

Assembly Bill 98

Tied-House Advertising: San Jose Professional Sports Arenas

Assembly Member Ash Kalra

SUMMARY

AB 98 would expand the existing exemption for fully enclosed arenas in the City of San Jose to include the soon-to-be-opened, Tech CU Arena from a section in California's "tied-house" law, which prohibits advertising arrangements between retailers, wholesalers, and manufacturers of alcohol.

BACKGROUND

The term "tied-house" draws its origin from England and is a practice that was common in the United States pre-prohibition, but still exists in England today. Tied-house law restricts the products of a particular alcohol manufacturer to a specific venue, i.e. bar, restaurant, or entertainment venue. Originally intended to limit or prohibit the cross-ownership of alcohol manufacturers and distributors to protect the public, this practice can be unnecessarily restrictive.

California's existing tied-house law separates the alcoholic beverage industry into 3 components: manufacturer, wholesaler, and retailer, in an effort to prohibit vertical integration of the industry and restrict each other's ability to gain control over one another through indirect means. Specifically, these provisions prohibit a manufacturer from paying for advertising space or engaging in sponsorship arrangements with a stadium that is licensed to sell alcoholic beverages.

Even though the Department of Alcoholic Beverage Control (ABC) has not taken action in enforcing this tied-house law for stadiums and other large sports arenas, several exceptions have been added to the Government Code to help them stay in compliance with the law. Most recently, exemptions were enacted for San Jose Municipal Stadium and Avaya Stadium (AB 2000 (Kalra), Statutes 2018), AT&T Park, the Chase Center in San Francisco (SB 664 (Dodd), Statutes 2017), the Los Angeles Stadium at Hollywood Park in Inglewood, and the Los Angeles Memorial Coliseum in Los Angeles (SB 582 (Bradford), Statutes of 2017).

In January 2020, the San Jose City Council unanimously approved the construction of Tech CU Arena as part of the 200,000 square-foot expansion of Sharks Ice at San Jose. This arena will be the home to the San Jose Barracuda and is set to open in August 2022, in time for the start of the 2022-23 American Hockey League season.

SOLUTION

While tied-house laws were put in place to protect against vertical integration or predatory marketing by the alcohol industry, alcohol-related advertising arrangements in stadiums and sports arenas have been widely granted without endangering the public's interests.

AB 98 amends the existing tied-house exception for fully enclosed arenas in the City of San Jose by lowering the fixed seating minimum threshold from 15,000 to 4,000. This exemption would provide the San Jose Barracuda ownership team the legal certainty to explore and develop alcoholic beverage sponsorships that is common among professional sports teams.

This bill contains an urgency clause.

SUPPORT

San Jose Sharks

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