



# Washington State Liquor Control Board

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## Washington State Liquor Control Board Meeting

Wednesday, September 24, 2014, 10:00 a.m.  
LCB Headquarters Building  
3000 Pacific Avenue SE, Olympia WA 98501

### Meeting Minutes

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#### 1. CALL TO ORDER

Chair Sharon Foster called the regular meeting of the Washington State Liquor Control Board to order at 10:00 a.m. on Wednesday, September 24, 2014. Member Chris Marr was also present. Member Ruthann Kurose was absent.

#### 2. APPROVAL OF MEETING MINUTES

MOTION: Member Marr moved to approve the August 6, 2014, meeting minutes.

SECOND: Chair Foster seconded.

ACTION: Motion passed unanimously.

MOTION: Member Marr moved to approve the September 10, 2014, meeting minutes.

SECOND: Chair Foster seconded.

ACTION: Motion passed unanimously.

#### 3. ACTION ITEMS (A-C) - Approvals to Implement 2014 Legislation

##### ACTION ITEM 3A - Board Approval to File (CR 103) for Distillery & Craft Distillery Changes

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3A 1- 4). She provided a brief background noting that this rulemaking is the result of the 2014 legislative session for SSB 6226 - Distiller and Craft Distiller License Changes.

Ms. McCall mentioned a comment that was received from Jim Hedrick of the Washington Distillers Guild. Mr. Hedrick asked for clarification of WAC 314-28-050 (1)(g) regarding spirits samples altered with water or ice only. The Guild understands that the product cannot be altered by retailers at the point of sale but he and his fellow Guild members are wondering if this means the samples can only be altered with water or ice only after sale. LCB response: The retailer can only alter spirits for sampling with water or ice only.

#### Proposed Changes

Revised Section: WAC 314-28-005 - Definitions - Added a definition for "craft distillery".

Revised Section: WAC 314-28-030 - What does a distillery allow? Changed the title of the section. Added language to include what activities a distillery is allowed to conduct under the distillery license which includes selling product of their own production to customers at their licensed premises, providing samples, free or for a charge to customers at their licensed premises, and contract distilling spirits for other distilleries, craft distilleries, and manufacturers' or for export.

Revised Section: WAC 314-28-050 - What does a craft distillery license allow? Changed the maximum amount a craft distillery can produce in a calendar year from 60,000 proof gallons to 150,000 proof gallons. Removed the two liter a day per person limit a craft distiller can sell to customers at their licensed premises. Added language that allows a craft distiller to charge for samples provided at the licensed premises to customers. Also added language that allows the craft distiller to dilute the samples with water or ice only.

Revised Section: WAC 314-28-055 - What are the requirements for contract production by craft distilleries? Changed the maximum amount a craft distillery can produce in a calendar year from 60,000 proof gallons to 150,000 proof gallons.

#### Timeline

If approved, the Rules Coordinator will send an explanation of the rule making to all persons who submitted comments. After sending this explanation, the Rules Coordinator will file the rules with the Office of the Code Reviser. The effective date of the rules will be 31 days after filing.

Ms. McCall then requested approval from the Board to file the CR 103.

MOTION: Member Marr moved to approve filing the (CR 103) for Distillery & Craft Distillery Changes.

SECOND: Chair Foster seconded.

ACTION: Motion passed unanimously.

#### **ACTION ITEM 3B - Board Approval to File (CR 103) for Senior Center License**

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3B 1-3). She provided a brief background noting that this rulemaking is the result of the 2014 legislative session for SB 5310 - Senior Center License. Ms. McCall noted that no public comment was received at the public hearing held on September 10, 2014. No written comments were received.

Proposed Changes

New Section: WAC 314-02-114 - What is a senior center license? Explains the requirements for the senior center license and the activities allowed under the license.

Timeline

If approved, the Rules Coordinator will send an explanation of the rule making to all persons who submitted comments. After sending this explanation, the Rules Coordinator will file the rules with the Office of the Code Reviser. The effective date of the rules will be 31 days after filing.

Ms. McCall then requested approval from the Board to file the CR 103.

MOTION: Member Marr moved to approve filing the (CR 103) for Senior Center License.

SECOND: Chair Foster seconded.

ACTION: Motion passed unanimously.

**ACTION ITEM 3C - Board Approval to File (CR 103) for Day Spa Permit**

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3C 1-3). She provided a brief background noting that this rulemaking is the result of the 2014 legislative session for ESSB 5045 - Day Spa Permit.

Proposed Changes

New Section: WAC 314-38-070 - Class 16 day spa permit. Explains the requirements for a class 16 permit and what is allowed under the permit.

Timeline

If approved, the Rules Coordinator will send an explanation of the rule making to all persons who submitted comments. After sending this explanation, the Rules Coordinator will file the rules with the Office of the Code Reviser. The effective date of the rules will be 31 days after filing.

Ms. McCall then requested approval from the Board to file the CR 103.

MOTION: Member Marr moved to approve filing the (CR 103) for Day Spa Permit.

SECOND: Chair Foster seconded.

ACTION: Motion passed unanimously.

#### 4. MARIJUANA LICENSING UPDATE

Becky Smith, Marijuana Licensing & Regulations Manager provided the following weekly updates on the marijuana licensing process:

##### Producer/Processor Applications

- 242 Producer/Processor licenses have been issued
  - 178 Producer/Processor
  - 53 Producer
  - 11 Processor
- 31 licenses are pending payment
- 31 moved to enforcement for inspection
- 36 are waiting for applicant to build

2.8 M square feet approved for plant canopy (2,861,558)

##### Retail Applications

- 60 Retail licenses have been issued
- 5 are pending payment
- 16 moved to enforcement for inspection

The Board asked for a future briefing regarding the producer/processor business model from start to finish. He suggested a staff member from enforcement or education.

Ms. Smith said she would arrange that.

#### 5. NEW BUSINESS/OLD BUSINESS

No new or old business was reported.

Chair Foster then invited citizens to address the Board regarding any issue(s) related to LCB business.

##### Bob Leeds - Co Owner of Sea of Green Farms (Producer/Processor)

Mr. Leeds, accompanied by Phil Tobias, co-owners of Sea of Green Farms - a licensed I-502 producer processor, noted that during their application process everyone at the LCB was extremely helpful and courteous to them. After they received their license they found it difficult to communicate needed changes in their original operations plan to LCB staff and they felt dismissed. He said they were told it may be six to twelve months before proposed alternations could be reviewed for consideration. He expressed concern about lengthy timeframes for seemingly simple, but vital, changes and he requested the LCB implement a more streamlined decision making process to meet long term goals.

He expressed his gratitude for LCB Captain Jennifer Dzubay, for her assistance with the alternation of their floor plans and her willingness to listen, but it was only through a violation hearing that she was able to help them move the process forward.

Mr. Leeds also noted concerns about the banking issues and stated that his local bank manager asked him to mention to the Board that they have concerns for their employees' safety when customers like Mr. Leeds bring their *cash* to deposit in the bank. He said it puts banks at risk, employees at risk, drivers at risk, and his business at risk.

Chair Foster apologized for any potential communication problems Mr. Leeds has experienced with LCB and said would look in to the current process. She added that she does not want businesses to fail.

Member Marr noted that difficult resource decisions have been made and at times are not fully understood by the public nor do those difficult decisions meet the needs of everyone. He asked for patience as the licensing division gets this challenging process in place and all applicants have been processed. He hopes the support level will improve as resources become available.

Dean French - Thurston County Resident

Mr. French asked if the marijuana retailers are required to comply with Department of Occupational Safety and Health (DOSH) and if so does that cover the regulation of herbicides, insecticides, and pesticides and if so is that under general standards, agricultural standards, or other standards?

Chair Foster invited Randy Simmons, LCB Deputy Director, to come forward to respond. Mr. Simmons noted that there has not been a standard established so we follow the organics certification structure.

Jeremy Larsen - Board Member of the Washington Marijuana Association (WMA)

Mr. Larsen introduced himself as a Board Member for WMA and a Tier 3 Producer/Processor. He first thanked the Board for their thorough consideration of the I-502 process. He felt that the LCB focused on what the *public* wanted and the process accommodated interest from the small business owners. He also thanked Becky Smith, LCB Marijuana Licensing Manager, and her staff for their efforts. He then addressed (3) primary points of consideration for the Board:

1) Supply

He noted that the industry has concern about supply of marijuana that will be made available to the retailers. He hoped the LCB is aware of the status to ensure that retailers will be able to maintain a steady flow of product and remain open more than a day or two a week. He also hoped the LCB was not counting on outdoor grows for a strong supply of product as they are seasonal and not sustainable. He suggested that the LCB consider allowing the businesses that are prepared for operation to move to the front of the line. He also expressed concern that if there is limited product there will be price gouging.

2) Taxation

This is a systemic problem that will affect the entire industry. He noted that taxation is far too high and will create a marketplace that will not be able to compete with the illicit market.

Member Marr noted that tax policies and tax rates are not set by the LCB. He added that the "Brookings Institution Study" is a good resource addressing. He also suggested that Mr. Larsen also participate in the legislative process.

Mr. Larsen also supports more of the marijuana tax dollars to be contributed to education.

3) BioTrack

He expressed frustration over the usability of the system, especially surrounding the third party access. He also noted the poor customer service BioTrack offers and suggested that the LCB provide a liaison or ombudsman to oversee the company and ensure they are providing appropriate customer service.

**ADJOURN**

Chair Foster adjourned the meeting at 11:15.

Minutes approved this 1<sup>st</sup> day of October, 2014



Sharon Foster  
Board Chair



Ruthann Kurose  
Board Member



Chris Marr  
Board Member

Minutes Prepared by: Maureen Malahovsky, Confidential Secretary to the Board

**LCB Mission**

Promote public safety by consistent and fair administration of liquor and cannabis laws through education, voluntary compliance, responsible sales and preventing the misuse of alcohol, cannabis and tobacco.

Complete meeting packets are available online: [http://lcb.wa.gov/boardmeetings/board\\_meetings](http://lcb.wa.gov/boardmeetings/board_meetings)  
For questions about agendas or meeting materials you may email [maureen.malahovsky@del.wa.gov](mailto:maureen.malahovsky@del.wa.gov) or call 360.664.1717