Social Districts

Introduction

The State of Michigan enacted a new law intended to spur economic activity and provide flexibility for hospitality businesses by enabling the on-site sale and off-site consumption of alcoholic beverages in designated “Social District” areas. On July 1, 2020, Governor Whitmer signed House Bill 5781 into law (MCL 436.1551) creating the “Social District Permit,” which allows local governments to designate a Social District within their jurisdictions. Businesses that are granted a Social District Permit may sell alcoholic liquor (beer, wine, mixed spirits, or mixed drinks) on their licensed premises to customers who may then consume the alcoholic liquor within the commons area of the Social District.

Permit Information for Local Governments

Local governments may now designate a Social District that contains a “commons area.” Once designated, “qualified licensees” whose licensed premises are contiguous to the commons area within the Social District and who obtain a license from the Michigan Liquor Control Commission (MLCC) may permit patrons to leave the licensed premises with the alcohol and consume it within the commons area.

Under MCL 436.1551(8)(a), a “commons area” is defined as: “an area within a social district clearly designated and clearly marked by the governing body of the local governmental unit that is shared by and contiguous to the premises of at least two other qualified licensees. Commons area does not include the licensed premises of any qualified licensee.”

Along with designating a Social District that contains a commons area, which must be clearly defined and marked with signs, a local government must establish local management and maintenance plans, including hours of operation, for a commons area. The statute provides that a local governmental unit shall not designate a Social District that would close a road unless the governing body receives prior approval from the road authority with jurisdiction over the road. In addition, the commons area must be maintained in a manner that protects the health and safety of the community.

A Social District designation must be filed with the MLCC, and include:

* A copy of the resolution passed by the governing body designating the Social District and commons area;
* A copy of management and maintenance plans, including the hours of operation, established by the local governmental unit for the Social District and commons area; and
* A diagram or map that clearly shows the boundaries of the Social District and commons area and identifies the qualified licensees that are contiguous to the commons area on the diagram or map.

To the extent a commons area threatens the health, safety, or welfare of the public or has become a public nuisance, a local government may revoke the Social District designation. Before revoking the designation, the local government must hold at least one public hearing on the proposed revocation, with appropriate notice being given under the Open Meetings Act (OMA). Any revocation of the Social District must be filed with the MLCC.

**Bars and Restaurants May Apply for a Social District Permit**

Bars and restaurants who are “qualified licensees” and wish to take advantage of the new law must first seek application approval from the governing body of their local government. Qualified licensees may then apply to the MLCC for a Social District Permit.

Pursuant to the statute, with some restrictions, qualified licensees include holders of Class C, Tavern, A-Hotel, B-Hotel, Club, G-1, G-2, and Brewpub licenses as well as licensees with on-premises and off-premises tasting rooms.

Upon receiving a Social District Permit, and upon additional approvals that may or may not be required by the municipality, a licensee may sell alcohol on its licensed premises in approved containers for customers to remove and consume in the commons area. A licensee is not permitted to sell alcohol in a commons area.

Approved containers must be glass free and not more than 16 oz., must prominently display the licensee's trade name or logo or some other mark that is unique to the licensee that sold the alcohol as well as a logo or mark unique to the commons area.

**This Fact Sheet was provided by Sarah J. Gabis of Foster Swift Collins & Swift, P.C.**

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