

**HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 586**

A bill to amend 1998 PA 58, entitled  
"Michigan liquor control code of 1998,"  
by amending section 531 (MCL 436.1531), as amended by 1998  
PA 416.

**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 frac-  
4 tion thereof. On-premise escrowed licenses issued under this  
5 subsection are available subject to local legislative approval  
6 under section 501(2) to an applicant whose proposed operation is  
7 located within any local governmental unit in a county with a  
8 population of under 500,000 or a county with a population of over  
9 700,000 in which the escrowed license was located. If the local  
10 governmental unit within which the former licensee's premises

**SB0586, As Passed House, June 1, 1999**

Senate Bill No. 586

2

1 were located spans more than 1 county, an escrowed license is  
2 available subject to local legislative approval under section  
3 501(2) to an applicant whose proposed operation is located within  
4 any local governmental unit in either county. If an escrowed  
5 license is activated within a local governmental unit other than  
6 that local governmental unit within which the escrowed license  
7 was originally issued, the commission shall count that activated  
8 license against the local governmental unit originally issuing  
9 the license. This quota does not bar the right of an existing  
10 licensee to renew a license or transfer the license and does not  
11 bar the right of a tavern or class A hotel from requesting  
12 reclassification of a license to class C, unless local option  
13 laws prevent the sale of spirits and mixed spirit drinks by those  
14 licensed premises, subject to the consent of the commission. The  
15 upgrading of a license resulting from a request under this sub-  
16 section shall be approved by the local governmental unit having  
17 jurisdiction.

18 (2) In a resort area, the commission may issue 1 or more  
19 licenses for a period not to exceed 12 months without regard to a  
20 limitation because of population, but not in excess of 550, and  
21 with respect to the resort license the commission, by rule, shall  
22 define and classify resort seasons by months and may issue 1 or  
23 more licenses for resort seasons without regard to the calendar  
24 year or licensing year.

25 (3) In addition to the resort licenses authorized in subsec-  
26 tion (2), the commission may issue not more than 10 additional  
27 licenses PER YEAR for the ~~year 1998~~ YEARS 1999 AND 2000 to

**SB0586, As Passed House, June 1, 1999**

Sub. S.B. 586 (H-1) as amended June 1, 1999

3

1 establishments whose business and operation, as determined by the  
2 commission, is designed to attract and accommodate tourists and  
3 visitors to the resort area, ~~and~~ whose primary purpose is not  
4 for the sale of alcoholic liquor, AND WHOSE CAPITAL INVESTMENT IN  
5 REAL PROPERTY, LEASEHOLD IMPROVEMENT, AND FIXTURES FOR THE  
6 PREMISES TO BE LICENSED IS \$75,000.00 OR MORE. [FURTHER, THE  
COMMISSION SHALL ISSUE 1 LICENSE UNDER THIS SUBSECTION FOR THE YEARS  
1999 AND 2000 TO AN APPLICANT LOCATED IN A RURAL AREA THAT HAS A  
POVERTY RATE, AS DEFINED BY THE LATEST DECENNIAL CENSUS, GREATER  
THAN THE STATEWIDE AVERAGE, OR THAT IS LOCATED IN A RURAL AREA THAT  
HAS AN UNEMPLOYMENT RATE HIGHER THAN THE STATEWIDE AVERAGE FOR 3 OF  
THE 5 PRECEDING YEARS.] In counties having  
7 a population of less than 50,000, as determined by the last fed-  
8 eral decennial census or as determined pursuant to subsection  
9 (11) and subject to subsection ~~(17)~~ (16) in the case of a class  
10 A hotel or a class B hotel, the commission shall not require the  
11 establishments to have dining facilities to seat more than 50  
12 persons. The commission may cancel the license if the resort is  
13 no longer active or no longer qualifies for the license. Before  
14 January 16 of each year the commission shall transmit to the leg-  
15 islature a report giving details as to the number of applications  
16 received under this subsection; the number of licenses granted  
17 and to whom; the number of applications rejected and the reasons;  
18 and the number of the licenses revoked, suspended, or other dis-  
19 ciplinary action taken and against whom and the grounds for revo-  
20 cation, suspension, or disciplinary action.

21 (4) In addition to any licenses for the sale of alcoholic  
22 liquor for consumption on the premises that may be available in  
23 the local governmental unit under subsection (1) and the resort  
24 licenses authorized in subsections (2) and (3), the commission  
25 may issue not more than ~~25 additional~~ 20 resort economic devel-  
26 opment licenses per year for the ~~year 1998~~ YEARS 1999 AND  
27 2000. ~~The commission may issue or approve before July 1, 1999~~

**SB0586, As Passed House, June 1, 1999**

Sub. S.B. 586 (H-1) as amended June 1, 1999

4

1 ~~any of the 25 licenses not issued or approved but available for~~  
2 ~~calendar year 1998.~~ A person is eligible to apply for a resort  
3 economic development license under this subsection upon submit-  
4 ting an application to the commission and demonstrating all of  
5 the following:

6 (a) The establishment's business and operation, as deter-  
7 mined by the commission, is designed to attract and accommodate  
8 tourists 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.

[ (D) THE ESTABLISHMENT DOES NOT ALLOW OR PERMIT CASINO GAMBLING  
ON THE PREMISES. ]

14 (5) In governmental units having a population of 50,000 per-  
15 sons or less, as determined by the last federal decennial census  
16 or as determined pursuant to subsection (11), in which the quota  
17 of specially designated distributor licenses, as provided by com-  
18 mission rule, has been exhausted, the commission may issue not  
19 more than A TOTAL OF 10 additional specially designated distribu-  
20 tor licenses per year for the years ~~1998 and~~ 1999 AND 2000 to  
21 established merchants whose business and operation, as determined  
22 by the commission, is designed to attract and accommodate tour-  
23 ists and visitors to the resort area. A specially designated  
24 distributor license issued pursuant to this subsection may be  
25 issued at a location within 2,640 feet of existing specially des-  
26 igned distributor license locations. A specially designated  
27 distributor license issued pursuant to this subsection shall not

**SB0586, As Passed House, June 1, 1999**

Senate Bill No. 586

5

1 bar another specially designated distributor licensee from  
2 transferring location to within 2,640 feet of said licensed  
3 location. A specially designated distributor license issued pur-  
4 suant to R 436.1141 of the Michigan administrative code may be  
5 located within 2,640 feet of a specially designated distributor  
6 license issued pursuant to this subsection.

7 (6) In addition to any licenses for the sale of alcoholic  
8 liquor for consumption on the premises that may be available in  
9 the local governmental unit under subsection (1), and the resort  
10 or resort economic development licenses authorized in subsections  
11 (2), (3), and (4), and notwithstanding section 519, the commis-  
12 sion may issue not more than 5 additional special purpose  
13 licenses in any calendar year for the sale of beer and wine for  
14 consumption on the premises. A special purpose license issued  
15 pursuant to this subsection shall be issued only for events which  
16 are to be held from May 1 to September 30, are artistic in  
17 nature, and which are to be held on the campus of a public uni-  
18 versity with an enrollment of 30,000 or more students. A special  
19 purpose license shall be valid for 30 days or for the duration of  
20 the event for which it is issued, whichever is less. The fee for  
21 a special purpose license shall be \$50.00. A special purpose  
22 license may be issued only to a corporation which is all of the  
23 following:

24 (a) Is a nonprofit corporation organized pursuant to the  
25 nonprofit corporation act, 1982 PA 162, MCL 450.2101 to  
26 450.3192.

**SB0586, As Passed House, June 1, 1999**

Senate Bill No. 586

6

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

4 (c) Has been in continuous existence for not less than 6  
5 years.

6 (7) Notwithstanding the local legislative body approval pro-  
7 vision of section 501(2) and notwithstanding the provisions of  
8 section 519, the commission may issue, without regard to the  
9 quota provisions of subsection (1) and with the approval of the  
10 governing board of the university, either a tavern or class C  
11 license which may be used only for regularly scheduled events at  
12 a public university's established outdoor program or festival at  
13 a facility on the campus of a public university having a head  
14 count enrollment of 10,000 students or more. A license issued  
15 under this subsection may only be issued to the governing board  
16 of a public university, a person that is the lessee or conces-  
17 sionaire of the governing board of the university, or both. A  
18 license issued under this subsection is not transferable as to  
19 ownership or location. A license issued under this subsection  
20 may not be issued at an outdoor stadium customarily used for  
21 intercollegiate athletic events.

22 (8) In issuing a resort or resort economic development  
23 license under subsection (3), (4), or (5), the commission shall  
24 consider economic development factors of the area in the issuance  
25 of licenses to establishments designed to stimulate and promote  
26 the resort and tourist industry. The commission shall not  
27 transfer a resort or resort economic development license issued

**SB0586, As Passed House, June 1, 1999**

Senate Bill No. 586

7

1 under subsection (3), (4), or (5) to another location. If the  
2 licensee goes out of business the license shall be surrendered to  
3 the commission.

4 (9) The limitations and quotas of this section are not  
5 applicable to the issuance of a new license to a veteran of the  
6 armed forces of the United States who was honorably discharged or  
7 released under honorable conditions from the armed forces of the  
8 United States and who had by forced sale disposed of a similar  
9 license within 90 days before or after entering or while serving  
10 in the armed forces of the United States, as a part of the  
11 person's preparation for that service if the application for a  
12 new license is made for the same governmental unit in which the  
13 previous license was issued and within 60 days after the dis-  
14 charge of the applicant from the armed forces of the United  
15 States.

16 (10) The limitations and quotas of this section shall not be  
17 applicable to the issuance of a new license or the renewal of an  
18 existing license where the property or establishment to be  
19 licensed is situated in or on land on which an airport owned by a  
20 county or in which a county has an interest is situated.

21 (11) For purposes of implementing this section a special  
22 state census of a local governmental unit may be taken at the  
23 expense of the local governmental unit by the federal bureau of  
24 census or the secretary of state under section 6 of 1909 PA 279,  
25 MCL 117.6. The special census shall be initiated by resolution  
26 of the governing body of the local governmental unit involved.  
27 The secretary of state may promulgate additional rules necessary

**SB0586, As Passed House, June 1, 1999**

Senate Bill No. 586

8

1 for implementing this section pursuant to the administrative  
2 procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

3       (12) Before granting an approval as required in  
4 section 501(2) for a license to be issued under subsection (2),  
5 (3), or (4), a local legislative body shall disclose the avail-  
6 ability of transferable licenses held in escrow for more than 1  
7 licensing year within that respective local governmental unit.  
8 Public notice of the meeting to consider the granting of the  
9 license by the local governmental unit shall be made 2 weeks  
10 before the meeting.

11       (13) The person signing the application for an on-premise  
12 resort or resort economic development license shall state and  
13 verify that he or she attempted to secure an on-premise escrowed  
14 or quota license and that, to the best of his or her knowledge,  
15 an on-premise escrowed or quota license is not readily available  
16 within the local governmental unit in which the applicant for the  
17 on-premise resort or resort economic development license proposes  
18 to operate.

19       (14) The commission shall not issue an on-premise resort or  
20 resort economic development license if the local governmental  
21 unit within which the resort or resort economic development  
22 license applicant proposes to operate has not issued all  
23 on-premise licenses available under subsection (1) or if an  
24 on-premise escrowed license exists and is readily available  
25 within the local governmental unit in which the applicant for the  
26 on-premise resort or resort economic development license proposes



**SB0586, As Passed House, June 1, 1999**

Senate Bill No. 586

9

1 to operate. The commission may waive the provisions of this  
2 subsection upon a showing of good cause.

3 (15) The commission shall annually report to the legislature  
4 the names of the businesses issued licenses under this section  
5 and their locations.

6 (16) The commission shall not require a class A hotel or a  
7 class B hotel licensed pursuant to subsection (2), (3), or (4) to  
8 provide food service to registered guests or to the public.

9 (17) As used in this section:

10 (a) "Escrowed license" means a license in which the rights  
11 of the licensee in the license or to the renewal of the license  
12 are still in existence and are subject to renewal and activation  
13 in the manner provided for in R 436.1107 of the Michigan adminis-  
14 trative code.

15 (b) "Readily available" means available under a standard of  
16 economic feasibility, as applied to the specific circumstances of  
17 the applicant, that includes, but is not limited to, the  
18 following:

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

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

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