

CITIZENS LEAGUE REPORT

No. 100

**City of Minneapolis
Liquor Licensing Recommendations**

January 1959

Citizens League
601 Syndicate Building
Minneapolis 2, Minnesota

January 20, 1959

REPORT TO: Board of Directors

FROM: Licensing Committee, Harold Evarts, Chairman

SUBJECT: Proposed Legislation Dealing with the Minneapolis Liquor Licensing Situation

RECOMMENDATIONS

The Citizens League Licensing Committee recommends enactment at the 1959 session of the Minnesota State Legislature of a bill of special application to Minneapolis accomplishing the following:

1. Extending to the Minneapolis city limits the geographical boundary within which off-sale liquor establishments might locate.
2. Establishing new geographical boundaries within which on-sale liquor establishments might locate; the new zone to be bounded generally by Hennepin Avenue on the southwest, Lake Street on the south, plus whatever extension is necessary to bring existing liquor establishments within the new boundaries, the Mississippi River on the southeast, and substantially the existing boundaries on the northeast, the north and the northwest.
3. Restricting location within these new boundaries to areas zoned commercial and continuing in the Minneapolis City Council and responsibility for defining the type of commercially zoned areas in which liquor establishments might be located.
4. Providing for a veto of proposed new liquor license locations by the residents in the area by means of initiative and referendum. We recommend the establishment of the following procedures for the holding of any such referendum:
 - a. That the voting area in which the referendum would be held include any precinct falling within a radius of 1500 feet from the front door of the proposed location.
 - b. That any such referendum be initiated by petition, filed within sixty days following the date of the granting of the license and signed by registered voters residing within the voting area.
 - c. That the number of valid signatures necessary to bring about a referendum be not less than 10% of the votes cast in the voting area at the most recent regular state election and in no event is the number of valid signatures required to be less than 500.
 - d. That a vote in opposition to the proposed location by a majority of those voting on the question would void issuance of the license.

- e. That any referendum be held at the next regular municipal or state election following filing of the petition.
 - f. That the license be in full force and effect until such time as it is voided by a referendum.
5. Inclusion of a provision enabling the City Council to provide for *some form of* participation by the City in the gross receipts *from liquor* of liquor establishments.
6. Incorporation of the legislative act into the Minneapolis city charter, thereby making subsequent changes subject to the vote of the people of Minneapolis rather than by the state legislature or the City Council.
7. Providing that the legislative act be submitted to the voters of Minneapolis in the form of a referendum and requiring the favorable vote of a majority of those voting on the question before the provisions of the legislative act can become effective.

BACKGROUND

Under state law, cities of the first class in Minnesota are authorized to have one on-sale license per 1500 population, with a maximum of 200 licenses. All 200 licenses are presently outstanding in Minneapolis. St. Paul, under its population figure, is authorized to have 200 on-sale liquor establishments and, at present, all 200 are at present outstanding.

State law also authorizes a maximum of one off-sale liquor license to each 5,000 residents in any city of the first class. Under the 1950 census, Minneapolis is authorized to have 104 off-sale licenses. At present, 94 of these are outstanding.

The Minneapolis city charter sets out the geographical boundaries within which both on- and off-sale liquor licenses may locate. These boundaries have been commonly referred to as "patrol limits." These patrol limits originated back in the 1880's by act of the state legislature. The reasoning followed in setting up these patrol limits appeared to be to include the major built up commercial and industrial areas as they were at that time. There is also some reason to believe these patrol limits covered an area which public officials at that time believed could be patrolled adequately by foot policemen.

Over the years there have been a number of minor changes in the patrol limits, but essentially they cover the same geographical area as they did in the 1880's. Immediately following repeal of prohibition in December, 1933, a special session of the state legislature authorized the City of Minneapolis to issue licenses beyond these patrol limits for a period of sixty days. It is believed that most of the 33 on-sale and 9 off-sale licenses which are now outside the patrol limits were issued during that brief period of time.

Then in 1949 the Minnesota State Legislature passed an act allowing licenses which were condemned for a public purpose to move outside the patrol limits. A few licenses moved under this enabling legislation, but the legislation was repealed at the 1953 session.

The general boundaries of the patrol limits follow the banks of the Mississippi River and extend inward several blocks. The south extremity of the limits

lies at Franklin Avenue and 19th Avenue South and runs northerly on 19th Avenue S. to the river, and then runs consecutively northwesterly along the river all the way to 21st Avenue North. East of the Mississippi River the boundaries run generally from the lower loop along 2nd Avenue to the East Hennepin shopping area, then following Spring Street westward to 4th Street NE, and then follow 4th Street NE in a northerly direction to 29th Avenue NE. All area west of this and extending to the Mississippi River is included in the liquor patrol limits. In the downtown area, the limits run generally on 4th Street South, except in the heart of the loop where they extend to 6th Street. The north side of 6th Street lies within the patrol limits and anything south of that, with the exception of a block including the Radisson Hotel on 7th Street, is outside the patrol limits. Then heading in a northwesterly direction from downtown, the west boundaries of the patrol limits run along 3rd Street North to the Olson Highway area and then run north on 4th Street North to 21st Avenue North.

RECENT DEVELOPMENTS

Problems arising out of the Minneapolis liquor situation have been prominent in the public's mind during recent months, and they doubtless will receive considerable and perhaps increased attention during the year ahead. Most of the attention recently has centered on the issues of whether multiple ownership exists in Minneapolis in violation of state law and whether an alleged "syndicate" controls certain of the more lucrative liquor establishments. Some of this attention will soon be diverted to the issue of the liquor patrol limits as it affects liquor establishments now situated in the lower loop. In the neighborhood of 60-70 liquor establishments will be forced to locate elsewhere, many within months and all within a few years.

As these 60-70 licensees lose their present locations, they doubtless will ask the City Council to approve transfer of their licenses to other locations. This will compel members of the Council to wrestle with some exceedingly difficult and controversial issues. If these displaced licensees are required to relocate within the existing patrol limits, the Council must make the basic policy decision of whether to promote establishment of a new skid row area or whether to arbitrarily allow these licenses to expire. Neither alternative would be a happy one, and out of this fast-approaching dilemma has come a renewed and a widespread interest in the problem and finding a workable solution.

The Pastors' Action Group, long interested in this problem, recently recommended extending the patrol limits to what will be known as "Ring Street." The Patrol Limits Revision Committee (liquor licensees located within the patrol limits) has recently intensified its activity. Individual members of the City Council have proposed various plans. Mayor Peterson, in trying to find a workable answer, has called together those groups in the community which have been active on this issue. And the Citizens League, which made licensing one of its early projects when the League was formed in 1952, has been concentrating a good deal of its time and attention on the problem.

NATURE AND SCOPE OF LICENSING COMMITTEE'S WORK

The Licensing Committee began an extensive review of the liquor situation in Minneapolis early in the fall of 1958. Its major areas of study centered on three issues: (1) Revision of the liquor patrol limits. (2) Improved procedures in the granting of liquor licenses. (3) Possibility of converting off-sale establishments to municipal ownership.

In the course of its deliberations, the Licensing Committee has met formally at least once each week for more than four months. It began its work by hearing representatives of the Pastors' Action Group present their proposal for extending the liquor patrol limits to "Ring Street." It then heard Carl Pearson of the Licensing Division of the Minneapolis Police Department outline procedures used in issuing and renewing liquor licenses. The committee then brought in Albert Anderson, License Inspector of the City of St. Paul, to relate the procedures used in that city. Alderman Frank Wolinski of the 3rd Ward appeared to present his plan for revision of the liquor patrol limits. Alderman Norman Stewart of the 13th Ward also appeared to explain his proposals for municipal ownership. Desmond Pratt, legal counsel for the Patrol Limits Revision Committee, reported to the committee on the impending hardship which will confront licensees located in the lower loop and to urge extension of the patrol limits. Orville Peterson, attorney for the League of Minnesota Municipalities, outlined the municipal liquor store system as it exists in many municipalities throughout the state of Minnesota. And, finally, individuals directly interested in liquor licensing from an ownership standpoint appeared before the committee. In addition, committee members held numerous conferences with persons such as Mayor Peterson, State Commissioner Puterbaugh, Minneapolis Research Engineer Nathan Harris, and others expert in this field. As can be seen, the subject matter has not been treated lightly, nor have these recommendations been made without intensive preparation and consideration.

COMMITTEE RECOMMENDATIONS SEPARATED INTO TWO REPORTS

The committee's recommendations will involve changes requiring action by the Minnesota State Legislature, as well as changes in the Minneapolis city ordinances. Since certain of these changes require action by the state legislature and since the legislature will be in session only a short time during the early months of 1959, the committee decided to separate its report, and included here are recommendations involving action by the legislature. A subsequent report will contain those recommendations involving change by city ordinance.

MUNICIPAL OWNERSHIP

The issue of possible conversion of off-sale liquor establishments to municipal ownership occupied much of the attention of the committee. There was strong support for municipal ownership among a number of members of the Licensing Committee. However, the committee has decided to make no recommendation at this time either for or against municipal ownership of off-sale liquor establishments. This conclusion was dictated by what seemed to the committee the practical impossibility at this time of achieving municipal ownership. Whether on the merits the committee would have favored municipal ownership is not known. Reasons leading committee members to doubt the practicality of a recommendation for municipal ownership at this time included the following: (1) It would first be necessary to change the general state law prohibiting municipal liquor establishments in any city having a population in excess of 10,000. Such legislation would reopen the "wet" vs "dry" issue statewide and would result in a fundamental change in existing state law. (2) The Minneapolis City Council, whose support would be indispensable to enactment of state legislation, appears to be hopelessly divided on this issue. (3) In addition to City Council support, nearly unanimous support among the Hennepin County legislative delegation would be required. Several members have already announced their irrevocable opposition to municipal ownership. (4) No other city in the nation of comparable size now has municipal ownership.

PATROL LIMITS

Few major cities throughout the country resort to arbitrary geographical boundaries, such as patrol limits, and the committee knows of no city having these arbitrary boundaries covering so small a portion of the community as they do in Minneapolis. St. Paul, for example, permits location of liquor establishments throughout most of the city in areas zoned commercial. St. Paul places primary reliance in protecting against undesirable location on its zoning ordinance and on the discretion of elected officials.

Whatever justification might have existed for the original establishment of the Minneapolis liquor patrol limits has long since disappeared. These limits no longer include the major built up industrial and commercial areas of Minneapolis. They cause concentration of liquor licenses to a degree which has brought about one or more skid row areas. They have unduly restricted competition and have been a major factor in control of key Minneapolis liquor licenses by a handful of persons, most of whom are either blood relatives or have been close business associates for many years.

Sound public policy compels an enlargement of the patrol limits and the imminent development of the lower loop gives rise to a sense of urgency to the needed changes.

OFF-SALE BOUNDARIES EXTENDED TO CITY LIMITS

The committee recommends extending the boundaries for off-sale liquor establishments to the city limits. As a general rule, we believe legitimate businesses should be able to locate in any area of Minneapolis which is commercially zoned for that purpose. But in so sensitive an area as is the issue of liquor, the committee recognizes that certain additional restrictions against unlimited location are desirable.

The committee believes that, with respect to location, a differentiation should be made between on-sale and off-sale liquor establishments. From the standpoint of cleanliness alone, we doubt that there is any other form of business which causes less of a problem than off-sale liquor stores. The same cannot be said for on-sale liquor establishments where drinking is done on the premises. Therefore, it is reasonable to conclude that off-sale liquor establishments should be permitted to locate in parts of Minneapolis zoned commercial where on-sale establishments should be prohibited. Safeguards against undesirable location of off-sale establishments can be provided without drawing an arbitrary geographical line in the form of patrol limits.

Although the great majority of off-sale liquor licenses are now restricted to locations within the patrol limits, nine licenses are free to move into any area zoned commercial in Minneapolis. To this degree, therefore, the patrol limits for off-sale liquor licenses now extend throughout the entire city. The fact that these nine licenses, which are free to locate in any commercially zoned area in Minneapolis, have not moved into outlying commercial districts is evidence that extension of the patrol limits will not result in any mass relocation in these outlying areas.

GEOGRAPHICAL BOUNDARY RETAINED FOR ON-SALE LICENSES

The committee recommends that the patrol limits for on-sale liquor establishments continue to be stated in terms of geographical boundaries; the new zone to be bounded generally by Hennepin Avenue on the southwest, Lake Street on the south, plus whatever extension is necessary to bring existing liquor establishments within the new boundaries, the Mississippi River on the southeast, and substantially the existing boundaries on the northeast, the north and the northwest.

Despite the comparatively small geographical area in which most on-sale establishments can be located today, the fact remains that 34 licenses are now situated outside the patrol limits and are free to locate in any commercially zoned part of Minneapolis. The committee's recommendation would bring all on-sale liquor establishments within the boundaries of the new zone and would preclude location of any on-sale establishment in the future beyond these boundaries. In this sense, the committee's recommendation actually restricts, rather than extends, the boundaries for on-sale establishments.

The committee recognizes, in opposing outright abolition of the patrol limits for on-sale liquor licenses, that in certain areas of Minneapolis zoned commercial on-sale establishments should be prohibited. Despite the obvious inequities that result from drawing any arbitrary line, we believe the line selected by the committee has a good deal of logic behind it. In general, the new proposed boundaries for on-sale liquor establishments include the traditional commercially zoned area extending more or less continually outward from downtown, at least on the principal streets. Beyond these boundaries the land use is primarily residential, with pockets of business and industry. We believe that it is in the public interest to exclude on-sale liquor establishments from areas which are primarily residential but which may have these pockets of commercially zoned districts.

The proposed boundaries for on-sale establishments would provide equal treatment for all licensees, as all licenses would be brought within the new limits. At present, those licenses situated outside the patrol limits have a tremendous advantage over the others.

The committee considered and rejected the proposal to extend the patrol limits to the so-called "Ring Street." The two principal objections were that the exact location of "Ring Street" is not yet clearly defined and that limiting the limits to this area seemed so unduly restrictive as to be little more than a temporary stopgap rather than a long-range approach to the problem.

LIQUOR ESTABLISHMENTS RESTRICTED TO AREAS ZONED COMMERCIAL

The committee considered, but decided against, formulating its own definition of the word "commercial" to apply to the location of liquor licenses. A definition of this term is better left to the City Council in prescribing a general zoning ordinance.

However, the general consensus of opinion among committee members is that liquor establishments should not be located in neighborhood districts zoned commercial, nor, perhaps, in the majority of community districts zoned commercial. We are comforted in this regard by the language contained in the preliminary draft of a proposed new zoning ordinance being prepared by the City Planning Commission and which should be put into effect in about a year.

REFERENDUM PROCEDURE LEAVES FINAL DECISION TO PEOPLE

As stated previously in this report, the committee places primary responsibility for proper location of liquor establishments on decisions of elected officials following prescribed procedures and the general zoning ordinance. But in so sensitive an area as liquor, we believe it desirable to provide some sort of "court of last resort" to the residents of the community involved. Our recommendations, therefore, provide for a form of community consent to location of liquor establishments through a permissive referendum.

VOTING AREA

In general, the people who should vote in any such referendum should be those using the commercial center in which the proposed establishment is located. It is not easy to establish logical boundaries to accomplish this, and the committee readily concedes that its recommendation may be subject to legitimate criticism. However, no more workable formula has been brought to the committee's attention.

In establishing boundaries for the voting area, the committee first considered it impractical to divide entire precincts. Consequently, any boundary will not extend equidistant in all directions from the proposed location.

The committee first considered holding the referendum at the ward level. This was rejected since many proposed locations would fall on or near ward boundaries and it would be unfair to exclude residents within a block or two while allowing those much farther away to vote. Narrowing the referendum to the precinct in which the proposed establishment is located would make the voting area too small, and would also in many cases exclude residents living across the street. The committee looked with considerable favor on a system of including the precinct in which the proposed establishment is located and all other precincts contiguous to it. This system would usually include an area of approximately six to nine precincts, which in most instances was a reasonable voting area. But, because of the odd shape of many of the Minneapolis precincts, the committee found that the voting area would extend much farther in some directions than others.

The committee settled on a system whereby all precincts within a radius of 1500 feet from the front door of the proposed location would be included in the voting area. The 1500 feet distance is one commonly used in the field of liquor licensing, being the distance generally used in determining proximity of liquor establishments to educational institutions. 1500 feet generally covers an area of 10 blocks from east to west and 5 blocks from north to south. Because each precinct falling within 1500 feet of the proposed location would be included in its entirety, the voting area almost always would be considerably larger than 1500 feet in each direction. Because the degree of warping of the voting area would be less under the radius system than under the contiguous precinct system, the committee favored the former.

REFERENDUM INITIATED BY PETITION

Consistent with the theory of our representative form of government and the committee's wish to depend primarily on the general zoning ordinance, we favor a permissive rather than a mandatory referendum.

Requiring that the petition be filed within 60 days following the granting of the license would appear to be a reasonable length of time. The requirement that signers be registered voters living in the voting area is a necessary one if established voting procedures are to be followed.

NUMBER OF SIGNATURES REQUIRED

The committee recommends that the number of valid signatures necessary to bring about a referendum be not less than 10% of the votes cast in the voting area at the most recent general state election, and that in no event is the number of valid signatures required to be less than 500.

The committee tried to arrive at a figure which would prevent nuisance referendums, but which at the same time would give adequate protection to residents in the area. Stating the requirement in the form of a percentage would seem to be fairer than selecting an arbitrary number, in view of the difference in the size of the voting area in many parts of the city. Because of the considerable amount of "deadwood" which results from a four-year registration system, the committee felt it would be preferable to base the percentage on the actual number of votes cast rather than on the number of registered voters. By expressing the requirement in terms of the most recent general state election, it would never be necessary to go back more than two years to determine the number of valid signatures necessary to initiate a referendum. Since the voting area is much smaller than that generally required to initiate such things as charter amendments, etc., it was felt the percentage should be somewhat higher than the usual 5%. The 10% figure will cause the number of valid signatures to range between 600 and 1000.

The committee believes that the downtown area should be treated differently from outlying areas in terms of the procedure used to initiate a referendum. The safeguards needed for residents of outlying areas are not the same downtown. Actually, there is little justification for providing a referendum procedure at all in the downtown area. But the committee was unable to draw an arbitrary line to exclude the downtown without giving rise to the charge that certain residents would be treated as second class citizens. In order to make the referendum procedure relatively difficult in the downtown area, without at the same time affecting the number of signatures required in any outlying area, the committee established a minimum requirement of 500 signatures.

REFERENDUM TO BE DECIDED BY A MAJORITY OF THOSE VOTING ON THE QUESTION

The commonly used procedure of determining the election by a majority of those voting on the question would seem appropriate in this type of referendum. There is no justification for presuming that an eligible voter who either did not go to the polls or did not vote on the question is either for or against the proposed location.

REFERENDUM TO BE HELD IN CONJUNCTION WITH REGULAR ELECTIONS

Holding special elections on liquor referendums would be prohibitive in cost. It was also generally felt that a representative vote would not result. Therefore, the committee recommends that the referendum be held at the next regular municipal or state election following the filing of the petition.

PROPOSED TRANSFER NOT HELD UP PENDING OUTCOME OF REFERENDUM

The committee, again basing its recommendation on the presumption that the granting of the license is proper until proved otherwise, proposes that the license not be held in abeyance pending the outcome of the referendum. This would prevent the hardship that would arise out of nuisance filing of petitions where the outcome

of the referendum would appear to be clearly predictable, and would also prevent competitors from using this device to delay the location of other establishments. No licensee would go to the expense of locating in advance of a referendum if he were in real doubt as to the outcome. In general, the committee feels that no irreparable harm will arise by allowing the licensee to proceed during the interval, but that considerable hardship would be caused by a procedure which would hold the license in abeyance.

FINANCIAL PARTICIPATION BY THE CITY IN THE RECEIPTS OF LIQUOR ESTABLISHMENTS

The committee recommends that the legislation extending the patrol limits also include a provision enabling the City of Minneapolis to participate in the gross receipts of both off-sale and on-sale liquor establishments. While we firmly believe that some of the liquor problems in Minneapolis would be materially improved by extending the liquor patrol limits, others might well be compounded by such a change. It therefore is important to make these major changes simultaneously. For reasons which will be spelled out in the succeeding paragraphs of this report, we are convinced that enabling legislation authorizing the city to participate in the gross receipts of liquor establishments should become an integral part of patrol limits revision legislation.

At the outset we recognize that the liquor industry is by far the most heavily taxed, as it should be, industry in the nation. We are also aware that the City of Minneapolis presently receives in the neighborhood of \$1,000,000 annually from the liquor industry. But on balance the committee is convinced that local receipts of \$1,000,000 per year is by no means an adequate amount.

LIQUOR BUSINESS IN MINNEAPOLIS HAS MONOPOLISTIC CHARACTERISTICS

The liquor business in Minneapolis has clearly recognizable monopolistic characteristics. This is particularly true of off-sale establishments. First, the number of establishments is limited by state law. There is no competition whatsoever in price -- state law sets the minimum. Since each establishment sells substantially the same line of merchandise there is no competition as to product. There is no competition as to service, since service primarily consists of taking the product from a shelf, perhaps wrapping it, and accepting payment. There is little competition as to the physical makeup of the establishment -- most package stores are similarly constructed. Competition in the area of advertising is extremely limited -- most newspapers and other media refuse to accept liquor advertising. There remains one, and only one, all important competitive factor in the off-sale liquor business. Location is the decisive consideration in the mind of the customer as he selects the store in which he will make his purchase.

This single competitive factor in the off-sale liquor business is granted in the form of a license by the City of Minneapolis. Who gets the relatively few key locations is, under the practice of aldermanic courtesy, actually determined by a single elected official. It does not take a great deal of imagination to understand the by-products that inevitably follow from this type of procedure.

Any time government, whether it be local, state or federal, either fosters or allows to exist a clearly monopolistic situation, it always regulates the industry to protect the public from the evils inherent in monopoly. For example, in Minneapolis the number of taxis is limited by the Council and the fare that may be charged is carefully regulated. In view of the monopolistic characteristics existing in

the off-sale industry in Minneapolis today, it is imperative that steps be taken to provide adequate safeguards. These safeguards are clearly not provided at the present time.

The relatively few key location off-sale liquor stores have a tremendous volume of business. At the same time its additional costs attributable to the extra volume are not substantially in excess of those for a low volume store. For this reason, high volume off-sale locations in Minneapolis are tremendously profitable. Almost all of these high volume stores are situated outside the present liquor patrol limits. Although our specific recommendations with respect to the issue of multiple ownership will come in a subsequent report, we feel compelled to mention here that the ownership and/or management of most of these high volume stores is concentrated among persons having a close blood relationship or who have been close business associates for many years. It is not possible for the City of Minneapolis to provide regulation of this monopolistic situation in the usual way -- by regulation of price. State law prohibits competition based on price. It appears that, short of outright municipal ownership, there is only one form of effective regulation for off-sale liquor stores. That is participation by the city in the excess profits which inevitably arise in a monopolistic type of enterprise.

The committee recommends that the city's financial participation be achieved through a sharing in the gross receipts. Gross receipts bear a direct relationship to the amount of the product distributed, and it is also the fairest measure of profits of off-sale establishments where costs are relatively stable irrespective of volume.

An additional but important by-product of this proposal is that, in order to insure enforcement, the city would have the legal right to inspect the financial records of all liquor licensees. In the absence of participation in gross receipts, there is a serious legal doubt as to the right of the city to inspect these records.

In order to effectively counter the effects of the monopolistic situation existing in the off-sale liquor business in Minneapolis, the participation in gross receipts must be on a graduated basis. A relatively few high volume package stores do the bulk of the volume of sales in Minneapolis today. Their ability to do so is directly attributable to the affirmative act of the City Council in granting them their location. Their additional costs attributable to this high volume are relatively small. For effective regulation of these establishments, it is imperative that the amount by which the city participates in gross receipts is not passed on to the consumer. We are convinced that competition from suburban off-sale establishments, together with that from the low volume stores who would be remitting to the city at a considerably lesser rate, would make it extremely difficult for high volume stores to increase the price of their product commensurately and still remain competitive. We hope and expect that by taking some of the financial lucrativeness out of these high volume package stores there will be less interest on the part of certain individuals to concentrate their time and investment in this type of business. We also believe that some of the pressures on elected officials would considerably diminish.

ON-SALE LIQUOR ESTABLISHMENTS

Although monopolistic characteristics also exist in the on-sale liquor business in Minneapolis, they do so primarily because of the limited number of licenses available, rather than because of the other factors influencing the off-sale business. For example, location is much less significant in the mind of a prospective customer for an on-sale establishment than for an off-sale store.

Sharing in the gross receipts of on-sale establishments may be justified on the basis that the amount contributed by this industry to local government is in no way commensurate with the costs that arise from excessive drinking. Irrespective of the relatively high tax now imposed on the liquor industry, a relatively small percentage of it goes to the municipality. It is at the local level where the basic responsibility rests for handling the problems which are a by-product of this industry. It is particularly appropriate at this time to urge participation by the city in the gross receipts of liquor establishments when such local government services as fire and police protection are at a dangerously low level because of lack of finances.

NO PRECEDENT ELSEWHERE FOR SHARING IN GROSS RECEIPTS

To our knowledge, no other city participates in the gross receipts of liquor establishments. This may be partly attributable to the fact that no other city has quite the same situation that exists in Minneapolis. As reported previously, the limited number of licenses and the relatively small area within which they may locate present a problem peculiar to our community. But at least to a substantial degree, the monopolistic characteristics we have found inherent in the package liquor business exist elsewhere, and we respectfully suggest that other cities throughout the nation might well give greater attention to this problem.

LEGISLATIVE ACT ENABLES CITY TO SHARE IN GROSS RECEIPTS

We do not recommend that the legislative act contain a provision making mandatory the participation by the City of Minneapolis in the gross receipts of liquor establishments. We simply urge that the legislative act contain language enabling the City of Minneapolis to participate if and to the extent it desires. The specifics of whether and to what degree would be resolved at a later date by the City Council. We leave to others to define whether sharing in these gross receipts is in the form of a tax or a license fee based on gross receipts. In either event, we agree that the City of Minneapolis does not presently have the authority to participate in the gross receipts of liquor establishments.

LEGISLATIVE ACT TO BE INCORPORATED INTO THE MINNEAPOLIS CITY CHARTER

The patrol limits are presently a part of the Minneapolis city charter, and it is the committee's belief that the proposed changes should also remain a part of the city charter. The committee prefers to leave authority for making future changes in the patrol limits to the voters of Minneapolis, rather than entrusting such authority either to the state legislature or to the City Council.

LEGISLATIVE ACT SUBMITTED TO THE VOTERS THROUGH REFERENDUM

Before any of the provisions contained in the legislative act become effective, the issue should be submitted to the voters of Minneapolis in the form of a referendum. If, and only if, a majority of those voting on the question favor the proposed changes, would they become effective. Submitting the issue to a referendum is sound for several reasons. First, changing the patrol limits actually amends the present city charter and, therefore, it is good procedure to ask the voters for ratification. Second, authority to share in the gross receipts of liquor establishments is a new concept and one that should have the approval of the people. Third, liquor is a particularly sensitive issue and basic changes such as those proposed should have direct approval of the people.

LEGISLATIVE ACT A PRACTICAL NECESSITY -- TIME IS OF THE ESSENCE

As has been pointed out earlier in this report, the changes we have recommended must be made at the earliest possible date and certainly before the state legislature convenes again in 1961. By that time, the lower loop project will be well under way and upwards of 70 licensees will either have been forced out of business or will be relocated in so concentrated an area as to insure the likelihood of a new skid row.

There is considerable merit to the contention that, as a home rule city, Minneapolis should and can present these changes in the form of a charter amendment. At least until passage of "home rule" constitutional amendment #1 last November, this avenue has been impractical, in view of the requirement of a 75% favorable vote before the amendment could become effective. Even though this provision was removed from the constitution through passage of amendment #1, the 75% requirement remains a part of the statutory law. Until and unless the section setting forth the 75% majority requirement is repealed, we are left with no recourse other than to press for action in the form of a legislative bill.