

Michigan Expands Development District Liquor License Availability

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A recently passed Michigan law will streamline access to liquor licenses in development districts and is expected to lower costs for hospitality industry businesses that invest in constructing or restoring buildings.

Development district liquor licenses can now be issued for newly constructed buildings within recognized development districts. Previously, development district licenses were only available for restoration of existing buildings. Specifically, the \$75,000 threshold for capital investment in the *rehabilitation or restoration* of an existing building now applies to new construction. The recent Michigan Liquor Control Code ("Liquor Code") amendment (**2022 Public Act 16**) expands development district license availability to new restaurants, hotels, bars and clubs where alcohol is served for consumption on the premises. These licenses are not subject to the population-based quotas that restrict the amount of liquor licenses to one per 1,500 residents of any given municipality.

Recognized development districts include:

1. Downtown development authority districts
2. Tax increment financing districts
3. Corridor improvement authority areas
4. Principal shopping districts

Existing development district license eligibility requirements remain unchanged. Primarily, applicants must demonstrate that they are not readily able to purchase an existing on-premises license due to unavailability or economic unfeasibility. The Liquor Code still limits development district licenses to one per \$200,000 of investment over the previous five years within the respective district. To meet this requirement, applicants must coordinate with the applicable assessor and municipal clerk to obtain an affidavit certifying the history of investment. Applicants must also obtain a municipal resolution recommending that the Michigan Liquor Control Commission issue the development district license.

A successful applicant will be assessed a \$20,000 fee upon issuance of a development district license. Coupled with the \$75,000 capital investment threshold, the total spend is roughly equivalent to the market rate for an existing on-premises license. Business owners should benefit from lower cost entry into the hospitality industry because the construction expenses count towards the typical cost of a liquor license. Although a development district license cannot be transferred to another location, the licenses can be sold to a new owner desiring to replace the outgoing licensee.

Please contact the authors to discuss further details regarding a successful development district license application.