From:	Eric Forst
To:	Calder, John P (CED)
Subject:	proposed alcohol regulation changes
Date:	Wednesday, June 08, 2016 2:56:35 PM
Attachments:	image002.png
Importance:	High

Dear ABC board members,

I would like to give public comment on the following proposed alcohol regulations: MANAGEMENT AGREEMENTS AND PROHIBITED FINANCIAL INTEREST, DISTILLERY LICENSES, and ALTERNATING LICENSED PREMISES FOR CERTAIN LICENSE TYPES.

Management agreements:

If this regulation is going to address the upside down licenses that have happened recently (Goldbelt Hotel) then I am all for it. However, I am not sure this clarifies the issue. Does this regulation prevent someone from leasing a whole hotel to get the tourism license and then simply leasing back the hotel portion to the actual owners?

This issue needs to be CLEARLY addressed in the regulations so licenses are not issued for premises that have outstanding violations and or fines as has happened recently. This practice is contributing to the devaluing of BDL licenses and must be prevented in the future.

Distillery licenses:

Again, is this regulation going to clearly define what a distillery can and can't do? I spent a significant sum of money to acquire a BDL to sell alcohol. I cannot turn around and change the product, or add to or infuse the product I sell. If you allow distillery's to do this you are devaluing my license. Is that your intention? Similarly, if I wanted to sell a few different types of whiskey or have my own private label whiskey to sell, I cannot do that without a package store license and significant investment. If you allow distillery's to sell their product at retail, you are devaluing the package store license owners investment. Is that your intention?

Alternating licensed premises:

I don't understand what the purpose of this is. It looks like you are creating more loopholes to the existing regulations. Anytime you are relaxing the regulations for alcohol that we as license owners have invested in, you are devaluing our investment. Why would anyone pay for these expensive licenses if you are creating loopholes to make it simply a matter of "semantics" as to what you are doing to get approval from the ABC board?

Please address the REASON you are proposing these changes and what affect they will have on EXISTING license holders who have significant investments in these licenses.

Thank you for your time,

### **Eric Forst**

General Manager/Partner <u>Red Dog Saloon and Mercantile</u> 278 S. Franklin St. Juneau AK, 99801 (907)463-3658 ext. 1 (907)723-1275 cell <u>eric@reddogsaloon.com</u>



www.reddogsaloon.com

From:	Jack Manning
То:	Calder, John P (CED); Jack Manning
Subject:	Draft regs
Date:	Tuesday, June 07, 2016 4:03:40 PM
Importance:	High

Hello John Jack Manning here I just have a fee question regarding the Draft Regulations. Alternating License Premise does this include BDL's I am thinking for example roadhouses in rural areas and If not Why not? I had several questions for the common carrier license. Line one should that read licensed by a state agency not for a state agency. I am confused as to what an uninspected vessel is? I don't know of any boats that are for hire or carry passengers that are not inspected. I am concerned as to the effect of this change on Excursion,Whale watching boats that have Common Carrier Licenses. My experience in the Juneau and southeast area is that these boats typically do not have any staterooms. One more question How does a regulation change like these happen? how do they come forward? Thanks for your time Jack Manning 907 789 4637 Proposed ABC Regulation Comments and Questions for the Board

Attn: John Calder / ABC Board

3 ACC 304.225 Alternating Licensed Premises

Section (1). This is written like it is intended to be limiting factor. But I am not sure what wouldn't fit under this "promote activities to the general public". Even events that are often considered private, such as wedding receptions, etc., could easily be interpreted as open to the general public allowing this regulation to be used.

## Question: What is the Section (1) attempting to limit out of the proposed regulation?

Section (4). It appears that this would in effect reverse the language of Section (5) and again allow alcohol to be served on the temporarily unlicensed licensed premises.

# Question: What is the purpose of creating an unlicensed area in a licensed premises if you are just going to allow alcohol to be served there?

Question: Does this mean only a full BDL license "AS 04.11.090" as stated in proposed regulation can cater on Alternating Areas proposed in this regulation? Or does it mean a BDL licensed issued under AS 04.11.090 is the ONLY license type that can use a caterer permit in the Alternating Licensed Area of a license issued under AS 04.11.090?

Section (5). If it appears that if a licensee has designated his whole premise except the actual barstools and back bar as "Alternating Unlicensed" he wouldn't have to lock anything up or remove anything and could actually continue to serve at the bar while the majority of the premise was designated unlicensed. Or potentially the licensee could have a situation where the bar was still fully set up but unmanned or unused just as a workaround to actually having to remove or secure the alcohol. Question: Who is going to enforce this? More importantly how will you enforce this once you allow alcohol back into the temporarily unlicensed portion of a licensed premises with a catering permit, nforcement staff will no longer be able to tell the difference between alcohol served in the licensed or unlicensed areas of the premise?

Since no background was provided in the public notice as to why this regulation was proposed, the fact that purposed regulation contradicts itself by allowing alcohol in the unlicensed area with the catering permit as well as potentially still acting as a full BDL on the remaining portion of the license with no specifics as to how the two would be separated. There is a large potential for abuse and an unenforceable situation for ABC staff. It will be putting minors on what is still truly licensed premises with alcohol, during alcohol service, while removing the vast majority of the laws and regulations that ABC licensed premises are required to follow. You are in effect removing the requirement that a licensee must follow the Laws and Regulations of a licensed premises during these times.

Section (4). The proposed language actually leaves more questions than answers, there are two, probably more, obvious interpretations of what it could mean. Regulation should clarify, not make it even more difficult to understand the intention.

Potentially if the entire licensed premises was designated unlicensed for a period, all alcohol stored away in an approved area, and no alcohol service was allowed on the premise by catering, these revisions might have some benefit. Otherwise they should continue to be treated as a licensed establishment constrained by the laws and rules of the license they hold.

Paul J. Thomas Alaska Cache Liquor Inc. P.O. Box 20977 Juneau, Alaska 99801 Ph 907-586-2232 Fax 888-517-5531 Dear John,

The attached document is public comment which was due by June 8th. Please send to all members of the ABC Board. I feel it is important of all members to read concerns from public.

thank you,

Leeann Thomas Triangle Club Inc 907-586-3140

- To: State of Alaska Alcoholic Beverage Control Board john.cader@alaska.gov Fax 907-334-2285 907-269-0350
- From: Leeann Thomas 251 Front Street triangleclubbar@hotmail.com 907-209-5656

I would like to inquire and give public comment on the following proposed alcohol regulations: MANAGEMENT AGREEMENTS AND PROHIBITED FINANCIAL INTEREST, DISTILLERY LICENSES, and ALTERNATING LICENSED PREMISES FOR CERTAIN LICENSE TYPES.

#### MANAGEMENT AGREEMENTS AND PROHIBITED FINANCIAL INTEREST:

Why is this change needed? Does this stop the Upside Down Leases which in the last couple of years have happened with Tourism (hotel) licenses? Where a person can lease the hotel, get the tourism liquor license in their name. Then lease back the hotel to the true owners of the hotel. The bar is then run totally separate and by totally different people with no financial tie to the hotel. This situation allows a person with debt and/or a license violation to walk away since they don't have any financial interest in the tourism liquor license. After they walk away, the owners of the hotel can then simply apply for a new tourism license and get it. An example of this happened this past February in Juneau. The old license still owed debts but was dropped and a new one created. Meanwhile, others in the industry have paid upwards of \$250,000 for their license. Debt and violations are never wiped clean for a BDL holder. If the proposed regulation stops Upside Down Leases I'm in favor of it, if not I need to know why this regulation is being added. It is hard to comment on proposed language if there is not a clear reason of what said language is fixing or changing with the law.

Is there a standard definition for "management" or "manager"? Is giving a staff person the title of Day Manager or Night Manager going to become a problem for liquor businesses? What happens if the ABC Board decides a licensed premise has a manager and did not submit a contract with the ABC Board? What are the penalties?

#### DISTILLERY LICENSES:

I'm concerned if this allows a distillery to open up with a small distillery. Making only a couple of gallons of alcohol. But, since they make some alcohol then they infuse alcohol (perhaps hundreds of gallons) which is not made in their distillery. Others in the industry cannot alter any product they sell for retail. Why would a distillery be allowed to alter alcohol (infusing, changing the bottle, perhaps adding an Alaskan label) which a BDL or package store cannot? They should only be allowed to sell the alcohol they 100% make. I also feel strongly their tasting rooms should only be allowed to give samples away, not sell to consume on premises. Others in the industry has spent a lot of money buying the right (BDL) to sell retail alcohol. The value of their license was based on population, which was determined by the State of Alaska. Distillery license are not part of that formula of population, yet they are still

adding more alcohol retail locations. Therefore, diluting current value of other retail license holders.

ALTERNATING LICENSED PREMISES FOR CERTAIN LICENSE TYPES:

Once again, what is the reason this is needed? Can only a caterer's permit under a AS 04.11.090 (BDL) cater to a premises that has altered its license? When would this be used? Would an example be a Restaurant Eating Place License wanting to have a wedding with full alcohol so then unlicensed their premise and then have a BDL cater? Or is a better example a licensed premise wants to have underage people come to a concert. They can alter their license (by temporarily unlicensed their premise) and then catering with their own BDL which allows them to have underage people come to a concert at the same premise where alcohol is being served? I would be interested to learn if the second example would be allowed under this proposed change. If so, I would be against it. If these proposed regulations are allowed how many times will it be allowed at a premise?

Please answer the questions above and provide reason the proposed changes are needed.

Thank you,

Leeann Thomas

Dear Mr. Calder,

I am writing with a question in regards to 3 AAC 304.225. Alternating Licensed Premises for Certain License Types 3 AAC 304 Article 2 "Licensing" is amended to add a new section "Alternating Licensed Premises for Certain License Types"

I am confused as to how #4 and #5 work in conjunction with each other. If a BDL (AS 04.11.090) caters an event, it generally does so to sell alcohol? So does this mean that the event taking place at a golf course during the approved unlicensed time, and using a caterer's permit from a BDL would not be permitted to sell or serve alcohol? If so, why would the event coordinators even need a permit at all?

I would appreciate any light you could shed on the subject. I am sure there is a reason for this, just hard to understand without any background knowledge.

Many thanks.

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Marcy Larson Director Alaskan Brewing Co. 5429 Shaune Drive | Juneau, AK 99801 <u>mlarson@alaskanbeer.com</u> Phone: 907-780-5866 | Direct: 907-780-5914

From:	Reecia Wilson
To:	<u>Calder, John P (CED)</u>
Subject:	Notification of Changes
Date:	Wednesday, June 08, 2016 3:10:45 PM
Importance:	High

To whom it may concern,

I was notified by an industry stakeholder yesterday that comments for the below highlighted message received from the ABC office on May 16th 2016 needed to be submitted by the end of today in order to receive a response to a question or inquiry. I was under the impression industry stakeholders had until June 18th for such inquiries so my apologies for not having time to draft a formal letter for your records and hoping this email message will qualify for a response.

Today we posted proposed alcohol regulations for public comment related to ALTERNATING LILCENSED PREMISES FOR CERTAIN LICENSE TYPES, COMMON CARRIER DISPENSARY LICENSES, DISTILLERY LICENSES, MANAGEMENT AGREEMENTS AND PROHIBITED FINANCIAL INTEREST, INCLUSION OF PERMITTEES IN SERVER EDUCATION COURSE REQUIREMENTS and RESTAURANT DESIGNATION PERMITS.

We expect the public notice to be advertised in tomorrow's paper. The public comment period ends June 18, 2016. The proposed regulations may be found in the online public notice system and on our website by COB today. You should comment during the time allowed if your interests could be affected.

#### **QUESTIONS BELOW:**

#### ALTERNATING LICENSED PREMISES FOR CERTAIN LICENSE TYPES

What is the intent of this change in regulation? Allow under age events on BDL premises? Allow Restaurant Eating Place Licensees to have a BDL caterers permit?

#### **DISTILLERY LICENSES**

What is the intent of this change in regulation? Allow a distillery to sell alcohol not made on the premises?

#### MANAGEMENT AGREEMENTS AND PROHIBITED FINANCIAL INTEREST

What is the intent of this change in regulation? Does the language allow management agreements known as upside down leases to be approved for a license transfer or new application at a hotel property?

Thank you in advance for a response that you received this inquiry and public comment.

Reecia Wilson 2 Marine Way Ste 106 Juneau, AK 99801 Tailwind Inc Up the Creek Inc Catapult Inc Cell 907-723-4658 reecia@gmail.com

From:	Jack Manning
То:	Calder, John P (CED); Jack Manning
Subject:	Draft regs
Date:	Tuesday, June 07, 2016 4:03:40 PM
Importance:	High

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3 ACC 304.225 Alternating Licensed Premises

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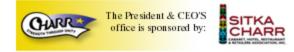
Paul J. Thomas Alaska Cache Liquor Inc. P.O. Box 20977 Juneau, Alaska 99801 Ph 907-586-2232 Fax 888-517-5531

From:	Dale Fox
То:	<u>Calder, John P (CED)</u>
Subject:	Regulations Questions and Comments
Date:	Tuesday, June 07, 2016 9:37:51 AM
Attachments:	image001.png
	ABC Regulations Comments Draft.docx
Importance:	High

John:

Attached are several Questions and Comments on the proposed regulation from the ABC Board.

Dale Fox President & CEO Alaska CHARR 1503 W 31st Ave Ste 202 Anchorage, AK 99503 907-274-8133 or Toll Free in Alaska 800-478-2427 www.alaskacharr.com



From: Alaska CHARR

Re: Comments and Questions on 3 AAC 304.225 Alternating Licensed Premise for Certain Licensed Types

We would like to encourage a dialog with the industry when new regulations are proposed. We frankly do not know what problem this new regulation is proposing to fix. If there was a discussion, we missed it.

Comments:

a.

Question: Why does this provision not cover all license types?

a.1 The wording to allow this altering of the premises if you will stimulate tourism or promote activities open to the general public fits almost all commercial operations, all of the time.

**Question:** Why would this option not be available for a private event or convention? **Question:** Why have the wording that this must stimulate tourism?

a.4 Catering: This appears to contradict section 5 of this regulation. 5 says unlicensed premises must remove all alcohol and section 4 seems to allow catering.

Question: Does Section 5 conflict with section 4? Please explain.Question: Why would an operator designate their premise as unlicensed and then set up a catering operation in the formerly licensed area?

From: Alaska CHARR

Re: Comments & Questions on 3 AAC 304.340 Common Carrier Dispensary License

We would like to encourage a dialog with the industry when new regulations are proposed. We frankly do not know what problem this new regulation is proposing to fix. If there was a discussion we missed it.

Comments:

e. This seems to be an attempt to allow 12-pack or, more appropriately, 100-ton vessels, to have alcohol if there are 3 or more staterooms. Larger tour vessels do not need staterooms; we do not understand how or why the 3 staterooms requirement was developed.

Question: Should this be written as 100 ton vessel instead of 12 pack?

Question: Why is a 3 stateroom requirement proposed?

We do not believe the proposed regulation deals with problems like the Kodiak boat anchored in the bay with a common carrier permit acting as a full beverage dispensary license in a fixed location. In fact, he probably had 3 staterooms but the key was he was not taking anyone anywhere.

**Question:** Why does this common carrier license regulation change not address problems like those in Kodiak?

Question: Why don't we define common carrier as a vessel that actually transports people?

From: Alaska CHARR

Re: Comments & Questions on 3 AAC 304.375 Distillery License

We would like to encourage a dialog with the industry when new regulations are proposed. We frankly do not know what problem this new regulation is proposing to fix. If there was a discussion we missed it.

Comments:

a.

Question: Is there a minimum size operation in terms of number of gallons for a distillery?

b. Flavoring ethanol or alcohol: It appears that the market is wide open for those who want to ship in the majority of their alcohol, add a flavor and call it an Alaskan-made product. If b was adopted this would not prevent this activity. A licensee would get a license for the smallest distilling process allowed under a. Then, while they may be producing low volumes of their own distilled product, the outside alcohol could still be brought in with no problem under this description.

Question: Could a person put in a very small distillery operation to get a license?

Question: Wouldn't allowing a flavor to be added to outside spirits kill the local distillery businesses?

**Question:** If Alaskan Blueberries were added to a distilled spirit from outside would the resulting product be Alaskan made?

From: Alaska CHARR

Re: Comments on 3 AAC 304.980 Prohibited Financial Interest

We would like to encourage a dialog with the industry when new regulations are proposed. We frankly do not know what problem this new regulation is proposing to fix. If there was a discussion we missed it.

#### Comments:

This entire section seems to be administrative dotting of i's and crossing of t's but it does not address some of the real issues related to prohibited financial interest.

B1.

Question: Are these agreements open to public inspection?

B6.

For example: The recent ill-advised decision to allow for lease and lease-back provisions on hotels. The statute 04.11.400 and the original intent were to allow hotels that support the visitor industry to have a beverage dispensary license. These licenses were clearly directly associated with the rooms of the hotel.

Now we have hotel owners leasing their entire property to a bar and restaurant operator with a leaseback of the rooms to the hotel owner. This is all done to meet the needs of the prohibited financial interest regulations.

The public is harmed by this creative practice. Instead of issuing new licenses, as was recently done, the hotel owner should be responsible for clearing up debts caused by the bar and restaurant owner. After all, this Beverage Dispensary License was given to the hotel as a result of the hotel rooms.

The public is harmed as a result of creative operators being allowed to break the intent of the prohibited financial interest law. The result is that a bad restaurant and bar operator under these lease-back arrangements is allowed to run up debts for alcohol, services and taxes and simply walk away. This causes no problem for the hotel as they just apply for another new license. We believe the granting of a license to a hotel is tied to the rooms and the owner of the rooms should be responsible if their leasing arrangement does not work.

Question: Why doesn't this rewrite address the real problems of lease backs as described above?

**Question:** Why would we not tie the Hotel Tourism license to the hotel, so that debts on the license would be paid before a transfer to a new operator?

From:	<u>icharr</u>
То:	Calder, John P (CED)
Cc:	Dale Fox
Subject:	Questions on ABC Board proposed regulation 3 AAC 304.225 Alternating Licensed Premises
Date:	Monday, June 06, 2016 2:13:15 AM
Attachments:	ABC Regs Alternating Licensed Premises.doc
Importance:	High

I have attached a letter with questions on the above-referenced regulation under the guidelines specified in the public notice.

I await your response.

Larry J. "Hack" Hackenmiller I-CHARR Sec./Treas.



President Dick Ellsworth Vice-president Gary Falls Secretary/Treasurer Larry Hackenmiller 518 Farmers Loop Road Fairbanks, Alaska 99712 388-4677 Fax 457-1328

icharrfbks@hotmail.com

June 6, 2016

John Calder Alcoholic Beverage Control Board 550 W. 7<sup>th</sup> Ave, Suite 1600 Anchorage, Alaska 99501

john.calder@alaska.gov

### NOTICE OF PROPOSED REGULATIONS – QUESTIONS 3 AAC 304.225 Alternating Licenses Premises for Certain License Types

Question #1. Could you provide an example of an existing license on where or how this regulation would be applied?

Question #2. Would you classify the use or application of these regulations as

- 1. Incidental?
- 2. Common?
- 3. Frequent?

Question #3. Are these feasible enforcement regulations?

- a) Administratively the Board can withdraw its approval of use of the identified area as alternating premises at any time. ABC agents would be required to investigate the change to assure compliance.
- b) Local law enforcement would have to be notified as well and their comprehensive knowledge of ABC regulations this specific in nature would question the effectiveness of their participation in enforcing the ABC Board authority on this matter.

Question #4. Are these proposed regulations worth the administrative and enforcement red tape?

Larry J. "Hack" Hackenmiller Sec. /Treasurer I-CHARR

Cc: I-CHARR Board, Alaska CHARR