

**How they did it:** The Pioneer Press obtained data showing reported tax revenues from bars, restaurants and other establishments that sell alcohol, summarized by ZIP code, for the entire Twin Cities metro area. Data for each specific restaurant or bar is considered “private” under state open records laws, but summary data like this is not. Nobody had ever requested the data in this way before. Mapping the data using GIS software allowed the reporters to see for themselves where revenues had gone up or down just after the smoking bans went into effect.

## Pioneer Press Archived Article

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### SMOKING BAN FEARS PROVE UNFOUNDED

Published on 12/06/2005

Tag:

Section: Main

Page: A1

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Smoking bans in the Twin Cities do not appear to be the economic disaster many predicted.

Overall, the hospitality industry continues to grow despite claims that bans are hurting individual bars and restaurants. Sales throughout the metro area, including Hennepin County, increased during the second quarter of 2005 over the year before, according to a Pioneer Press analysis of taxable sales reported to the Minnesota Department of Revenue.

The data provide one of the first hard looks at the economic effects of smoking bans in the area's bars and restaurants, a debate often fueled more by rhetoric and anecdotal accounts on both sides than by fact. Among the newspaper's findings:

-- Fears that a patchwork of regulations would lead customers to seek smoker-friendly bars and restaurants appear to be largely unfounded. There was no significant decline in food and liquor sales in any of the counties or cities where smoking is restricted.

-- Several popular destinations, including downtown Minneapolis, Uptown, Dinkytown and parts of St. Paul, did better after the ban went into effect than the year before.

-- Despite claims of widespread bar and restaurant closures in Minneapolis since the ban, there now are more liquor establishments in the city than when it took effect.

-- Food and liquor sales in suburbs and counties without smoking restrictions are strong, but that trend existed even before the bans went into effect.

Nearly nine months after the restrictions took effect, communities are still grappling with their ramifications. Bar owners maintain that smoke-free laws are wiping out their bottom lines, while public health advocates push to further eradicate smoking in public workplaces.

On Wednesday the St. Paul City Council will hear testimony on whether to enact a total smoking ban, and next week the Hennepin County Board of Commissioners is expected to vote on whether to roll back that county's ban. The question is, will those decisions stifle or spur the economic growth of the area? Based on the newspaper's analysis, they may not matter much at all.

## NO NET LOSS OF CUSTOMERS

Near the Target Center in Minneapolis, liquor sales plummeted this year. But that dip was more than made up by skyrocketing sales near the Metrodome. In downtown St. Paul, sales dropped in one ZIP code, but were up more than 12 percent in another.

Indeed, smoking bans, which went into effect March 31, do not appear to be costing the industry its customers.

"It's what we hoped would happen," said St. Paul Council Member Dave Thune, who is pushing the St. Paul ban and said he will lobby for a statewide law. "It's way more expensive to have people in the hospital with emphysema and off of work and suffering from lung cancer."

Ahmed Abdelaal, an adjunct marketing professor at the University of St. Thomas, said the numbers mirror what's happened in other cities with smoking bans. "I'm not surprised," Abdelaal said. "If we take New York as a model, it did not affect sales."

#### SOME AREAS DOWN, OTHERS UP

It's not all a rosy picture, however. Several Hennepin County suburbs saw their bar and restaurant sales slow or decline in 2005, especially the Maple Grove area. Yet sales in other Hennepin County locales grew. And even though liquor sales in and near the Mall of America dropped, food and beverage sales overall grew at a faster pace in 2005 than they had the previous year.

And bars and restaurants are not closing by the dozens. With more than 670 establishments selling liquor in Minneapolis, just 11 have closed since the ban went into effect, according to the city's division of licenses and consumer services. And 14 have opened.

But Tom Day, vice president for government affairs for Hospitality Minnesota, said the smoking ban, coupled with an increase in the minimum wage, has affected the industry beyond the normal ebb and flow of business.

"The restaurant industry is a volatile industry," Day acknowledged. "The problem is, there are some prominent, successful businesses that we see closing."

Some contend that the Hennepin County ban has cost many restaurant and tavern workers their jobs. But in the six months after the ban took effect, hospitality industry employees actually filed fewer unemployment claims than for the same period last year, according to the Minnesota Department of Employment and Economic Development. And in Washington and Anoka counties, where there are no smoking restrictions, the number of jobless claims increased over a year ago within the hospitality sector.

Nor do patrons appear to be stopping by the local liquor store and throwing parties at home, as some bar owners say. Second-quarter sales at Hennepin County liquor stores grew in 2005, but not as much as for the previous year.

Day said although the numbers look good, they could be even better. "I think we would be expecting double-digit increases in the restaurant industry had we not seen a smoking ban and minimum wage increase," he said.

## BARS, NIGHTCLUBS FEEL SOME PAIN

Few would argue that some bars are hurting.

Minnesota Licensed Beverage Association Executive Director Jim Farrell said bars and nightclubs could be getting the short end of the stick even if the restaurant industry thrives.

Mike Jennings, who owns Rosen's City Tavern near the Target Center, fears that once patrons walk out the front door, they may not come back.

"Now they walk outside (to smoke), and their barstool and their car door are equal distances away. And it could go either way," Jennings said.

The Minneapolis Hospitality Association said that compared with last year, revenue from charitable gambling such as pull tabs declined nearly \$3.5 million in Minneapolis during the five months after the ban. President Carol Lynn Miller said it's an indication that people aren't coming to bars anymore.

Dan O'Gara, owner of the St. Paul bar and music venue O'Gara's Bar and Grill, said he's benefited from the Hennepin County ban because he allows smoking. But he worries he will lose his new customers and many more if St. Paul goes smoke-free. And, he said, a ban would devastate neighborhood bars.

"The blue-collar, working man's bar, which is a big thing in the Twin Cities, is probably going to be a thing of the past if this continues," O'Gara said.

Thune said he is concerned about that. A St. Paul ban, which has the support of a majority on the City Council and mayor-elect Chris Coleman, would likely take effect March 31, 2006, and Thune wants to give neighborhood bars a helping hand.

"The smaller, older bars fare the worst, I would suspect," Thune said. "The little neighborhood bar, we want to make sure that they stay healthy. ... We want to talk about how we can put some kind of package together to help them."

## CUSTOMERS HAVE NOT FLED

Ramsey County's ban allows exemptions for bars and restaurants where liquor accounts for more than 50 percent of their sales. More than half the bars and restaurants in St. Paul have one, so patrons don't have to go far to have a cigarette.

But Hennepin County residents have to either smoke outside or cross the county line. That has led to fears that the county would lose business to its neighbors. That doesn't seem to be the case.

Though many suburban counties that don't restrict smoking in bars and restaurants -- especially Anoka County -- have seen sales increase, which was happening before the bans took effect. And the growth seems to coincide with booming communities, not necessarily those closest to the border. Blaine and Coon Rapids experienced the biggest increases in liquor sales, while the cities of Anoka, Columbia Heights and Fridley were stable or even declined.

Ray McManus owns the Shortstop Tavern in Coon Rapids and the Joe Di Maggio Sports Bar in Fridley. He said business is up since the Hennepin County ban, mostly from young locals who decide not to trek to downtown Minneapolis. He said bars need smoking patrons to stay in business.

"There's a food chain in the bar business. Guys go to where women are, and women smoke when they're drinking," McManus said.

One frontline in the debate is Northeast Minneapolis, which borders Anoka County and has several venerable neighborhood bars. Dan Jaros, owner of Tony Jaros' River Garden, said the ban is hurting everyone in the area.

"I think the people that came to the Northeast just don't come here anymore," Jaros said.

## CONVENIENCE COUNTS

But there could be other explanations for the decline. For example, at Psycho Suzi's Motor Lounge -- a recent neighborhood addition -- a crowd sipped Polynesian drinks while packed into the dimly lit tiki bar.

For Heather Stauffacher, smoking outdoors in temperatures near 10 degrees doesn't sit well, and she disagrees with the ban. But she came to Psycho Suzi's with a friend because it was convenient, despite its proximity to Anoka County. "It's close to work," said Stauffacher, who lives in Minneapolis.

Psycho Suzi's sales aren't included in the Pioneer Press analysis, since the Revenue Department data only include businesses licensed for all three years. Stauffacher's explanation that she chose convenience over indoor smoking also may apply to Dinkytown, for example. University of Minnesota students need only drive a short distance east on University Avenue to get to the Dubliner and Turf Club, two St. Paul bars that cater to a younger crowd and allow smoking.

But Tom Scanlon, who owns both places, said he hasn't seen an increase in business. He attributed that to the prevalence of outdoor seating across the river. "It's like patio-town all over Minneapolis," Scanlon said. "The winter might be a different story."

Scanlon seems resigned to a St. Paul ban, though he thinks politicians have better things to do with their time. "I'm not going to fight City Hall. If they bring back Prohibition, we'll survive that, too," he said.

## WHAT ORDINANCES SAY

Smoking bans took effect in some metro communities March 31. Here's a summary of selected ordinances:

Bloomington: No smoking in bars or restaurants, private clubs, bowling alleys and bingo halls. No smoking within 25 feet of building entrances. Patios must be at least 50 percent smoke-free.

Golden Valley: No smoking at bars and restaurants, including outdoor patios. No smoking within 25 feet of entrances or outdoor dining areas. No smoking in public parks or recreation facilities.

Minneapolis: No smoking in restaurants, bars, bowling alleys, pool and billiard halls and private clubs. Smoking allowed at outdoor patios and near building entrances.

Ramsey County: Bars and restaurants must be smoke-free, but establishments where liquor accounts for at least half of sales may apply for an exemption. Food service areas of bowling alleys, pool halls and private clubs must be smoke-free, but those establishments are generally not included in the ban.

Hennepin County: Smoking prohibited in the indoor areas of all food establishments. No prohibition on outdoor patios.

#### ABOUT THIS ANALYSIS

The Pioneer Press analyzed liquor sales and overall sales revenues, summarized by ZIP code, for establishments that sell liquor in Ramsey, Hennepin, Anoka, Dakota, Carver, Scott and Washington counties.

The data came from the Minnesota Department of Revenue and were based on tax returns filed in the second quarter of 2003, 2004 and 2005. Only establishments that filed reports in all three years were included. As a result, the analysis does not reflect effects of new or closing businesses.

The Department of Revenue did not provide data for ZIP codes in which three or fewer establishments sold alcohol. Summary totals for these ZIP codes were provided. This analysis did not look at sales for individual establishments since tax data for individual businesses are not public.

Liquor stores are included in the totals. Separate data showing off-sale totals by county indicate liquor store sales in all counties were basically unchanged between 2004 and 2005.

Earlier this year, Hennepin County officials used similar Department of Revenue data to look at effects of the county's smoking ban, which took effect March 31. The data were summarized by the city and county and covered the same time periods, but did not include liquor stores. That study found food and liquor sales

in Hennepin County were up in 2005, though not as much as the prior year. The authors warned that it was too early to understand the full impact of the ban.

-- MaryJo Sylwester, database editor

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Memo: NEARLY NINE MONTHS AFTER RESTRICTIONS TOOK EFFECT IN THE BARS AND RESTAURANTS OF THE TWIN CITIES, A PIONEER PRESS STUDY FINDS THAT THE LOCAL HOSPITALITY INDUSTRY IS DOING JUST FINE.

Illustration: 2 Photos: BRANDI JADE THOMAS, PIONEER PRESS

1) Cassandra Bagley, 25, left, of Minneapolis and Pamela Arcand, 24, of St. Paul endure the cold Friday for a cigarette break outside Psycho Suzi's in Minneapolis. "If you go to a bar, you should be able to smoke," Bagley said.

2) Robert "Mac" McDonough, 60, smokes as he waits for his turn Friday at the pool table in the Turf Club in St. Paul. "There's gotta be a better way to do it," said McDonough about the smoking bans in Hennepin and Ramsey counties. "It's going to take our freedom away." McDonough, who has patronized the Turf Club for 20 years, said he understands health concerns over secondhand smoke, but believes civil liberties should not be forgotten.

Map: Pioneer Press

Liquor sales -- after the smoking bans

Here is a look at changes in liquor sales in Ramsey and Hennepin counties and Bloomington after smoking bans took effect March 31. Percentage changes are shown by ZIP code from the second quarter of 2004 and the second quarter of 2005 based on totals from the Minnesota Department of Revenue. The data include bars and restaurants with liquor licenses and liquor stores that filed tax



returns for the second quarters of 2003, 2004 and 2005.

Graphic: Pioneer Press

Food and liquor sales

Here is a look at total food and liquor sales before and after smoking bans took effect in Ramsey and Hennepin counties on March 31.

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