



THE THREAT IS REAL (AND HERE)

SEVERAL BILLS IN TRENTON DEMAND OUR ATTENTION

BY JEFFREY WARSH

The State of New Jersey's 217th Legislative Session began in January with the hospitality sector facing a daunting gauntlet of legislation totaling 73 bills. The list is chock full of bills with demonstrable potential negative impact—ranging from increasing the minimum wage on tipped employees to the issuance of thousands of new cheap liquor licenses to permitting craft breweries to serve food to guests, to encouraging national chain liquor stores.

Still not fully recovered from the Great Recession, the retail tier default rate (COD) hovers around 30% and the number of inactive licenses is near an all-time high at approximately 1,400. Add to this challenging mix the elimination of the federal tax deduction (was 50%, now is zero) on entertainment, food and beverage and these are not the best of times to turn New Jersey's alcoholic beverage retailers into guinea pigs in ill-considered "economic development" schemes. The prime metrics that gauge the health of our sector are highly stressed.

A-1505: Cheap License Danger

For the fifth year in a row, of all the pending threats, none is greater than Assemblyman John Burzichelli's A-1505—a bill to create two new classes of on-premises consumption retail licenses for license purchase fees ranging from \$1,500-\$10,000. With the average value of a New Jersey Plenary Retail Consumption License weighing in at about \$350,000, the introduction of thousands (issuance unlimited according to A-1505) of laughably cheap alcoholic beverage consumption licenses will wreak genuine and irrevocable havoc on New Jersey's hospitality sector.

Language in A-1505 declares that "in order to foster and encourage economic development and growth in this State, it is appropriate to create a new restaurant license." Two points immediately spring to mind. First, the mere introduction of this radical and ill-advised bill has directly resulted in dampening economic activity by creating a chilling effect on pending deals for existing licenses by reducing the value of existing licenses and businesses in the face of an antediluvian flood of cheap licenses.

Secondly, why massively destabilize New Jersey's existing bar, tavern and restaurant sector to encourage "young entrepreneurial chefs"—as Assemblyman Burzichelli states as his rationale for A-1505's introduction?

With the most liberal BYOB laws in the nation and the rare ability to become an in-state or an out-of-state winery outlet, New Jersey's hospitality entrepreneurs already enjoy substantial alcoholic beverage privileges. Under A-1505, for the cost of a modest credit card cash advance, thousands of new licensees will emerge, New Jersey's scrupulously monitored consumed gallonage pie will be massively diluted and thousands of bankruptcies will occur. These are not corporate bankruptcies; they are tragic family business bankruptcies.

That's Not All!

It is important to note that A-1505 does not merely contemplate the issuance of the new class of R1/R2 licenses, but rather it also creates one new Plenary Retail Consumption License in virtually every town in New Jersey. This point is often lost, as both citizens and the press tend to

focus on the radical creation of R1s and R2s. According to A-1505, each town in New Jersey may issue an additional Plenary Retail Consumption License based on its predicted—not actual-peak population in its filed Master Plan! This is not actual census data, but planning estimates contained in municipal master plans gathering dust in libraries all over New Jersey. This is a scam—plain and simple.

While A-1505 would devastate the existing on-premises sector, Assembly Majority Leader Lou Greenwald has, once again, introduced his A-1278 bill to usher in a new era of chain liquor store domination. The bill eliminates the two-license limitation on "44s", allowing up to ten licenses per person/entity. It would wipe out the backbone of New Jersey's retail tier—the family-owned package store—and in the process stomp on a proven pathway to the American Dream.

Finally, while the State of New Jersey seems to be on the doorstep of a new phase of marijuana sales—whatever form or forms it may take—we should be enormously mindful of the impact of and the interplay between alcoholic beverage and marijuana retailing. While on the verge of larger scale marijuana license issuance, now is not the time to issue thousands of new, cheap alcoholic beverage licenses. ■

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