and each of these has specific requirements that must be met.

Development Authority Districts

The licensed business must demonstrate that it is engaged in dining, entertainment, or recreation, is open to the general public and has a seating capacity of not less than 50 persons. Section 521a(6)(c).

The applicant, in the application or after submitting the application, must establish that it has done one of the following:

- expended at least \$75,000 for the rehabilitation or restoration of the building over a period of the preceding five years, or
- committed capital investment of at least \$75,000 that will be expended for the building before the license is issued. Section 521a(6)(a).

Once the application is filed with the LCC, proof must be submitted that:

1. the applicant business is located in a development authority district (Downtown Development Authority, Tax Increment Finance Authority, Corridor Improvement Authority, or Principal Shopping District) and
2. the total amount of private and public investment in real and personal property in the development district is at least \$200,000 for the preceding 5 years. Section 521a(6)(b).

Development Authority Districts may receive one license for each \$200,000 reached in the District, and for each major fraction thereof after the initial threshold is reached.

City Redevelopment Project Areas

The applicant, in the application or after submitting the application, must indicate to the LCC that it is engaged in dining, entertainment, or recreation activities at least 5 days per week and is open to the public at least 10 hours per day, 5 days per week. Section 521a(2)(a), (b). In addition, the applicant must present verification of redevelopment project area status. Section 521a(2)(c). The verification shall include:

1. a resolution passed by the city that designates the City Redevelopment Project Area, and affidavits of investments and population required by Section 521a(2)(c);
2. proof that commercial investment in the City Redevelopment Project Area is 25% or more of the total investment in real and personal property in the City Redevelopment Project Area, Section 521a(3); and
3. proof that total investment over the last 3 years (or last 5 years for the first licenses issued) in real and personal property in the City Redevelopment Project Area of:
 - at least \$50 million in cities having a population of 50,000 or more, or
 - at least \$1 million per 1,000 people in cities of less than 50,000, Section 521a(4).

There is no limit to the number of City Redevelopment Project Areas that a city can create. The city can create one large redevelopment zone or several small redevelopment areas. City Redevelopment Project Areas may receive one license for each of the above monetary thresholds reached, and for each major fraction thereof after the initial threshold is reached.

Note: The licenses created by PA 501 are not transferable by the business owner to another location. If a business with one of these licenses goes out of business, the license is surrendered to the LCC. If a license is surrendered back to the LCC from a business, the local unit of government may approve another applicant in that same development district or city redevelopment project area to replace the licensee as long as the new business meets the same requirements.

Request ID #

RESOLUTION

At a _____ meeting of the _____
(Regular or Special) (Township Board, City or Village Council)

called to order by _____ on _____ at _____ P.M.

The following resolution was offered:

Moved by _____ and supported by _____

That the request

be considered for _____
(Approval or Disapproval)

APPROVAL

DISAPPROVAL

Yeas: _____

Yeas: _____

Nays: _____

Nays: _____

Absent: _____

Absent: _____

It is the consensus of this legislative body that the application be:

_____ for issuance
(Recommended or Not Recommended)

State of Michigan _____

County of _____

I hereby certify that the foregoing is a true and complete copy of a resolution offered and

adopted by the _____ at a _____
(Township Board, City or Village Council) (Regular or Special)

meeting held on _____
(Date)

(Signed) _____
(Township, City or Village Clerk)

SEAL

(Mailing address of Township, City or Village)



Michigan Department of Labor & Economic Growth
MICHIGAN LIQUOR CONTROL COMMISSION (MLCC)
7150 Harris Drive, P.O. Box 30005
Lansing, Michigan 48909-7505

FOR MLCC USE ONLY

Request ID # _____

Business ID # _____

LOCAL APPROVAL NOTICE

[Authorized by MCL 436.1501]

January 30, 2007

TO:

APPLICANT:

Home Address and Telephone No. or Contact Address and Telephone No.:

The MLCC cannot consider the approval of an application for a new or transfer of an on-premises license without the approval of the local legislative body pursuant to the provisions of MCL 436.1501 of the Liquor Control Code of 1998. For your information, local legislative body approval is also required for DANCE, ENTERTAINMENT, DANCE-ENTERTAINMENT AND TOPLESS ACTIVITY PERMITS AND FOR OFFICIAL PERMITS FOR EXTENDED HOURS FOR DANCE AND/OR ENTERTAINMENT pursuant to the provisions of MCL 436.1916 of the Liquor Control Code of 1998.

For your convenience a resolution form is enclosed that includes a description of the licensing application requiring consideration of the local legislative body. The clerk should complete the resolution certifying that your decision of approval or disapproval of the application was made at an official meeting. **Please return the completed resolution to the MLCC as soon as possible.**

If you have any questions, please contact the On-Premises Section of the Licensing Division as (517) 636-4634.

**PLEASE COMPLETE ENCLOSED RESOLUTION AND RETURN
TO THE LIQUOR CONTROL COMMISSION AT ABOVE ADDRESS**