

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 247

A bill to amend 1998 PA 58, entitled
"Michigan liquor control code of 1998,"
by amending section 531 (MCL 436.1531), as amended by 2014 PA 135.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 531. (1) A—**The commission shall not issue a public**
2 license ~~shall not be granted~~ for the sale of alcoholic liquor for
3 consumption on the premises **if the issuance would result in excess**
4 ~~of more than 1 license for each 1,500 of population or major~~
5 ~~fraction thereof.~~ **of 1,500 population.** An on-premises escrowed
6 license issued under this subsection may be transferred, subject to
7 local legislative approval under section 501(2), to an applicant
8 whose proposed operation is located within any local governmental
9 unit in a county in which the escrowed license was located. If the



1 local governmental unit within which the former licensee's premises
 2 were located spans more than 1 county, an escrowed license may be
 3 transferred, subject to local legislative approval under section
 4 501(2), to an applicant whose proposed operation is located within
 5 any local governmental unit in either county. If an escrowed
 6 license is activated within a local governmental unit other than
 7 that local governmental unit within which the escrowed license was
 8 originally issued, the commission shall count that activated
 9 license against the local governmental unit originally issuing the
 10 license. ~~This~~ **The** quota **under this subsection** does not bar the
 11 right of an existing licensee to renew a license or transfer the
 12 license and does not bar the right of an on-premises licensee of
 13 any class to reclassify to another class of on-premises license in
 14 a manner not in violation of law or this act, subject to the
 15 consent of the commission. The upgrading of a license resulting
 16 from a request under this subsection is subject to approval by the
 17 local governmental unit having jurisdiction.

18 (2) In a resort area, the commission may issue no more than
 19 550 licenses for a period not to exceed 12 months without regard to
 20 a limitation because of population and with respect to the resort
 21 license the commission, by rule, shall define and classify resort
 22 seasons by months and may issue 1 or more licenses for resort
 23 seasons without regard to the calendar year or licensing year.

24 (3) In addition to the resort licenses authorized in
 25 subsection (2), the commission may issue not more than 5 additional
 26 licenses per year to establishments whose business and operation,
 27 as determined by the commission, is designed to attract and
 28 accommodate tourists and visitors to the resort area, whose primary
 29 purpose is not for the sale of alcoholic liquor, and whose capital



1 investment in real property, leasehold improvement, and fixtures
 2 for the premises to be licensed is \$75,000.00 or more. Further, the
 3 commission shall issue 1 license under this subsection per year to
 4 an applicant located in a rural area that has a poverty rate, as
 5 defined by the latest decennial census, greater than the statewide
 6 average, or that is located in a rural area that has an
 7 unemployment rate higher than the statewide average for 3 of the 5
 8 preceding years. In counties having a population of less than
 9 50,000, as determined by the last federal decennial census or as
 10 determined under subsection ~~(11)~~ **(15)** and subject to subsection
 11 ~~(16) in the case of~~ **(20) for** a class A hotel or a class B hotel,
 12 the commission shall not require the establishments to have dining
 13 facilities to seat more than 50 persons. The commission may cancel
 14 the license if the resort is no longer active or no longer
 15 qualifies for the license. Before January 16 of each year the
 16 commission shall transmit to the legislature a report giving
 17 details as to all of the following:

18 (a) The number of applications received under this subsection.

19 (b) The number of licenses granted and to whom.

20 (c) The number of applications rejected and the reasons they
 21 were rejected.

22 (d) The number of the licenses revoked, suspended, or **as to**
 23 **which** other disciplinary action **was** taken, ~~and against whom the~~
 24 **names of the licensees**, and the grounds for revocation, suspension,
 25 or disciplinary action.

26 (4) In addition to any licenses for the sale of alcoholic
 27 liquor for consumption on the premises that may be available in the
 28 local governmental unit under subsection (1) and the resort
 29 licenses authorized in subsections (2) and (3), the commission may



1 issue not more than 15 resort economic development licenses per
2 year. A person is eligible to apply for a resort economic
3 development license under this subsection ~~upon~~**on** submitting an
4 application to the commission and demonstrating all of the
5 following:

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

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

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

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

16 (5) In governmental units having a population of 50,000 or
17 less, as determined by the last federal decennial census or as
18 determined under subsection ~~(11)~~**(15)**, in which the quota of
19 specially designated distributor licenses, as provided by section
20 533, has been exhausted, the commission may issue not more than a
21 total of 15 additional specially designated distributor licenses
22 per year to established merchants whose business and operation, as
23 determined by the commission, is designed to attract and
24 accommodate tourists and visitors to the resort area. A specially
25 designated distributor license issued under this subsection may be
26 issued at a location within 2,640 feet of existing specially
27 designated distributor license locations. A specially designated
28 distributor license issued under this subsection ~~shall~~**does** not bar
29 another specially designated distributor licensee from transferring



1 location to within 2,640 feet of that licensed location. A
 2 specially designated distributor license issued under section 533
 3 may be located within 2,640 feet of a specially designated
 4 distributor license issued under this subsection. The person
 5 signing the application for a specially designated distributor
 6 license under this subsection shall state that ~~he or she~~ **the person**
 7 attempted to secure an escrowed specially designated distributor
 8 license or quota license and that, to the best of ~~his or her~~ **the**
 9 **person's** knowledge, an escrowed specially designated distributor
 10 license or quota license is not readily available within the county
 11 in which the applicant for the specially designated distributor
 12 license under this subsection proposes to operate.

13 (6) In addition to any licenses for the sale of alcoholic
 14 liquor for consumption on the premises that may be available in the
 15 local governmental unit under subsection (1), and the resort or
 16 resort economic development licenses authorized in subsections (2),
 17 (3), and (4), and notwithstanding section 519, the commission may
 18 issue not more than 5 additional special purpose licenses in any
 19 calendar year for the sale of beer and wine for consumption on the
 20 premises. ~~A~~ **The commission may issue a** special purpose license
 21 ~~issued~~ under this subsection ~~shall be issued~~ only for events that
 22 are to be held from May 1 to September 30, are artistic in nature,
 23 and that are to be held on the campus of a public university with
 24 an enrollment of 30,000 or more students. A special purpose license
 25 is valid for 30 days or for the duration of the event for which it
 26 is issued, whichever is less. The fee for a special purpose license
 27 is \$50.00. A special purpose license may be issued only to a
 28 corporation that meets all of the following requirements:

29 (a) ~~is~~ **The corporation is** a nonprofit corporation organized



1 under the nonprofit corporation act, 1982 PA 162, MCL 450.2101 to
2 450.3192.

3 (b) ~~Has~~**The corporation has** a board of directors constituted
4 of members of whom half are elected by the public university at
5 which the event is scheduled and half are elected by the local
6 governmental unit.

7 (c) ~~Has~~**The corporation has** been in continuous existence for
8 not less than 6 years.

9 (7) Notwithstanding the local legislative body approval
10 ~~provision~~**requirement** of section 501(2) and notwithstanding ~~the~~
11 ~~provisions of~~ section 519, the commission may issue, without regard
12 to the quota ~~provisions~~**requirement** of subsection (1) and with the
13 approval of the governing board of the university, either a tavern
14 or class C license ~~which~~**that** may be used only for regularly
15 scheduled events at a public university's established outdoor
16 program or festival at a facility on the campus of a public
17 university having a head count enrollment of 10,000 students or
18 more. ~~A~~**The commission may issue a** license ~~issued~~ under this
19 subsection ~~may only be issued~~ to the governing board of a public
20 university, a person that is the lessee or concessionaire of the
21 governing board of the university, or both. A license issued under
22 this subsection is not transferable as to ownership or location.
23 Except as otherwise provided in this subsection, a license issued
24 under this subsection may not be issued at an outdoor stadium
25 customarily used for intercollegiate athletic events. A license may
26 be issued at an outdoor stadium customarily used for
27 intercollegiate athletic events for not more than 30 consecutive
28 days to a concessionaire of an entity granted exclusive use of a
29 public university's property in conjunction with a hockey game



1 sanctioned by an unincorporated not-for-profit association that
2 operates a major professional ice hockey league consisting of teams
3 located in Canada and in the United States or in conjunction with a
4 professional international soccer match between 2 international
5 soccer clubs as part of a tournament sanctioned by a not-for-profit
6 association that is the governing body for soccer in the United
7 States and organized and promoted by a match agent that is licensed
8 by the international governing body for soccer if the
9 concessionaire has entered into an agreement granting it control of
10 the licensed premises for the purposes of complying with this act
11 and rules promulgated under this act regarding the sale of
12 alcoholic liquor. A nationally televised game between 2
13 professional hockey teams or 2 professional international soccer
14 clubs played outdoors is considered an established outdoor program
15 for the purposes of this subsection. Notwithstanding any provision
16 of this act or any rule promulgated under this act, a
17 concessionaire obtaining a license under this subsection may share
18 the profits generated from that license with an unincorporated not-
19 for-profit association that operates a major professional ice
20 hockey league consisting of teams located in Canada and in the
21 United States or an affiliated entity under a written contract
22 reviewed by the commission or with a licensed match agent and a
23 promoter that organizes and promotes international soccer matches
24 under a written contract reviewed by the commission. If the
25 established outdoor program is a nationally televised game between
26 2 professional hockey teams or 2 professional international soccer
27 clubs, the commission may allow the promotion and advertising of
28 alcoholic liquor brands on the campus of a public university where
29 a concessionaire has been issued a license under this subsection



1 for the duration of the license.

2 (8) Notwithstanding the local legislative body approval
3 requirement of section 501(2) and notwithstanding section 519, and
4 subject to subsection (10), the commission may issue to the
5 governing board of a public university, without regard to the quota
6 requirement of subsection (1) and with the approval of the
7 governing board of the university, not more than 5 tavern licenses,
8 5 class C licenses, or any combination of tavern or class C
9 licenses, not to exceed 5 licenses total, which are not
10 transferrable, that may be used for scheduled events within the
11 public area of a facility on university property that is
12 customarily used for intercollegiate athletic events if all of the
13 following conditions are met:

14 (a) The sales and service of alcoholic liquor conducted under
15 the licenses are conducted by individuals who have successfully
16 completed a server training program as provided for in section 906
17 and who are not volunteers for an organization working during an
18 event as part of a fund-raising activity for the organization.

19 (b) Subject to sections 1114 and 1115, the sales and service
20 of alcoholic liquor are limited to 1 hour before the event and
21 while the event is occurring. Consumption of alcoholic liquor
22 purchased on the licensed premises is limited to 1 hour before the
23 event, while the event is occurring, and 30 minutes after the event
24 has ended.

25 (c) The commission issues a separate license for each facility
26 on university property that is customarily used for intercollegiate
27 athletic events.

28 (d) The licensee provides in writing to the commission a list
29 of the dates and times of events for which each license issued will



1 be used at least 2 weeks before the start of the events, subject to
2 the following:

3 (i) The licenses issued under this subsection must not be used
4 for more than 100 days per calendar year in aggregate for all
5 licenses combined for intercollegiate athletic scheduled events.

6 (ii) The licenses issued under this subsection is not used for
7 more than 5 days per calendar year in aggregate for all licenses
8 combined for other scheduled events.

9 (e) The sales and service of alcoholic liquor are conducted
10 only at fixed locations within the licensed premises.

11 (f) Dispensing machines described in section 552 are
12 prohibited on the premises of a license issued under this
13 subsection.

14 (9) The holder of a special license issued by the commission
15 may sell and serve alcoholic liquor on the premises of a license
16 issued under subsection (8) on dates and times other than the dates
17 and times provided to the commission as required in subsection
18 (8) (d). A licensee that has been issued a catering permit under
19 section 547 may deliver and serve alcoholic liquor at a private
20 event on the premises of a license issued under subsection (8) on
21 dates and times other than the dates and times provided the
22 commission as required in subsection (8) (d).

23 (10) If applicable, the commission may issue only the
24 following permits, permissions, or approvals to be held in
25 conjunction with a license issued under subsection (8):

26 (a) If the license is a class C license, additional bars under
27 section 525(1) (o).

28 (b) Dance permit.

29 (c) Direct connection.



- 1 (d) Entertainment permit.
 2 (e) Extended hours permit.
 3 (f) Off-premises storage.
 4 (g) Participation permit.
 5 (h) Specific purpose permit.
 6 (i) Sunday sales permit.

7 (11) The commission shall not approve an outdoor service area
 8 under R 436.1419 of the Michigan Administrative Code for a license
 9 issued under subsection (8). The outdoor portion of an outdoor
 10 facility on university property that is customarily used for
 11 intercollegiate athletic events issued a license under subsection
 12 (8) is not considered an outdoor service area.

13 (12) ~~(8)~~—In issuing a resort or resort economic development
 14 license under subsection (3), (4), or (5), the commission shall
 15 consider economic development factors of the area in issuing
 16 licenses to establishments designed to stimulate and promote the
 17 resort and tourist industry. The commission shall not transfer a
 18 resort or resort economic development license issued under
 19 subsection (3), (4), or (5) to another location. If the licensee
 20 goes out of business the license ~~shall~~**must** be surrendered to the
 21 commission.

22 (13) ~~(9)~~—The limitations and quotas of this section are not
 23 applicable to issuing a new license to a veteran of the ~~armed~~
 24 ~~forces~~**Armed Forces** of the United States who was honorably
 25 discharged or released under honorable conditions from the ~~armed~~
 26 ~~forces~~**Armed Forces** of the United States and who had by forced sale
 27 disposed of a similar license within 90 days before or after
 28 entering or while serving in the ~~armed forces~~**Armed Forces** of the
 29 United States, as a part of the person's preparation for that



1 service if the application for a new license is submitted for the
 2 same governmental unit in which the previous license was issued and
 3 within 60 days after the discharge of the applicant from the ~~armed~~
 4 ~~forces~~ **Armed Forces** of the United States.

5 (14) ~~(10)~~—The limitations and quotas of this section are not
 6 applicable to issuing a new license or renewing an existing license
 7 where the property or establishment to be licensed is situated in
 8 or on land on which an airport owned by a county or in which a
 9 county has an interest is situated.

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

20 (16) ~~(12)~~—Before granting an approval as required in section
 21 501(2) for a license to be issued under subsection (2), (3), or
 22 (4), a local legislative body shall disclose the availability of
 23 transferable licenses held in escrow for more than 1 licensing year
 24 within that respective local governmental unit. The local
 25 governmental unit shall provide public notice of the meeting to
 26 consider the granting of the license by the local governmental unit
 27 2 weeks before the meeting.

28 (17) ~~(13)~~—The person signing the application for an on-
 29 premises resort or resort economic development license shall state



1 and verify that ~~he or she~~ **the person** attempted to secure an on-
 2 premises escrowed license or quota license and that, to the best of
 3 ~~his or her~~ **the person's** knowledge, an on-premises escrowed license
 4 or quota license is not readily available within the county in
 5 which the applicant for the on-premises resort or resort economic
 6 development license proposes to operate.

7 **(18)** ~~(14)~~—The commission shall not issue an on-premises resort
 8 or resort economic development license if the county within which
 9 the resort or resort economic development license applicant
 10 proposes to operate has not issued all on-premises licenses
 11 available under subsection (1) or if an on-premises escrowed
 12 license exists and is readily available within the local
 13 governmental unit in which the applicant for the on-premises resort
 14 or resort economic development license proposes to operate. The
 15 commission may waive the provisions of this subsection ~~upon~~ **on** a
 16 showing of good cause.

17 **(19)** ~~(15)~~—The commission shall annually report to the
 18 legislature the names of the businesses issued licenses under this
 19 section and their locations.

20 **(20)** ~~(16)~~—The commission shall not require a class A hotel or
 21 a class B hotel licensed under subsection (2), (3), or (4) to
 22 provide food service to registered guests or to the public.

23 **(21)** ~~(17)~~—Subject to the limitation and quotas ~~of~~ **in**
 24 subsection (1) and to local legislative approval under section
 25 501(2), the commission may approve the transfer of ownership and
 26 location of an on-premises escrowed license within the same county
 27 to a class G-1 or class G-2 license or may approve the
 28 reclassification of an existing on-premises license at the location
 29 to be licensed to a class G-1 license or to a class G-2 license,



1 subject to subsection (1). Resort or economic development on-
 2 premises licenses created under subsection (3) or (4) may not be
 3 issued as, or reclassified to, a class G-1 or class G-2 license.

4 **(22)** ~~(18)~~—An escrowed specially designated distributor license
 5 may be transferred, with the consent of the commission, to an
 6 applicant whose proposed operation is located within any local
 7 governmental unit in a county in which the specially designated
 8 distributor license is located. If the local governmental unit
 9 within which the escrowed specially designated distributor license
 10 is located spans more than 1 county, the license may be transferred
 11 to an applicant whose proposed operation is located within any
 12 local governmental unit in either county. If the specially
 13 designated distributor license is activated within a local
 14 governmental unit other than that local governmental unit within
 15 which the specially designated distributor license was originally
 16 issued, the commission shall count that activated license against
 17 the local governmental unit originally issuing the specially
 18 designated distributor license.

19 **(23)** ~~(19)~~ ~~Subsection~~ **Subrule** (8) of R 436.1135 of the Michigan
 20 ~~administrative code~~ **Administrative Code** does not apply to a
 21 transfer under subsection ~~(18)~~. **(22)**.

22 **(24)** ~~(20)~~—As used in this section:

23 (a) "Escrowed license" means a license in which the rights of
 24 the licensee in the license or to the renewal of the license are
 25 still in existence and are subject to renewal and activation in the
 26 manner provided for in R 436.1107 of the Michigan ~~administrative~~
 27 ~~code~~. **Administrative Code**.

28 (b) "Readily available" means available under a standard of
 29 economic feasibility, as applied to the specific circumstances of



- 1 the applicant, that includes, but is not limited to, the following:
- 2 (i) The fair market value of the license, if determinable.
- 3 (ii) The size and scope of the proposed operation.
- 4 (iii) The existence of mandatory contractual restrictions or
- 5 inclusions attached to the sale of the license.