

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

**April 6, 2005**

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Wednesday, April 6, 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.

**Licensing and Regulation Division – Proposed Policy Regarding Advertising at Sports/Entertainment Facilities:** Randy Reynolds, Acting Director

**Purpose statement:**

The purpose of Liquor Control Board Policy 1-05 is to allow liquor manufacturers to advertise events held at sports/entertainment facilities licensed under RCW 66.24.570 with the following guidelines;

- The facility has spectator capacity in excess of 10,000.
- Live professional sporting events or live national tour entertainment events are presented to public spectators at the facility for a price of admission.
- For the purposes of this policy advertising includes promoting company or brand name identification.

**Policy Statement:**

Until rule making on chapter 314-52 WAC is completed (which outlines the guidelines for liquor advertising) staff will use the following policy;

- Liquor manufacturers may purchase advertising space at and may advertise events held at sports/entertainment facilities that meet the criteria described above under conditions as follows:
  - Advertising may not be paid, directly or indirectly, to those licensed entities that provide food and beverage service at the facility.
  - Entities who are required by WAC 314-12-030 to be placed on the retail license due to financial interest may receive advertising from liquor manufacturers.
  - The licensed entities providing food and beverage service at the facility must stock and offer for sale other competing brands of liquor in addition to those of the advertising manufacturer.
  - Advertising by the liquor manufacturers is to be conducted only in connection with live professional sporting events or live national tour events held at the facility.

- The manufacturer may name the facility in its advertising. Use of the facility name in the manufacturer's advertising will not be considered a violation of WAC 314-52-090. Liquor brand names may not be used to name the facility, or to name a location on the property of the facility. All other liquor advertising must be in compliance with WAC 314-52.
- The advertising manufacturer may not control or influence in any manner the licensee's liquor purchasing and sale operations.
- The advertising manufacturer may not control in any manner the licensee's point of sale brand signage.

An advertising agreement under the provisions of this section must be made by written agreement.

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

**Retail Services Division – Liquor Store Lease Renewal, Store # 105, Tacoma 6<sup>th</sup> Pine** Suzanne Lewis, Store Leasing Manger

The lease for Store No. 105, located at 2805 – 6<sup>th</sup> Avenue, Tacoma, expired on January 31, 2005.

**BACKGROUND**

Store #105 has been in its present location for 7 years. The store lost its lease in its previous location and was moved to its current site for 2 years to be sure the location was workable. The store has done well with retail sales averaging an increase of 6.3% over the last 3 years and the limited off-street parking has not been a problem. In the last few years, many of the buildings in the area have been renovated and the neighborhood is much improved. The closest store, #004, located just 1.5 miles away, will be closed in June 2005 so sales at Store #105 are anticipated to increase further

**PROPOSAL**

The Lessors, Oronzo and Joann DeBellis, represented by John O'Connor, have proposed a ten (10) year lease renewal in our current 5,000 square foot space. The new rental rate will be \$7,100.00 per month, or \$17.04 per square foot per year, during the first 5 years, and \$7,808.00 per month, or \$18.74 per square foot per year, during the second 5 years, effective February 1, 2005.

The Lease may not be terminated during the initial four (4) 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 the Board terminates the lease, the remaining portion of the then unamortized improvement costs, based on an initial amount of \$108,000.00, will be due the Lessor. If the Lessor terminates the lease during Years 6-10, a payment of \$15,000.00 to help defray moving expenses will be due the Board.

The Lessors have agreed to all requested repairs and improvements, including new energy-efficient lighting, new office, new lunch area, new storefront glass and new carpeting. They have also agreed to the provisions of Appendix A, "Areas of Responsibility", with no exceptions.

## **SALES HISTORY**

Recent sales history for Store No. 105 is as follows:

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2004	\$1,831,271	\$956,462	\$2,787,733
FY2003	\$1,759,758	\$787,362	\$2,547,120
FY2002	\$1,639,871	\$729,922	\$2,369,793

Sales/sq ft:FY04 = \$558 (average for all state liquor stores was \$650 for FY04)

NOTE: Gross sales increased an average of 8.9 % over the last 3 years and are anticipated to increase further as when Store #004 is closed in June.

Profitability: FY04 = 9.8% while the average profit for all state stores was 11.3%.

NOTE: Lease renewal = 9.4% without any sales increase.

## **ADDITIONAL DATA:**

Comparable lease rates in area:

#063 Tacoma-Westgate – 5,238 sq ft @ \$8,075.25/mo, or \$18.50/sq ft/yr, in Yrs 1-5  
\$8,948.25/mo, or \$20.50/sq ft/yr, in Yrs 6-10

#103 University Place – 5,235 sq ft @ \$5,671.00/mo, or \$13.00/sq ft/yr, in Yrs 1-5  
\$5,850.00/mo, or \$13.41/sq ft/yr, in Yrs 6-10

NOTE: Store #063 is in a grocery-anchored center, along with many other neighborhood services. Store #103 is located across from Fred Meyer grocery in a non-anchored strip center with several neighborhood services. Improvements at both of these stores were not nearly as extensive as the work required at Store #105.

## **SUMMARY**

Summary of the lease renewal for Store #105:

<u>Current Rent</u>	<u>Proposed Rent</u>	<u>Change</u>
\$6,000	\$7,100.00 Yrs 1-5	+18.3%
\$14.40/sq ft/yr	\$17.04/sq ft/yr	
	\$7,808.00 Yrs 6-10	+10%
	\$18.74/sq ft/yr	

Ms. Lewis recommended approval of this lease renewal for Store #105.

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

### **Retail Services Division – Liquor Store Lease Renewal, Store # 134, Oak Harbor** Suzanne Lewis, Store Leasing Manger

The lease for Store No. 134, located at 1330 SW Barlow Street, Suite 2, Oak Harbor, will expire on April 30, 2005.

## **BACKGROUND**

Store #134 has been in the same location since May 1975. While there has been some commercial development in recent years, there is no space available in the Safeway anchored center and retail spaces available near WalMart and Albertsons are too small and have major parking and loading drawbacks. The current site is within a block of WalMart and the other retailers and has good signage on the front and back of the building. Staff requested that the Lessor modernize the building exterior, however major structural changes would be required and the building will need to be replaced in the next 5 to 10 years.

## **PROPOSAL**

The Lessor, Richard Lange has proposed a five (5) year lease renewal in our current 4,800 square foot space. The new rental rate will be \$4,800.00 per month, or \$12.00 per square foot per year, effective May 1, 2005.

The Lease may not be terminated during the initial four (4) 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 Year 5, the Lease may be terminated by either party with a six (6) month written notice from the first of the month following.

The Lessor has agreed to most of the requested repairs and improvements, including new storefront glass, new ceiling fixtures, new automatic doors, and new flooring. He has also agreed to the provisions of Appendix A, "Areas of Responsibility", with no exceptions.

### **SALES HISTORY**

Recent sales history for Store No. 134 is as follows:

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2004	\$1,523,449	\$483,529	\$2,006,977
FY2003	\$1,449,218	\$416,516	\$1,865,734
FY2002	\$1,402,988	\$352,428	\$1,755,416

Sales/sq ft: FY04 = \$418 (average for all state liquor stores was \$650 for FY04)

NOTE: Sales increased another 5.1% in 2004 and are anticipated to increase further as the population grows. Store #134 is the only full service state liquor store on Whidbey Island.

Profitability: FY04 = 11% while the average profit for all state stores was 11.3%.

NOTE: Lease renewal = 10.3% without any sales increase.

### **ADDITIONAL DATA:**

Current rental rates in the Albertson's and WalMart centers are \$26.00 per square foot + triple net charges. A possible new pad building in the Safeway anchored center will be in the mid \$20s plus triple nets.

Comparable lease rates in area:

#024 Anacortes – 4,200 sq ft @ \$5,932.50/mo, or \$16.95/sq ft/yr, in Yrs 6-10  
Lease expires in 2008

#018 Mount Vernon – 5,831 sq ft @ \$10,204.25/mo, or \$21.00/sq ft/yr, in Yrs 1-5  
\$11,176.08/mo, or \$23.00/sq ft/yr, in Yrs 6-10

NOTE: Store #024 is in a small retail complex near downtown Anacortes, approximately 1 block from Safeway. Store #018 will be new construction located across from WalMart near Safeway and many other national and local retailers.

## **SUMMARY**

Summary of the lease renewal for Store #134:

<u>Current Rent</u>	<u>Proposed Rent</u>	<u>Change</u>
\$3,650.00	\$4,800.00	+31.5%
\$9.12/sq ft/yr	\$12.00/sq ft/yr	

Ms. Lewis recommended approval of this lease renewal for Store #134.

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

### **Retail Services Division – Liquor Store Lease Revision, Store # 173, Vancouver** Suzanne Lewis, Store Leasing Manger

The lease for Store No.173, located in at 13875 SE Mill Plain Boulevard, #109, Vancouver, WA does not expire until April 30, 2010. The original lease document specifies a 5 year no termination clause, followed by a termination provision of 6 months notice by either party with repayment of unamortized improvements. Store 173 was moved to this new location in a Safeway anchored center in 2000 and quickly became our largest Vancouver store.

The Lessor, Graham Bryce of Cascade Park LLC, has requested that the termination provision for the second 5-year term be changed to “no termination” except for privatization, effective May 1, 2005. All other terms and conditions of the current lease shall remain the same.

Per the lease, we will pay \$7,791.67 per month, or \$17.00 per square foot per year, for a 5,500 square foot space, beginning May 1, 2005. Gross sales for FY 2004 were \$5,991,077 with Class H Sales at 24%.

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

### **Purchasing Services Division – Potential New Listings and Rejections** Steve Burnell, Wine Program Manager

Based on presentations made by supplier representatives on March 24, 2005, discussions with members of the listing committee, tasting reports on product

samples and other factors, Mr. Burnell recommended that the Board approve the following listing/rejection actions.

Listing Symbol Codes:R-Regular Listing; L-Limited Distribution; M-Mini Distribution; S-Warehouse Stock; U-Unlisted

<u>Description</u>	<u>Recommendations</u>
Johnnie Walker Green Scotch, 750 ml (\$48.95)	List as M
Conch Republic Light Rum, 750 ml (\$7.95)	List as L
Conch Republic Dark Rum, 750 ml (\$7.95)	List as L
Stolichnaya Elit Vodka, 750 ml (\$59.95)	List as S
Zen Green Tea Liqueur, 750 ml (\$29.95)	List as S
Absolut Apeach Flavored Vodka, 750 ml (\$20.95)	List as L
Siberia Russian Vodka, 750 ml (\$15.95)	Reject
Gautier Cognac V.S.O.P., 750 ml (\$24.95)	Reject
Mohawk Blue Curacao Liqueur, 750 ml (\$10.95)	Reject
Chimayo Reposado Tequila, 750 ml (\$20.35)	Reject
Meukow VS Vanilla Cognac, 750 ml (\$28.25)	Reject
Monarch Hazelnut Liqueur, 750 ml (\$10.95)	Reject
Cocktails by Jenn Lemon Drop, 400 ml (\$15.95)	Reject
Cocktails by Jenn Cosmopolitan, 400 ml (\$15.95)	Reject
Cocktails by Jenn Appletini, 400 ml (\$15.95)	Reject
Cocktails by Jenn Blue Lagoon, 400 ml (\$15.95)	Reject
Kelt V.S.O.P. Cognac, 750 ml (\$42.95)	Reject
Don Diego Silver Tequila, 750 ml (\$13.40)	Reject
Don Diego Gold Tequila, 750 ml (\$13.40)	Reject
Kutskova Russian Vodka, 750 ml (\$16.45)	Reject
Island Breeze Coconut Flavored Rum, 750 ml (\$15.95)	Reject
Island Breeze Key Lime Flavored Rum, 750 ml (\$15.95)	Reject
Island Breeze Wild Berry Flavored Rum, 750 ml (\$15.95)	Reject
Vox Apple Flavored Vodka, 750 ml (\$29.95)	Reject
Nemiroff Ukranian Wheat Vodka, 750 ml (\$18.45)	Reject
Nemiroff Ukranian Honey Pepper Flavored Vodka, 750 ml (\$19.40)	Reject

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

### **Purchasing Services Division – Potential New Wine Listings and Delistings** Steve Burnell, Wine Program Manager

The Wine Advisory committee has reviewed the following wines. Criteria for selections made by this panel include outstanding taste, good value, consumer interest and other factors. From blind tastings, the Committee and the Purchasing Division made the following selections and recommendations. Mr. Burnell recommended the Board approve the following listing actions.

<b>Wine</b>	<b>Region</b>	<b>Vintage</b>	<b>Retail</b>	<b>Recommendation</b>
Bella Sera Pinot Grigio	Italy	2003	\$ 5.99	List as M
Bella Sera Merlot	Italy	2002	\$ 5.99	List as M

The following wines are offered as a One-Time-Only purchase. The purchasing department and Mr. Burnell recommended the Board approve the following One-Time-Only listings.

<b>Wine</b>	<b>Region</b>	<b>Vintage</b>	<b>Retail</b>	<b>Number of Cases</b>
Kestrel "Drop Dead Red" 3 <sup>rd</sup> Edition	Washington	NV	\$13.99	168 Cases
Mezzacorona Chardonnay	Italy	2003	\$ 3.99	64 Cases
Mezzacorona Cabernet Sauvignon	Italy	2002	\$ 3.99	128 Cases

The following wines are offered to the Board in limited case quantities. The purchasing department and Mr. Burnell recommended the Board approve the following wines for "U" code listing.

<b>Wine</b>	<b>Region</b>	<b>Vintage</b>	<b>Retail</b>	<b>Recommendation</b>
Forgeron Vinfinity	Washington	2001	\$ 44.93	14 Cases
Leonetti Cabernet Sauvignon	Washington	2002	\$ 84.99	5 Cases
Leonetti Merlot	Washington	2003	\$ 69.99	8 Cases
Leonetti Cabernet Sauvignon, Res	Washington	2002	\$119.99	3 Cases
Leonetti Sangiovese	Washington	2003	\$ 69.99	3 Cases
Moet & Chandon Brut 1.5L	France	NV	\$ 94.99	6 Cases
Moet & Chandon White Star 1.5L	France	NV	\$ 74.99	6 Cases
Dunham "Three Legged Red"	Washington	2003	\$ 17.49	14 Cases
Chehalem Pinot Gris	Oregon	2003	\$ 15.78	14 Cases

The following wines are offered to the Board in limited case quantities. The purchasing department and Mr. Burnell recommended the Board approve the following wines for "U" code listing.

<b>Wine</b>	<b>Region</b>	<b>Vintage</b>	<b>Retail</b>	<b>Recommendation</b>
Chehalem Pinot Noir, Three Vyd	Oregon	2002	\$13.99	14 Cases
Angeline Pinot Noir	California	2003	\$11.28	14 Cases
Growth Sauvignon Blanc	California	2003	\$17.49	7 Cases
Edge Cabernet Sauvignon	California	2001	\$19.99	14 Cases
Paraduxx Napa Red Wine	California	2002	\$42.99	7 Cases
Storybook Estate Zinfandel, Res	California	2001	\$46.49	4 Cases



Storybook Mayacamus Zinfandel	California	2002	\$27.49	7 Cases
Stags Leap Cabernet Sauvignon, Fay Vineyard	California	2001	\$76.49	4 Cases
Stags Leap Artemis Cabernet Sauvignon	California	2002	\$47.52	14 Cases

The Board currently lists the following wines. Based on the blind tasting OR other criteria Mr. Burnell recommended the Board DELIST the following items:

<b>Wine</b>	<b>Region</b>	<b>Brand Code</b>	<b>Reason</b>
Columbia Semillon	Washington	557650	Discontinued by supplier

*Note: All listings are 750ml size unless noted otherwise.*

**Listing Symbol Codes:**

No Code	Regular Listing
L	Limited Distribution
M	Mini Distribution
S	Warehouse Stock
U	Unlisted

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

**Board – Approval of Minutes**

Board Member Ing reviewed the minutes of February 2, February 16, March 15, March 16, and March 22. Board Member Ing moved for approval. Board Member Hoen seconded the motion, and it was carried.

**The Meeting was adjourned at 10:55 A.M.**