

Legislative Analysis



SOCIAL DISTRICTS

Phone: (517) 373-8080
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House Bill 5090 (H-2) as reported from committee

Sponsor: Rep. TC Clements

Committee: Regulatory Reform

Completed: 11-10-21

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 5090 would amend the Michigan Liquor Control Code to eliminate the sunset (expiration date) on social district permits, to require the portion of a commons area to be used exclusively for a special licensee's event to be delineated from the rest of the commons area, to allow a person to enter premises in a social district that are licensed as a Class B hotel with alcohol bought from a social district permittee, and to change the hours during which alcohol may be consumed in the commons area of a social district.

Social districts

Through January 1, 2025, the code allows a **qualified licensee** to obtain an annual permit to sell and dispense alcohol to customers for consumption in the **commons area** of a social district.

Qualified licensee means either of the following:

- A retailer that holds a license, other than a special license, to sell alcoholic liquor for consumption on the licensed premises.
- A manufacturer that has an on-premises tasting room permit, off-premises tasting room license, or joint off-premises tasting room license issued under the code.

Commons area means an area within a social district that is clearly designated and clearly marked by the governing body of the local governmental unit and is shared by and contiguous to the premises of at least two qualified licensees. The term does not include the licensed premises of a qualified licensee.

The bill would eliminate the January 1, 2025, expiration date, allowing the provisions of the code pertaining to social district permits to continue beyond that date.

Special licenses

Currently, if the Michigan Liquor Control Commission (MLCC) issues a special license¹ to a special licensee located in a social district, the holder of a social district permit is prohibited from selling and serving alcohol in the commons area during the effective period of the special license.

¹A special license is a limited term license, generally only for one day, that can be issued to a nonprofit organization for fundraising purposes. It can be issued for beer, wine, and spirits sales and consumption and for a wine auction with wine donated by private individuals. An organization may only be issued 12 special licenses each calendar year. This is not a quota license. No local legislative approval is required for licensure, but police or sheriff approval is required. See https://www.michigan.gov/documents/lara/licensetypes_666205_7.pdf

The bill would revise this provision to instead provide that if MLCC issues a special license to a special licensee *whose event is to be held within a commons area* located in a social district, the governing body of the local unit of government must delineate the portion of the commons area to be used exclusively by the special licensee and the portion to be used exclusively by social district permittees. This would apply for the effective period of the special license and be subject to MLCC approval.

Removal of a container of alcohol from a social district

Currently, a purchaser may remove a container of alcohol sold by the holder of a social district permit from the licensed premises only if the purchaser does not remove the container from the commons area and if, while possessing the container, the purchaser does not enter the licensed premises of a different social district permittee.

The bill would additionally allow a purchaser, while possessing the container, to enter the licensed premises of a social district permittee whose licensed premises are a Class B hotel.

Hours during which alcohol may be consumed in a commons area

Currently, alcohol in an approved container sold by a social district permittee may only be consumed in a common area during the legal hours for the sale of alcohol by the social district permittee.

The bill instead would allow consumption to occur only during the hours of operation under the local management and maintenance plans established by the governing body of the local unit of government.

MCL 436.1551

BRIEF DISCUSSION:

Businesses in the hospitality industry, and bars and restaurants in particular, have been hit hard by the ongoing COVID-19 pandemic. Even as vaccines and more effective medical treatments have reduced infections and deaths from the virus, the hospitality industry continues to face challenges rebuilding their businesses. One approach that has grown in popularity has been the creation of social districts in which patrons can purchase alcoholic beverages from one bar or restaurant and consume them in an outdoor common area where patrons from other establishments are enjoying their food and beverages. As some remain wary of indoor dining, social districts have provided a safer place for people to gather, socialize, and support their favorite businesses. It is clear that when the weather allows, people enjoy gathering outdoors, and the state's bars and restaurants, and economy, benefit.

Enactment of House Bill 5090, by eliminating the sunset on the enabling legislation for social districts, will ensure that local governments and businesses can continue to develop and invest in these common areas. The bill also would allow patrons of social district permittees to use the common area at the same time an organization is sponsoring a special event in the same area. Currently, the patrons of businesses with a social district permit cannot enter the common area while a special event is taking place, even if the special event does not fill the entire area. The bill also would allow local governmental units to set operating hours for a social district that could be different from the regular operating hours of its permittees.

FISCAL IMPACT:

House Bill 5090 would not have a significant fiscal impact on the MLCC or any other unit of state or local government.

POSITIONS:

A representative of the Grand Rapids Chamber of Commerce testified in support of the bill. (9-28-21)

Representatives of the following entities indicated support for the bill:

- Michigan Retailers Association (10-19-21)
- Michigan Restaurant and Lodging Association (10-19-21)
- Michigan Licensed Beverage Association (10-19-21)
- Detroit Regional Chamber (9-28-21)
- City of Grand Rapids (9-28-21)
- Downtown Grand Rapids, Inc. (9-28-21)
- Muskegon Lakeshore Chamber of Commerce (9-28-21)
- Traverse Connect (9-28-21)
- Northern Michigan Chamber Alliance (9-28-21)
- Midland Business Alliance (9-28-21)
- Saginaw County Chamber of Commerce (9-28-21)
- Bay Area Chamber of Commerce (9-28-21)
- Lansing Regional Chamber (9-28-21)
- Chamber of Commerce Grand Haven, Spring Lake, Ferrysburg (9-28-21)
- Flint & Genesee Group (9-28-21)
- Michigan West Coast Chamber of Commerce (9-28-21)

The Michigan Liquor Control Commission indicated a neutral position on the bill. (10-19-21)

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.