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CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: March 7, 2006
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Meeting Date: April 6, 2006

TO: Standing Committee on City Services and Budgets

FROM: The Chief License Inspector in consultation with the Director of Legal Services

SUBJECT: Business License Fees for Extended Hours Liquor Establishments

RECOMMENDATION

- A. THAT Council set annual business license fees for extended hours liquor establishments and revise the processing fee for providing comments on the Liquor Control and Licensing Branch Temporary Amendment to Liquor License applications, generally as described in the report and in Appendix A, with increased estimated revenues of \$363,000 in 2006; and
- FURTHER THAT Council authorize the Director of Legal Services to bring forward a License By-law amending by-law, generally as outlined in this report and in Appendix A, to implement such annual business license fees and processing fee.
- B. THAT Council approves an additional \$225,000 for the 2006 Vancouver Police Department Operating Budget and subsequent years' funding to be dealt with as part of the annual budget process.

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of the forgoing.

CITY MANAGER'S COMMENTS

The City Manager supports Recommendation A and B but thinks a \$25 per seat annual fee (Table 5 Appendix B) for the Extended Hours Liquor Establishment class of business license is supportable and that staff estimate an additional \$149,000 will be collected for general

revenue beyond the staff revenue predictions based on the \$12 per seat fee. City Manager also notes that the funding of the Firearms Interdiction Team should be part of the overall Vancouver Police Department operations budget with no further budget increase.

COUNCIL POLICY

On September 20, 2005, Council approved amendments to the License By-law to incorporate definitions for “extended hours” of liquor service and extended hours liquor establishment Classes 1 through 7. Council also approved License By-law amendments to introduce impact reduction measures to help mitigate the impact of liquor establishments on surrounding communities.

On December 16, 2004 Council postponed consideration of the Administrative Report dated November 30, 2004, entitled "License Fees for Extended Hours for Liquor Primary Establishments" to the first Council meeting in February 2005, pending further information from the Vancouver Police Board on this matter.

On November 18, 2004, Council adopted the Hours of Liquor Service Policy that establishes a new model for regulating hours of liquor service for liquor primary establishments and approved staff pursuit of a Cabinet amendment to the Business Premises Regulation of Hours By-law to add “liquor establishment” as a class of business.

PURPOSE

The purpose of this report is to set the annual business license fee for the Extended Hours Liquor Establishment Class of business license, adjust the processing fee associated with the LCLB Temporary Amendment to Liquor License applications and to present the strategy and costs associated with policing and monitoring the city’s liquor licensed establishments.

This is a companion report to the “Final Approval of the Extended Hours of Liquor Service Policy and the Business Premises Regulation of Hours By-law for Standard Hours Liquor Establishments and Extended Hours Liquor Establishments” report dated March 7, 2006.

BACKGROUND

In 2002 Council changed the annual business license fees for liquor related businesses (bars, pubs, cabarets and restaurants serving liquor) from a specific flat fee structure to a \$4 per seat fee. This change generated an additional \$250,000 in general revenue in 2002 (from projected flat fee revenue of \$350,000 to \$600,000 in per seat revenue).

In 2005, annual business license fee revenue from liquor related businesses had increased to \$802,000 due to inflationary fee increases and additional establishments operating in the city. Since 2004 the city has also collected processing fees on temporary amendments to provincial liquor licenses, which in 2005 totalled approximately \$600,000 in processing fees from liquor establishments participating in the Interim Hours of Liquor Service policy (see Table 1 in Appendix B for more details). Council had approved these temporary amendment fees on a temporary basis.

DISCUSSION

Business License Fees

Extended Hours Liquor Establishment Classes 1 to 7 Business License Fee:

Staff feel the annual fee for the extended hours liquor establishment class of business license should be set at a substantially higher rate than the equivalent standard hours liquor establishment class of business license. A higher fee is warranted to offset the initial processing costs, the cost to review each license on a regular basis, as well as the cost to inspect the businesses and to respond to complaints from area residents and other businesses. The annual business license fee for the standard hours liquor establishment classes 1 through 6 is \$4.40 per liquor license seat with a minimum fee of \$106 and a maximum fee of \$2,218. The standard hours liquor establishment class 7 annual business license fee is \$4.40 per liquor license seat with a minimum fee of \$106 and a maximum fee of \$333 (the lower maximum fee recognizes the non-profit nature of most private clubs).

Staff recommend that the annual business license fee for the extended hours liquor establishment class 1 through 7 be set at \$12.00 per liquor license seat with a minimum fee of \$212 and a maximum fee of \$16,216. For the purposes of extended operating hours class 7 establishments (Private Clubs) should be treated the same as the other class of business licenses because their impacts on surrounding residents and businesses are similar to those of other liquor establishments. Staff anticipate that this fee structure will generate an additional \$167,000 in business license revenue in 2006 based on prorated fees from March. The estimate is based on 50% of the 250 eligible business licenses applying for the extended hours liquor establishment business license or approximately 32,900 of 65,804 total liquor primary liquor license seats in the city. Seat totals do not include the 108,909 seats associated with the five liquor licenses issued for BC Place (2), GM Place (1) and the PNE Coliseum/Grounds (2) excluding Hastings Park Racetrack.

Staff have provided fee revenue projections in Appendix B for a few different fee levels. Unfortunately, a number of factors are beyond staff's ability to predict which will have a direct impact on the actual revenue generated for a specific fee level. As a result, the fee projections in Appendix B are very rough estimates. Staff expect that as the per seat fee increases some businesses will be less inclined to request the extended hours liquor establishment class business license which will in turn reduce revenue.

Processing Fee for Liquor Control and Licensing Branch Temporary Amendments to Liquor Licenses:

Currently the city charges a graduated processing fee for Local Government Comments on LCLB Temporary Amendments to extend closing hours based on the closing time requested. The processing fee is charged on a per seat basis for each night an amendment is requested (i.e. \$.30/seat for up to a 2 AM closing, \$.50/seat for up to a 3 AM closing and \$.75/seat for up to a 4 AM closing). There is no maximum fee, which results in large establishments paying significant fees on a monthly basis. For example, based on this fee schedule projected revenue from temporary amendments processed for January to April, inclusive, from the 33 participating establishments is \$196,000.

The current fees were meant to be a temporary measure to off-set, primarily, the policing costs associated with the later bar closings in the downtown while the long-term Hours of Liquor Service policy was being developed. Staff feel that these processing fees should be adjusted to better reflect the License Office staff processing cost and the cost associated for the Licenses and Inspections Department staff to monitor the businesses and any impacts of the special event extensions.

Staff recommend that the processing fee for change of hours LCLB temporary amendment requests be set at .30/seat per night, with a maximum permit fee of \$500, a minimum permit fee of \$50 and a limit of 30 nights per permit/request. Staff cannot provide an estimate for projected revenue at this time.

Policing and Monitoring Strategy

The Vancouver Police Department (VPD) has provided comments regarding the policing of liquor establishments in the city, particularly the establishments downtown on Granville Street, in Appendix C. The VPD has provided costing for 2005, cost projections for 2006 and a policing strategy.

License & Inspection staff expect to expand their monitoring of liquor serving establishments in 2006 and following years. Staff will be monitoring the impact reduction measures introduced by Council in September 2005.

FINANCIAL IMPLICATIONS

Staff estimate that the proposed amended fee structure (\$12 per seat & adjusted processing fee) will generate an additional \$363,000 in business license revenue for 2006. Projected fee revenue is a very rough estimate and actual revenue may vary significantly over or under the estimate as staff cannot accurately predict how many establishments will request the extended hours liquor establishment class of business license.

When approving the temporary processing fees in 2004, funding was provided for additional police enforcement for the Interim Policy area. This funding (\$611,000) was eliminated in the 2006 Preliminary Budget until such time as Council provided direction on late night opening hours. The Vancouver Police Department has noted that the funding requirement associated with late night bar closure, as proposed in Appendix C, has decreased to \$225,000 due to a new deployment strategy. Recommendation B requests that Council provide the necessary funding for VPD and subsequent years' funding will be dealt with as part of the annual budget process. Further, funding for the Firearms Interdiction Team is to be absorbed within existing police resources.

Staff expect that there will be additional monitoring and enforcement work for Property Use Branch Inspectors and Environmental Health Officers but cannot provide a specific estimate at this time. Staff will report back if additional resources are required due to the Hours of Liquor Service policy and the new License By-law impact reduction measures. If costs increase or if more staff resources are required, Council has the ability to review all liquor related business license fees in the annual business license fee report presented to Council each autumn. Staff can bring forward fee amendment options at that time.

CONCLUSION

Based on the recommendation in this report, Staff estimate additional business license revenues of approximately \$363,000 from liquor establishments operating at extended hours for the 2006 license year. Staff will report back later this year if there is a need to increase Licenses & Inspections staff resources to adequately monitor these businesses and new regulations.

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Amendments to Schedule A of License By-Law 4450:

License Type	New License	Fee for Previously Issued License	Term
EXTENDED HOURS LIQUOR ESTABLISHMENT CLASS - 1, EXTENDED HOURS LIQUOR ESTABLISHMENT - CLASS 2, EXTENDED HOURS LIQUOR ESTABLISHMENT - CLASS 3, EXTENDED HOURS LIQUOR ESTABLISHMENT - CLASS 4, EXTENDED HOURS LIQUOR ESTABLISHMENT - CLASS 5, EXTENDED HOURS LIQUOR ESTABLISHMENT - CLASS 6, EXTENDED HOURS LIQUOR ESTABLISHMENT - CLASS 7	\$12.00 per seat + \$50.00	\$12.00	Per annum per seat, based on the number of seats set out on the Provincial liquor license for the establishment, except that despite the number of seats, the minimum fee will be \$106.00 and the maximum fee will be \$16,216.00

Amendments to Schedule B of License By-law 4450 by deleting the first 3 paragraphs in Part 2 and inserting:

	Fee	Term
Application processing fee for comments on a temporary amendment to liquor license requesting later closing hours of operation	\$ 0.30	per night per seat except that, despite the number of seats or the number of nights, the minimum fee will be \$50.00 and the maximum fee will be 500.00

Table 1:

Business License Revenue From Liquor Establishments and Projected Revenue (\$12/seat Extended Hours Liquor Establishment Business License Fee)				
Business Type/Class	2002	2005	2006 (proposed)	2007
Restaurants	\$ 350,000	\$ 633,588	\$ 649,000	\$ 649,000 + annual increase
Bars/Liquor Primary		\$ 168,691	\$ 173,000	\$ 423,000 + annual increase
Additional Revenue from Fee Amendments to Annual Licenses	\$ 250,000	n/a	\$ 167,000 (pro-rated for 8 months of 2006 & based on 50% of eligible seats)	
Temporary Fees	n/a	\$ 600,000	\$ 196,000	Unknown
Total	\$ 600,000	\$ 1,402,279	\$ 1,185,000	\$ 1,072,000

Table 2:

Business License Revenue From Liquor Establishments and Projected Revenue (\$16/seat Extended Hours Liquor Establishment Business License Fee)				
Business Type/Class	2002	2005	2006 (proposed)	2007
Restaurants	\$ 350,000	\$ 633,588	\$ 649,000	\$ 649,000 + annual increase
Bars/Liquor Primary		\$ 168,691	\$ 173,000	\$ 521,000 + annual increase
Additional Revenue from Fee Amendments to Annual Licenses	\$ 250,000	n/a	\$ 232,000 (pro-rated for 8 months of 2006 & based on 48% of eligible seats)	
Temporary Fees	n/a	\$ 600,000	\$ 196,000	Unknown
Total	\$ 600,000	\$ 1,402,279	\$ 1,250,000	\$ 1,170,000

Table 3:

Business License Revenue From Liquor Establishments and Projected Revenue (\$20/seat Extended Hours Liquor Establishment Business License Fee)				
Business Type/Class	2002	2005	2006 (proposed)	2007
Restaurants	\$ 350,000	\$ 633,588	\$ 649,000	\$ 649,000 + annual increase
Bars/Liquor Primary		\$ 168,691	\$ 173,000	\$ 583,000 + annual increase
Additional Revenue from Fee Amendments to Annual Licenses	\$ 250,000	n/a	\$ 273,000 (pro-rated for 8 months of 2006 & based on 40% of eligible seats)	
Temporary Fees	n/a	\$ 600,000	\$ 196,000	Unknown
Total	\$ 600,000	\$ 1,402,279	\$ 1,291,000	\$ 1,232,000

Table 4:

Business License Revenue From Liquor Establishments and Projected Revenue (\$25/seat Extended Hours Liquor Establishment Business License Fee)				
Business Type/Class	2002	2005	2006 (proposed)	2007
Restaurants	\$ 350,000	\$ 633,588	\$ 649,000	\$ 649,000 + annual increase
Bars/Liquor Primary		\$ 168,691	\$ 173,000	\$ 647,000 + annual increase
Additional Revenue from Fee Amendments to Annual Licenses	\$ 250,000	n/a	\$ 316,000 (pro-rated for 8 months of 2006 & based on 35% of eligible seats)	
Temporary Fees	n/a	\$ 600,000	\$ 196,000	Unknown
Total	\$ 600,000	\$ 1,402,279	\$ 1,334,000	\$ 1,296,000

Table 5:

Business License Revenue From Liquor Establishments and Projected Revenue (\$40/seat Extended Hours Liquor Establishment Business License Fee)				
Business Type/Class	2002	2005	2006 (proposed)	2007
Restaurants	\$ 350,000	\$ 633,588	\$ 649,000	\$ 649,000 + annual increase
Bars/Liquor Primary		\$ 168,691	\$ 173,000	\$ 756,000 + annual increase
Additional Revenue from Fee Amendments to Annual Licenses	\$ 250,000	n/a	\$ 389,000 <small>(pro-rated for 8 months of 2006 & based on 25% of eligible seats)</small>	
Temporary Fees	n/a	\$ 600,000	\$ 196,000	Unknown
Total	\$ 600,000	\$1,402,279	\$ 1,407,000	\$ 1,405,000

VANCOUVER POLICE DEPARTMENT COMMENTS

Inspector Steve Schnitzer, VPD Commander District 1, provided the following police comments:

Background

Since the start of late night bar closings in 2003, the Vancouver Police Department (VPD) has primarily used police officers deployed on overtime to police the Entertainment District on weekends. The initial decision to extend bar hours had no provision for funding additional policing. However, in 2004, temporary fees were introduced to fund this additional policing, as well as other city services.

In 2005, policing of the Entertainment District with police officers on overtime was budgeted for \$735,000. Of this amount, \$611,000 from the temporary fees was used to off-set police overtime costs. The VPD also augmented the Entertainment District deployment with a seven member Firearms Interdiction Team that was used exclusively to deal with the gang issues that the Entertainment District attracts. This additional team was also deployed exclusively on overtime, and this additional cost was projected to be \$215,000. As a result, the combined overtime cost was projected to be as high as \$950,000.

By the end of 2005, the actual Entertainment District overtime cost was reduced to approximately \$738,000, as a number of police officers worked in the Entertainment District each weekend night on straight time as part of each police officer's reconciliation time commitment¹. This straight time deployment started in mid-May and ended at the end of September. Approximately 2,500 hours of reconciliation time was devoted to the Entertainment District in 2005. However, these officers were deployed from all policing districts, and their deployment to the Entertainment District was at the expense of not being able to deploy them for special projects in their own districts. For example, approximately 25% of this time was previously scheduled for weekend beach patrols. This beach deployment did not occur in 2005.

Also, as part of the additional 50 police officers approved by Council in 2005, the VPD decided to deploy 33 of the new positions in District One. As these new positions could not be staffed until early 2006, this increase could not be used in 2005 to further reduce overtime expenses.

Policing the Entertainment District in 2006

The VPD anticipates that in 2006 the Entertainment District will require the same level of policing as in 2005. However, some major changes have been implemented to reduce police overtime costs.

¹ These hours arise from the "four on/four off" 11-hour shifting system where an officer accumulates 70 hours a year of paid time owed. Forty hours of this time is currently used for training, with the remainder for special projects such as the Entertainment District deployment.

The majority of the 33 new positions in District One were staffed by January 2006. As a result, effective February 2006, the VPD is dedicating 8 on-duty District One police officers to the Entertainment District on Friday and Saturday nights, as well as the night prior to a statutory holiday. This on-duty policing commitment of approximately 4,800 hours will reduce overtime and replace the officers that were deployed on reconciliation time in 2005. These officers will be dedicated to the Entertainment District and will not be deployed to other police calls, except for emergencies.

In order for these on-duty police officers to be optimally deployed, the VPD has entered into a one year trial period to have all police officers in all four patrol districts work a 12-hour early night shift from 4:00 pm to 4:00 am. This early night shift previously ended at 3:00 am and did not coincide with extended bar closings. This trial period will reduce a police officer's time owed to that required for the annual training and will also increase patrol coverage in the entire City by approximately 14,500 hours. The VPD expects that this additional hour of policing will be sufficient to police bars and nightclubs outside of District One without the need for overtime.

It is anticipated that the on-duty deployment of District One police officers and the extended early night shift will be sufficient to police the Entertainment District from February to mid-May and from October to December. The remaining months from approximately mid-May to the end of September will be supplemented by police officers on overtime. Based on the experience in 2005, it is projected that this overtime cost will be approximately \$225,000. The addition of police officers on overtime to supplement the 8 on-duty police officers will be reviewed on a weekly basis by District One management. The decision on how many officers will be deployed on overtime will be based on the policing situation in the Entertainment District at that time.

In addition to the policing of the Entertainment District, the VPD remains committed to deploying the Firearms Interdiction Team for every weekend during 2006. This 7 officer team is used exclusively to deal with the many gang members that frequent the area in and around the Entertainment District. While it is acknowledged that bars and night clubs do not necessarily want this type of business, it is an unfortunate reality that the extended hours of the bars and nightclubs in Vancouver attract gang members, not just for the extended hours but for the entire evening.

The Firearms Interdiction Team is staffed exclusively on overtime and the VPD recently made attempts to partially staff the Team with on-duty police officers. However, the make-up of the Team consists of Gang Squad officers, Emergency Response Team officers, and experienced and specially selected patrol officers. The Gang Squad and Emergency Response Team do not currently have sufficient staffing levels to allow for an on-duty component of the Firearms Interdiction Team without seriously affecting other priority programs that they are engaged in. As a result, the projected 2006 overtime cost for the Firearms Interdiction Team will be \$340,000.

In summary, the following incremental police resources will be incurred in response to the extended hours of the Entertainment District in 2006:

Police Officers on Overtime - Mid-May to September 30 (as a supplement to on-duty officers)	\$225,000
Firearms Interdiction Team	\$340,000
Total Incremental Cost	<u>\$565,000</u>

VPD Financial Implications

At the time of preparing the 2006 VPD base budget, the cost of policing the Entertainment District had not been determined as shift and scheduling changes had not been finalised with the Vancouver Police Union ("VPU"). It was agreed with the City Budget Office to exclude this cost pending completion of the discussions with VPU and the final costing.

VPD is now in a position to finalise the budget implications and is requesting that the base budget for 2006 be supplemented by the abovementioned \$565,000.