

ECONOMIC DEVELOPMENT AND JOBS COMMITTEE REPORT relative to creating the Restaurant Beverage Program (RBP).

Recommendation for Council action:

REQUEST the City Attorney, with the assistance of the DCP, to prepare and present an Ordinance to provide for:

- a. Establishing an opt-in process for Council Offices to designate geographies in their district, including by Council District boundaries, Community Plan Area, and/or specific boundaries as provided through Resolution.
- b. Changes to geographic boundaries to be done via Council Resolution, and therefore, not require an amendment to the entire Ordinance.
- c. Allowing Council Offices to establish an alcohol sensitive use zone designation which will create additional provisions listed in the Ordinance as detailed below:
 - i. Restricting eligibility for the program to Los Angeles County residents or businesses to ensure the program is benefiting local operators.
 - ii. All approvals shall be provisional until after a one-year review period, in which the applicant may be subject to a public hearing and review of conditions as determined by the DCP.
 - iii. Businesses with more than five complaints received and validated in the complaint portal shall be subject to a hearing to review conditions and mitigate any issues.
 - iv. Include the following provisions in the conditions of approval:
 - A. Gross annual sales of alcoholic beverages shall not exceed 45 percent of the total gross annual restaurant sales.
 - B. Any change in owner and/or operator of the business shall require a new application for the RBP.
 - v. Allow those Council Offices that opt into the program to further limit the RBP within the geographies they designate to beer and wine only during the first year of the program.

- vi. Applicants will be required to submit an outreach plan at the time they file an application for the RBP program to demonstrate their outreach efforts in the local community with the DCP to provide guidance on the requirements for the outreach plan.
- d. Establishment of a portal for community members to file complaints and a method to validate the complaints.
- e. Removal of the outdoor dining caps and reduce the 20-seat minimum to a 10-seat minimum.
- f. Including a severability clause.
- g. Exempting restaurants within hotels from participating in the program.

Fiscal Impact Statement: Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: Yes

For:
Harbor Gateway North Neighborhood Council

For if Amended:
Central Hollywood Neighborhood Council
Foothill Trails District Neighborhood Council
Greater Echo Park Elysian Neighborhood Council
Sunland-Tujunga Neighborhood Council

Against:
Arleta Neighborhood Council
Boyle Heights Neighborhood Council
Greater Valley Glen Neighborhood Council
Silver Lake Neighborhood Council

Summary:

On May 25, 2021, your Committee considered a July 14, 2020 DCP report, Negative Declaration, and Ordinance relative to creating the RBP. According to the DCP, the City began requiring a Conditional Use Permit (CUP) for on-site consumption of alcoholic beverages in 1977. In 1984, the City adopted the South Central Specific Plan which requires businesses within its boundaries to obtain a CUP to sell alcoholic beverages for off-site consumption. In 1985, the City began requiring a CUP for off-site consumption for the entire City. Los Angeles Municipal Code Section (LAMC) 12.21 A.10 prohibits the sale or dispensing of alcoholic beverages for on-site consumption without first obtaining the approval of a CUP in accordance with LAMC Section 12.24, which limits the

availability of such a CUP to establishments on property zoned for commercial or industrial uses. LAMC Section 12.21 A.14 requires the same for the sale or dispensing of alcoholic beverages for off-site consumption. The approval of a CUP is required of any alcohol-related business, including restaurants, bars, and nightclubs, as well as retailers, such as liquor stores and markets. The CUP for alcoholic beverages is a discretionary process subject to a public hearing and environmental review that can take more than six months and cost more than \$13,000 in permit fees and other expenses. The decision-maker, typically a Zoning Administrator, weighs the project circumstances and public comment in their determination that, if an approval, includes a number of conditions, some of which are tailored specifically to the project and others more standard and typically applied to most projects. Standard conditions address noise, lighting, graffiti, safety, security, training, and monitoring, among other issues.

Thousands of restaurants in the City have a CUP that allows them to serve alcoholic beverages, and the City regularly reviews applications for new permits. In response to Council's instructions, the DCP prepared an Ordinance that would create the RBP, an administrative review process that would allow select sit-down restaurants to serve alcoholic beverages incidental to dining and subject to eligibility criteria, performance standards, and enforcement procedures. The RBP is intended to assist small businesses, many of which stated during outreach that the RBP would assist them economically, and particularly now in the wake of the COVID-19 emergency. The proposed process would take roughly less than one month to complete and cost approximately \$4,000. Because the process would be ministerial rather than discretionary, the administrative review and clearance would not be subject to California Environmental Quality Act (CEQA) review, public hearings, decision-making, or appeals. However, the RBP would automatically require the typical conditions of approval that are applied to alcohol-related CUPs as a result of the discretionary process. For establishments such as bars, nightclubs, or late-night restaurants which emphasize alcohol consumption and have the potential to create adverse impacts, the CUP process provides a useful tool for neighbors to weigh in and for the decision-maker to evaluate and address potential impacts. For restaurants where alcoholic beverages are incidental to dining, the CUP process can be time-consuming and costly, even though the vast majority of restaurants are good neighbors to their communities and have few problems related to alcohol service. According to City Planning's Nuisance Abatement and Revocation Unit, restaurants comprise a small portion of establishments that undergo these proceedings. Of 40 currently active cases as of May 2020, only seven are for restaurants with five of the seven selling alcohol.

A standardized process would cut down on time and cost while still requiring compliance with set standards that meet and exceed conditions of approval typically applied to restaurants during the CUP process. At the same time, several communities in the City, often low-income neighborhoods and communities of color, are burdened with public health and safety issues associated with the sale of alcoholic beverages. Issues including substance abuse and crime are seen in areas with a concentration of alcohol-selling establishments such as bars, liquor stores, and local markets promoting alcohol sales. In drafting the ordinance, City Planning considered the public safety and socioeconomic

concerns brought forth by communities negatively affected by these problems. In response, the RBP contains selective eligibility criteria, strict performance standards, and new enforcement procedures that aim to limit adverse impacts typically associated with alcohol-selling establishments and exceed the conditions of approval typically applied to restaurants through the CUP process. In October 2018, the DCP released an initial draft Ordinance and collected a large amount of feedback from a diverse array of community groups, business owners, and other CPC-2018-4660-CA Page 4 stakeholders throughout the City. This resulted in a substantially modified draft ordinance released in April 2020, which is the proposed ordinance presented in this staff report. The revised draft ordinance contains more selective eligibility criteria that would filter out the types of establishments better suited for a discretionary process, such as bars, nightclubs, and other late-night establishments that emphasize alcohol consumption; additional performance standards to increase community protections and place restrictions on outdoor dining areas and noise; and stronger enforcement procedures where repeated violators would be suspended from the RBP. As currently designed, the RBP could support the creation of new jobs in an industry that plays an important role in the City's economy, which, prior to the Safer LA restrictions, employed more than 380,000 people and generated more than \$200 million in tax revenue annually. Providing restaurants with a timely and predictable process for obtaining approval to sell alcoholic beverages would enhance these economic benefits and create additional neighborhood amenities, while continuing to hold participating restaurants accountable and protecting nearby residents against potential negative impacts associated with alcohol sales. The Covid-19 emergency and subsequent stay-at-home orders have presented financial challenges to small and new businesses. Alcohol sales provide a substantial portion of restaurants' revenue and often make or break their viability as a business. A simpler, more predictable, less costly process to serve alcoholic beverages would ease some of the burdens placed on impacted businesses, giving them a boost and reducing the time needed for them to re-open and start hiring people. After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the several recommendations listed above. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

Economic Development and Jobs Committee

PRICE: YES
KREKORIAN: YES
BLUMENFIELD: YES
RAMAN: YES
HARRIS-DAWSON: YES

ARL
5/25/21

-NOT OFFICIAL UNTIL COUNCIL ACTS-