

## ASSEMBLY THIRD READING

AB 2731 (Addis)

As Amended April 14, 2026

Majority vote

**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.

**Major Provisions**

1) Authorizes ABC to issue no more than 5 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 per year until a total of 12 new licenses have been issued, as specified.

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.

## COMMENTS

### *Background.*

An on-sale general license for a business primarily serving food as a "bona fide eating place" (Type 47) allows the licensee to also serve beer, wine and distilled spirits for consumption on the licensed premises. Existing law limits the number of new on-sale general licenses ABC may issue 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. Because many counties have reached their caps, businesses seeking a license may need to buy one on the secondary market, which can cost up to \$400,000. While ABC's formula generally works for most counties, demand for licenses far outweighs the population-based allotment in some counties, generally due to the county's slower population growth or the local economy's reliance on tourism.

AB 471 (Ting), Chapter 442, Statutes of 2017, created a new neighborhood-restricted on-sale general license (Type 87) and allowed ABC to issue a total of 30 new Type 87 licenses, with up to five licenses issued per year and a certain number of licenses reserved for enumerated census tract corridors in the City and County of San Francisco. AB 2359 (Ting), Chapter 393, Statutes of 2024, subsequently increased the total allowable number of Type 87 licenses in San Francisco to 40. Similarly, AB 828 (M. Gonzalez), Chapter 715, Statutes of 2025, created a 40-license Type 87 license program for certain neighborhoods in the County of Los Angeles, but allows the licenses to be issued at a much faster pace of up to 12 licenses per year.

This bill creates a similar, but smaller, Type 87 license program for certain neighborhoods in the County of Santa Cruz, authorizing ABC to issue up to five neighborhood licenses within specified census tracts in the County of Santa Cruz per year until a total of 12 neighborhood licenses have been issued.

*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 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.

Opening a full-service restaurant with a bar can be challenging if an individual can't secure that ABC license through the standard application process. In that case, it would need to be purchased from an existing license holder, typically by working with an alcohol license broker. Because the number of licenses is limited, prices are driven by supply and demand and can reach as high as \$400,000 on the secondary market.

### **According to the Author**

According to the author, 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."

### **Arguments 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."

**Arguments in Opposition**

None on file

**FISCAL COMMENTS**

According to the Assembly Committee on Appropriations analysis, "Minor and absorbable costs to ABC. Any additional licensing and enforcement investigations generated by the 12 new licenses issued over at least three years should be covered by corresponding licensing fees. This committee sees a wide array of bills that propose to modify the scope of alcohol laws. Generally, the majority of proposals do not generate significant new workload for ABC, but taken together, these proposals could lead to significant new costs and future budget requests. In this case, however, the proposed increase in new licenses is relatively minor in volume."

**VOTES****ASM GOVERNMENTAL ORGANIZATION: 19-0-3**

**YES:** Blanca Rubio, Davies, Alvarez, Berman, Bryan, Carrillo, Dixon, Fong, Gabriel, Gipson, Macedo, McKinnor, Nguyen, Pacheco, Ramos, Michelle Rodriguez, Solache, Ta, Wallis

**ABS, ABST OR NV:** Gallagher, Soria, Valencia

**ASM APPROPRIATIONS: 13-0-2**

**YES:** Wicks, Hoover, Arambula, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Solache, Ta, Tangipa

**ABS, ABST OR NV:** Calderon, Muratsuchi

**UPDATED**

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