

From Brewery to Table: How Restaurants Can Get Around Pricy Liquor Licenses in Pennsylvania

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To those in the hospitality industry, it's no secret that Pennsylvania liquor licenses are tough to come by. Retail, or "R" liquor licenses, are the type typically associated with a full-service restaurant but are in short supply and can carry a steep price tag.

Small restaurateurs struggle with the decision to acquire such a license, and many times decide that the benefit does not outweigh the cost. What many *don't* know, however, is that their options don't end there.

Supply & Demand

"R" licenses are only available through a quota-based system, meaning there are a limited number of licenses permitted per county based on the population. The price of a single license is extremely sensitive to supply and demand. Less populous counties can see a liquor license sell for as low as \$30,000 while other counties, closer to larger cities, are seeing license values surge to well over \$500,000.

This lack of availability and increased cost is partially driven by the recent purchasing spree of retail licenses by convenience stores and supermarkets. These stores can now sell beer and wine to go, but only by purchasing one of the existing retail licenses available in each county.

While this might be great if you are selling a retail license, it can create significantly, and often insurmountable, challenges for a new, locally owned, non-chain, and/or family restaurateur.

Enter, the *Manufacturing* License

Unlike a retail license, a manufacturing license is not constrained to the same quota-based system as a retail license. This allows an unlimited number of wineries, breweries, and distilleries to operate in each county.

Each of these new manufacturers is, obviously, able to *manufacture* their respective products—wine, beer, spirits—under this license. But, in addition, they can *sell at retail* to customers and "taproom" clientele.

Storage and Satellite Partners

A manufacturing license also allows for additional "storage" or "satellite" locations which, in essence, can function as additional retail locations. (*Here's where small restaurateurs come in*).

Wineries and distilleries can each open five additional satellite locations, while breweries are entitled to two storage locations. Moreover, these manufacturers can sell products made by other Pennsylvania manufacturers, which allows the sale of beer, wine, and spirits, even though they may only have a brewery license.

Time To "Go Local"

For existing or aspiring restaurateurs that do not already own a retail liquor license, it is possible to partner with a manufacturing licensee to locate one of their storage locations on your unlicensed premises. Under such an arrangement, one could offer sales of Pennsylvania beer, wine and mixed drinks to their patrons giving the *perception of full service*.

The process is not as complex as one might think. Hundreds of manufacturers exist throughout the state with unused storage and satellite location options. It's just a matter of finding them and crafting an agreement that is a win-win for both parties.

As counsel in this arena, we can help you locate a manufacturing licensee that could partner with you in this way and prepare an agreement to formalize the partnership. In addition, we can help complete the required Pennsylvania Liquor Control Board documentation. Contact Evan Pappas or Daniel Conlon and we will walk you through the process to "go local."