OFFICE OF THE WASHINGTON STATE LIQUOR CONTROL BOARD MEETING

August 4, 2004

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Wednesday, July 21, 2004 in the Board conference room, 3000 Pacific Avenue SE, Olympia, Washington, by Chairman Merritt Long. Board Member Vera Ing and Board Member Roger Hoen were present. Tony Kim, Administrative Assistant to the Board summarized the minutes.

Retail Services Division – Lease Renewal, Store No. 136, Seattle – Crown Hill

Suzanne Lewis, Property Specialist

The lease for Store No. 136, located at 7740 – 15th Avenue NW, Seattle, expired on August 31, 2000 and has been on a month-to-month extension since then.

BACKGROUND

Store #136 has been in its current location since 1975. Due to growth in the northwest area of Seattle, sales have grown. With the August 2003 closure of Store No. 022 in Ballard, the Crown Hill store has absorbed the majority of retail sales and some of the licensee sales in that market. It is anticipated that a liquor store will still be needed in Crown Hill even after the new Ballard store opens.

The previous owners of this property upgraded the exterior of the liquor store and the neighboring building that shares the parking lot. The interior, however, needed some serious work. The new landlord will remove old flooring and install new flooring. One of the restrooms will be upgraded to meet ADA requirements and a new lunch area will be built. The landlord will also do many repairs, including resealing and restriping the parking lot.

PROPOSAL

The new Lessor, Dan Foster of D & K Foster, LLC, has proposed a five (5) year lease renewal in our current 5,060 square foot space. The new rental rate will be $6,852.00 per month, or $16.25 per square foot per year, during the first 3 years, and $7,168.00 per month, or $17.00 per square foot per year, during Years 4 and 5, effective July 1, 2004.

The Lease may not be terminated during the initial three (3) 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 30days after receipt of written notice of the default. During Years 4 and 5, the Lease may be terminated by either party with a six (6) month written notice from the first of the month following. If the Board terminates the lease, the remaining portion of the then

unamortized improvement costs, based on an initial amount of $45,000.00 at 8% interest, will be due the Lessor. If the Lessor terminates the lease during Years 4 or 5, a payment of $15,000.00 to help defray moving expenses will be due the Board.

The Lessor has agreed to all requested repairs and improvements, including new floors, new lunch area and an ADA upgrade to 1 restroom. He has also agreed to the provisions of Appendix A, "Areas of Responsibility".

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

SALES HISTORY

Recent sales history for Store No. 136 is as follows:

Retail Sales	Class H Sales	Gross Sales
FY2003 $1,575,284	$937,084	$2,512,368
FY2002 $1,531,054	$812,575	$2,343,629
FY2001 $1,458,195	$615,431	$2,073,626

Sales/sq ft: FY03 = $497 (average
all state liquor stores was $607 for FY03)

NOTE: Retail sales increased 2.9% in 2003 and are anticipated to increase further due to growth in the Ballard/Crown Hill area.

Profitability: FY02 = 5.2% while the average profit for all state stores was 8.8%.

NOTE: Lease renewal = 4.3% without any sales increase.

ADDITIONAL DATA:

Current rental rates in the Ballard/Crown hill area are in the range of $20.00+ per square foot + triple net charges due to lack of available retail space and escalating costs.

Comparable lease rates in area:

#083Seattle (Magnolia) -5026 sq ft @ $6,282.50/mo, or $15.00/sqft/yr, inYrs 1-5
$7,120.17/mo, or $17.00/sq ft/yr, in Yrs 6-10

#042Seattle (Broadway)- 3400 sq ft @ $8,500.00/mo,
or $30.00/sqft/yr, inYrs 1-2
$8,925.00/mo,
or $31.50/sq ft/yr, in Yrs 3-4
$9,350.00/mo,
or $33.00/sq ft/yr, in Yrs 5-6
$9,634.00/mo,
or $34.00/sq ft/yr, in Yrs 7-8
$9,917.00/mo,

or $35.00/sq ft/yr, in Yrs 9-10

NOTE: All 3 stores are located in city neighborhoods where prices continue to escalate. Store #136 is the only one of the 3 stores with contiguous off-street parking.

SUMMARY

Summary of the lease renewal for Store #136:

Current Rent	Proposed Rent	Change
$5,040.00	$6,852.00	+36%
$11.95/sq ft/yr	$16.25/sq ft/yr	
	$7,168.00	+5%
	$17.00/sq ft/yr	

Ms. Lewis recommended approval of this lease renewal for Store #136 – Seattle (Crown Hill).

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

Retail Services Division – Lease Extension, Store No. 081, Renton – Highlands

Suzanne Lewis, Property Specialist

The lease for the temporary site of Store No. 081, located at 2806 NE Sunset Boulevard, Renton, was extended through August 31, 2004. The Board recently approved the proposal for a long-term lease in a new location. The new site will not be ready for fixturing, however, until October or November pending receipt of a building permit.

Our Lessor, Greater Hilands LLC, represented by Rob Bensussen, has agreed to further extend the current lease through December 31, 2004. All other terms and conditions of the current lease will remain the same.

We currently pay $4,937.50 per month, or $19.75 per square foot per year, in a 3,000 square foot space.

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

it was passed unanimously.

Policy, Legislative and Media Relations Division – Proposed Revised Rules to Implement Certificate of Approval License Legislation

Teresa Berntsen, Rules Coordinator

Ms. Berntsen requested approval to proceed with the proposed rule making to implement Substitute Senate Bill 6655 (SSB), passed during the 2004 legislative session.

This issue was discussed with the Board at the July 20, 2004 Board Work/Review Session.

PROCESS

If approved, she will file a notice with the attached proposed language (CR-102). Following is an approximate timeline for rule making:

July 21	Board asked to approve filing of proposed rule making notice (CR-102)
July 21	Next deadline to file proposed rule with Code Reviser
August 4	Code Reviser publishes notice, LCB sends notice to stakeholders
September 1	Board holds public hearing during Board Meeting
September 6	End of comment deadline
Early to mid September	Board decides to 1) adopt rule as written or with minor changes, OR 2) to make substantive changes (if #2, must send out new language and hold new public hearing)
mid September	Agency sends out notice to persons who gave comment
mid to late September	Agency files adopted rules with Code Reviser
January 1, 2005	Rules effective (date bill is in effect)

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

Policy, Legislative and Media Relations Division – Proposed Revised Rules Regarding Mandatory Alcohol Server Training

Deb Glidden, MAST Coordinator

Ms. Glidden requested Board approval for final rule making to revise several rules in chapter 314-17 WAC regarding the mandatory alcohol server training (MAST) program.

This issue was discussed with the Board at the July 20, 2004 Board Work/Review Session.

PROCESS

If approved, Ms. Berntsen, Rule Coordinator will prepare a "Concise Explanatory Statement" that would be sent to all persons who gave comment. This document would explain the rule changes, what was changed from the original proposal, summarize all comments, and explain what the agency did with each comment. After stakeholders have had a chance to receive this document, Ms. Berntsen will file the attached rule changes with the Office of the Code Reviser, and they would become effective 31 days later.

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

The executive session was convened at 10:20 A.M. and adjourned at 12:00 P.M.

The Meeting was adjourned at 12:00 P.M.