

Governor Murphy's Liquor License Plan Hurts Family-Owned Bars, Taverns & Restaurants

Recently, Governor Murphy announced plans to make liquor licenses cheaper and more available in the Garden State. Specifically, the Governor's plan would increase licenses by decreasing the population cap, currently set at one on-premise license per 3,000 residents. The Governor's plan would do this gradually over five years after which there would be no limits on the number of licenses issued in the state. Under Governor Murphy's plan, after five years, no license could be sold privately, effectively rendering current liquor licenses worthless and crushing their current fair market value. To address this loss, the Governor also proposes a complicated system of tax credits to compensate for the loss of the license value. Unfortunately, a tax credit is worthless when your business does not turn a profit or goes bankrupt and could cost taxpayers billions to fund.

This proposal obviously impacts the 7,000 plus family-owned bars, taverns & restaurants who currently hold liquor licenses in New Jersey. The Coalition for Responsible Alcohol Licensing has an alternative proposal that fulfills the goals set forth by the Governor, but does so without threatening financial ruin upon current license owners.

First, while the current population cap limits towns to one license for every 3,000 in population, the cap didn't take effect until 1961, "grandfathering" all then-existing licenses. Today, New Jersey has one liquor license for every 1,100 citizens in the state. However, due to a population shift away from cities, there is an excess number of inactive licenses in urban areas and not enough active licenses in suburban areas. This liquor license shift has resulted in nearly 20% of all current liquor licenses in the state being inactive, some for as long as 28 years. Put simply, New Jersey does not have a problem in the number of liquor licenses, it has a problem in the distribution of these licenses. The Coalition proposes a four-step solution to this problem.

Specifically, Senator Troy Singleton (D-7 Burlington) & Senator Paul Sarlo, (D-36 Bergen) have introduced S-3474. This legislation requires New Jersey's nearly 1,400 inactive liquor licenses to be activated and/or transferred from one town to another to the benefit of the original owner, the new owner, as well as the sending and receiving municipalities.

Second, there are many licenses in New Jersey that are "stuck" in our regional malls. Assemblyman John McKeon's (D-27 Essex) A-3150, would replace the traditional retail license held at shopping malls with a specific license tailored to the needs of modern shopping malls. These new "mall licenses" would allow the existing licenses to be relocated from the mall to the municipalities' downtown or other areas in need of development.

These legislative initiatives would provide almost 2,000 existing licenses with the means to be placed where they are needed most.

Third, there is already a 2007 statute on the books that creates a “Smart Growth” liquor license. Unfortunately, the threshold to qualify for a Smart Growth license is so high that none have been issued. Therefore, the Coalition for Responsible Alcohol Licensing proposes that the requirements for a Smart Growth license be lowered to a more attainable level, allowing the Division of Alcoholic Beverage Control to issue these licenses in a responsible, targeted manner to encourage development where it’s most needed.

Finally, instead of trying to compensate the existing 7,500 license holders for the total loss of their equity via a complicated tax credit that would cost taxpayers in the state billions of dollars, it would be simpler and more appropriate to utilize the NJ Economic Development Authority (NJEDA) to subsidize new entrants into the marketplace with low or zero interest loans or grants. In this manner, the State can specifically tailor eligibility for such loans or grants to appropriate developments and appropriate borrowers, including historically disadvantaged populations and small businesses.

The Governor has stated that the goal of his liquor license proposal was to spur development, encourage redevelopment of downtowns and provide opportunities to people of color and other small entrepreneurs. However, his plan would instead do the opposite and devastate our State’s existing bars, taverns and restaurants and those they employ. Our plan is based on existing legislation and policy adjustments within the NJEDA that would put licenses where they are most needed without increasing the overall number of licenses, while encouraging entry into the marketplace of those the Governor wants to help. We urge the Legislature and Governor to consider the proposals put forth by the Coalition for Responsible Alcohol Licensing instead of a plan that many believe will decimate our State’s multi-generational family-owned bars, taverns and restaurants-the backbone of New Jersey’s hospitality industry.

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