

**OFFICE OF THE WASHINGTON STATE
LIQUOR CONTROL BOARD MEETING**

March 17, 2004

The meeting of the Washington State Liquor Control Board was called to order at 11:00 a.m., on Wednesday, March 17, 2004 in the Board conference room, 3000 Pacific Avenue SE, Olympia, Washington, by Board Member Roger Hoen. Board Member Vera Ing was present. Tony Kim, Administrative Assistant to the Board summarized the minutes.

Board – Approval of Minutes

Board Member Ing reviewed the minutes of February 3, February 4, and March 3 for approval. Board Member Hoen seconded the motion, and it was carried.

Retail Services Division – New Manager Appointment, Contract Liquor Store No. 530, Ephrata; Robbi Mettler-Stern, District Manager

The Ephrata Liquor Store is located one block off the main highway through the town of Ephrata. The nearest other liquor stores are Soap Lake, 6 miles to the northeast, and Moses Lake, 20 miles to the northeast. For the fiscal year 2000, the gross sales were \$467,000. The commission paid was over \$53,000.

Thirty-four application packets were received and reviewed for this opening. Eleven applicants were interviewed by a panel of three District Managers: Craig Fairhurst; Jonathan Harkness; and Robbi Mettler-Stern, hiring District Manager. After the interviews were conducted, the selected candidate was Susan Danby.

Susan and her husband, Kevin, have 20 years experience running their own business. They owned and operated a service station/convenience store in Olympia. They sold the business and relocated to Ephrata in 1999. Kevin has been an active member of the Chamber of Commerce, and Susan has been involved in the schools their children attend since relocating there.

Susan and her husband plan to run the store at the existing site, which is W. 132 Division Avenue. They plan to expand the hours of operation, and erect a sign. They also plan to add some complimentary items, gifts and souvenirs. They will also expand the wine selection offered and take advantage of the popularity and quality of Washington wines.

References were checked and it is felt that Susan will become an asset to this community as a local businessperson.

Ms. Mettler-Stern recommended the appointment of Susan Danby as the new Contract Liquor Store Manager for the Ephrata Contract Store #530, effective April 1, 2004.

Board Member Ing moved for approval. Board Member Hoen seconded the motion, and it was carried.

Retail Services Division – Store Relocation, Contract Liquor Store No. 617, Cle Elum; Robbi Mettler-Stern, District Manager

District Manager, Robbi Mettler-Stern was approached by Contract Manager, James Canterbury, regarding a proposal to move the Cle Elum Contract Liquor Store No. 617.

The current location of the Cle Elum Contract Store at 217 Pennsylvania Avenue, is on a side street, about a block from the main road. The volume of business is too great for the size of the building with no room for expansion.

Mr. Canterbury has purchased property at 705 East First Street (the main road) and would like to build a new store at that site. The lot has an alley on two sides to accommodate a truck. The new building will be approximately 3000 square feet with 2/3 of it devoted to The Spirit Mine, a self-service liquor store, with increased product selection, and greatly improved parking. The other unit of the building will be leased to a “complimentary business”.

Ms. Mettler-Stern recommended that the Board approve this relocation of the Contract Liquor Store #617 in Cle Elum to this new location on 705 East First Street, effective March 17, 2004.

Board Member Ing moved for approval. Board Member Hoen seconded the motion, and it was carried.

Retail Services Division – Store Relocation, Store No. 029, Puyallup
Suzanne Lewis, Property Specialist

The lease for Store No. 029, located at 115 W. Meeker Street, Puyallup, expired on February 28, 2002 and has been on a month to month extension since then. Due to lack of visibility and parking, staff has been searching for a new location for over 2 years.

BACKGROUND

Store #029 has been in its current location since at least 1965. The building is located on a side street away from the main arterial near the Puyallup city hall. There is a city-owned parking lot across the street, but off-street parking is scarce. Recently a space has become available in the only grocery-anchored shopping center in downtown Puyallup. Joann Fabrics will soon be leaving the Safeway-anchored center and the Dollar Store will expand into a portion of the Joann's space, leaving approximately 5,000

square feet for the liquor store. This center is in the heart of downtown a few blocks from the Western Washington fairgrounds.

PROPOSAL #1 – Village Fair Shopping Center

The Lessor, Darren Bloch of Bloch Properties LLC, represented by Jerome O'Leary of GVA Kidder Mathews, has proposed a ten (10) year lease in a 5,021 square foot space. The new rental rate will be \$6,962.52 per month, or \$16.77 per square foot per year, during the first 5 years, and \$7,585.27 per month, or \$18.27 per square foot per year, during the second 5 years. We anticipate the space will be ready for occupancy in September 2004.

The Lease may not be terminated during the initial five (5) years of the lease term, except pursuant to Paragraph 2, if applicable, or if Lessor(s) is in default under this agreement and fails to cure such default within 30 days after receipt of written notice of the default. During Years 6 through 10, the Lease may be terminated by either party with a six (6) month written notice from the first of the month following. If Lessee terminates the Lease, the remaining portion of the then unamortized improvement costs, based on an initial amount of \$59,000.00, will be due the Lessor. If Lessor terminates the Lease during the second five (5) years, Lessor shall pay Lessee \$15,000.00 to help defray moving expenses."

The lease will include a 5 year renewal option for the Board with the lease rate to be negotiated at the time the option is exercised.

The Lessor has agreed to remodel the premises per the Board's "General Specifications...", including exterior signs on both the building front and the shopping center pylon sign. He has also agreed to the provisions of Appendix A, "Areas of Responsibility", with no exceptions.

The Board will pay its pro rata share of any property tax increases over the 2004 base year.

PROPOSAL #2 – current location at 115 W. Meeker St.

The Lessors, Dale and Marla Rees, submitted a proposal in 2001 for a five (5) year lease renewal in our current 5,693 square foot space. The new rental rate would be \$4,744.17 per month, or \$10.00 per square foot per year.

The lease may be terminated by either party with a six (6) month written notice from the first of the month following.

The Lessor agreed to all requested repairs and improvements, including interior repaint and the addition of a rear fire exit. Mr. and Mrs. Rees also did a complete upgrade to the building front in 2003. They have agreed to the provisions of Appendix A, "Areas of Responsibility", with no exceptions.

The Board would pay its pro rata share of any property tax increases over the 2002 base year.

SALES HISTORY

Recent sales history for Store No. 029 is as follows:

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2003	\$1,257,497	\$620,342	\$1,877,839
FY2002	\$1,299,697	\$581,769	\$1,881,466
FY2001	\$1,243,080	\$518,785	\$1,761,865

Sales/sq ft: FY03 = \$330 (average for all state liquor stores was \$607 for FY03)

NOTE: Sales are anticipated to increase due to improved visibility and parking.

Profitability: FY03 = 8.5% while the average profit for all state stores was 8.8%.

ADDITIONAL DATA:

Comparable lease rates in area:

#023 Puyallup-Willows – 4,463 sq ft @
\$5,950.00/mo, or \$16.00/sq ft/yr, for 5 year lease.

#052 Puyallup-Edgewood – 4,000 sq ft @
\$4,500.00/mo, or \$13.50/sq ft/yr, in Yrs 1-5
\$4,833.00/mo, or \$14.50/sq ft/yr, in Yrs 6-10

#139 Sumner – 4,030 sq ft @
\$5,037.00/mo, or \$15.00/sq ft/yr, for 10 year lease.

NOTE: Store #023 is in a non-grocery anchored center but in a major commercial area. The 5-year lease expires in April 2005 and the lease rate is expected to increase to the low \$20s per square foot.

Store #052 is in a small Walgreen's-anchored center at the edge of Milton.

Store #139 is a stand-alone building in downtown Sumner with off-street parking and a grocery store across the street.

SUMMARY

Summary of the lease proposals for Store #029:

<u>Current Rent</u>	<u>Proposed Rent-#1</u>	<u>Change</u>
\$4,506.96	\$6,962.52 Yrs 1-5	+54%
\$9.50/sq ft/yr	\$16.77/sq ft/yr	

\$7,585.27 Yrs 6-10 +9%
\$18.27/sq ft/yr

NOTE: Increase in cost per square foot is 76%. Increase in actual dollars is only 54%, however, due to the smaller size of the new space.

<u>Current Rent</u>	<u>Proposed Rent-#2</u>	<u>Change</u>
\$4,506.96	\$4,744.17 Yrs 1-5	+5%
\$9.50/sq ft/yr	\$10.00/sq ft/yr	

Ms. Lewis recommended approval of Lease Proposal #1, relocation to Village Fair shopping center.

Board Member Ing moved for approval. Board Member Hoen seconded the motion, and it was carried.

The executive session was convened at 10:45 a.m. and adjourned at 12:00 p.m.

The Meeting was adjourned at 12:00 p.m.