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ROSATI | SCHULTZ
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September 30, 2024

Sent Via Email

Mayor Arthur W. Bryant
City Council Members

Re: Quota Liquor License Issues

Dear Mayor Bryant and City Council Members:

At the Public Hearing on September 9, 2024, for two (2) applications for the City's one (1) remaining quota liquor license, the following questions were posed for additional research and response:

- (1) Can an available quota license held by a neighboring community be transferred to the City?
- (2) Is there a mechanism to appeal or change the number of quota licenses issued to the City?
- (3) In addition to the transfer of an available license into the City, are there other options for the creation of new Class C liquor licenses (for on-premise consumption)?

Based upon my research, and discussion with an attorney in our firm who regularly handles matters involving the Michigan Liquor Control Commission ("MLCC"), I offer the following information:

(1) Can an available quota license held by a neighboring community be transferred to the City?

According to the MLCC database, there is one available Class C liquor license in Grosse Pointe Shores. The license cannot be voluntarily transferred by Grosse Pointe Shores to Grosse Pointe Woods. However, an applicant could request the quota license from Grosse Pointe Shores and then request to transfer it to Grosse Pointe Woods. It is not known whether Grosse Pointe Shores would be inclined to grant that request nor is it known whether the acquisition and subsequent transfer would be approved by the MLCC.

The MLCC cannot issue another quota license to the City of Grosse Pointe Woods. The current total of eleven (11) quota licenses is based upon the 2020 Census population of 16,487. The previous 2010 Census population was 16,135. According to MCL 436.1531(1), the number of quota licenses shall not exceed more than one (1) license for each 1,500 of population or major fraction thereof. $[16,487 \div 1,500 = 10.99]$ Stated another way, the population of the City will need to reach 17,250 in order to have 12 quota licenses. $[17,250 \div 1,500 = 11.5]$

(2) Is there a mechanism to appeal or change the number of quota licenses issued to the City?

There is no mechanism to appeal the number of quota licenses stated in the law. However, if the population used by the MLCC or the quota calculation is erroneous, an appeal to the MLCC could be submitted.

(3) In addition to the transfer of an available license into the City, are there other options for the creation of new Class C liquor licenses (for on-premise consumption)?

It was mentioned by the City Planner at the Public Hearing that there are Redevelopment Liquor Licenses available if certain criteria are met and the process is undertaken by the applicant and the municipality. The Michigan Municipal League formulated a Fact Sheet about the two available options, the criteria, the process, and provided the application form. That information is attached. Also attached is the applicable provision of state law pertaining to quota licenses for your information.

(4) Applicable City Code provisions which merit further consideration in view of the two (2) applicants' proposals.

At the Public Hearing on September 9, 2024, both applicants gave presentations about their respective plans for use of the City's remaining quota liquor license. One applicant (Daily Jam GP, LLC) anticipates that alcohol sales will be a low percentage of its total sales; furthermore, its business will only be open 7:00 a.m. to 3:00 p.m. The other applicant (BCM Restaurants LLC/Lola's Tacos) proposes limited seating and anticipates that 60% of its business will be take out.

The applicants' proposals and presentations trigger further consideration of the provisions of Section 4-24 and 4-30 of the City Code, which are attached. In short, those ordinance provisions evidence a preference for full-service restaurants which encourage patrons to stay in the area longer, visit other local businesses before or after meals, and provide a catalyst for economic development in the community.

If you have any questions, please let me know.

Very truly yours,

ROSATI SCHULTZ JOPPICH
& AMTSBUECHLER PC

Debra A. Walling

Debra A. Walling

DAW/skb

Enclosure

cc: Frank Schulte, Sue Como, Brigitte Wolf

MCL 436.1531 Public license and resort license; on-premises escrowed license; limitations and quotas; additional licenses for certain establishments; license for certain events at public university; outdoor stadium; economic development factors; exceptions as to certain veterans and airports; special state census of local governmental unit; rules; availability of transferable licenses held in escrow; on-premises escrowed or quota license; issuance of available licenses; report; hotels; escrowed specially designated distributor license; transfer; applicability of administrative rule; definitions.

Sec. 531.

(1) The commission shall not issue a public license for the sale of alcoholic liquor for consumption on the premises if the issuance would result in more than 1 license for each 1,500 of population or major fraction of 1,500 population. An on-premises escrowed license issued under this subsection may be transferred, subject to local legislative approval under section 501(2), to an applicant whose proposed operation is located within any local governmental unit in a county in which the escrowed license was located. If the local governmental unit within which the former licensee's premises were located spans more than 1 county, an escrowed license may be transferred, subject to local legislative approval under section 501(2), to an applicant whose proposed operation is located within any local governmental unit in either county. If an escrowed license is activated within a local governmental unit other than that local governmental unit within which the escrowed license was originally issued, the commission shall count that activated license against the local governmental unit originally issuing the license. The quota under this subsection does not bar the right of an existing licensee to renew a license or transfer the license and does not bar the right of an on-premises licensee of any class to reclassify to another class of on-premises license in a manner not in violation of law or this act, subject to the consent of the commission. The upgrading of a license resulting from a request under this subsection is subject to approval by the local governmental unit having jurisdiction.

Liquor Licenses for Redevelopment

Introduction

Redevelopment liquor licenses became law in 2006 (PA 51 of 2006). When the law passed it was considered a victory for the many Michigan communities who had businesses that wanted to locate locally but could not acquire a liquor license.

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 (attached). In addition, the resolution should indicate that the approval is for an on-premises liquor license issued under MCL 436.1521a(1)(a) or MCL 436.1521a(1)(b). 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 MCL 436.1521a(1)(b). If the license is in a city redevelopment project area (see below) the resolution should indicate that the license should be issued under MCL 436.1521a(1)(a). This will ensure that the Liquor Control Commission (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 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-premises license by contacting the LCC licensing division at 866 813-0011 or downloading a form. There are two main forms an applicant for these licenses will need:

1. Retailer License & Permit Application (LCC-100) www.michigan.gov/documents/lara/LCC100_507420_7.pdf
2. New On-Premises Redevelopment or Development District License Questionnaire (LCC-109b) (attached): www.michigan.gov/documents/lara/lcc109b_628392_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 will need to demonstrate to the LCC that it has attempted to secure an on-premises 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 (DDA)

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 25 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).

The LCC may issue one license for every \$200,000.00 in investment or for each major fraction thereof.

City Redevelopment Project Areas (RDA)

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. 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 percent 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 three years 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.



Local Government Approval
(Authorized by MCL 436.1501)

Instructions for Applicants:

- You must obtain a recommendation from the local legislative body for a new on-premises license application, certain types of license classification transfers, and/or a new banquet facility permit.

Instructions for Local Legislative Body:

- Complete this resolution or provide a resolution, along with certification from the clerk or adopted minutes from the meeting at which this request was considered.

At a _____ meeting of the _____ council/board
(regular or special) (township, city, village)

called to order by _____ on _____ at _____
(date) (time)

the following resolution was offered:

Moved by _____ and supported by _____

that the application from _____
(name of applicant - if a corporation or limited liability company, please state the company name)

for the following license(s): _____
(list specific licenses requested)

to be located at: _____

and the following permit, if applied for:

Banquet Facility Permit Address of Banquet Facility: _____

It is the consensus of this body that it _____ this application be considered for
(recommends/does not recommend)

approval by the Michigan Liquor Control Commission.

If disapproved, the reasons for disapproval are _____

Vote

Yeas: _____

Nays: _____

Absent: _____

I hereby certify that the foregoing is true and is a complete copy of the resolution offered and adopted by the _____
council/board at a _____ meeting held on _____ (township, city, village)
(regular or special) (date)

Print Name of Clerk

Signature of Clerk

Date

Under Article IV, Section 40, of the Constitution of Michigan (1963), the Commission shall exercise complete control of the alcoholic beverage traffic within this state, including the retail sales thereof, subject to statutory limitations. Further, the Commission shall have the sole right, power, and duty to control the alcoholic beverage traffic and traffic in other alcoholic liquor within this state, including the licensure of businesses and individuals.

Please return this completed form along with any corresponding documents to:
Michigan Liquor Control Commission
Mailing address: P.O. Box 30005, Lansing, MI 48909
Hand deliveries or overnight packages: Constitution Hall - 525 W. Allegan, Lansing, MI 48933
Fax to: 517-763-0059



New On-Premises Redevelopment or Development District License Questionnaire

Complete and submit this questionnaire along with a fully completed [Retailer License & Permit Application \(LCC-100\)](#) with the documents required to be submitted with that form and any other documents required as listed below.

Part 1 - Applicant Information

Individuals, please state your legal name. Corporations or Limited Liability Companies, please state your name as it is filed with the State of Michigan Corporation Division.

Applicant name(s):		
Address to be licensed:		
City:	Zip Code:	
City/township/village where license will be issued:		County:
Contact Name:	Phone:	Email:
Mailing address (if different from above):		
City:	Zip Code:	

I am applying for the following on-premises redevelopment or development district license:

MCL 436.1521a(1)(a) - Redevelopment (RDA) License - Complete Parts 2a, 3, 4, & 5

Select one: Class C B-Hotel Tavern A-Hotel

- The proposed licensed premises must be located in a redevelopment project area defined by the local governmental unit and the investment in the redevelopment project area must meet one (1) of following requirements:
 - Investment of not less than \$50 million in cities, townships, or villages having a population of 50,000 or more
 - Investment of not less than \$1 million per 1,000 people in cities, townships, or villages having a population of less than 50,000
- The licensed business must be engaged in activities related to dining, entertainment, or recreation and provide that activity not less than five (5) days per week
- The licensed business must be open to the public not less than ten (10) hours per day, five (5) days per week
- The initial enhanced license fee for a license issued under this section is \$20,000.00

MCL 436.1521a(1)(b) - Development District (DDA) License - Complete Parts 2b, 3, 4, & 5

Select one: Class C B-Hotel Tavern A-Hotel

- The proposed licensed premises must be located in one of the development districts or areas listed in MCL 436.1521a(1)(b):
 - Tax Increment Finance Authority District Under Part 3 of Public Act 57 of 2018 (Formerly Public Act 450 of 1980)
 - Corridor Improvement Authority Act Development Area under Part 6 of Public Act 57 of 2018 (Formerly Public Act 280 of 2005)
 - Downtown Development Authority (DDA) District under Part 2 of Public Act 57 of 2018 (Formerly Public Act 197 of 1975)
 - Principal Shopping District under Public Act 120 of 1961
- The total investment in real and personal property within the development district or area shall not be less than \$200,000.00 over a period of the preceding five (5) years
- The building shall be a restoration or rehabilitation of an existing building and **cannot be a brand new building**
- The building that will house the proposed licensed premises must have at least \$75,000.00 expended for the rehabilitation or restoration of the building over the preceding five (5) years or a commitment for a capital investment of at least \$75,000.00 in the building that must be expended before the license is issued
- The licensed business must be engaged in activities related to dining, entertainment, or recreation
- The licensed business must be open to the general public and have a seating capacity of not less than 25 persons
- The initial enhanced license fee for a license issued under this section is \$20,000.00

Please Note: Pursuant to MCL 436.1521a(8) a license issued under MCL 436.1521a cannot be transferred to another location and if the licensee goes out of business the license issued under MCL 436.1521a shall be surrendered by the licensee to the Commission and the Commission will terminate the license.

Part 2a - MCL 436.1521a(1)(a) - Redevelopment (RDA) License Required Documents

- Resolution from local governmental unit establishing the redevelopment project area
- Affidavit from the assessor, certified by the city, township, or village clerk, which states the following:
 - The amount of investment money expended for manufacturing, industrial, residential, and commercial development within the redevelopment project area during the preceding three (3) years (must specifically state start and end dates for the investment, i.e. January 1, 2013, to December 31, 2015).
 - Statement that the amount of commercial investment in the redevelopment project area constitutes not less than 25% of the total investment in real and personal property in the area.
- Legible map of the redevelopment project area which clearly labels all street names

Part 2b - MCL 436.1521a(1)(b) - Development District (DDA) License Required Documents

- Resolution from local governmental unit establishing the development district or area which specifically references the statute under which the area was established:
 - Part 3 of Public Act 57 of 2018 (Formerly Public Act 450 of 1980) for Tax Increment Finance Authorities
 - Part 6 of Public Act 57 of 2018 (Formerly Public Act 280 of 2005) for Corridor Improvement Authorities
 - Part 2 of Public Act 57 of 2018 (Formerly Public Act 197 of 1975) for Downtown Development Authorities
 - Public Act 120 of 1961 for Principal Shopping Districts
- Affidavit from the assessor, certified by the city, township, or village clerk, which states the following:
 - The total amount of public and private investment in real and personal property within the development district or area over a period of the preceding five (5) years (must specifically state start and end dates for the investment, i.e. January 1, 2011, to December 31, 2015).
- Legible map of the development district or area which clearly labels all street names

Part 3 - Available License Search

MCL 436.1521a(9) requires any person signing an application for an on-premises Redevelopment or Development District license to verify that he or she attempted to purchase any of the on-premises licenses that are in escrow that do not have a pending transfer on file with the MLCC within the county in which the applicant for the on-premises Redevelopment or Development District license proposes to operate.

You should not apply for an on-premises Redevelopment or Development District license if there is an available quota license in the local governmental unit in which the proposed licensed business will be located. You may verify the availability of quota licenses on the Commission's website using the [Local Government Quota search page](#).

- I verify that I have attempted to purchase any readily available on-premises escrowed licenses that do not have pending transfers on file with the MLCC in the county where the proposed licensed business will be located.
 - Applicant should provide a notarized affidavit outlining all attempts and responses (or lack thereof) to secure a readily available on-premises license.
 - Applicant should send certified letters of inquiry as to the availability of the license to each licensee at the address listed on the licensee listing report provided by the MLCC.
 - Applicant should submit copies of the letters sent, certified tags, signed certified return receipts, copies of any envelopes returned by the USPS, and copies of any correspondence received from the licensees.
 - Applicant should provide dates, the name of the person contacted, and a synopsis of the conversation if escrowed licensees are contacted by telephone.
 - Applicant should provide documentation regarding the fair market value of the license based on where the applicant will be located, if determinable, the size and scope of the proposed operation, and/or the existence of mandatory contractual restrictions or inclusion attached to the sale of the license when indicating to the MLCC that purchase of a license is not economically feasible or the license is not readily available.
- There are no readily available on-premises licenses in escrow in the county where the proposed licensed business will be located.
- There are no unissued, on-premises quota licenses readily available in the local governmental unit where the proposed licensed business will be located.

Part 4 - Local Governmental Approval

An applicant for a new on-premises Redevelopment or Development District license requires approval by the legislative body of the local governmental unit in which the licensed premises will be located. Applicants for a license in a city that has a population of 600,000 or more do not require local governmental approval. Please use the [Local Governmental Unit Approval Form \(LCC-106\)](#) or obtain a resolution from the local governmental unit that contains the same information required on the form. The form or a resolution from the city, village, or township must specifically state the applicant's legal name, if an individual person, or the corporate name of the business, the proposed licensed address, and contain a recommendation for the issuance of a license under one of the two following options:

- New Class C* license issued under the provisions of MCL 436.1521a(1)(a)
- New Class C* license issued under the provisions of MCL 436.1521a(1)(b)

**May substitute other license types such as Tavern, A-Hotel, or B-Hotel licenses*

Part 5 - Signature of Applicant

I certify that the information contained in this form is true and accurate to the best of my knowledge and belief. I agree to comply with all requirements of the Michigan Liquor Control Code and Administrative Rules. I also understand that providing **false** or **fraudulent** information is a violation of the Liquor Control Code pursuant to MCL 436.2003.

I certify that I understand that pursuant to MCL 436.1521a(8) a license issued under MCL 436.1521a cannot be transferred to another location and that if the licensee goes out of business the license issued under MCL 436.1521a shall be surrendered by the licensee to the Commission and the Commission will terminate the license.

Print Name of Applicant & Title

Signature of Applicant

Date

Please return this completed form along with corresponding documents:
Michigan Liquor Control Commission
Mailing address: P.O. Box 30005, Lansing, MI 48909
Hand deliveries or overnight packages: Constitution Hall - 525 W. Allegan, Lansing, MI 48933
Fax to: 517-763-0059

Sec. 4-24. - Application and review procedures

(6) Review factors. In reviewing a request for a new license, transfers of ownership of existing licenses or transfers into the city of new on-premises licensees, the council may consider the following factors:

- a. The appropriate relationship between buildings and land uses.
- b. Total number of similar licenses in the city.
- c. Input from residents and surrounding business owners.
- d. Impact of the establishment on surrounding businesses and neighborhoods.
- e. Pedestrian and vehicular movement.
- f. Parking availability.
- g. Number of seats/occupancy compared to the surrounding area.
- h. Substantial renovation of existing buildings.
- i. Concentration of drinking establishments and impact on policing requirements.
- j. General policing requirements.
- k. Business history.
- l. Business experience.
- m. LCC violation history.
- n. Diversification of the type of commercial activity in a given area or block.
- o. Ratio of food to alcohol sales.
- p. Type or character of the establishment, e.g., full-service restaurant, "bar only" or hotel.
- q. Overall benefit of the plan to the city.
- r. The applicant's financial status and his ability to build or operate the proposed facility, including whether appropriate lease arrangements exist.
- s. The applicant's (including all individuals holding a five percent or greater interest) past criminal convictions for crimes involving moral turpitude, violence or alcohol.

t. The uniqueness of the proposed facility when compared with other existing or proposed facilities.

u. The permanence of the proposed establishment in the community, as evidenced by the proposed or actual commitments made by the applicant.

v. The effect that the proposed establishment would have in contributing to the economic stability or revitalization of areas with the city.

w. The cost burden to the city.

x. Any other factor that may affect the health, safety and welfare or the best interests of the city and its residents.

These factors are only intended to be guidelines to assist the council in making its determination and nothing in this article shall otherwise limit the council's discretion in making its determination.

Sec. 4-30. - Additional restrictions on licenses.

No license under this article shall be issued:

(1) To a person whose liquor license has been revoked or not renewed for cause under this article, comparable city ordinance, or state law or administrative rule.

(2) To a partnership or a limited liability company (LLC), unless all the members of the entity qualify to obtain a license.

(3) To a corporation, if any officer, manager or director thereof, or stockholder owning in the aggregate more than five percent of the stock of such corporation would not be eligible to receive a license under this article for any reason.

(4) To a person who has been convicted of a crime punishable by death or imprisonment in excess of one year under the law under which he was convicted; a crime involving theft, dishonesty or false statement (including tax evasion) regardless of punishment; or a crime or administrative violation of a federal or state law concerning the manufacture, possession or sale of alcoholic liquors or controlled substances.

(5) To a fast-food or drive-through type establishment or other establishment which has characteristics such as counter-only service or no wait staff.

(6) To a person who fails to make timely payments to the city of outstanding or delinquent taxes, utility charges, license fees, services rendered by the city or any other charges or monies due to the city.

(7) To a person who, at the time of application or renewal, would not have been eligible for such a license at the time the license was first applied for.