

OFFICE OF THE WASHINGTON STATE LIQUOR CONTROL BOARD MEETING

February 4, 2004

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Wednesday, February 4, 2004 in the Board conference room, 3000 Pacific Avenue SE, Olympia, Washington, by Chairman Merritt Long. Board Member Vera Ing Board Member Roger Hoen were present. Tony Kim, Administrative Assistant to the Board summarized the minutes.

Staff Recognition – Commute Trip Reduction Coordinator& Internet Media Releases or Bust; Board Members and Pat Kohler

During Rideshare Week, a local event sponsored by Intercity Transit and General Administration in October, the WSLCB achieved a 22 percent participation level for headquarters' employees. This is the highest participation rate the agency has had in years thanks to Commute Trip Reduction (CTR) Coordinator, Diana Ereth.

The "Internet Media Releases or Bust" team saved the agency more than \$30,000 by creating a web-based research tool to provide background information on liquor license applicants. This enabled the agency to discontinue weekly mailings and reduce staff time. By making information available in real time, the new tool also has improved the level of public input into the licensing process. The team determined that one monthly report on license applicants that was being mailed in hard copy was unnecessary and eliminated it, creating additional savings. The team also received recognition from the Secretary of State's office for their successful Team Work Incentive Program idea. Internet Media Releases or Bust" team members are Lori Goodwin, Office Assistant; Nancy Harry, Analyst Programmer; Kim Sauer, Quality Coordinator; Cheri Kegley, IT Applications Specialist; Tricia Currier, Public Information Officer.

Board – Approval of Minutes

Board Member Ing reviewed the minutes of November 19, December 2, December 3, and December 16 and moved for approval. Board Member Hoen seconded the motion, and it was passed unanimously.

Retail Services Division – Lease Proposal, Store # 022 (Spokane - Lower Division) Suzanne Lewis, Property Specialist

The lease for Store No. 022, located in Ballard at 2436 NW Market Street, Seattle, expired on July 31, 2003 and is on a lease extension that expires on February 29, 2004. GA and LCB staffs have pursued all possible leads and cannot identify a suitable site in the Ballard/Fremont area at this time. They continue to work on this project but do not anticipate reopening a store in this area for at least a year. Staff is proposing to relocate Store #022 to Spokane at this time and will relocate another low-producing store to Ballard when a site is available.

BACKGROUND

The current Store #022 in Ballard is a large, busy store that is being forced to close due to loss of our lease. The Ballard lease renewal project was included in the stores assigned to General Administration (GA). LCB staff had already sent a letter to our landlord, Robert Jacobsen, outlining the repairs and improvements needed for lease renewal. When the GA agent contacted Mr. Jacobsen, she was told that he had already decided to lease his building to his other tenant across the parking lot who was willing to pay more rent and take care of all of their own repairs and improvements. Mr. Jacobsen was unwilling to even discuss the renewal of the liquor store lease and would only grant a 7-month extension at an increased rental rate.

Due to sales growth in Spokane and considerable traffic at the intersection of Division Street and Mission Street, a site on lower Division Street in Logan Square has been identified as a potential high-revenue generating location.

Division Street/SR2 is the main north-south arterial through Spokane. The portion of Division Street passing by Logan Square is one-way southbound and carries over 25,400 cars per day. The traffic count on Mission Street in front of the center is over 18,100 cars per day, for a total of 43,500 cars per day at this site. The site line from Ruby Street, which carries northbound traffic, is excellent. The liquor store will have large lighted signs on both the front and the end of the building as well as panels on the 3-sided pole sign on the corner of Division and Mission.

PROPOSAL – LOGAN SQUARE

The Lessor, Guy Bird of Logan Square LLC, has proposed a ten (10) year lease in a 4,988 square foot space. The rental rate will be \$10,350.10 per month, or \$24.90 per square foot per year, during the first 5 years, and \$10,971.11 per month, or \$26.39 per square foot per year, during the second 5 years, of the lease term.

The Lease may not be terminated during the ten (10) year 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.

The Lessor has agreed to remodel the premises per the Board's "General Specifications for Self-Service Stores" (Revised 10/02). He has also agreed to the provisions of Appendix A.

SALES PROJECTIONS

Sales are projected to be \$1.8 million in the first full year of operation. At this level, the projected profitability would be 9.1%, while the average profit for all state stores in FY03 was 8.8%.

Sales per square foot would be \$361, while the average for all stores in FY03 was \$607.

SALES HISTORY OF NEARBY STORES

Recent sales history for Stores No.040, 065, and 044 are as follows:

Store #040 (2.4 miles NW):

	Retail Sales	Class H Sales	Gross Sales
FY2003	\$3,621,758	\$1,080,095	\$4,701,853
FY2002	\$3,607,927	\$1,030,408	\$4,638,335

Store #065 (2.3 miles SW):

<u>Sales</u>	<u>Retail Sales</u>	<u>Class H</u>	<u>Gross Sales</u>
FY2003	\$2,591,599	\$1,625,592	\$4,217,191
FY2002	\$2,451,982	\$1,744,275	\$4,196,257

Store #044 (1.4 miles south):

Sales	Retail Sales	Class H	Gross Sales
FY2003	\$559,272	\$1,516,851	\$2,076,123
FY2002	\$643,729	\$1,227,094	\$1,870,823

NOTE: Store #044 is in a downtown location with only street parking. Future plans are to relocate this store east to an underserved market area when the lease expires in 2005.

ADDITIONAL DATA:

Current rental rates in Logan Square are \$18.00 to \$25.00 per square foot + approximately \$2.75/sq ft triple net charges. Note that the proposal does not include a tax increase clause. There are no shopping centers in the area and the cost for land to be redeveloped is extremely high. Redevelopment is taking place on individual sites as tenants willing to pay the high rents sign leases.

SUMMARY

Summary of the lease proposal for Store #022:

Proposed Rent
\$10,350.10 Yrs 1-5
\$24.90/sq ft/yr
\$10,971.11 Yrs 6-10
\$26.39/sq ft/yr

Ms. Lewis recommended approval of this proposal.

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

[F.Y.I. We changed Store #022 to Store #185.](#)

Retail Services Division – Lease Extension, Store # 081 (Renton - Highlands) Suzanne Lewis,
Property Specialist

The lease for Store No. 081, located at 2806 NE Sunset Boulevard, Renton, expired on October 31, 2003 and has been on a month-to-month extension since then. This is a temporary site while negotiations proceed on a permanent site.

The Lessor, Greater Hilands LLC, represented by Rob Bensussen, has agreed to extend the current lease through May 31, 2004. All other terms and conditions of the current lease will remain the same.

We currently pay \$4,937.50 per month, or \$19.75 per square foot per year, in a 3,000 square foot space.

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

Purchasing Services Division – Potential Proof Reduction
Director

Gary Thompson, Deputy

The supplier of Monarch Coffee Liqueur is requesting that the Board approve a proof reduction from the currently listed 53 proof to 40 proof. Monarch (Hood River) will no longer be producing the 53 proof product.

Brand	Description	Original Proof	New Proof	Retail	Average Monthly Case
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					Sales
076138	Monarch Coffee Liqueur, 1.75 L	53 proof	40 proof	\$20.50	177
076136	Monarch Coffee Liqueur, 750 ml	53 proof	40 proof	\$ 9.35	315
076134	Monarch Coffee Liqueur, 375 ml	53 proof	40 proof	\$ 6.50	40

Mr. Thompson recommended that the Board approve the supplier's request for the proof reduction.

The Board questioned why the supplier was not passing on some of the Federal Excise Taxes saved as a result of the proof reduction. By reducing the proof, the supplier saved about \$4.87 per case on the 1.75 liter, and \$4.18 per case on both the 375ml and 750ml cases. This item was not approved.

Purchasing Services Division – Potential Proof Reduction

Gary Thompson, Deputy Director

Based on presentations made by supplier representatives on January 22, 2004, discussions with members of the listing committee, tasting reports on product samples and other factors, Mr. Thompson recommended that the Board approve the following listing/rejection actions.

Description	Recommendations
Knickers Irish Cream Whiskey, 750 ml (\$12.95)	List as M
Johnnie Walker Blue Scotch, 750 ml (\$199.95)	List as S
La Arenita Gold Tequila, 1.75 liter (\$30.60)	List as M
Pravada Imported Vodka, 750 ml (\$29.95)	List as M
Level Imported Vodka, 750 ml (\$29.95)	List as M
Tomintoul 16 Year Speyside Single Malt Scotch, 750 ml (\$39.95)	Reject
Sabra Chocolate Orange Liqueur, 750 ml (\$22.45)	Reject
Sortilege Maple Liqueur, 375 ml (\$22.95)	Reject
Siberia Russian Vodka, 750 ml (\$16.95)	Reject
Taiwan Hon-Biou Michiu, 750 ml (\$11.75)	Reject
Grozden Grape Brandy, 750 ml (\$22.75)	Reject
Peshterska Grape Brandy, 750 ml (\$18.75)	Reject
Slivenska Perla Grape Brandy, 750 ml (\$18.55)	Reject

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

The executive session was convened at 11:00 a.m. and adjourned at 12:00 p.m.

The Meeting was adjourned at 12:00 p.m.