

SUBSTITUTE FOR  
HOUSE BILL NO. 4232

A bill to amend 1998 PA 58, entitled  
"Michigan liquor control code of 1998,"  
by amending section 531 (MCL 436.1531), as amended by 2002 PA  
725.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 531. (1) A public license shall not be granted for the  
2 sale of alcoholic liquor for consumption on the premises in  
3 excess of 1 license for each 1,500 of population or major  
4 fraction thereof. On-premises escrowed licenses issued under  
5 this subsection may be transferred subject to local legislative  
6 approval under section 501(2) to an applicant whose proposed  
7 operation is located within any local governmental unit in a  
8 county ~~with a population of under 500,000 or a county with a~~  
9 ~~population of over 700,000~~ in which the escrowed license was  
10 located. **However, if the on-premises escrowed license was issued**

1 to a location within a city with a population of over 190,000 but  
2 under 300,000, the on-premises escrowed license shall not be  
3 transferred to an applicant whose proposed operation is located  
4 within any other local governmental unit in the county in which  
5 that city is located. In addition, an escrowed license located  
6 within any local governmental unit in that county is not  
7 transferable into the city with a population of over 190,000 but  
8 under 300,000. If the local governmental unit within which the  
9 former licensee's premises were located spans more than 1 county,  
10 an escrowed license is available subject to local legislative  
11 approval under section 501(2) to an applicant whose proposed  
12 operation is located within any local governmental unit in either  
13 county. If an escrowed license is activated within a local  
14 governmental unit other than that local governmental unit within  
15 which the escrowed license was originally issued, the commission  
16 shall count that activated license against the local governmental  
17 unit originally issuing the license. This quota does not bar the  
18 right of an existing licensee to renew a license or transfer the  
19 license and does not bar the right of an on-premise licensee of  
20 any class to reclassify to another class of on-premises license  
21 in a manner not in violation of law or this act, subject to the  
22 consent of the commission. The upgrading of a license resulting  
23 from a request under this subsection shall be approved by the  
24 local governmental unit having jurisdiction.

25 (2) In a resort area, the commission may issue 1 or more  
26 licenses for a period not to exceed 12 months without regard to a  
27 limitation because of population, but not in excess of 550, and

1 with respect to the resort license the commission, by rule, shall  
2 define and classify resort seasons by months and may issue 1 or  
3 more licenses for resort seasons without regard to the calendar  
4 year or licensing year.

5  
6 (3) In addition to the resort licenses authorized in  
7 subsection (2), the commission may issue not more than 10  
8 additional licenses per year for the years 2003 and 2004 to  
9 establishments whose business and operation, as determined by the  
10 commission, is designed to attract and accommodate tourists and  
11 visitors to the resort area, whose primary purpose is not for the  
12 sale of alcoholic liquor, and whose capital investment in real  
13 property, leasehold improvement, and fixtures for the premises to  
14 be licensed is \$75,000.00 or more. Further, the commission shall  
15 issue 1 license under this subsection for the years 2003 and 2004  
16 to an applicant located in a rural area that has a poverty rate,  
17 as defined by the latest decennial census, greater than the  
18 statewide average, or that is located in a rural area that has an  
19 unemployment rate higher than the statewide average for 3 of the  
20 5 preceding years. In counties having a population of less than  
21 50,000, as determined by the last federal decennial census or as  
22 determined pursuant to subsection (11) and subject to subsection  
23 (16) in the case of a class A hotel or a class B hotel, the  
24 commission shall not require the establishments to have dining  
25 facilities to seat more than 50 persons. The commission may  
26 cancel the license if the resort is no longer active or no longer  
27 qualifies for the license. Before January 16 of each year the  
commission shall transmit to the legislature a report giving

1 details as to the number of applications received under this  
2 subsection; the number of licenses granted and to whom; the  
3 number of applications rejected and the reasons; and the number  
4 of the licenses revoked, suspended, or other disciplinary action  
5 taken and against whom and the grounds for revocation,  
6 suspension, or disciplinary action.

7  
8 (4) In addition to any licenses for the sale of alcoholic  
9 liquor for consumption on the premises that may be available in  
10 the local governmental unit under subsection (1) and the resort  
11 licenses authorized in subsections (2) and (3), the commission  
12 may issue not more than 20 resort economic development licenses  
13 per year for the years 2003 and 2004. A person is eligible to  
14 apply for a resort economic development license under this  
15 subsection upon submitting an application to the commission and  
16 demonstrating all of the following:

17 (a) The establishment's business and operation, as determined  
18 by the commission, is designed to attract and accommodate  
19 tourists and visitors to the resort area.

20 (b) The establishment's primary business is not the sale of  
21 alcoholic liquor.

22 (c) The capital investment in real property, leasehold  
23 improvement, fixtures, and inventory for the premises to be  
24 licensed is in excess of \$1,500,000.00.

25 (d) The establishment does not allow or permit casino  
26 gambling on the premises.

27 (5) In governmental units having a population of 50,000  
persons or less, as determined by the last federal decennial

1 census or as determined pursuant to subsection (11), in which the  
2 quota of specially designated distributor licenses, as provided  
3 by ~~commission rule~~ **section 533**, has been exhausted, the  
4 commission may issue not more than a total of 10 additional  
5 specially designated distributor licenses per year for the years  
6 2003 and 2004 to established merchants whose business and  
7 operation, as determined by the commission, is designed to  
8 attract and accommodate tourists and visitors to the resort  
9 area. A specially designated distributor license issued pursuant  
10 to this subsection may be issued at a location within 2,640 feet  
11 of existing specially designated distributor license locations.  
12 A specially designated distributor license issued pursuant to  
13 this subsection shall not bar another specially designated  
14 distributor licensee from transferring location to within 2,640  
15 feet of said licensed location. A specially designated  
16 distributor license issued pursuant to section 533 may be located  
17 within 2,640 feet of a specially designated distributor license  
18 issued pursuant to this subsection.

19  
20 (6) In addition to any licenses for the sale of alcoholic  
21 liquor for consumption on the premises that may be available in  
22 the local governmental unit under subsection (1), and the resort  
23 or resort economic development licenses authorized in subsections  
24 (2), (3), and (4), and notwithstanding section 519, the  
25 commission may issue not more than 5 additional special purpose  
26 licenses in any calendar year for the sale of beer and wine for  
27 consumption on the premises. A special purpose license issued  
pursuant to this subsection shall be issued only for events which

1 are to be held from May 1 to September 30, are artistic in  
2 nature, and which are to be held on the campus of a public  
3 university with an enrollment of 30,000 or more students. A  
4 special purpose license shall be valid for 30 days or for the  
5 duration of the event for which it is issued, whichever is less.  
6 The fee for a special purpose license shall be \$50.00. A special  
7 purpose license may be issued only to a corporation which is all  
8 of the following:

9 (a) Is a nonprofit corporation organized pursuant to the  
10 nonprofit corporation act, 1982 PA 162, MCL 450.2101 to  
11 450.3192.

12 (b) Has a board of directors constituted of members of whom  
13 half are elected by the public university at which the event is  
14 scheduled and half are elected by the local governmental unit.

15 (c) Has been in continuous existence for not less than 6  
16 years.

17 (7) Notwithstanding the local legislative body approval  
18 provision of section 501(2) and notwithstanding the provisions of  
19 section 519, the commission may issue, without regard to the  
20 quota provisions of subsection (1) and with the approval of the  
21 governing board of the university, either a tavern or class C  
22 license which may be used only for regularly scheduled events at  
23 a public university's established outdoor program or festival at  
24 a facility on the campus of a public university having a head  
25 count enrollment of 10,000 students or more. A license issued  
26 under this subsection may only be issued to the governing board  
27 of a public university, a person that is the lessee or

1 concessionaire of the governing board of the university, or  
2 both. A license issued under this subsection is not transferable  
3 as to ownership or location. A license issued under this  
4 subsection may not be issued at an outdoor stadium customarily  
5 used for intercollegiate athletic events.

6  
7 (8) In issuing a resort or resort economic development  
8 license under subsection (3), (4), or (5), the commission shall  
9 consider economic development factors of the area in the issuance  
10 of licenses to establishments designed to stimulate and promote  
11 the resort and tourist industry. The commission shall not  
12 transfer a resort or resort economic development license issued  
13 under subsection (3), (4), or (5) to another location. If the  
14 licensee goes out of business the license shall be surrendered to  
15 the commission.

16  
17 (9) The limitations and quotas of this section are not  
18 applicable to the issuance of a new license to a veteran of the  
19 armed forces of the United States who was honorably discharged or  
20 released under honorable conditions from the armed forces of the  
21 United States and who had by forced sale disposed of a similar  
22 license within 90 days before or after entering or while serving  
23 in the armed forces of the United States, as a part of the  
24 person's preparation for that service if the application for a  
25 new license is ~~made~~ **submitted** for the same governmental unit in  
26 which the previous license was issued and within 60 days after  
27 the discharge of the applicant from the armed forces of the  
United States.

(10) The limitations and quotas of this section shall not be

1 applicable to the issuance of a new license or the renewal of an  
2 existing license where the property or establishment to be  
3 licensed is situated in or on land on which an airport owned by a  
4 county or in which a county has an interest is situated.

5  
6 (11) For purposes of implementing this section a special  
7 state census of a local governmental unit may be taken at the  
8 expense of the local governmental unit by the federal bureau of  
9 census or the secretary of state under section 6 of the home rule  
10 city act, 1909 PA 279, MCL 117.6. The special census shall be  
11 initiated by resolution of the governing body of the local  
12 governmental unit involved. The secretary of state may  
13 promulgate additional rules necessary for implementing this  
14 section pursuant to the administrative procedures act of 1969,  
15 1969 PA 306, MCL 24.201 to 24.328.

16  
17 (12) Before granting an approval as required in section  
18 501(2) for a license to be issued under subsection (2), (3), or  
19 (4), a local legislative body shall disclose the availability of  
20 transferable licenses held in escrow for more than 1 licensing  
21 year within that respective local governmental unit. Public  
22 notice of the meeting to consider the granting of the license by  
23 the local governmental unit shall be made 2 weeks before the  
24 meeting.

25  
26 (13) The person signing the application for an on-premise  
27 resort or resort economic development license shall state and  
verify that he or she attempted to secure an on-premise escrowed  
28 **license** or quota license and that, to the best of his or her  
29 knowledge, an on-premise escrowed **license** or quota license is not



1 readily available within ~~1~~ of the following:

2 ~~—— (a) In a county with a population under 500,000 or over~~  
3 ~~700,000, the county in which the applicant for the on-premise~~  
4 ~~resort or resort economic development license proposes to~~  
5 ~~operate, **except in the case involving a city with a population of**~~  
6 ~~**over 190,000 but under 300,000 that verification is not**~~  
7 ~~**required.**~~

8 ~~(b) In a county not described in subdivision (a), the local~~  
9 ~~governmental unit in which the applicant for the on-premise~~  
10 ~~resort or resort economic development license proposes to~~  
11 ~~operate.~~

12 (14) The commission shall not issue an on-premise resort or  
13 resort economic development license if the ~~local governmental~~  
14 ~~unit or county, as appropriate,~~ within which the resort or  
15 resort economic development license applicant proposes to operate  
16 has not issued all on-premise licenses available under subsection  
17 (1) or if an on-premise escrowed license exists and is readily  
18 available within the local governmental unit in which the  
19 applicant for the on-premise resort or resort economic  
20 development license proposes to operate, **except in the case**  
21 **involving a city with a population of over 190,000 but under**  
22 **300,000.** The commission may waive the provisions of this  
23 subsection upon a showing of good cause.

24 (15) The commission shall annually report to the legislature  
25 the names of the businesses issued licenses under this section  
26 and their locations.

27 (16) The commission shall not require a class A hotel or a

1 class B hotel licensed pursuant to subsection (2), (3), or (4) to  
2 provide food service to registered guests or to the public.

3 (17) Subject to the limitation and quotas of subsection (1)  
4 and to local legislative approval under section 501(2), the  
5 commission may approve the transfer of ownership and location of  
6 an on-premises escrowed license within the same county to a class  
7 G-1 or class G-2 license or may approve the reclassification of  
8 an existing on-premises license at the location to be licensed to  
9 a class G-1 license or to a class G-2 license, subject to  
10 subsection (1). Resort or economic development on-premises  
11 licenses created under subsection (3) or (4) may not be issued  
12 as, or reclassified to, a class G-1 or class G-2 license.

13 (18) As used in this section:

14 (a) "Escrowed license" means a license in which the rights of  
15 the licensee in the license or to the renewal of the license are  
16 still in existence and are subject to renewal and activation in  
17 the manner provided for in R 436.1107 of the Michigan  
18 administrative code.

19 (b) "Readily available" means available under a standard of  
20 economic feasibility, as applied to the specific circumstances of  
21 the applicant, that includes, but is not limited to, the  
22 following:

23 (i) The fair market value of the license, if determinable.

24 (ii) The size and scope of the proposed operation.

25 (iii) The existence of mandatory contractual restrictions or  
26 inclusions attached to the sale of the license.