BEFORE THE ALASKA OFFICE OF ADMINISTRATIVE HEARINGS ON REFERRAL BY THE ALCOHOLIC BEVERAGE CONTROL BOARD

In the Matter of:)	
)	
MICHAEL RASMUSSEN, dba LEFTY'S)	OAH No. 22-0140-ABC
		Agency No. 4720

DECISION

I. Introduction

Michael Rasmussen is a Fairbanks businessman who applied for a beverage dispensary transfer license (liquor license) from the Alcohol and Marijuana Control Office (AMCO) on July 8, 2021. He seeks to transfer the liquor license from Gallantino's, Inc. (dba Gallantino's Italian Restaurant) to himself. He then proposes to operate a business, Lefty's, on property he owns on College Road.

The City of Fairbanks protested the application under AS 04.11.480. The Alcoholic Beverage Control Board considered the application and voted to uphold the protest on January 18, 2022. The application was denied.

Mr. Rasmussen appealed the denial of his transfer application to the Office of Administrative Hearings, and a formal hearing was conducted telephonically on September 19, 2022. Fairbanks City Clerk Danyielle Snider and AMCO licensing examiner Kristina Serezhenkov testified, as did Mr. Rasmussen. The only exhibits taken into evidence were already in the Agency Record submitted in advance of the hearing and incorporated in the case file.

Mr. Rasmussen is passionate about his desire to develop a business on the College Road property. He failed, however, to carry his burden of demonstrating that the City's protest was arbitrary, capricious, and unreasonable, as explained below.

II. Factual and Procedural History

A. The Application

Mr. Rasmussen purchased the property at 1107 College Road in Fairbanks (Property) approximately ten years ago. ¹ The Property is adjacent to a residential neighborhood and a lot with a coffee hut that Mr. Rasmussen owns and operates, and is across the street from an

_

Ex. 10, Rasmussen statement.

entrance to Creamer's Field Migratory Waterfowl Refuge. The Property was originally zoned residential but was rezoned for commercial use at Mr. Rasmussen's request.²

Mr. Rasmussen's transfer application includes a hand-drawn diagram of a 76-foot by 26-foot building he proposes to construct. The diagram shows kitchen, dining, and consumption areas on the ground floor; a bar, consumption area, and liquor storage on the second floor; and an open-air top deck for a consumption area, with a ten-foot wall on the north side and four-foot walls on the remaining three sides.³

The application also contains a one-page "Outdoor/Indoor Serving Security Plan" listing ways alcohol consumption would be controlled.⁴ The plan lists restrictions typically required of liquor establishments, including carding patrons ordering alcohol, requiring minors to be accompanied by adults "while in the restricted area," training servers to identify fake IDs, monitoring consumption, and posting appropriate signage, such as signs prohibiting alcohol "beyond the outdoor seating area."

AMCO deemed the application complete and sent it to the City of Fairbanks and Fairbanks Northstar Borough, as local governing bodies, to determine whether they would protest it.⁵ The Board preliminarily approved the application at its regular meeting on August 17, 2021, pending action by the City and the Borough.⁶ The Borough ultimately decided not to protest the application.

B. The August 23, 2021 City Council Meeting

The Fairbanks City Council considered Mr. Rasmussen's application at its regular meeting on August 23, 2021.⁷ Four members of the public who live or work near the Property testified in opposition to the application. They expressed concerns for the safety of the neighborhood, which they claimed has considerable crime and already has what they characterized as nuisance properties. One resident mentioned being burglarized multiple times; another described witnessing the nearby coffee hut being robbed at gunpoint; and another mentioned an attempted break-in and issues with intoxicated people in the parking lot at the

2

² Direct testimony of Rasmussen.

³ Ex. 1, pp. 9-10

⁴ Ex. 1, p. 12.

⁵ Exs. 2 and 3.

Ex. 5. The proposal was part of a batch approval by the Board, with delegation to receiving other approvals. The application was also pending approval of the Department of Environmental Conservation and completion of background investigations.

⁷ Exs. 6, 7, and 8.

nearby emergency veterinary clinic she runs⁸. Some of the residents worried that a bar would increase traffic, which they claimed is already congested due to visitors to Creamer's Field, and worried that inebriated patrons may try to cross the four-lane road.⁹ One resident raised noise and privacy concerns about the open deck consumption area and worried that a liquor establishment may decrease property values.¹⁰ One resident commented that a liquor license, which would allow the sale of all types of alcoholic beverages, is different from a restaurant or eating place license, which would allow the sale of beer and wine only and require the majority of revenues to be from selling food.¹¹ The residents expressed an overall interest in keeping the area "a neighborhood" and did not believe a bar was the right kind of business for that location.¹² When asked by the City Council whether Mr. Rasmussen had reached out to them about his proposal, they stated that he had not.

Chief Ron Dupee of the Fairbanks Police Department also spoke and confirmed the presence of multiple problem properties in the neighborhood, including one with a history of shootings around the corner from the Property. When asked for his opinion on the transfer application, he replied that he would not like to see a bar on the Property unless there was a mitigation plan in place.

No members of the public spoke in favor of the application. Mr. Rasmussen did not attend the meeting, which displeased some of the Council members given the considerable neighborhood concerns. Council member Valerie Therrien stated, I think the neighborhood has spoken, and it appears there's a lot of concern, and there are other locations where [Mr. Rasmussen] could possibly place his business. The comments of other Council members reflect similar sentiments. A motion to protest the transfer application passed unanimously.

Decision

OAH No. 22-0140-ABC 3

Exs. 7 and 8, statements of Tina Laird, Debra Mersh, and Betsy Roger.

Ex. 7 and 8, Erica Hawkins statement and Mersh statement.

Exs. 7 and 8, Laird statement.

Exs. 7 and 8, Hawkins statement.

Exs. 7 and 8, Hawkins, Mersh, Roger, and Laird statements. One resident made the point that she is a business owner herself, did not object when the Property was rezoned, and she is not opposed to the right kind of business in that location. Exs. 7 and 8, Laird statement.

Exs. 7 and 8, Dupee statement.

Exs. 7 and 8, comments of Council members Valerie Therrien, June Rogers, and Shoshana Kun, and Mayor James Matherly.

Ex. 8, comments of Council member Therrien.

¹⁶ Ex. 7, p.7.

The next day, the City sent AMCO a letter notifying it of the protest and copied Mr. Rasmussen.¹⁷ The letter stated:

The protest is based on the character and public interest of the surrounding neighborhood, as expressed in public testimony by neighboring property owners. The neighbors were concerned that a bar was not compatible with the character of the neighborhood. Concern was also expressed that the proposed open-air deck consumption area would look directly down on the neighboring residence. Both the neighbors and the Chief of Police testified about the potential law enforcement problems if this beverage dispensary license were allowed to relocate in the proposed location. Also of concern was the fact that the proposed location was located within 0.5 miles of an elementary school and was directly across a busy 4-lane road from the popular viewing area of the Creamer's Field Migratory Waterfowl Refuge.

C. The November 2, 2021 Board Meeting

In light of the City's protest, the Board considered Mr. Rasmussen's application again at its November 2, 2021 meeting. Mr. Rasmussen attended the meeting, as did two representatives of the City. He explained that he missed the August 23, 2021 City Council meeting because he had been out of town and did not receive his mail, while the City maintained that it had given proper notice by sending Mr. Rasmussen notice by regular mail, consistent with its standard practice and requirements. ¹⁹

Mr. Rasmussen spoke at length about the nature of his proposal and his disagreement with the protest. ²⁰ He disputed the City's concerns regarding the "character of the neighborhood," claiming that College Road is a known business corridor and noting that the Property is zoned for commercial use. He believes the neighbors misunderstood the nature of his proposal and clarified that his intent "is not just to have a bar there," but rather a classy eatery, "like Lavelle's," where people can have a nice meal and a glass of wine. He claimed to have no interest in running a dive bar and said he intends to set his prices high enough to deter problematic clientele. He expressed concern that he was being treated differently from other similar business, such as Geraldo's on College Road. He claimed to be a responsible businessman and a good steward of the community and inquired what more he can do.

Ex. 9.

¹⁸ Exs. 10 and 11.

Exs. 10 and 11, comments of City Clerk Snider.

Exs. 10 and 11, Rasmussen testimony.

After listening to Mr. Rasmussen's testimony, Board members expressed concerns regarding the process that resulted in the protest and a desire to have more information before voting on the proposal.²¹ They encouraged Mr. Rasmussen to reach out to the City for another opportunity to testify. Additionally, AMCO counsel Joan Wilson suggested that Mr. Rasmussen contact neighborhood residents because "it really, really helps someone be successful if they're working with the community and reaching out to them in addition to reaching out to the Assembly, so you might want to try that avenue as well."²² The Board agreed to table consideration of the application until its next meeting to give Mr. Rasmussen the opportunity to request that the City reconsider its protest.²³

D. The December 13, 2021 City Council Meeting

At Mr. Rasmussen's request, the City agreed to take further public testimony on the transfer application at its next regular meeting on December 13, 2021. Seven members of the public testified, including Mr. Rasmussen. Six people spoke against the transfer application, three of whom had previously testified before the City Council on August 23, 2021 and renewed their prior concerns.²⁴ The three new testifiers shared similar concerns: that the neighborhood is already plagued with crime and public inebriation; traffic is already at a dangerous level with multiple collisions near the entrance to Creamer's Field; and there are already many places in the vicinity where alcohol can be purchased.²⁵ Reflecting the collective views of those who testified, one resident worried that adding a liquor establishment would cause an already troubled neighborhood to "boil over."²⁶ Based on responses to questions from Council members, it was apparent that Mr. Rasmussen still had not contacted any of the residents about his proposal, despite being cautioned to do so.²⁷

After five of the residents had already testified, Mr. Rasmussen announced that he was present and asked whether he could speak. The Mayor replied, "I'm glad you spoke up" and invited Mr. Rasmussen to testify.²⁸ Like the other people who testified, Mr. Rasmussen was

OAH No. 22-0140-ABC 5 Decision

Ex. 11, comments of Board members Doug Moore, Dave Koch, and Jan Hill.

Ex. 11, comments of AMCO counsel Joan Wilson.

Ex. 10, p. 8.

Ex. 12, Hawkins, Roger, and Laird statements.

Ex. 12, statements of Tanya Schletner, Robert Bowers, and David Hawkins. Another resident commented that there are four places to purchase alcohol within a one-mile radius of the Property and fourteen places to purchase alcohol within a one-and-a-half-mile radius. Ex. 12, Erica Hawkins statement.

Ex. 12, David Hawkins statement.

Ex. 12, Bowers and Roger statement.

Ex. 12, comments of Mayor Matherly.

initially told he had three minutes to speak, but he was given an extra minute, and then he spoke for more than seven additional minutes in response to Council members' questions, for a total of eleven minutes and 18 seconds.²⁹ During that time, he was asked to share his vision for the Property and raised many of the same points he had previously told the Board. He detailed his long-time desire to run a nice restaurant, not just a bar, and capitalize on the proximity of the Property to "beautiful Creamer's Field," although he did not have a menu or building design yet. He claimed the business would create eight to ten jobs. He said he owns multiple businesses in the area, including a drive-thru liquor store called The Garage, and he has never had any problems. He estimated that he has invested \$250,000 in the Property to purchase it, clean it up, and have it rezoned. He spoke of various ways to prevent problems, including refusing service to patrons and pricing certain people out of the market. He said there are abandoned buildings on College Road, and he would like to build something to improve the area. As to the business name, he explained that he put the name "Lefty's" on his application because he is left-handed and "had to have a name" to put on the application, although he will not necessarily keep that name. He said he did not realize he had to contact people in the neighborhood and thought the City Council meeting was for that purpose. But he said he wants to be a good neighbor and is willing to work with the City.

Council member June Rogers inquired why Mr. Rasmussen had not contacted the neighbors about his proposal. She asked, "Given that it's a neighborhood, even though it is on a major road, what made you decide that that wasn't a necessary step. . . ?"³⁰ Mr. Rasmussen responded that "[h]indsight is 20-20," and believes he could have alleviated many residents' concerns if he had talked with them. He added, however, that he "could probably get thirty people" to speak on his behalf, although they would not be from the neighborhood, with the exception of one person on Kathryn Drive who purportedly is not opposed. He claimed he is "within the legal bounds" to use the Property as proposed and argued that "[w]e can't just have a certain group of people take away our rights because there's more of them."³¹

Ex. 12, Rasmussen statement. Mr. Rasmussen spoke from 01:00:00 to 01:04:05, from 01:04:15 to 01:06:53, and 01:07:25 to 01:12:00 on the audio recording of the meeting.

Ex. 12, comments of Council member Rogers.

Ex. 12, Rasmussen testimony.

The written testimony of one local resident was read into the record after Mr. Rasmussen spoke.³² The resident commented on Mr. Rasmussen's presentation at the November 2, 2021 Board meeting regarding his intentions for the Property. She commented that "intend' is not a binding word" and questioned whether Mr. Rasmussen's plan truly is for a small restaurant where alcohol would be served incidentally, because his application shows only a "small dining area on the ground floor, while over half of the ground floor, the entire second floor, and the entire roof top area is described as "consumption areas."

The Mayor acknowledged that this "is a unique situation" he had not previously faced.³³ After the public testimony closed, the City Council chose not to withdraw its protest and restated the reasons for the protest in a letter to AMCO the next day.³⁴

E. The January 18, 2022 Board Meeting

The Board resumed consideration of Mr. Rasmussen's application at its January 18, 2022 meeting, with Mr. Rasmussen and a representative of the City present. Mr. Rasmussen articulated the reasons he disagreed with the protest. The claimed he did not have enough time to speak at the December 13, 2021 City Council meeting and rebut incorrect information that was presented. He believed some Council members were biased because one member winked at him, and the Mayor referred to one of the residents who testified as "Coach." He believes the proposal was being sabotaged by one resident "stir[ring] up dissention" and claimed he could have "fill[ed] the room with people who can testify to [his] character" and how he runs his businesses. He believes it is wrong to assume there would be problems with an establishment just because it would serve alcohol. He noted that there is another restaurant two blocks away with the same type of license and suggested he was being treated differently. He believes residents' concerns about the open-air deck are misplaced, that the closest elementary school is two miles away rather than one-half mile as the City Council claimed, and that most parents drive their children to school anyway. He commented on the significant investment he would lose if the proposal did not go forward.

After Mr. Rasmussen testified, Board members commented that there was not enough information to show that the City's process was flawed, or the protest was arbitrary, capricious,

Ex. 12, Laird statement.

Ex. 12, comments of Mayor Matherly.

Exs. 12 and 13.

Ex. 15, Rasmussen testimony.

and unreasonable. They noted, however, that if the protest were upheld and the application denied, Mr. Rasmussen would have the opportunity to request a hearing before an administrative law judge and bring in witnesses and other evidence to challenge the protest. The Board voted unanimously to uphold the protest, and AMCO subsequently denied the application under AS 04.11.480.³⁶

F. The September 19, 2022 Hearing

Mr. Rasmussen appealed the denial of his transfer application to an administrative law judge, and a hearing was held on September 19, 2022. At the hearing, City Clerk Danyielle Snider acknowledged that it is very rare for the City to protest a liquor license. Tor his part, Mr. Rasmussen did not present any exhibits or any other witnesses besides himself. He repeated the points he made at the December 13, 2021 City Council meeting and the Board meetings on November 2, 2021 and January 18, 2022. He said he should have been notified of the August 23, 2021 City Council meeting by certified mail; that he did not have ample time to speak at the December 13, 2021 City Council meeting; that he should be able to use the Property as proposed in the application because it is zoned for commercial use; that the "character of the neighborhood" is a nebulous term; that he does not "intend" to run a dive bar; that concerns about the open-air deck are unfounded; that the closest elementary school is further than the City claimed; and that there is a restaurant with a liquor license only blocks away.

III. Discussion

A. Applicable Law

Under AS 04.11.480(a), a local governing body, like the City, has the right to protest an application for the transfer of a liquor license. The Fairbanks General Code ("FGC" or "City Code") specifies factors the City shall consider in determining whether to protest an application. These factors include "the character and public interests of the surrounding neighborhood"; "[a]ctual and potential law enforcement problems" the "concentration of other licenses of the same and other types in the area," "whether the surrounding area experiences an unacceptable rate of alcohol abuse or of crime or accidents in which the abuse of alcohol is involved," and

³⁶ Ex. 14, p. 6; Ex. 15.

Cross-exam of Snider.

"any other factors the city council determines is relevant to a particular application." To protest an application, the local governing body must have "logical grounds" for opposing the application and a "reasonable basis in fact."

In reviewing a protest by a local governing body, the Board must deny the application unless it finds the protest is "arbitrary, capricious, and unreasonable." The Board "may not substitute its judgment for that of the local governing body." A protest must be upheld unless it is contrary to law, based on illogical grounds, or not supported by a reasonable factual basis. 42

Further, AS 04.11.480 shifts the burden of proof to the licensee when a local governing body protests the transfer of a liquor license. Thus, Mr. Rasmussen bears the burden of proving by a preponderance of the evidence that the protest by the City was arbitrary, capricious, and unreasonable.

B. <u>Application of the Law to the Facts</u>

Applying these principles to this case, Mr. Rasmussen has failed to meet his burden of establishing that the protest was arbitrary, capricious, and unreasonable.

Let us begin with Mr. Rasmussen's assertion that the protest was unwarranted because his proposed use comports with the zoning of the Property for commercial use. In making this assertion, Mr. Rasmussen misunderstands the scope of the City's discretion. The City is obligated to protest an application that is in violation of the zoning code. But it does not follow that it may not protest an application that is in compliance with the zoning code. The City may protest the transfer of a liquor license for any of the public interest reasons specified in the City Code, irrespective of the zoning on the property. That Mr. Rasmussen's proposed use is consistent with the zoning of the Property does not render the protest arbitrary, capricious, or unreasonable.

FGC 14-178(a)(1-4) and (12); see also 3 AAC 304.180(b), stating that a "local governing body may properly protest an application under AS 04.11.480 using the factors set out in (a) of this section," which includes in (a)(5) all factors the body deems "relevant to the public interest."

³⁹ 3 AAC 304.145(a); *Stolz v. City of Fairbanks*, 703 P.2d 1155, 1157 (Alaska 1985) (holding that protest was not arbitrary, capricious, and unreasonable where proximity of proposed location to senior housing and in area with high concentration of bars were "logical and traditional" grounds for opposing liquor license).

⁴⁰ AS 04.11.480(a).

Stevens v. State, 257 P.3d 1154 (Alaska 2011) (explaining that Article X, section 1 of the State of Alaska constitution requires that "liberal construction shall be given to the powers of local government.")

42 Stolz, supra, 703 P.2d at 1157 (Alaska 1985).

FGC 14-178(b)(5).

Similarly, Mr. Rasmussen's suggestion that the protest was biased must also fail. Mr. Rasmussen contends the Mayor called one of the neighbors who testified against the application "Coach," and a Council member winked at him. In a small, interconnected community like Fairbanks, it is not uncommon for citizens to be familiar with each other from a variety of different contexts. Thus, it is not surprising that the Mayor may have recognized one of the citizens who testified as "Coach" and referred to him as such during the hearing. But this is not proof of bias, particularly since the Mayor did not vote on the protest. Regarding the other Council member who allegedly winked during the hearing, Mr. Rasmussen presented no evidence to clarify the circumstances. And even if that Council member were biased against the application, the member had only one vote on the Council. A single vote would not have made a difference on the decision to protest the application, which passed unanimously, nor on the decision not to withdraw the protest, as no members moved to withdraw the protest at the December 13, 2021 meeting. Mr. Rasmussen has failed to show the protest was arbitrary, capricious, and unreasonable on the grounds of bias. 44

Further, Mr. Rasmussen has not shown the protest was defective because was not given enough time to speak at the December 13, 2021 City Council meeting. While members of the public were given three minutes to speak, Mr. Rasmussen was given three initial minutes, plus another minute after the three minutes had elapsed. He then spoke for more than seven additional minutes in response to questions from the City Council for a total of over eleven minutes. He did not provide any authority showing he was entitled to more speaking time than he received. Moreover, he had ample opportunity to submit written information for the City Council to consider, but he did not avail himself of that opportunity. On these facts, Mr. Rasmussen has not shown he received an inadequate opportunity to be heard at the City Council meeting such that the protest was arbitrary, capricious, and unreasonable.

¹

Regarding Mr. Rasmussen's suggestion that he was not properly notified of the August 23, 2021 City Council meeting because he did not receive notice by certified mail, he provided no evidence showing that notification by certified mail was required. Moreover, the City Clerk testified credibly that notifying applicants by regular mail is its standard process. Direct testimony of Snider. But even if it were the case that Mr. Rasmussen did not receive proper notice, he was not prejudiced by the alleged defect because he was given the opportunity to testify before the City Council on December 13, 2021. Thus, the protest cannot be deemed arbitrary, capricious, and unreasonable on the basis of Mr. Rasmussen's notice argument.

Under Fairbanks General Code ("FGC" or "Fairbanks Code") 2-119(a)(5), members of the public, including an applicant, are limited to three minutes of testimony per person for public comment.

Nor did Mr. Rasmussen provide any authority for his intimation that he should have been allowed to speak first during public testimony. Indeed, the evidence shows that Mr. Rasmussen did not announce his presence at the meeting until after five members of the public had already spoken.

The City's stated reasons for the protest—the "character and public interest of the surrounding neighborhood," including concerns that a bar was incompatible with the character of the neighborhood and would create potential law enforcement problems—constitute legitimate considerations for a protest under the City Code. There was reasonable factual support for the protest. This includes the diagram of the proposed building, showing a small dining area on the ground floor and "consumption areas" on the remainder of the ground floor, the entire second floor, and the entire roof top deck, suggesting the proposal was indeed for a bar; the testimony of multiple residents of the neighborhood, as corroborated by Police Chief Dupee, regarding crime and nuisance properties in the area; the neighbors' testimony that that project was a bad fit for the area based on incidents that have occurred in the past; the testimony regarding the residential nature of the neighborhood; Mr. Rasmussen's failure to reach out to members of the community to try to alleviate their concerns about the project; and the absence of any enforceable conditions in the application showing how impacts would be mitigated, other than measures bars are already legally required to follow. Thus, there were logical grounds and a reasonable factual basis for the protest.

Mr. Rasmussen had yet another opportunity to come forward with additional witnesses and other evidence in support of his application at the September 19, 2022 evidentiary hearing. But he did not present any witnesses other than himself, nor did he present any new evidence. Instead, he restated the reasons for his disagreement with the protest (the neighbors' concerns are overblown, he will not be running a dive bar, etc. The City Council already considered and weighed this information against the countervailing evidence and found it insufficiently compelling to withdraw its protest. Likewise, the Board already considered and weighed this information at its January 18, 2022 meeting and found that it did not justify overturning the protest. In the absence of any new information at the hearing, a different result is not warranted. Mr. Rasmussen failed to show that the City's protest is arbitrary, capricious, and unreasonable. The City's protest must stand.

// // //

//

IV. Conclusion

Because the applicant has not demonstrated that the City's protest was not arbitrary, capricious, and unreasonable, the application should be denied.

DATED: November 10, 2022.

By: <u>Signed</u>
Lisa M. Toussaint
Administrative Law Judge

Adoption

The Alcoholic Beverage Control Board adopts this decision as final under the authority of AS 44.64.060(e)(1). Judicial review of this decision may be obtained by filing an appeal in the Alaska Superior Court in accordance with AS 44.62.560 and Alaska R. App P. 602(a)(2) within 30 days after the date of distribution of this decision.

DATED this 19th day of December, 2022.

By: Signed
Signature
Dana Walukiewicz
Name
ABC Board Chair
Title

[This document has been modified to conform to the technical standards for publication. Names may have been changed to protect privacy.]