

N.J. BYOB Gets Check

By [LISA FLEISHER](#)

New Jersey's restrictive liquor-license laws have some owners of BYOB restaurants looking for ways to uncork their profit potential.

Kitty Stillufsen wants to offer beer or wine with the scallops and lobster at her small seafood restaurant at the tip of Point Pleasant Beach. But state laws limiting the number of licenses based on a town's population mean the licenses can cost hundreds of thousands of dollars—too expensive for owners of smaller restaurants such as Ms. Stillufsen.

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Marilyn Schlossbach favors the idea of beer and wine licenses.

When customers ask for a wine list, she said feels almost silly presenting the options: Take a hike down the street to the liquor store, or have a soda. Under state law, advertising BYOB outside the restaurant is not allowed.

"I feel like we're a neutered business," she said.

New Jersey's liquor laws have had a dramatic impact on the state's restaurant industry over the years, keeping chain restaurants at bay in some areas and creating a hyperprotective class of license-holding restaurateurs.

This has hardly led to an uproar from the public. New Jersey residents have grown up with the law, which allows them to sip fine wine in BYOB establishments for less than half the cost of what restaurants would charge.

Sporadic attempts to change the law have largely withered on the vine. Efforts in the early and late 1990s to create a beer and wine license did not muster enough support to gain any traction. For the

most part, the only successful changes have been carve-outs for niche industries—ski lodges, hotels or major developments on public land.

Attempting to thwart mob control after Prohibition, New Jersey and many other states segmented the industry into producers, wholesalers and retailers, and placed limits on licenses. A state law passed in 1947 limited towns to one license for every 3,000 people but grandfathered in existing licenses, instantly creating an unbalanced marketplace. Point Pleasant Beach has 18 licenses for its 5,400 year-round residents, and town clerk Maryann Ellsworth said she knows of four or five places that would grab up licenses if they were available. Meanwhile, the neighboring town, Point Pleasant, can't get rid of a license it is trying to sell for \$250,000 after a \$100,000 discount; town officials blame population density and a lack of parking.

During the past year, there has been an effort to undertake a thorough review of the laws, and some want to open up the market. One state senator introduced a package of bills with proposals to give restaurants greater access to full or limited liquor licenses.

But the state's restaurant association will recommend against creating a beer and wine license in what it calls its first comprehensive study of the issue, due out Jan. 11.

The bills "caused quite a shudder in the industry," said Deborah Dowdell, president of the state restaurant association. About 6,000 of the state's 16,000 full-service restaurants have liquor licenses, she said.

"The current system services the needs of our state and our citizens and our business community," she said. "We would like to ensure that all of those segments flourish without harming other segments of the industry."

"Tinkering" with the system can have "drastic and devastating effects," Ms. Dowdell said, pointing to the carve-out for the newly invigorated Xanadu mega-retail project at the Meadowlands. The association lost a court fight in November to prevent future vendors there from buying alcohol permits for \$2,000, instead of the town's going rate of more than \$500,000.

Current license holders are fiercely opposed to adding licenses to the market. Licenses are seen as property, bought and sold with the help of brokers and lawyers.

"It's not fair to change the rules in the middle of the game," said Mort Nase, who manages Frankie's Bar and Grill in Point Pleasant Beach. "A lot of money was spent on these liquor licenses."

Marilyn Schlossbach, who owns a mini empire of restaurants along the Jersey Shore, wants the state to create beer and wine licenses, despite having liquor licenses in four of her six restaurants. She understands why some liquor-license holders would be worried.

"It's just like if I bought a house three years ago, and now that house might be worth a lot less because of the market," she said. "But ultimately, if they're running good operations, people aren't going to not go there because now some guy down the street has beer and wine."

License owners say people do not drink as much as they used to—and that beer and wine licenses would scrape nearly as much off the value of their full licenses.

"The days of people going out and having three martinis or a couple of scotches at lunch are over with," Mr. Nase said. "The best we can sell at lunch is a beer or two."

State Sen. James Beach said he wanted his bills to spark conversation. When a local grocery store proposed creating a religious license for items such as Kosher wine, he started looking into the broader issues around licenses.

"I've gotten both sides of the story," Mr. Beach said. "Some of the BYOB restaurants are finding it much more difficult to keep their doors open and with a limited license to serve wine and beer, to sell wine and beer, they feel that this would help them to retain their establishments."

Tim Delaney, a real-estate agent specializing in restaurants, said BYOB restaurant owners who purchase liquor licenses aren't guaranteed success.

"Many of those people have a very, very hard time, because their customer base were people that didn't want to pay \$8 for a glass of wine, they wanted to bring in a \$15 bottle," he said. "They end up having to reinvent themselves. They think it's going to be an asset, but a lot of times it's actually a deterrent."

Indeed, many BYOB owners said they're not interested in shelling out big bucks for even a limited license.

"How many bottles of wine would you have to sell to get that money back?" said Matthew Pierone, owner of Gourmet Cafe in Parsippany, a 40-seat Italian bistro.

Besides, the former executive chef said his dinner business was doing well, perhaps because of the recession. "That's part of the appeal of the place," he said. "A couple can come in, get a nice bottle of wine, not overpay for it."