



Washington State Liquor and Cannabis Board Meeting

Wednesday, August 2, 2023, 10:00 am
This meeting was held in a hybrid environment

Meeting Minutes

1. CALL TO ORDER

Chair David Postman called the regular meeting of the Washington State Liquor and Cannabis Board to order at 10:00 am on Wednesday, August 2, 2023. Member Jim Vollendroff was also present.

2. YEARS OF SERVICE RECOGNITION

Tom Dixon, Captain, Enforcement and Education

Captain Tom Dixon: Chair Postman, Board Members Vollendroff, and Garrett, Director Lukela, and staff. My name is Captain Tom Dixon, and I'm here today to recognize Enforcement and Education Division staff member Sergeant Troy McAllister for his 40 years of service to the people of the great State of Washington. In July of 1983, Troy signed on with our partners at the Washington State Patrol as a communications officer in the Wenatchee Dispatch Center. For those of you that don't know, communications officers are the voice on the police radio that no one can understand except cops. [Laughter] He worked in Wenatchee until 1993, when he was promoted to a communications supervisor position in WSP's Bellevue Comm Center. Sergeant McAllister joined the LCB almost 26 years ago in October of 1997 and has seen many changes during that time. One virtue that stands out about Troy is his ability to adapt to and embrace change.

He has a gift to be able to analyze the changes, give constructive input, and keep his coworkers positive. He is also a great educator and subject matter expert on all things related to the enforcement officer position. When we get a new piece of equipment, Troy will absorb all there is to know about it and train staff on its capabilities and use. When it comes to regulatory requirements, I compare him to Siri. Someone in the office will shout out, "Hey, Troy! Does a duplicate license location have to have their own kitchen equipment?" [Laughter], and Troy will launch into a smooth 3-minute lesson on the subject. I don't have time today to cover all the reasons we are fortunate to have Troy on our team, but he is a great asset to the group and the division. Troy is currently assigned to the beautiful San Juan and Island counties, where he will finish out his career in a year or so.

A fun fact with Captain Tom -- In 1979 and 1980, Troy was the David Hasselhoff of Chelan State Park Beach, serving as lifeguard with state parks during the summers. Sergeant

McAllister, thank you for your 40 years of making the difference in the communities we serve. You are very much appreciated. Cheers.

3. RULEMAKING TIMELINES – ALL INDUSTRIES

Cassidy West, Policy and Rules Manager

Cassidy West: Good morning, Chair Postman, Board Member Vollendroff, and members of the public. I'll start with some Cannabis updates. The implementation of 5367 is still on track, with comments being accepted until August 7th at 11:59 PM. For cannabis sampling, we had the survey for licensees close on July 30th, and due to the overwhelming response rate, it's taking a little longer to go through all of those responses and make sure we're capturing everything. So instead of the CR 102 being presented in September, we tentatively plan to bring the CR 102 for sampling and 5367 on October 25th.

For Liquor updates, the public hearing for private club memberships will be held on August 16th, and Daniel will be presenting the CR 103 to the Board on August 30th. We are accepting public comments on the combined 5448 MAST 13 Rule Project until August 21st, and Daniel tentatively plans to bring the CR 102 to the Board on September 13th, with a public hearing to be held in October. This morning, Daniel will be presenting the CR 102 for the implementation of the 2023 Liquor Legislation and has some updates on that timeline. Thank you, and I'll pass it to Daniel unless there are any questions.

4. ALCOHOL RELATED RULEMAKING

ACTION ITEM 4A – Board Approval of CR 102 for 2023 Liquor Legislation Implementation

Daniel Jacobs, Policy and Rules Coordinator

Daniel Jacobs: Thanks, and thanks, Cassidy, for that introduction. Good morning, Chair Postman, Member Vollendroff, and members of the public. This morning, I'm presenting the CR 102 Rule Proposal on the 2023 Liquor Legislation Implementation and requesting approval (HANDOUT 4A). If approved today, I'm anticipating holding the public hearing during the September 13th Board meeting and having public comment open on the rules until that hearing. And presenting the CR 103 during the September 27th Board meeting, which would have the rules in effect by October 27th, just in time for Halloween. No new rules are being proposed at this time. We're only proposing amendments to two existing rules, and these are merely technical changes to make the rule language consistent with the new law. And of the three pieces of legislation that this project encompasses, these rule changes really only relate to one of those pieces of legislation. I went over some of this yesterday during Caucus, but I'm just going to go over it again.

This project started with approval of the CR 101 on May 24th and it covered House Bills 1730, Engrossed Substitute House Bill 1731 and House Bill 1772. Again, 1730 expands the types of

jobs that 18- to 20-year-olds can perform in establishments that sell alcohol, now allowing these folks to work in back of the house roles, where they don't have interaction with patrons or alcohol. 1731 creates a new permit for owners/operators of short-term rental units -- think Airbnb and VRBO -- and allows these folks to give a free bottle of wine per rental as long as certain conditions are met. And 1772 prohibits the manufacture or sale of products combining alcohol and cannabis. The CR 101 was filed, like I mentioned, on May 24th. We had public comment open till June 26th, but we didn't receive any. During internal collaborative stakeholdering, it was determined that only 1731, which is the Airbnb permit law requires any rulemaking.

That's because 1731 not only creates a permit. It also allows these permit holders to obtain wine directly from wine distributors, and as such, it also changed the statutory definition of wine distributors to specifically allow these folks, the wine distributors, to sell wine directly to the Airbnb permit holders. As such, our two regulations on wine distributors, are our two main ones, which for anyone interested are WAC 314-24-180 and 314-24-190. Those two rules need to be changed to reflect what I just said, which is that now wine distributors can sell wine directly to these permit holders. The rules team looked at the language of the other two bills, 1730 and 1772, which relate to the 18- to 20-year-olds in back of the house, and the prohibition on combining alcohol and cannabis, and we determined that the new law language is pretty specific, and so additional rulemaking on those topics isn't needed at this time.

These rule changes were circulated publicly via a GovDelivery message that was sent July 3rd, and we gave two weeks for public comment, so we had public comment open till July 17th. We only received one public comment on these rules, and that public comment basically said that there should be some sort of tracking system for the number of bottles that are distributed via this Airbnb permit, or alternatively, proposed a requirement that when renters go to an Airbnb and accept the free bottle of wine, they should sign their name and date it. What I mean by accept the bottle of wine is because in addition to the permit, there are some requirements for the permit holder, namely that the permit holder has to let the renters know in advance that they're going to be getting a free bottle of wine, and that's so that the renters, in theory, could say, "You know what? We don't want this bottle of wine. Don't leave it there." So there needs to be both an advanced notice and an opportunity to decline.

While wine distributors are already required to track who they sell bottles to, LCB historically doesn't require this of retailers. And so, like I mentioned, because these new permit holders can get wine directly from distributors, if they do so, we're already going to have records of that on the wine distributor end. But if they were to go to a retailer or some other way to get wine directly to a winery, there isn't necessarily going to be requirements for the retailer or winery to keep track of everyone they're selling bottles to. It's possible for wineries but not for retailers. The agency does intend to do a retrospective review just because these requirements are fairly onerous, and the agency isn't so clear on how many operators and owners of Airbnb units are going to take advantage of this and take these permits. So maybe a year or a year or two, 18 months, something like that, we haven't exactly determined yet, but at some point in time out after the permit gets launched, we're going to look back and we're going to look at how many

folks are actually using these permits and see if any additional rulemaking might be necessary at that time.

And as I mentioned yesterday, just because these laws got passed this past Legislative Session, it doesn't mean that we can't do rulemaking in the future, it's just that we want to typically when a new law gets passed, we want to look at it right away to see if there's any immediate rulemaking that needs to be done. Regarding the proposal on the log of names and dates, we didn't adopt that into the rule, and that was for several different reasons, one of which is privacy concerns. It's not so clear that if we were to require such a log and require that log to be submitted to the LCB, it's not clear we'd be able to protect that from public disclosure if there are public disclosure requests. Additionally, the agency's different divisions weren't so clear on what they would actually do with this. We don't know if Enforcement would be using this or following up on it. That doesn't seem like something that would be very likely. And so because of that, we're not clear that this is really within the spirit and intent of the Legislation, and so that proposal hasn't been accepted into rule.

As I mentioned during the 101 presentation back in May, 1731 does say that someone needs to be physically present to verify the identification. While it doesn't say physically, it does say they need to be present, which implies that they need to be there. So while we considered some rulemaking on this topic, similar to the other two laws, we determined that this is pretty specific language and it's pretty clear, and any additional rulemaking might just make things less clear rather than more so. As such, I'm requesting approval of the CR 102 this morning for the 2023 Liquor Legislation Implementation Project. Thank you for your time, and I'm happy to answer any questions.

Chair Postman: Thank you for that. I have one. I just want to make sure. I think I got this now, and I appreciate the detailed briefing. So the bill -- I'm talking about the short-term rental piece -- the bill itself has a lot in it. But when you looked at it, the only part that you think is going to require rulemaking is the distributor piece. So we have these references that we're going to put into 314-24-180 and 314-24-190 that referenced the annual special permit for short-term rentals. So the language in the bill is clear enough on what that permit is? We don't need rulemaking to create the permit? Do I understand that right?

Daniel Jacobs: Yeah. And that's a great question. So some permits we have done rulemaking on because the Legislature will create permits, and some sometimes they've left questions as to some of the details of it. For example, they'll be like, well, there's nothing that says how much the permit costs or how it should be issued, but the bill language is a pretty lengthy paragraph. It gives pretty extensive detail. It even tells us how to define the terms like short-term rental operator. It points us to a different statute that actually just separately regulates these things. I think it might be from Department of Revenue or some other state agency. But when we looked at our rules, really, I had initially started drafting a rule on it, but all I could come up with was just repeating the statutory language, and that doesn't really do anything to help. I don't need to just cut and paste RCW into a WAC and create a new WAC. I just didn't have anything really anything else to add, and I circulated internally, and no one else did either, it's pretty detailed.

You know, we can't change the fee on it as the years go on. If it turns out that you know a lot more folks take advantage of this permit than expected, it's not like we have the authority to increase the cost of the permit. It's laid out in statute. It's \$75.00 for anyone who's interested. And so the only thing that needed to be changed, like I mentioned, was saying wine distributors can sell directly to Airbnb holders. And like we also talked about yesterday, we don't know how much that's actually going to be taken advantage of on either side, whether it's advantageous to the permit holder or to wine distributors to actually do this.

Chair Postman: Right. Yeah. Might want to sell singles. You know, a couple of bottles here or there to somebody. But yeah, okay.

Jim Vollendroff: I have a quick question.

Chair Postman: Yes, please.

Daniel Jacobs: So Daniel, thank you for this comprehensive overview. I did have a question about the retrospective review that you mentioned. In that, you mentioned looking at how many people are actually using this. What else might we look at? And are there things that we should be considering now that we want to either be keeping track of or having people keep track of that might also be included? I'm hoping that the retrospective review is more than just how many people are actually using this and just wondering if there's been any thought behind that.

Daniel Jacobs: Sure. So I mean, I think, for example, in light of the public comment, I think we'll probably look at and see if there have been any enforcement issues. It's just one of those things where we could talk about how theoretically X, Y, and Z might be an issue in the future. Or for example, if suddenly there's an increase in enforcement calls, or if suddenly we get public comment over the next year and a half. Or if suddenly public intoxication related to these free bottles of wine becomes an issue. If suddenly stakeholders are reaching out to us concerned about it. Or alternatively, if we start getting questions to customer service from permit holders who say, hey, I have this specific question. Am I allowed to do X, Y, and Z, the statute isn't clear on it? If there's some question that we've actually gotten three or four times over the last year and a half, maybe we should clarify it.

We'll look at the number of permit holders. I think we'll probably also look at wine distributors, and we'll do an audit of those and see if it actually turns out we thought that wine distributors and permit holders weren't going to take advantage of it, but it turns out maybe Airbnbs near wineries, though, it turns out they actually have been taking advantage of that a lot near our wine growing regions, or a bunch of Airbnbs in Woodinville suddenly have an intake in sales. But right off the bat I think sort of the first question we had was when we looked at it, we were just like this is a lot of statutory requirements. We don't even know how many people are going to take advantage of it. And so that was sort of the threshold inquiry, because if not a lot of folks even get this permit, then whatever other questions sort of follow will reflect whether or not rulemaking is an efficient use of resources. But if it's like, you know what? We underestimated

this, and we were wrong. This is actually a very popular permit. That might sort of initiate us to say, you know what, actually maybe we should be a little bit more detailed on the rulemaking.

Jim Vollendroff: Right. Thank you.

Daniel Jacobs: No problem.

Chair Postman: Yep. My guess is what we'll see are other products wanting the same benefit. The brewers, the craft distillers, but we can deal with that when it comes to it. I mean, I think the Legislature gave us an unusually detailed bill, so it's made it easy in a way, other than the existential question of, what does "present" mean? So we'll leave that one.

Daniel Jacobs: I was just going to say, I mean, that is something that I flagged, and if that becomes a question, if that's something where we have lots of discussion with stakeholders, where we have a lot of pushback of people being like, no, no, I could just do this over Skype or Zoom or whatever. If that ends up being something where there's pushback, then maybe that'll be something where we're like, you know what? We thought it was clear, but I guess we're going to have to do rulemaking, and that might be something that might lead to some discussion back and forth. And then the second thing was like you mentioned, even if other products if suddenly craft Brewers are like, hey, we should be included, too. The statute says a free bottle of wine. The statutory definitions are pretty clear. We wouldn't have authority to expand it to spirits, beer, or cannabis either. During the Legislative Session, there was discussion before this bill passed of adding cannabis to it, but that didn't get adopted.

Cassidy West: I wanted to go back to the question about the retrospective review. And so we don't have any specifics about what we're going to look at. In general, we always want to go back and look at rules to see or look at legislation and policy to see what the impacts are, and that's with any rule ever or any legislation. And so we do plan to do that. Specifically how that will be applied to this legislation, we don't know yet.

Jim Vollendroff: Great. Thank you.

Cassidy West: Thanks.

Chair Postman: Okay, great. Okay. Seeing no other questions or comments. I should have said at the top of the meeting Member Garrett is on leave, so Member Vollendroff and I are the two voters here today. Member Vollendroff, do you have a motion to approve the CR 102?

Member Vollendroff made a motion to approve the CR 102 for 2023 Liquor Legislation Implementation. Chair Postman seconded. The motion was approved.

5. GENERAL PUBLIC COMMENT

Chair Postman invited citizens to address the Board regarding any issues related to LCB business. The Board heard from the following people:

Christopher King: Terrific. I just wanted to address a communication like delta that we've been having over the years, I guess, since I've started addressing the Board, and it seems to me that I've been accused of attacking people and all this and that, you know. Sometimes, you know, you've said that I've attacked Board Member Garrett, for example, and some of your black sycophants who come before the Board. They say that I'm attacking Ollie Garrett by asking simply what happened to the letter that Kevin Shelton and Ben Shelton sent her at the behest of Nate Myles. So that's not attacking anyone. That's asking what happened to a public document. That's all. So I don't, you know, I don't get where people are saying I'm attacking them. That's not really an apt judgment, period.

And let's turn to the incoming Director Lukela. I didn't attack him either. I just asked questions that journalists ask. Okay? So I'm taking my time on vacation to address you about this because I even said last week, look, he might be responsible for starting the loan program down there. That's a positive comment, and I meant it. If that brother was responsible for that, that's a good thing. I'm just not sure. So what I did was I took the liberty, as you may know, of asking for concrete items from you. I put that in a public records request, and I was told by the public relations wonk that's working this particular file that they're now going to give me the interview notes and some of the positive accomplishments that led to his decision -- to the decision to hire him as a director. That's all I want. You know? So I'm not going to have somebody saying that I'm condemning him or any of that. I don't know the guy yet. I don't know his record yet. I'm not condemning him. I'm just asking legitimate questions, which I do as a trade professional journalist and as a citizen. Right? Right. Do I need to recap?

I edited a statewide newspaper, the Cincinnati Edition, of a black-owned newspaper. I wrote for The Indianapolis Star. Okay? I mean, I freelanced all over the place for years and still do. So anyway, in the line of journalism, when I finish this in next few days, I'm going to leave here and go over to the mainland to Boston, and I'm going to hang out with Antonelli, another journalist that's working on the podcast that you are familiar with as well. I think she interviewed some of you for that podcast. So we're going to be face-to-face with another of my journalist partners and talk about stuff that we're going to talk about and that's all. You know. And I just wonder because I have your notes, Mr. Postman. I asked for your notes from the meeting, and like sometimes I wonder if you're really listening to whatever I'm saying because all I saw from the notes was like your comment was just like my name was in big letters, and then it says, you know, happily suspended attorney.

That was the distillate of what I -- of what your notes were from my presentation last week, and I talked about so much more than that. Why was it that important? It's like I might as well not have even been saying anything else that I said. So yeah, those are just my observations. I mean, is it unreal? Do you think it's unfair for me to ask for those things about Director Lukela? Do you, do you honestly feel that I'm attacking you? Do you honestly feel it that I'm attacking you for asking for those things?

David Busby: Thanks. Good morning, y'all. Do you guys know how much an RFID tag weighs? Rhetorical question, though. Some of those RFID tags are down like 1-1/2 grams. Some of them are over 10 grams per tag. We've observed a bunch of those in the industry that sit between, like, 3 to 5 grams per tag. This is about a plant tag. You know the tags are also necessary on packages in other states. Those are generally on the lighter side, like the 1-1/2 gram tag. Anyhow, do you know how many plants you've recorded in CCRS since the beginning? From the FOIA dump, there's 11,000,000 plants in there. So that means 11,000,000 tags. That means 33 million grams of tags. That's 33,000 kilograms. That's 33 metric tons. That's like 36 US tons. And, of course, there's like 22 million inventory items in this system, so there's additional material weight right there. But you have like twice as many inventory tags as you do plant tags, and the inventory tags are half the weight of these plant tags.

So that's still from the plants 36 US tons, from the inventory 36 US tons of -- single-use RFID tags, which had to have been consumed by CCRS since its beginning. You know, not to mention the fact that these tags going from the market rates in other states \$0.40 on the plant tag, \$0.25 on the package tag. 11,000,000 plant tags is \$4.4 million for the single-source monopoly provider of those tags in states where that system is in place. That's a fairly significant amount of money. And just to toot my own horn, you know, since like 2014, we've been advocating for things like QR codes because they are extensible in ways that RFID is not. They are simpler. They work with existing already wide uses hardware, like it's possible from your mobile phone that you already have. They produce significantly less waste, and -- all of the materials that are consumed by QR codes are stuff that fits within existing recycling programs. You know, RFID solutions, they just require more. They require more hardware, that's expensive hardware. They require more proprietary software to get feature sets that can be built into QR codes. They have a significant cost burden for the licensee, and it generates significantly more trash. Landfill. Thanks.

Peter Manning: Good morning, Board Chair Postman, and Vollendroff. My name is Peter Manning, with Black Excellence in Cannabis. We are satisfied. We like the way the social equity program is currently moving. We think Ponder is an excellent organization that is moving in the right direction. They have demonstrated thorough communication with various people that have applied and dealt with Ponder through the application process. Ponder is very respectful. They're diligent. We have complete confidence that they are the organization that should in the future lead any social equity program application process. We believe that wholeheartedly.

Second of all, we do want to recognize that the Board is making under the leadership of Mr. Postman, they're doing a phenomenal job as far as making sure that black and brown people get equity in the cannabis industry. We recognize that. We know Mr. Postman and the Board has more than just social equity to do, and we appreciate their time that they are taking to correct this wrong that was inflicted upon the black and brown community as well. And once again, we'll say again that the Ponder Diversity Group, we truly believe after communicating with stakeholders, communicating with people that apply for the application process, that they are sincere in their duties. Thank you very much.

Mike Asai: Good morning, Board members. Mike Asai with Emerald City Collective. Just let me introduce myself for those who may not have heard me before. I am the second medical cannabis dispensary, actually in 2009 but in 2010 got licensed, first downtown Seattle dispensary -- I'm sorry, second black-owned. My heart is heavy right now because July 30, 2009 I lost my father, and because I lost my father -- he was 69 years old. He needed water and probably a joint. Because I lost my father, it empowered me to open up a dispensary because I want to help people like my father of all walks of life. The elderly. I come from a Christian background. My family, God-fearing. Cannabis had this stigma that it's bad. Those same people in my family that are elderly are now looking at me for CBD. And these are the same people that I was afraid to even say that I was in the cannabis industry. My grandmother, God willing, she'll be 95 August 30th. But my heart is heavy because I lost my father, and I got into the business to genuinely help people, and we did. We helped elderly people. We helped veterans. We helped all walks of life.

To have been cut out, it's hard because I lost my uncle two years ago to cancer, my dad's baby brother, he got the shot. His cancer came back. It's a whole another story. I wish I could have helped. My son is in prison right now. Financially, I'm broke, but I have a huge spirit because we collaborated with the LCB on Senate Bill 5080. Peter Manning collaborated with the LCB prior to me coming along for 2870, and that's where we are now with 2870 with social equity. And you know, I was part of the taskforce. And as I said before, you know, a lot of manipulation with the taskforce. Peter Manning is a pioneer like myself, and that's one of the main reasons why we got 2870. The verbiage got taken out to prioritize pioneers. We know LCB has looked at that. We think this rubric is better than initially what it was, but we think going forward it could be better. The pioneers have to be at top of the list. And that's just if you want to make a correction, you have to go back to where the problem occurred.

And I'm just saying that you know that I got into a car accident last October. You know, I could have died, ladies and gentlemen. Right? Okay. And then what would I have been able to leave for my son and my family? It's upsetting to know that you have current white retailers that didn't qualify, but yet they got a license, and they have five plus -- or they have three to five locations, and it's very upsetting driving by those places knowing that they didn't qualify, and they made millions of dollars within the black and brown community. I know truly what I would do. When I had my dispensary, I helped the youth. I helped programs. I know exactly what I would be doing with my funds, and you just don't have that going on within the community where Sean Kemp's Cannabis -- Sean Kemp is black, but he owns 5%. Those owners should come out with a statement. They have not yet come out with a statement apologizing for the statement that they made as he was the first black dispensary, and he's not. I echo what Peter said. We have full confidence in Ponder. This is the first time around for everybody with this. There have been some hiccups, but they've been very professional, and you know we don't want to see anybody being attacked based off kind of like the first time around. It's all new for everybody. But you know we're getting closer to the finish line, and we will see, but right now we do support Ponder. We do support the LCB. We support you, Chair Postman, because we truly believe that you're doing the right thing and want to make everything right. That's all. Thank you.

6. ADJOURN

Meeting adjourned at 10:37 am.

Minutes approved this 3rd day of June 2025



Jim Vollendroff
Board Chair



Ollie Garrett
Board Member



Peter Holmes
Board Member

Minutes Prepared by: Deborah Soper, Administrative Assistant to the Board

<p>LCB Mission - Promote public safety, public health, and trust through fair administration, education, and enforcement of liquor, cannabis, tobacco, and vapor laws.</p>
