

**OFFICE OF THE  
WASHINGTON STATE LIQUOR CONTROL BOARD  
Board Meeting /October 18, 2005**

The regular meeting of the Washington State Liquor Control Board was called to order at 10:30 a.m., on Wednesday, October 18, 2005 in the Board conference room, 3000 Pacific Avenue SE, Olympia, Washington, by Chairman Merritt Long. Board Member Roger Hoen and Vera Ing were present. Tony Kim, Administrative Assistant to the Board summarized the minutes.

**Policy, Legislative, & Media Relations Division – Rules Regarding on Premise Restaurant Licenses; Pam Madson, Rules Coordinator**

Ms. Madson requested the Board approved final rulemaking for rules on On-premise Restaurant License Requirements. The Board was briefed on the rule making background, public comment, and agency response at an earlier work/review session held on October 18, 2005.

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

**Retail Services Division – Liquor Store Lease Proposal, Store #165, Yakima**  
Suzanne Lewis, Store Leasing Manager

The lease for Store No. 165 and the Yakima Enforcement office, located at 1220 S. First Street, Yakima, will expire on October 31, 2006.

**BACKGROUND**

Store #165 and Enforcement co-located at the current site in June 1990. The store occupies 4,100 square feet and the Enforcement office, which also houses a Retail District Manager, occupies 1,900 square feet. The store does not have good visibility and ingress/egress is difficult. Retail sales at \$1,628,200 in FY05 put this store into the “under performing” category as the surrounding area is not a retail good mix with the liquor store.

The Enforcement Division has considered relocating its Yakima office further south to accommodate both the Yakima and Tri-cities agents. Office space should be less expensive than paying retail rates for an office. As part of the lease proposal for the new store, a single office with separate, outside entrance will be created for the Retail District Manager. The new liquor store will be a stand-alone building as part of the Southgate Shopping Center that is anchored by Wray’s Thriftway. The store will front on Nob Hill Boulevard, the major east-west arterial in Yakima.

The current lease contains a 6-month termination clause with reimbursement of the remaining portion of unamortized improvements. If the lease is terminated as of June 30, 2006 as anticipated, this amount will be less than \$1,000.

**PROPOSAL – 407 3<sup>rd</sup> Avenue, Yakima**

The Lessor, Justin Noel of Noel Corporation dba Noel Investments, represented by Ed Kenaston of Heritage-Moultray Real Estate, has proposed a ten (10) year lease in a new 5,616 square foot space. The new rental rate will be \$9,360.00 per month, or \$20.00 per square foot per year, during Years 1-3, \$10,296.00 per month, or \$22.00 per square foot per year, during Years 4-6 and \$11,232.00 per month, or \$24.00 per square foot per year, during Years 7-10. It is anticipated that the new building will be ready in early Summer 2006.

The Lease may not be terminated during the initial eight (8) 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.

The Lessor has agreed to construct the new building per the Board's "General Specs...", including a fire sprinkler system and exterior signage. He has also agreed to the provisions of Appendix A, "Areas of Responsibility", with no exceptions.

The proposal includes a 10-year renewal at the Board's option, with rent to be negotiated at the time the option is exercised.

**SALES HISTORY**

Recent sales history for Store No. 165 is as follows:

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2005	\$1,628,200	\$620,532	\$2,248,732
FY2004	\$1,578,178	\$615,226	\$2,193,403
FY2003	\$1,470,908	\$623,971	\$2,094,879

Sales/sq ft: FY04 = \$535 (average for all state liquor stores was \$650 for FY04)

NOTE: Retail sales only increased 3% in 2005 but are anticipated to show a larger increase with the move to a more visible location on a busier arterial.

Profitability: FY04 = 11.7% while the average profit for all state stores was 11.3%. NOTE: New lease = 10.4% without the anticipated increase.

**ADDITIONAL DATA:**

As in most markets today, new construction in Yakima is in the low to mid \$20s per square foot plus triple net charges and tenant improvements.

Current liquor store lease rates in Yakima are:  
 #007 Yakima- N. Gateway Center – 4,800 sq ft @ \$5,040.00/mo, or \$12.60/sq ft/yr, in Yrs 1-5 (10 yr lease expires 10/31/06) \$5,400.00/mo, or \$13.50/sq ft/yr, in Yrs 6-10  
 #094 Yakima-West – 4,293 sq ft @ \$4,800.00/mo, or \$13.42/sq ft/yr, for 10 years (10 yr lease expires 11/30/08)

NOTE: Store #007 is in a busy center anchored by Top Foods and Target next to I-84 on the east side of town. Store #094 is in a stand-alone building as part of another Wray’s Thriftway-anchored shopping center on the west side of town.

Traffic counts: In 2005 there were more than 26,000 cars per day on Nob Hill Boulevard and over 17,000 cars per day on 3<sup>rd</sup> Avenue.

**SUMMARY**

Summary of the lease proposals for Store #165:

<u>Current Rent</u>	<u>Proposed Rent</u>	<u>Change</u>
4,100 sq ft	5,616 sq ft	
\$4,803.34 Yrs 6-10	\$9,360.00 Yrs 1-3	+95%
\$14.00/sq ft/yr	\$20.00/sq ft/yr	
	\$10,296.00 Yrs 4-6	+10%
	\$22.00/sq ft/yr	
	\$11,232.00 Yrs 7-10	+9%
	\$24.00/sq ft/yr	

Ms. Lewis recommended approval of Lease Proposal to relocate Store #165 to Southgate Shopping Center.

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

**Retail Services Division – Liquor Store Lease Proposal, Store #075, Everett**  
 Suzanne Lewis, Store Leasing Manager

The lease for Store No. 075, located in Claremont Village Shopping Center at 4933 Evergreen Way, Everett, will expire on October 31, 2005.

**BACKGROUND**

Store #075 has been located in Claremont Village since March 1968. It has been relocated within the shopping center and enlarged. The most recent expansion in 1995 added 1,623 square feet. This site on old Highway 99 has always been busy

and successful. At present, it is the closest store to downtown Everett and absorbed most of the former Store #125's retail business.

**PROPOSAL**

The Lessor, Paul Roggenkamp, General Manager-Washington Region of Pan Pacific Retail Properties, has proposed a ten (10) year lease renewal in our current 5,473 square foot space. The new rental rate will be \$8,551.57 per month, or \$18.75 per square foot per year, during the first 5 years, and \$9,805.80 per month, or \$21.50 per square foot per year, during the second 5 years, effective November 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.

The Lessor has agreed to all requested repairs and improvements, including new flooring, new ceiling fixtures, renovation of the load ramp and restroom upgrades. He has also agreed to the provisions of Appendix A.

**SALES HISTORY**

Recent sales history for Store No. 075 is as follows:

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2005	\$4,276,658	\$682,936	\$4,959,594
FY2004	\$4,142,976	\$931,480	\$5,074,456
FY2003	\$2,951,051	\$883,295	\$3,834,346

Sales/sq ft: FY04 = \$927 (average for all state liquor stores was \$650 for FY04)  
NOTE: Retail sales increased dramatically when the downtown Everett store closed. It is expected that Store #075 will maintain a Category 2 status even after a new downtown Everett store reopens.

Profitability: FY04 = 13.9% while the average profit for all state stores was 11.3%.

NOTE: Lease renewal = 13.4% without any sales increase.

**ADDITIONAL DATA:**

Current rental rates in Claremont Village range from \$13.81 per square foot to \$20.70 per square foot + \$4.00/sq ft triple net charges. These rent figures do not include tenant improvements.

Comparable lease rates in area:

#116 Everett-Silverlake – 4,526 sq ft @ \$7,166.00/mo, or \$19.00/sq ft/yr, in Yrs 1-5 (renewed in 2003) \$8,015.00/mo, or \$21.25/sq ft/yr, in Yrs 6-10

#020 Woodinville – 4,800 sq ft @ \$7,416.00/mo, or \$18.54/sq ft/yr, in Yrs 1-5  
 (renewed in 2001) \$8,528.00/mo, or \$21.32/sq ft/yr, in Yrs 6-10

NOTE: Store #116 is in a grocery-anchored center along with many neighborhood services. Store #020 is located in a non-anchored shopping center in a growing trade area.

**SUMMARY**

Summary of the lease renewal for Store #075:

<u>Current Rent</u>	<u>Proposed Rent</u>	<u>Change</u>
\$6,225.54	\$8,551.57 Yrs 1-5	+37.4%
\$13.65/sq ft/yr	\$18.75/sq ft/yr	
	\$9,805.80 Yrs 4-6	+14.7 %
	\$21.50/sqft/yr	

Ms. Lewis recommended approval of this lease renewal for Store #075 in Claremont Village.

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

**Purchasing Services Division – Wine Listings and Delistings**

Steve Burnell, Wine Program Manager

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>
WB Bridgeman Sauvignon Blanc	Washington	2001	\$ 2.99	800 Cases
WB Bridgeman Chardonnay	Washington	2002	\$ 2.99	500 Cases
Columbia Crest Reserve Cabernet Sauvignon	Washington	2002	\$26.43	120 Cases
Columbia Crest Reserve Merlot	Washington	2002	\$26.43	120 Cases
Eroica Riesling	Washington	2004	\$17.46	37 Cases
Spilya Moutain House Red	Washington	2002	\$ 9.99	112 Cases
Nothstar Stella Maris Red	Washington	2002	\$29.99	56 Cases
Terra Blanca Syrah	Washington	2001	\$14.78	56 Cases
Terra Blanca Cabernet Sauvignon	Washington	2000	\$14.78	56 Cases
Terra Blanca Viognier	Washington	2004	\$13.35	56 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.

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<b>Wine</b>	<b>Region</b>	<b>Vintage</b>	<b>Retail</b>	<b>Number of Cases</b>
Whitman Narcissa	Washington	2002	\$26.24	21 Cases
Whitman Merlot	Washington	2004	\$39.28	7 Cases
Whitman Cabernet Sauvignon	Washington	2001	\$34.99	7 Cases
Donedei Cabernet Sauvignon	Washington	2002	\$33.99	7 Cases
Donedei Merlot	Washington	2002	\$36.99	7 Cases
Camaraderie Merlot	Washington	2002	\$19.99	14 Cases
Camaraderie Cabernet Sauv.	Washington	2002	\$19.99	14 Cases
Tapteil Cabernet Sauvignon	Washington	2002	\$29.99	7 Cases
Villarrobledo, "Excepcion" Grand Reserva	Spain	1999	\$12.99	28 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>
Turning Leaf Zinfandel	California	516830	Discontinued by supplier

*sdNote: 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 unanimously.

### **Purchasing Services Division –Potential New Listings/Rejections**

Steve Burnell, Wine Program Manager

Based on presentations made by supplier representatives on September 22, 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>
Starbucks Cream Liqueur, 750 ml (\$23.95)	List as L
Martin Miller's London Dry Gin Westbourne Strength, 750 ml (\$30.95)	List as M
Skyy 90 Vodka, 750 ml (\$32.95)	List as M
Tapatia Sangrita Tequila Chaser Cocktail Mix, 1 liter (\$4.49)	List as L
Smirnoff Signatures Green Apple Martini Cocktail, 750 ml (\$9.95)	List as L

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Marie Brizard Watermelon Liqueur, 750 ml (\$16.95)	List as L
Raynal Coconut Brandy, 750 ml (\$17.95)	Reject
Raynal Vanilla Brandy, 750 ml (\$17.95)	Reject
Raynal Raspberry Brandy, 750 ml (\$17.95)	Reject
DeKuyper Cactus Juice Margarita Liqueur, 750 ml (\$13.95)	Reject
Skyy Orange Flavored Vodka, 750 ml (\$18.95)	Reject
Gomi Elite Vodka, 750 ml (\$27.95)	Reject
Tooters Zipper Head Liqueur, 375 ml (\$9.45)	Reject
Tooters Red-Diculous On The Beach Liqueur, 375 ml (\$9.45)	Reject
Tooters Lemon Drop Liqueur, 375 ml (\$9.45)	Reject
Tooters Blu-Dacious Kamikazi Liqueur, 375 ml (\$9.45)	Reject
Tooters Yellin' Melon Balls Liqueur, 375 ml (\$9.45)	Reject
Basilica Amaretto Liqueur, 750 ml (\$13.95)	Reject
Basilica Hazelnut Liqueur, 750 ml (\$11.95)	Reject
Giori Lemoncillo Italian Lemon Cordial, 750 ml (\$20.95)	Reject
Giori Lemoncillo Italian Cream Lemon Cordial, 750 ml (\$20.95)	Reject
Xellent Swiss Vodka, 750 ml (\$32.95)	Reject

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

### **Purchasing Services Division –Potential Size Extensions**

Steve Burnell, Wine Program Manager

The suppliers of the following brands have requested size extensions in addition to the 750 ml size that is currently listed. For the currently listed sizes, both of these items are showing excellent growth in sales.

<u>Requested Size Extensions</u>	<u>Size</u>	<u>Retail Price</u>	<u>Current Average Monthly Sales 750 ml Size</u>	<u>Current Monthly Gross Profit</u>	<u>Increase</u>	<u>Category Average</u>	<u>% of Total Sales in Other Control States</u>
Knob Creek Bourbon	1.75L	\$59.95	345	\$16,242	16.5%	7.6%	31.0%
Captain Morgan Original Spiced PET	750ml	\$17.95	3,014	\$157,558	6.95%	12.15%	25.0%

Mr. Burnell recommended Board approval for listing these four items as additional sizes.

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

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**Purchasing Services Division –Potential Size Extensions**

Steve Burnell, Wine Program Manager

The supplier of Bacardi is requesting a one-time-only listing for the following three items all are 750 ml. The retail price would be \$16.95 for the 750 ml bottle.

Mr. Burnell recommended that the Board approve one-time-only listings for Island Breeze Coconut, Key Lime, and Wild Berry Flavored Rum for 168 cases of each.

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

**The Meeting was adjourned at 10:50A.M.**

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Merritt D. Long  
Chairman

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Vera Ing  
Board Member

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Roger Hoen  
Board Member