

OFFICE OF THE WASHINGTON STATE LIQUOR CONTROL BOARD MEETING

March 16, 2005

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Wednesday, March 16, 2005 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.

Retail Services Division – Liquor Store Lease Proposal, #013, Longview

The lease for Store No. 013, located at 1228 – 14th Avenue, Longview, will expire on June 30, 2007. Staff is recommending that the lease be terminated early as Triangle Mall shopping center, at the intersections of Ocean Beach Highway, Washington Way and 15th Street, is being totally redeveloped into a prime regional shopping center.

BACKGROUND

Store #013 has been located in its present building in downtown Longview since June 1967. As with so many other small cities, retail traffic has moved out of the downtown core and is located on major arterials with easy access to the freeway. This store has been on the relocation list for several years but there were no suitable spaces available. Store #013's retail sales have diminished over the past several years while they serve as the primary outlet for licensee sales in the area.

The newly redeveloped Triangle Center will include a 96,000 square foot Winco Foods along with PetCo, Michael's, Ross, RiteAid, Sleep County, Bed Bath & Beyond and many smaller tenants. The developers predict that the center will draw from at least a 25 mile radius and beyond. The nearest shopping area of this size is located in Vancouver, approximately 35 miles south.

Proposal – Triangle Center

The Lessor, Kimco Longview, LLC, represented by Russ Rodgers of GVA Kidder Mathews, has proposed a ten (10) year lease in a new 6,364 square foot space. The new rental rate will be \$12,197.67 per month, or \$23.00 per square foot per year, during the first 5 years, and \$13,258.33 per month, or \$25.00 per square foot per year, during the second 5 years. It is anticipated that the space will be ready for occupancy in Fall 2005.

Due to the cost of new construction, the Lease may not be terminated during the initial ten (10) year lease term, except pursuant to Paragraph 2 (privatization), 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. The Board will also have one 5 year option to renew the lease.

The Lessor has agreed to construct the premises per the Board's "General Specifications...", including a fire sprinkler system. In addition, Lessor will include acid-washed floors rather than our standard VCT. Lessor will also provide and install a second exterior sign on the end of the building. If the Lessor erects a multi-tenant pylon sign on Washington Way, he will install sign panels for the liquor store. 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 fully reassessed base year.

SALES HISTORY

Recent sales history for Store No. 013 follows. Also included is the sales history for Store #027 in Kelso and Store #148 in West Longview:

<u>Store #013:</u>	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2004	\$1,614,374	\$913,245	\$2,527,619
FY2003	\$1,504,372	\$966,636	\$2,471,008
FY2002	\$1,464,190	\$896,292	\$2,360,482

Sales/sq ft: FY03 = \$517 (average for all state liquor stores was \$607 for FY03)

NOTE:

Retail sales increased another 7.3% in 2004 and are anticipated to increase further with more traffic in the new location.

Profitability: FY04 = 11.7% while the average profit for all state stores was 8.8%.

NOTE: Lease proposal = 8.0% without any sales increase.

<u>Store #027:</u>	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2004	\$1,060,399	\$473,569	\$1,533,968
FY2003	\$ 994,191	\$468,644	\$1,462,835
FY2002	\$ 949,445	\$445,129	\$1,394,574

<u>Store #148:</u>	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2004	\$1,852,653	\$210,429	\$2,063,082
FY2003	\$1,698,086	\$199,824	\$1,897,910
FY2002	\$1,710,935	\$222,620	\$1,933,555

ADDITIONAL DATA:

Current lease rates in Triangle Center are \$22.00 per square foot + \$3.00/sq ft triple net charges. This rate includes very little tenant improvement money.

Lease rates for liquor stores with new construction in southwest Washington are:

#168 Vancouver-SE – 4,852 sq ft @ \$10,512.67/mo, or \$26.00/sq ft/yr, in Yrs 1-3
\$11,301.12/mo, or \$27.95/sq ft/yr, in Yrs 4-6
\$12,148.70/mo, or \$30.05/sq ft/yr, in Yrs 7-10

#188 Vancouver-Burton Rd – 4,852 sq ft @ \$10,512.67/mo, or \$26.00/sq ft/yr, in Yrs 1-3
\$11,301.12/mo, or \$27.95/sq ft/yr, in Yrs 4-6
\$12,148.70/mo, or \$30.05/sq ft/yr, in Yrs 7-10

#026 Chehalis – 5,000 sq ft @ \$8,229.00/mo, or \$19.75/sq ft/yr, in Yrs 1-5
\$9,063.00/mo, or \$21.75/sq ft/yr, in Yrs 6-10

NOTE: Stores #168 and 188 are in new grocery-anchored centers (QFC and Safeway, respectively), land costs are much higher in the Vancouver area. Store #026 has a Grocery

Outlet next door, but land costs are much lower in comparison.

SUMMARY

Summary of the lease proposal for Store #013:

<u>Current Rent</u>	<u>Proposed Rent-#1</u>	<u>Change</u>
4,777 sq ft	6,364 sq ft	
\$4,500.00	\$12,197.67 Yrs 1-5	+171%
\$11.30/sq ft/yr	\$23.00/sq ft/yr	
	\$13,258.33 Yrs 6-10	+9%
	\$25.00/sq ft/yr	

Ms. Lewis recommended approval of Lease Proposal for Triangle Center.

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

The Meeting was adjourned at 10:10 A.M.

