

Date of Hearing: April 8, 2026

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Blanca Rubio, Chair

AB 2731 (Addis) – As Amended March 19, 2026

SUBJECT: Alcoholic beverage control: neighborhood-restricted on-sale general licenses.

SUMMARY Authorizes the Department of Alcoholic Beverage Control (ABC) to issue no more than 12 total new original neighborhood-restricted special on-sale general licenses to bona fide public eating places located in specified census tracts in the County of Santa Cruz, as specified. Make legislative findings and declarations as to the necessity of a special statute for the County of Santa Cruz. **Specifically, this bill:**

1) Provides in the County of Santa Cruz, ABC may issue no more than 12 total new original neighborhood-restricted special on-sale general licenses to bona fide public eating places located in any of the specified census tracts.

2) Provides to qualify for a license issued pursuant to this measure, the premises for which the license would apply shall be located within one of the following United States Census Bureau census tracts, corresponding to those identified within the 2020 Census, located within the County of Santa Cruz, subject to the following limitations:

a) United States Census Bureau census tract 1102.01, 1102.02, 1103.01, 1103.02, 1104.01, 1104.02, 1105.03, 1105.04, 1105.05, 1105.06, 1106.01, 1106.02, and 1107.00. No more than a total of six neighborhood-restricted special on-sale general licenses shall be concurrently held at premises located within all of these tracts.

b) United States Census Bureau tract 1211.00, 1213.00, 1214.01, 1214.02, 1214.03, 1215.01, 1215.02, 1216.01, 1216.02, 1217.01, 1217.02, 1218.01, 1218.02, 1220.01, 1220.02, 1220.04, 1220.05, 1221.00, 1222.02, 1222.03, 1222.04, 1222.05, 1223.00, 1224.01, 1224.02, and 9901.00. No more than a total of six neighborhood-restricted special on-sale general licenses shall be concurrently held at premises located within all of these tracts.

3) Provides the ABC shall conduct a drawing to determine the priority in which all of such applications filed with it shall be considered, as defined.

4) Provides a license shall not be issued to an applicant until any existing on-sale licenses issued to the applicant for the same premises are canceled.

5) Prohibits anyone with current or recent (within 12 months) ownership interest in an on-sale general license from applying for new licenses issued under this specific measure for the same premises.

6) Provides an application for a neighborhood-restricted on-sale general license shall be subject to all the requirements that apply to an on-sale general license for a bona fide eating place, as specified.

- 7) Provides a license issued shall not be transferred between counties. Provides, except as provided, a license issued shall not be transferred to any other premises. States the ABC may allow a license to be transferred within the same neighborhood, as described.
- 8) Provides a license issued pursuant to this measure shall not be sold or transferred for a price greater than the original fee paid by the seller or transferor.
- 9) Provides that following the cancellation or revocation of a license issued, as defined, the ABC may issue one additional new original neighborhood-restricted special on-sale general license, as specified.
- 10) Provides a person that holds a neighborhood-restricted special on-sale general license issued shall not exchange that license for an on-sale license for public premises.
- 11) States a neighborhood-restricted on-sale general license allows the same privileges—and follows the same rules—as an on-sale general license for a bona fide eating place. The ABC may designate these licenses as “on-sale general for special use,” but this does not alter any of the license permissions or restrictions set by the measure.
- 12) States the ABC may adopt rules and regulations to enforce this measure.
- 13) Makes legislative findings and declarations.

EXISTING LAW:

- 1) Establishes ABC and grants it exclusive authority to administer the provisions of the ABC Act in accordance with laws enacted by the Legislature. This involves licensing individuals and businesses associated with the manufacture, importation, and sale of alcoholic beverages in this State and the collection of license fees.
- 2) Provides that ABC must deny an application for a license if issuance would create a law enforcement problem, or if issuance would result in, or add to, an undue concentration of licenses in the area where the license is desired. However, for liquor stores and other specified retail licenses, ABC is authorized to issue a license if the respective local government determines that public convenience or necessity would be served by granting the license.
- 3) Caps the number of new on-sale and off-sale general licenses issued by ABC. The ratios are one on-sale general license for each 2,000 persons in the county in which the premises are situated and one off-sale general license for each 2,500 persons.
- 4) Defines an “on-sale” license as authorizing the sale of all types of alcoholic beverages: namely, beer, wine and distilled spirits, for consumption on the premises (such as at a restaurant or bar) and an “off-sale” license as authorizing the sale of all types of alcoholic beverages for consumption off the premises in original, sealed containers.
- 5) Defines “bona fide public eating place” to mean a place which is regularly and in a bona fide manner used and kept open for the serving of meals to guests for compensation and which has suitable kitchen facilities connected therewith, containing conveniences for cooking an assortment of foods which may be required for ordinary meals, the kitchen of which must be

kept in a sanitary condition with the proper amount of refrigeration for keeping of food on said premises and must comply with all the regulations of the local Department of Health.

6) Authorizes ABC to issue, in the County of San Luis Obispo, a total of 10 additional new original on-sale general licenses for bona fide public eating places, but no more than five licenses per year, as specified. (California Business and Professions § 23826.23)

7) Authorizes ABC to issue up to 40 new original licenses for bona fide public eating places (Type 87), in qualifying census tracts located in Los Angeles County, but no more than 12 per year, as specified. (California Business and Professions § 23826.24)

8) Provides that in Napa County, from January 1, 2017, to December 31, 2017, the ABC, in addition to those licenses currently issued under the law may issue no more than five additional new original on-sale general licenses for bona fide public eating places, for a period of one-year. Any premises to qualify for a license shall have a seating capacity for 50 or more diners. (California Business and Professions § 23826.10)

9) Authorizes, beginning January 1, 2017, the ABC to issue no more than five new original neighborhood-restricted special on-sale general licenses per year, until a total of 30 licenses are issued, to premises located in any of the census tracts, as specified, within the City and County of San Francisco. Subsequent legislation increased the total number of this type of specific license to 40 total licenses. (California Business and Professions § 23826.13)

10) Authorizes, beginning on January 1, 2021, the ABC to issue a total of 10 new original on-sale general licenses in Mariposa County and up to 10 additional new original on-sale general licenses per year in Napa County over a 5-year period. (California Business and Professions § 23826.10)

FISCAL EFFECT: This bill is keyed fiscal by Legislative Counsel.

COMMENTS:

Purpose of the bill. According to the author's office, this bill "Under current law, no new on-sale general alcohol licenses may be issued in Santa Cruz County. When licenses are unavailable, it creates an unregulated secondary market where licenses can sell for hundreds of thousands of dollars. This creates a financial barrier that prevents existing restaurants from expanding and deters new commercial developments from opening their doors. AB 2731 will authorize up to 12 additional on-sale general licenses to be issued in Santa Cruz County, creating new jobs, supporting small businesses, generating increased tax revenue, and driving the growth of the hospitality industry."

Background.

Type 47 alcohol license. A Type 47 license is designated for businesses that operate as a "bona fide eating place," meaning the establishment primarily serves food. This license allows the business to serve beer, wine, and distilled spirits for consumption on the licensed premises. To qualify, the license holder must maintain suitable kitchen facilities and make actual and substantial sales of meals for on-site consumption. Generally, this means the business must generate at least 51 percent of its total gross sales from food.

A Type 47 license is one of the most common liquor licenses issued to restaurants in California. Businesses that frequently operate under a Type 47 license include full-service restaurants, hotels and resorts, bowling alleys, golf courses, and other dining establishments. Minors are allowed on the premises. This license type is subject to Responsible Beverage Service (RBS) requirements and requires alcohol servers and managers of alcohol servers to be RBS certified. Statewide, there are currently 17,097 active on-sale general (Type 47) licenses.

Alcohol license limitation. There are more than 60 different types of ABC licenses authorized in California, each with its own set of privileges and obligations specific to the category of license involved. Existing law provides for a limit on the number of new on-sale general licenses the ABC may issue each year based on the population growth of the county in which the licensed premises are located. The ratio is one on-sale general license for each 2,000 residents. For example, if a county grows by 10,000 people in a specific year, the department will issue five new licenses in that county.

If the ABC receives more applications than there are licenses available, a public drawing is held. To take part in such a drawing, an applicant must have been a resident of California for at least 90 days prior to the scheduled drawing. The ABC notifies successful drawing participants that they have 90 days to complete a formal application for their specific premises. The cost of these new licenses is \$17,335 each.

Individuals seeking to open a full-service restaurant with a bar or cocktail menu who cannot obtain a liquor license through this process must locate an existing licensed owner willing to sell their license. This usually happens by contacting an alcohol license broker. The cost of acquiring a license on the secondary market is driven by supply and demand and can reach upwards of \$400,000.

Impact on counties. As previously noted, when a county experiences population growth, the ABC issues additional licenses based on the population growth; currently 2,000 residents per one on-sale general license. While this system tends to work for most counties, there are a substantial number of counties where the demand for alcohol licenses far outweighs the current number of alcohol licenses in those counties. The reasons for the lack of licenses are generally a lack of population growth or because of the amount of tourism in the particular county, which results in higher demand for these types of businesses.

For example, in the County of Napa, the number of visitors continues to increase while the population of the county has not grown. While most visitors to Napa take day trips, more than one million of these visitors spend at least one night in local lodgings. Tourism has thus become one of the major economic drivers in the region. In 2016, AB 1670 (Dodd, Chapter 347) authorized the ABC to issue up to five additional new original on-sale general licenses to bona fide public eating places in the county, for a one-year period. While the bill allowed for the issuance of the five new licenses, demand far outweighed the availability of these licenses. In 2017, when the ABC issued the five new licenses, there were a total of 38 applications for those five licenses.

Issuance of additional licenses. Over the years, various counties have sponsored legislation to authorize ABC to issue additional Type 47 licenses in their county. Like this bill, previous bills also prohibit the sale of these licenses from being sold for a price greater than they were obtained from the department and prohibit the license from being transferred between counties.

Generally, these bills receive unanimous support in the Legislature and are signed into law. Once those bills become law, ABC, if there are more applicants than there are licenses available to be issued, holds a random drawing that establishes priority rankings to apply for alcohol licenses. Applicants must still go through the normal application process, which includes local posting requirements and pay all appropriate fees.

Policy consideration. To maintain consistency with prior legislative exemptions (see earlier legislation referenced below) for new, original neighborhood-restricted special on-sale general licenses issued to bona fide public eating places in designated counties or census tracts, the bill should be amended to provide that the ABC shall not issue more than five such licenses per year, under the specified provisions.

In support. The Pajaro Valley Chamber of Commerce & Agriculture writes, “We support efforts to assist small businesses seeking to locate in designated areas of the County and to expand equitable economic development opportunities for these communities. The current allocation of Type 47 licenses across Santa Cruz County is not proportional to population. Although the City of Watsonville accounts for nearly one-quarter of the County’s residents, bona fide eating places located there hold only about 10 percent of active Type 47 licenses. This imbalance limits Watsonville’s ability to attract and support new restaurants and hospitality projects, creating a barrier to South County’s economic growth and vitality.”

Prior legislation. AB 445 (Aguiar-Curry), Chapter 153, Statutes of 2025. Authorized ABC to issue no more than 10 new original on-sale general licenses for bona fide public eating places in the County of Colusa, as specified.

AB 828 (M. González), Chapter 715, Statutes of 2025. Authorized ABC to issue no more than 12 new original neighborhood-restricted special on-sale general licenses per year to bona fide public eating places located in specified United State Census Bureau census tracts (2020 Census) in the County of Los Angeles, until a total of 40 new licenses have been issued, as specified.

SB 395 (Wiener), Chapter 412, Statutes of 2025. Authorized ABC to issue up to 20 additional new original on-sale general licenses for bona fide public eating places located within a designated hospitality zone, as specified, in the City and County of San Francisco.

AB 1008 (Addis), Chapter 568, Statutes of 2025. Allowed ABC to issue, in the County of San Luis Obispo, a total of 10 additional new original on-sale general licenses for bona fide public eating places, but no more than five licenses per year, as specified.

AB 2359 (Ting), Chapter 393 Statutes of 2024. Revised an existing provision of law to authorize ABC issue up to five additional original neighborhood-restricted special on-sale general licenses for bona fide eating places (Type 87) per year, until a total of 40 such licenses—an increase from the current limit of 30—have been issued, for premises located within specified census tracts in the City and County of San Francisco.

AB 2589 (J. Patterson), Chapter 312, Statutes of 2024. Authorized ABC to issue up to 10 additional new original on-sale general licenses for bona fide public eating places located in a retail center, in both the County of El Dorado and the County of Placer, as specified.

AB 1668 (Patterson), Chapter 282, Statutes of 202. Authorized ABC to issue no more than 10 new original on-sale general licenses for bona fide public eating places in the County of Placer, as specified.

SB 787 (Dahle,) Chapter 113, Statutes of 2022. Authorized ABC to issue no more than 10 new original on-sale general licenses for bona fide public eating places in the County of Nevada, as specified.

SB 1452 (Dahle), Chapter 889, Statutes of 2022. Authorized, beginning on January 1, 2022, ABC to issue up to 10 new original on-sale general licenses for bona fide public eating places in both the County of El Dorado and in the County of Shasta, as specified.

AB 2459 (Bigelow), Chapter 53, Statutes of 2020. Authorized ABC to issue up to 10 additional new original on-sale general licenses for bona fide public eating places in Mariposa County and up to 10 additional new original on-sale general licenses per year in Napa County for a period of five years.

AB 471 (Ting), Chapter 442, Statutes of 2017. Authorized ABC to issue no more than five new original neighborhood-restricted special on-sale general licenses per year, until a total of 30 licenses are issues, to premises located in any of the census tracts, as specified, within the City and County of San Francisco. Additionally, authorized ABC to issue a maximum of 20 new original on-sale general licenses for a bona fide eating place, over a four-year period, in the County of Napa, as specified.

SB 1285 (Leno), Chapter 790, Statutes of 2016. Authorized, beginning January 1, 2017, ABC to issue no more than a total of five new original “neighborhood-restricted” special on-sale general licenses (bona fide eating place), for premises located within specified City and County of San Francisco neighborhoods, subject to certain requirements and restrictions.

REGISTERED SUPPORT / OPPOSITION:

Support

Appenrodt Commercial Porperties
Aptos Chamber of Commerce
City of Watsonville
Los Dos Potrillos Mexican Restaurant
Pajaro Valley Chamber of Commerce and Agriculture
Tewstorff Construction, INC.
Vallarta Supermarkets

Opposition

None on file.

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