

CONCURRENCE IN SENATE AMENDMENTS

AB 471 (Ting)

As Amended June 27, 2017

Majority vote

ASSEMBLY: 77-0 (May 11, 2017) SENATE: 38-0 (August 31, 2017)

Original Committee Reference: **G.O.**

SUMMARY: Revises an existing exception in law by authorizing the Department of Alcoholic Beverage Control (ABC) to issue no more than five new original neighborhood-restricted special on-sale general licenses per year, until a total of 30 licenses are issued, to premises located in any of the census tracts, as specified, within the City and County of San Francisco. Additionally, this bill authorizes ABC to issue a maximum of 20 new original on-sale general licenses, over a four-year period, in the County of Napa, as specified.

The Senate amendments:

- 1) Provide that beginning January 1, 2018, would provide for an exception to the limitation for the County of Napa and authorize the department to issue no more than five additional new original on-sale general licenses to bona fide public eating-places per year with a seating capacity for 25 or more diners, for a period of four years.
- 2) Prohibit a person who currently holds an on-sale general license for a premises, who currently holds any interest in an on-sale general license for a premises, who has held an on-sale general license for a premises within the 12 months prior to the date of the required drawing, or who has held any interest in an on-sale general license for a premises within the 12 months prior to the date of the required drawing, from applying for a license issued pursuant to this bill for that licensed premises.
- 3) Make legislative findings and declarations as to the necessity of a special statute for the County of Napa and for the City and County of San Francisco.

FISCAL EFFECT: According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

COMMENTS: This bill, as amended in the Senate is inconsistent with Assembly actions.

Purpose of the bill: According to the author's office, "despite a strong economy, some commercial corridors in San Francisco's outer neighborhoods are struggling to both support existing restaurants and to attract new ones to vacant storefronts. One barrier that hinders the success of businesses in these neighborhoods is the prohibitively high cost of a full liquor license that allows a restaurant to serve spirits in addition to beer and wine."

The author's office adds that this bill is in response to widespread interest in the special neighborhood-restricted liquor license program and builds on last year's legislation by adding five new licenses each year until a total of 30 new licenses have been issued.

Additionally, as it pertains to the additional licenses for Napa County provided under this bill, it should be noted that the number of visitors to Napa continues to increase while the population of the county has not grown. In 2016, the Napa Valley welcomed a total of 3.5 million visitors. Further, in 2016, the Napa Valley visitor industry generated \$1.9 billion in total visitor spending inside the county, most of which was generated from local hotel guests (\$1.32 billion, or 69.5% of the total).

The limited number of licenses in Napa County does not reflect the tourist population. As mentioned, under current law, the number of liquor licenses issued in a given county is tied to the population of that county which creates a problem for restaurants and hotels in Napa that would like to cater to a large number of visitors in the area. In particular, many smaller restaurants are seeking to be eligible for such a license. Under this bill, restaurants that seat 25 or more diners would be eligible for a license.

SB 1285 (Leno), Chapter 790, Statutes of 2016, provided an exception beginning January 1, 2017, to the license limitation for the City and County of San Francisco. Specifically, the bill allowed for five new original neighborhood-restricted special on-sale general licenses for premises located within specified census tracts (neighborhoods) in the county.

At the time, these neighborhoods were selected in line with the City's Invest in Neighborhoods strategy, which is an interagency partnership to strengthen and revitalize certain neighborhood commercial districts around San Francisco. Specifically, the census tracts were selected by comparing the map of current Type 47 licenses scattered across the City of San Francisco with the Invest in Neighborhood corridors and identifying the areas with few or no such licenses.

It should also be noted that at the time proponents of SB 1285 emphasized that the neighborhood-specific limits attached to these new licenses would prevent any overconcentration of alcohol licenses in corridors that already have a substantial amount of nightlife. Additionally, it was stated that the bill would not diminish the value of any existing liquor license because these new licenses would not be transferrable to a new business owner or a new location. Owners of existing full liquor licenses across the City of San Francisco would remain able to sell or transfer their licenses citywide and reap the value of their investment on the private market.

This bill seeks to revise the exception granted in SB 1285 by authorizing ABC to issue five new original neighborhood-restricted special on-sale general licenses, each year until a total of 30 of these licenses are issued. Additionally, the bill sets a limit to how many neighborhood-restricted special on-sale general licenses may be issued per specific grouping of census tracts.

Additionally, AB 1670 (Dodd), Chapter 347, Statutes of 2016, authorized ABC to issue a maximum of five new original on-sale general licenses, over a one-year period, for bona fide public eating-places in the County of Napa. Proponents of this bill argued that Napa County has become immensely popular over the past few years as a tourist location. At the time, the author's office cited data from Destination Analysts Inc., indicating that the number of tourists that visited Napa increased from 2.94 million people in 2012 to 3.3 million people in 2014. While a majority of the visitors to Napa Valley take day trips, nearly 950,000 of these visitors spend at least one night in local lodgings. Tourism has, therefore, become one of the major economic drivers in the region, generating approximately \$1.6 billion in 2014 in the Napa Valley.

This bill seeks to revise the exception granted in AB 1670 by authorizing ABC, commencing January 1, 2018, to issue a maximum of 20 new original on-sale general licenses, over a four-year period, for bona fide public eating-places in the County of Napa.

License limitation: Existing law provides for a limitation on the number of new on-sale general licenses that may be issued in a given year by the ABC based on the population growth of the county in which the licensed premises are located. The ratio is one on-sale general license for each 2,000 residents.

Thus, if a county grows by 10,000 people in a given year, ABC will issue five new licenses in that county. If the number of applicants within a county for a particular type of license is equal to or less than the number of licenses available, all applicants will be notified that they have 90 days to complete a formal application for their specific premises. If ABC receives more applications than there are licenses available, a public drawing will be held. To participate in such a drawing, an applicant must have been a resident of California for at least 90 days prior to the date of the scheduled drawing. Successful drawing participants will be notified that they have 90 days to complete a formal application for their specific premises. The cost of these new licenses is \$13,800 each.

According to ABC, currently, there are approximately 15,617 on-sale general (Type 47) licenses statewide. Individuals seeking to open a full-service restaurant with a bar or cocktail menu who fail to obtain a liquor license through this process typically must locate an existing licensed owner willing to sell his/her license. Usually, that is done by contacting a liquor license broker. The cost of obtaining a license on the secondary market is driven by supply and demand.

In support: The Napa County Board of Supervisors states that, "tourism is one of the major economic drivers for San Francisco and Napa County, generating billions of dollars each year in visitor revenue. The limited number of liquor licenses allowed by the Department of ABC hinders the earning potential of local restaurants, hotels, and other establishments that contribute to the Bay Area economy."

In opposition: Alcohol Justice states that, "San Francisco already is the most over-concentrated county of California. Increasing the availability of alcohol is associated with increased alcohol-related harm. Expanding the number of locations where licenses may be issued, no matter how minimal, will increase availability and therefore impact public health."

Prior Legislation: SB 1285 (Leno), Chapter 790, Statutes of 2016, authorized, beginning January 1, 2017, the Department of ABC to issue no more than a total of five new original "neighborhood-restricted" special on-sale general licenses, for premises located within specified City and County of San Francisco neighborhoods, subject to certain requirements and restrictions.

AB 1670 (Dodd), Chapter 347, Statutes of 2016, authorized the Department of ABC to issue a maximum of five new original on-sale general licenses, over a one-year period, for bona fide public eating-places in the County of Napa, as specified.

AB 2266 (Evans), Chapter 130, Statutes of 2008, authorizes the Department of ABC to issue a maximum of 15 new original on-sale general licenses, over a three-year period, for bona fide public eating places in the County of Napa.

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