

**OFFICE OF THE
WASHINGTON STATE LIQUOR CONTROL BOARD
Board Meeting /July 20, 2005**

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Wednesday, July 20, 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.

**Policy, Legislative, and Media Relations Division – Public Hearing – Proposed Rules
Regarding On Premise Restaurant License; Pam Madson, Rules Coordinator**

What changes are being considered by the Liquor Control Board?

The proposed changes define those areas of a restaurant where minors are or are not allowed and when minors may be present if alcohol is being served. They also clarify requirements involving barriers required to separate a restaurant's dining area from the area where spirits are served and clarify food service requirements. This proposal would:

1. **Place the current Board policy regarding minors and alcohol service after 10:00 pm into rule.** For licensees that have live entertainment in a dining area where minors are permitted after 10 p.m. with alcohol service, the licensee must either:
 - Request that the dining area be reclassified as a lounge which restricts minors from being present; or
 - Notify the Board in writing at least 48 hours in advance that the sales, service, and consumption of alcohol will end in that area after 10 p.m.

This recommendation differs from an earlier proposal that would have required complete separation of minors and adults in businesses that served alcohol and offered live entertainment after 10 p.m.

2. **Place barrier requirements into rule.** Current policy requires that barriers be fixed as opposed to movable. Restaurants that were previously approved for moveable barriers may keep them until the space is remodeled or the premises changes ownership.
3. **Place “primary entrance” policy into rule.** Current policy requires restaurants that allow minors to have their floor plans set up so that minors can access non-restricted areas. A business's primary entrance must open directly into a dining area, or to a neutral area such as a lobby that leads to the dining area.
4. **Further define terms including “dedicated dining area”, “food counters”, “liquor bars”, and “game rooms”.** The definition of “dedicated dining area” is

clarified. "Liquor bars" are not allowed where minors are present. "Food counters" and "service bars" are allowed where minors are present.

5. **Discontinue current policy regarding minors in game rooms.** A current policy requires restaurants with game rooms to:
- Discontinue liquor service in the game room if minors are allowed in the game room after 10 p.m., or
 - Restrict minors from the game room and continue liquor service.
- This policy is discontinued.

The general guideline under Chapter 314-11 WAC applies in this circumstance. Licensees and employees must have visual access to areas where liquor is sold and consumed so they can monitor alcohol service.

6. **Clarify meal service requirements for spirits, beer, and wine restaurants.** The new rule states that spirits, beer, and wine restaurants must serve at least four complete meals during the times listed in the rule.

TK Bentler (WA State Hotel & Lodging Association) and Lyle Hidlahl (Skagit Valley College) testified and No decisions were made at this meeting.

Retail Services Division – Contract Liquor Store Manager Appointment, Store #504, Goldendale; Linda Lenz, Secretary Administrative

Goldendale is located in Klickitat County, approximately 46 miles from Store #551 in White Salmon. The gross sales for 2004 were \$457,311 and the commission was \$57,069. There are four licensee accounts assigned to this store. The population is approximately 3,737.

A total of 22 applications were requested, 7 applications completed and returned, and 5 applicants were interviewed. A panel comprised of two District Managers, Brian Johnson and Craig Fairhurst, and Auditor Steve Benson conducted the interviews. After completion of the interviews and reference checks were completed, Darren Hoffman was selected as the recommended Contract Liquor Store Manager for Goldendale.

Darren is a lifelong citizen of Goldendale. He graduated from the local high school and attended 1 year at the Yakima Community College. He has worked for Les Schwab for 10 years and has managed the Chevron Quickie Mart for 13 years. Darren has a strong history of community involvement which includes 3 ½ years as president of the local Chamber of Commerce, a supporter of the local AAU and is serving on the Klickitat County Fair Board.

Darren's business plan indicates he would relocate the CLS into a building currently housing a convenience store/gas station called the Stage Stop after about 30 days.

This building houses a real estate business, and is .1 mile off the exit from highway 97. It is surrounded by business such as: McDonald's, a motel/restaurant, and a Mexican restaurant to the west of the State Stop. He plans to sell liquor, gas, some pop and mixers. The new location would have a lobby size of 800 sq. feet, and could expand in the future. He plans to purchase a POS system. He will be working the CLS along with his wife. Reference check was positive.

Ms. Lenz recommended the appointment of Darren Hoffman as the new Contract Store Manager for the Goldendale Contract Store, effective August 1, 2005.

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

Retail Services division – Liquor Store Lease Renewal, Store #107, Seattle-Boulevard Park; Suzanne Lewis, Store Leasing Manager

The lease for Store No. 107, located at 1847 South 120th Street, Seattle, expired on April 30, 2005 and has been on a month-to-month extension since then.

BACKGROUND

Store #107 has been in this location in Boulevard Park since July 1969. The store is in a small retail area between SR 509 and Pacific Highway South, just off Des Moines Memorial Drive. Although not a high growth area, retail sales have shown a respectable increase and licensee sales account for approximately 28% of gross sales.

The Lessor has agreed to some major upgrades including a facelift on the storefront. The building next door was empty for a long time and a Mexican Restaurant has recently opened there.

PROPOSAL

The Lessor, Rena Davis, represented by her nephew, Everett Woods, has proposed a five (5) year lease renewal in our current 4,008 square foot space. The new rental rate will be \$5,010.00 per month, or \$15.00 per square foot per year, during the first 30 months, and \$5,344.00 per month, or \$16.00 per square foot per year, during the second 30 months, effective June 1, 2005.

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 to be determined, will be due the Lessor. If the Lessor terminates the lease, a payment of \$15,000.00 to help defray moving expenses will be due the Board.

At the Board's option, the lease may be renewed for an additional five (5) years with rent to be negotiated at the time the option is exercised.

The Lessor has agreed to all requested repairs and improvements, including a new HVAC system, new energy-efficient storefront glass, new floor, new energy-efficient light fixtures and a new power system for the front doors. She 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 2005 base year.

SALES HISTORY

Recent sales history for Store No. 107 is as follows:

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2005	\$1,889,354	\$745,245	\$2,634,599
FY2004	\$1,776,168	\$757,541	\$2,533,708
FY2003	\$1,686,910	\$764,476	\$2,451,386

Sales/sq ft: FY04 = \$632 (average for all state liquor stores was \$650 for FY04)
 NOTE: Retail sales increased another 6.4% in 2005 and are anticipated to show a slow, steady increase.

Profitability: FY04 = 12.8% while the average profit for all state stores was 11.3%.
 NOTE: Lease renewal = 11.9% without any sales increase.

ADDITIONAL DATA:

Comparable lease rates in area:

- #086 SeaTac – 5,103 sq ft @ \$7,016.63/mo, or \$16.50/sq ft/yr, in Yrs 1-5
 \$7,867.13/mo, or \$18.50/sq ft/yr, in Yrs 6-10
- #043 West Seattle – 4,356 sq ft @ \$5,440.00/mo, or \$15.00/sq ft/yr, in Yrs 1-5
 \$6,171.00/mo, or \$17.00/sq ft/yr, in Yrs 6-10

NOTE: Store #086 is in a stand-alone building on International Boulevard. The lease was renewed in October 2001 and retail sales are similar to Store #107. Store #043 is located in the Alaska Junction area of West Seattle in a typical urban retail neighborhood. The lease was renewed in April 2001. Neither store has the extensive energy upgrades that Store #107 will have when the work is finished.

SUMMARY

Summary of the lease renewal for Store #107:

<u>Current Rent</u>	<u>Proposed Rent</u>	<u>Change</u>
\$3,156.30	\$5,010.00 Months 1-30	+59%
\$9.45/sq ft/yr	\$15.00/sq ft/yr	
	\$5,344.00 Months 31-60	+7 %
	\$/sqft/yr	

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Ms. Lewis recommended approval of this lease renewal for Store #107.

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

Retail Services division – Liquor Store Lease Renewal, Store #178, Spokane – North; Suzanne Lewis, Store Leasing Manager

The lease for Store No. 178, located at 8701 N. Division Street, Spokane, will expire on November 30, 2005.

BACKGROUND

Store No. 178 was moved to its current location in 1995. It is in a strip center with a signalized intersection and excellent signage. Retail sales have shown steady growth and licensee sales account for approximately 35%+ of the gross sales. In addition to several improvements inside the liquor store, the Lessors plan to upgrade the exterior of the whole center.

PROPOSAL

The Lessor, David Birge of Division at the Y, LLC, has proposed a ten (10) year lease renewal in our current 5,000 square foot space. The new rental rate will be \$6,256.25 per month, or \$15.00 per square foot per year, during Years 1-3, \$6,881.88 per month, or \$16.50 per square foot per year, during Years 4-6 and \$7,507.50 per month, or \$18.00 per square foot per year, during Years 7-10, effective December 1, 2005.

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 \$42,000.00, will be due the Lessor. If the Lessor terminates the lease, 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 energy-efficient light fixtures, new ceiling tiles, new floor and additional exterior lighting. As noted, the exterior of the shopping center will also be updated. He has also agreed to the provisions of Appendix A, "Areas of Responsibility".

SALES HISTORY

Recent sales history for Store No. 178 is as follows:

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2005	\$1,882,792	\$1,020,111	\$2,902,903
FY2004	\$1,861,302	\$1,051,683	\$2,912,985

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FY2003 \$1,423,855 \$ 976,789 \$2,400,644

Sales/sq ft: FY04 = \$583 (average for all state liquor stores was \$650 for FY04)
NOTE: Sales increased 30% in 2004 after Store #117 was relocated to Indian Trails.
They are anticipated to increase further with new residential development to the north.

Profitability: FY04 = 11.7% while the average profit for all state stores was 11.3%.
NOTE: Lease renewal = 11.3% without any sales increase.

ADDITIONAL DATA:

Lease rates in area:

#185 Spokane-Division & Mission– 4,988 sq ft @ \$10,350.10/mo, or \$24.90/sq ft/yr, in Yrs 1-5

\$10,971.11/mo, or \$26.39/sq ft/yr, in Yrs 6-10

#117 Spokane-NW – 5,035 sq ft @ \$8,286.77/mo, or \$19.75/sq ft/yr, in Yrs 1-5

\$9,281.18/mo, or \$22.12/sq ft/yr, in Yrs 6-10

NOTE: Store #185 is in a busy strip center closer to downtown Spokane. Store #117 is in an Albertson's-anchored center with Starbucks, a bank, and several neighborhood services.

SUMMARY

Summary of the lease renewal for Store #178:

<u>Current Rent</u>	<u>Proposed Rent</u>	<u>Change</u>
\$5,208.00	\$6,256.25 Yrs 1-3	+20%
\$12.50/sq ft/yr	\$15.00/sq ft/yr	
	\$6,881.88 Yrs 4-6	+10 %
	\$16.50/sqft/yr	
	\$7,507.50 Yrs 7-10	+ 9%
	\$18.00/sq ft/yr	

Ms. Lewis recommended approval of this lease renewal for Store #178.

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

Retail Services division – Liquor Store Lease Proposal, Store #191, Seattle - 15th N.E.; Suzanne Lewis, Store Leasing Manager

The lease for the former Store No. 055, located just off Lake City Way, expired on June 30, 2005 and the Lessor decided not to renew the liquor store lease. Staff had been seeking a new location for this store for some time prior to the landlord's decision not to renew our lease. Due to a lack of suitable spaces and the high volume of traffic on Lake City Way, staff was unable to identify a new

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site in the area. Planned improvements to Lake City Way will significantly impact traffic patterns and affect ingress/egress to many sites.

A proposal was received for the redevelopment of a site just south of NE 145th on 15th Avenue NE, nearly 2-1/2 miles northeast of the former Lake City store. Blockbuster Video and Starbucks would be neighbors on the SW corner of this intersection. There is a QFC-anchored center on the SE corner of the intersection and an Albertson's-anchored center on the NE corner. Neither center has enough space for the liquor store.

PROPOSAL – JACKSON CENTER

The Lessor, Jim Abbott of Ironwood Investments, LLC, represented by Pat Lindsey and Susan Zimmerman of GVA Kidder Mathews, has proposed a ten (10) year lease in a 6,045 square foot space, located at 14343 – 15th Avenue NE, Seattle. The rental rate will be \$12,594.00 per month, or \$25.00 per square foot per year, during Years 1-3, be \$13,349.00 per month, or \$26.50 per square foot per year, during Years 4-6, and \$14,105.00 per month, or \$28.00 per square foot per year, during Years 7-10. The Board will also pay its pro rata share of any property tax increases over the fully reassessed base year. We anticipate that the project will be completed by Summer 2006.

The Lease may not be terminated during the initial ten (10) years of the lease term, except pursuant to Paragraph 2 (privatization) 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 Lease may, at the Board's option, be renewed for one (1) additional five (5) year term with rent to be negotiated at the time the option is exercised.

The Lessor has agreed to construct the premises per the Board's "General Specifications...", including exterior signage. The building will closely resemble the new Ballard liquor store that Mr. Abbott is building for the property owners. He has also agreed to the provisions of Appendix A, "Areas of Responsibility", with no exceptions.

SALES HISTORY

Recent sales history for Store No. 055 is as follows:

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2005	\$3,637,005	\$688,911	\$4,325,916
FY2004	\$3,901,784	\$724,191	\$4,625,976
FY2003	\$3,639,219	\$797,826	\$4,437,045

Sales/sq ft: FY04 = \$761 (average for all state liquor stores was \$650 for FY04)
 NOTE: Due to the large volume of traffic in this area, sales are anticipated to increase.

Profitability: FY04 = 12.6% while the average profit for all state stores was 11.3%.

NOTE: Due to the new location and increased lease rate, the profit rate is anticipated to decrease in the near term, but should rebound as customers become familiar with the new site.

ADDITIONAL DATA:

Comparable lease rates in area:

#097 Shoreline – 6,002 sq ft @ \$12,505.00/mo, or \$25.00/sq ft/yr, in Yrs 1-3
\$13,255.00/mo, or \$26.50/sq ft/yr, in Yrs 4-6
\$14,005.00/mo, or \$28.00/sq ft/yr, in Yrs 7-10
#078 Shoreline-South –5,000 sq ft @ \$8,125.00/mo, or \$19.50/sq ft/yr, in Yrs 1-2
\$8,645.83/mo, or \$20.75/sq ft/yr, in Yrs 3-4
\$9,062.00/mo, or \$21.75/sq ft/yr, in Yrs 5-7
\$9,479.00/mo, or \$22.75/sq ft/yr, in Yrs 8-10

NOTE: Store #129 is in a totally redeveloped shopping center anchored by Bartell's Pharmacy, along with many other smaller tenants and is scheduled to reopen in October 2005. It is across Aurora Avenue from a large Fred Meyer store. Store #078 was a new store in a Bartell's anchored shopping center just south of Safeway.

SUMMARY

Summary of the lease proposal for Store #191:

<u>Previous Rent</u>	<u>Proposed Rent</u>	<u>Change</u>
6,080 sq ft	6,045 sq ft	
\$6,207.00	\$12,594.00 Yrs 1-3	+103%
\$12.25/sq ft/yr	\$25.00/sq ft/yr	
	\$13,349.00 Yrs 4-6	+6.0%
	\$26.50/sq ft/yr	
	\$14,105.00 Yrs 7-10	+5.7%
	\$28.00/sq ft/yr	

Ms. Lewis recommended approval of the Lease Proposal in Jackson Center.

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

The Meeting was adjourned at 10:40 A.M.

Merritt D. Long
Chairman

Vera Ing
Board Member

Roger Hoen
Board Member

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