



Liquor Licenses for Redevelopment: Background and Process for Applying

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, township) must pass a resolution approving the applicant (business owner) for the license. This resolution, however, should indicate that the approval is for an on-premises liquor license issued pursuant to 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.