Memo Regarding Policy Changes to Liquor License Approvals

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Recommendation

For the reasons given below, my preference is that the Council eliminate the requirement that new liquor licenses created through the ordinance process begin with a six month probationary limited BV license. In its place, my preference is to grant a full BV license with a uniform probationary period involving two council check-ins at three month intervals for all establishments, whether they receive a transferred license or a license created through the ordinance process.

Background

The topic of liquor licenses has come before the Town Council recently, particularly with Thames Street Bistro's request for a full liquor license. Our current practice allows the Council to consider the transfer of a full liquor license without imposing a six month probationary period under a limited BV license. By contrast, new licenses created through the ordinance adoption process are required to demonstrate responsible stewardship of a limited liquor license (beer and wine only) before becoming eligible for a full liquor license. While this informal practice has been governed by past precedent, we do not yet have a formal written policy.

My preference is to eliminate the requirement of a six month probationary period under a limited BV license. In its place, I recommend that the Council consider granting a full BV license with two three-month council reviews while under a full BV license.

Several considerations have shaped this preference, particularly as alcohol consumption trends continue to evolve.

Competitive disparity between new and transferred licenses

Newly established restaurants that obtain a liquor license through ordinance adoption are unable to compete on equal footing with newly established businesses that receive their full licenses through a transfer (or long established businesses operating under a liquor license). The following example illustrates how a beer and wine only restriction can disadvantage a new establishment during its first six critical months of operation.

A 1.75 liter (roughly 25 ounce) bottle of wine, served in 6 ounce pours, yields approximately four glasses. At $15 per glass, one bottle generates $60 in sales. Assuming a wholesale cost of $20, the bottle produces a profit of $40.

Beer sells for roughly $10 per pint at a cost of approximately $5 per pint, producing a profit of $5 per pint.

A 1.75 liter (60 ounce) bottle of rum or gin costs about $30. Most pours are 1.5 ounces, which yields roughly 40 pours per bottle. At an average drink price of $15, those pours generate $600 in sales and a profit of $570.

Put another way, an establishment operating under a limited BV must sell fifteen bottles of wine to equal the profit from a single bottle of rum or gin, and must pour roughly 110 beers to do the same. This margin gap is significant during the early months when a new business is working to establish itself. It is especially significant when a business operating under an ordinance-created liquor license must compete against another new business that operates under a transferred full liquor license.

Here is a scenario that I would not expect to occur under our current policy, but illustrates a worst-case scenario: a single business owner opens two new identical restaurants in Bristol at roughly the same time. One acquires its license through a transfer and may offer a full beverage program from day one. The other, located a few blocks away, receives its license through the ordinance process and must operate under a limited BV license for six months. Due to the path taken to establish the license one restaurant captures full margins and a complete drink menu during its critical opening window, while the other is disadvantaged for reasons the owner cannot meaningfully address.

Public perception during the opening window

A second concern relates to how patrons perceive a new establishment's drink offerings. The first six months represent the period of greatest public curiosity about a new business, yet during precisely that window patrons cannot experience the full dining and beverage program the establishment intends to offer. Not every patron prefers beer or wine; many seek gluten free or lower calorie spirit options. In fact, operation under a limited liquor license does not allow the purchase of popular low alcohol spirit-based drinks like High Noon, Sun Cruiser, etc. Patrons whose preferences are not accommodated may share their impressions with prospective customers, which can shrink the customer base or create lasting misperceptions about what the business offers.

Larger Venues vs. Smaller Venues

I understand the reasoning behind past practice. A probationary limited BV requirement signals that the Town takes alcohol related transgressions, noise complaints, and similar disturbances seriously. However, small bistros and craft dining establishments that offer intimate dining experiences may not generate the kinds of disturbances we might reasonably anticipate from larger venues that cater to a younger, college aged crowd.

My hope is that an ordinance allowing a two 3-month council check-ins allows our community to continue our close monitoring of drinking establishments, while also providing a more flexible pathway for our restaurants to experience success.

Thank you for your consideration.

Aaron Ley