

## SENATE THIRD READING

SB 395 (Wiener)

As Amended June 30, 2025

Majority vote

**SUMMARY**

This bill would authorize the Department of Alcoholic Beverage Control (ABC or department) 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.

**Major Provisions**

- 1) Authorizes the 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 in the City and County of San Francisco.
- 2) Defines "hospitality zone" to mean an area designated by an ordinance in the City and County of San Francisco on or after January 1, 2026, that contains at least 1 million square feet of retail shopping space open to the public. The City and County of San Francisco shall not designate more than one hospitality zone.
- 3) Provides that during the first year following adoption of a valid ordinance, the ABC may issue 10 of the 20 licenses during the calendar year. In any subsequent year, the department may issue any licenses that have not been issued, not exceeding five licenses per year.
- 4) Provides that in order to authorize the issuance of additional licenses, an ordinance adopted by a local governing body to designate or modify a hospitality zone shall include all of the following:
  - a) Information as may be necessary to identify the boundaries of the hospitality zone.
  - b) A finding that the designated area meets the definition of hospitality zone.
  - c) A finding that the issuance of additional licenses would serve the public convenience or necessity.
- 5) Authorizes a local governing body to further limit the maximum number of additional licenses to be issued within its hospitality zone and to further limit the area within the boundaries of the hospitality zone where additional licenses may be issued.
- 6) Prohibits, with specified exemptions, a license issued under this bill from being transferred to any person, partnership, limited partnership, limited liability company, or corporation. Also, prohibits a license issued by the provisions of this bill from being sold or transferred for a price greater than the original fee paid by the seller or transferor.
- 7) Provides a licensee that holds an on-sale general license for a bona fide public eating place that is in a hospitality zone shall not be eligible to apply for a license under this measure for the same licensed premises.

8) Prohibits the ABC from issuing any license under this measure after July 1, 2033.

## COMMENTS

### *Background.*

*Type 47 alcohol license.* An on-sale general eating-place license, or Type 47 license, authorizes the consumption of beer, wine, and distilled spirits for consumption on the licensed premise. The licensee is required to operate and maintain the license premises as a bona fide eating-place, which must include suitable kitchen facilities. The licensee must make actual and substantial sales of meals for consumption on the premises. Generally, this means that the business must generate at least 51% of all gross sales from food. As such, a Type 47 license is one of the most common types of liquor licenses for restaurants in California.

Some common businesses that use the Type 47 license include full-service restaurants, hotels and resorts, bowling alleys, golf courses and other eating establishments. As of February 29, 2025, there were approximately 15,934 on-sale general (Type 47) licenses statewide.

*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 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 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. 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.

In San Francisco, because of its strong restaurant and nightlife scene, prices typically range from \$100,000 to \$200,000, depending on factors like location. Current listings show asking prices such as \$125,000 on the low end and as high as \$195,000. These figures can fluctuate based on market conditions and specific license details.

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 San Francisco. AB 2359 (Ting), Chapter 393, Statutes of 2024, increased the total allowable number of Type 87 licenses to 40 and allowed licensees to offer to-go alcohol sales, consistent with privileges extended to other bona fide eating place licensees. This bill creates a 20-license program for a designated hospitality zone in San Francisco.

If this bill becomes law, the ABC shall conduct a random drawing to establish priority rankings for applicants in cases where the number of applicants exceeds the available alcohol licenses. Selected applicants must still complete the standard application process, including local posting requirements, and pay all applicable fees.

### **According to the Author**

According to the author's office, "SB 395 will boost nightlife activity, support small businesses, and speed economic recovery in downtown San Francisco by creating 20 new liquor licenses in a special downtown hospitality zone. In recent years, San Francisco has pursued a number of creative solutions to help fill vacant office and retail spaces. One of the goals of those initiatives has been to attract a more diverse industry base to help transform downtown, which overwhelmingly consist of office space, into a leading arts, culture, and nightlife destination. Providing new entertainment experiences through a hospitality zone supports this goal and allows downtown to recover faster. San Francisco is home to spectacular array of street fairs and special events, these new small businesses will reimagine night life back in downtown."

### **Arguments in Support**

This bill is sponsored by San Francisco Mayor Daniel Lurie, who states "San Francisco's downtown has always been a core neighborhood of our city. It is our economic engine, where people shop, and where business is conducted. Despite the vital role that it plays, downtown has not yet recovered from the pandemic. For example, Union Square currently has a commercial vacancy rate of 43%. SB 395 will help contribute to San Francisco's economic recovery by bringing more restaurants and bars to our downtown hospitality zone. It will augment our message that San Francisco is open for business, and introduce another permanent solution to support our city in recovering once and for all."

### **Arguments in Opposition**

This bill is opposed by groups concerned about loosening alcohol restrictions, with Alcohol Justice arguing this bill "an additional (20) outlets would be an enormous and highly concentrated influx of alcohol outlets. There is no question it will make the streets of San Francisco – already plagued, fairly or not, with a reputation for violent crime – more dangerous; there is every reason to believe it will make neighboring highways more deadly as well. It is also unnecessary to populate the specific area with licensed premises, since San Francisco's overabundance of liquor licenses means they are perpetually available on the market."

## **FISCAL COMMENTS**

According to the Assembly Committee on Appropriations analysis, "Costs of approximately \$50,000 to ABC to integrate special tracking features into ABC's licensing system (Alcohol Beverage Control Fund). Since this bill allows a limited issuance of licenses within a zone established and modified by a separate government entity, ABC notes it will need to track these licenses in a different manner than existing license types. Additionally, minor and absorbable costs to ABC related to licensing and enforcement investigations, as any workload generated by the 20 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****SENATE FLOOR: 39-0-1**

**YES:** Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

**ABS, ABST OR NV:** Reyes

**ASM GOVERNMENTAL ORGANIZATION: 22-0-0**

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

**ASM APPROPRIATIONS: 15-0-0**

**YES:** Wicks, Arambula, Calderon, Caloza, Dixon, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Jeff Gonzalez, Solache, Ta, Tangipa

**UPDATED**

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CONSULTANT: Eric Johnson / G.O. / (916) 319-2531

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