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Restaurateurs See Wet as a Win

By Paul Gatling - 4/2/2012

Throughout Arkansas history, efforts to prohibit the sale and consumption of alcohol have existed.

At present, 40 of the state's 75 counties are classified as dry, defined as a county whose government forbids the sale of alcohol.

Benton County is one of them and has been since 1944. But if a group backed by money from the Sam Walton family is successful, its voters will have the chance to remove the county's unofficial title as the Wettest Dry County in Arkansas.

Keep Dollars in Benton County is spearheading the efforts to lift the alcohol ban. Tom Walton of Houston and his older brother, Stuart, of London - the sons of Bentonville's Jim Walton and grandsons of Wal-Mart Stores Inc. founder Sam Walton - back the group financially.

KDBC has workers canvassing the county collecting signatures of registered voters who support the effort. They need about 40,000 to get the proposal on the general election ballot Nov. 6.

Naturally, there are varying points of view on the hot-button topic, and the potential economic impacts have been documented. What has been somewhat overlooked, however, is how one industry sector - restaurants and their owners - will be affected if the county becomes wet.

Joe Lisuzzo is majority owner of two restaurants in Benton County, both on "Restaurant Row" in the Scottsdale Center in Rogers - Copeland's of New Orleans, which has been open since April 2002, and the neighboring Cheezey's American Grille, open for about a year.

Both businesses are armed with a private club permit, two of 127 such permits in Benton County as of January. That number, representing a 53 percent increase in permits since January 2006 (83 permits), comes from a report produced for KDBC by the Center for Business and Economic Research at the University of Arkansas.

The permits allow restaurants and other establishments to sell beer and alcohol. How they obtain the spirits, however, is a challenge.

Lisuzzo is candid in his support of the KDBC effort, saying simply that it makes sense when he looks at the dollars and cents.

Making the county wet, or keeping it dry, isn't the issue. It's about eliminating the time, paperwork and extra dollars it takes to operate in a dry county.

"I think if you talk to most restaurant owners that serve alcohol in Benton County, you will find that most of them are for this," he said. "Mainly because of the cost of doing business. I don't get into the discussions of politics or religion or anything that has to do with never winning an argument. There are pros and cons and good and bad just like with everything.

"I look at business cost, customer cost and taxes. Ask me personally and not as a business owner, I don't know that I care one way or another."

'Smoking Gun'

Lisuzzo said he spends a quarter of a million dollars annually on beer, liquor and wine for Copeland's. All of it is purchased in Springdale.

Since distributors are not allowed to deliver in Benton County, private clubs and restaurants must buy from retailers across the county line.

"Distributors can't set foot in Benton County," said Kevin Kestner, owner of Mellow Mushroom pizzeria restaurants in Fayetteville and Rogers.

Those alcohol sales in Washington County mean sales tax money that goes to Washington County, money that will shrink significantly should alcohol sales become legal in Benton County and distributors are allowed to deliver to restaurants.

"That is the smoking gun part of this," said Ed Clifford, president and CEO of the Bentonville/Bella Vista

Chamber of Commerce. "As soon as everybody understands that these restaurants have been going down there and paying retail, they'll get the picture.

"It's not just all about package stores at all. A very different picture begins to emerge and that's the one that [Springdale Liquor Association president] Jim Phillips and the rest of Washington County is a little bit afraid of."

Phillips declined to comment for this story.

Restaurant owners will be able to continue purchasing their supplies at a liquor store if they choose - a Benton County liquor store, if the vote passes. That would also mean additional sales tax revenue for the county.

Clifford believes a wet Benton County will undoubtedly reduce cost of operations for restaurant owners, eliminating travel time and fuel costs needed to go pick up supplies.

Kestner opened his Fayetteville location a little more than three years ago. The second location opened last summer at Village on the Creeks in Rogers.

He said the biggest difference in opening in Rogers wasn't the hassle and extra paperwork needed to secure the private club permit.

"It's really the fact that you don't have distributors in a dry county," he said. "In a wet county, you call them directly, you order, you get it at the wholesale price based on the volume of the order and they deliver - free of charge.

"In Rogers, I have to buy all my alcohol through a package store, and am having to pay the sales tax there."

Kestner said his Rogers location, with 30 beers on tap and more than 40 bottled beers to choose from, does about 7 percent more beer and liquor business than the Fayetteville location.

The customer service afforded by doing business with a distributor would help the restaurant be more efficient.

"I know in Fayetteville, for example, the Budweiser guys will come into our cooler and if [the beer] is out of date and just hasn't sold, they'll take it and put in newer stuff," he said. "It's just very helpful on a lot of little things like that and you just don't have that option in a dry county."

At Basil's Café in Rogers, owners Wade and Kelly Jones agree a wet Benton County would ultimately make their jobs easier.

"We've never done business in a wet county, so there's nothing to compare it to," Kelly Jones said. "But going wet would be easier for us and other restaurants in Benton County, just for the fact that we wouldn't have to drive to Washington County."

Jones is one of three people on an advisory committee overseeing the ballot initiative, so her interest is vested.

"I hope voters can see what it would mean," she said. "If it doesn't [make it to the ballot], then it's just business as usual. If it changes, then we adapt to it."

Wade Jones, who called the dry-county laws "primitive," uses two personal vehicles to make his twice-weekly liquor runs to Springdale. He would prefer being able to deal directly with a distributor.

He believes distributors such as McBride Distributing Co., Premium Brands of Northwest Arkansas Inc. and Glazer's are sweating the thought of a wet Benton County.

"Personally, I think they can't want it to go wet," he said. "Logistically, it's going to mess them up. It's easier for them to come into Washington County and drop everything off and let Benton County fend for itself. It's going to increase their labor force and payroll. It has to. That's just common sense."

Kestner also offered an opinion from a distributor's point of view.

"If I owned McBride's," he said, "I probably wouldn't want it to change."

Phone messages left with Glazer's and Premium Brands were not returned.

Shell Game

In Benton County, any restaurant or business that sells alcohol must have two business entities. One is for liquor sales; the other is the restaurant entity that brings in all the revenue for food and any other goods sold.

"Really, all it is is a shell company for businesses; a nonprofit, if you will," Lisuzzo said. "A business in Benton County cannot transfer or sell liquor to any person publicly, so what they've done to get around that - and

that's all it is getting around the law - is to just establish a second company.

"My company doesn't sell liquor, this company over here does, but then it just transfers the money to my company and becomes part of an entity at the end of the year when I file taxes with zero income."

Lisuzzo says that's just one headache of having to operate a restaurant in a dry county, and he can rattle off several ways that a wet Benton County would benefit all restaurant owners financially.

He, or an employee, makes at least one liquor run to Springdale a week in the company's one-ton Ford van. He transports at least 10 to 12 kegs per week in addition to other cases of liquor, beer and wine.

Having those supplies delivered would result in monthly savings of \$300 to \$400, Lisuzzo said.

"That's savings that, in my mind, you could pass along to the customer," he said.

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