

OFFICE OF THE WASHINGTON STATE LIQUOR CONTROL BOARD MEETING

May 19, 2004

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Wednesday, May 19, 2004 in the Board conference room, 3000 Pacific Avenue SE, Olympia, Washington, by Chairman Merritt Long. Board Member Vera Ing and Board Member Roger Hoen were present. Tony Kim, Administrative Assistant to the Board summarized the minutes.

Administration – Recognition

Pat Kohler, Administrative Director

Lorraine Lee, Licensing & Regulation Division Director received a **Distinguished Manager Achievement Award** for her dedicated work. She quickly took a strong leadership role both as a Division Director and as an integral member of the agency's management team. Lorraine reorganized the Licensing Division in early 2003 to improve efficiency and streamline operations. She also created more focused job descriptions and reassigned many personnel to improve communications and workflow.

Combined Fund Dive

Our agency's statewide Combined Fund Drive participation rose in 2003 by 50.77%, raising the agency's total yearly contribution of \$21,511.00. The divisional fundraisers collectively raised \$ 4,205.82. The increase in participation and donation is a reflection of the commitment and enthusiasm of the great divisional volunteers of 2003.

Jennifer Harrington led the financial division in their ever-popular silent auction.

Barbara Raak with assistance from her divisional co-workers created the Licensing Cookbook and in addition, held the television auction.

Peggy Lynch and **Suzanne Lewis** and **Sandy Hilt** united divisions in their cake and book sale.

Phil Davis held IT's first event with a very popular chili feed.

Jim Austin and **Debbie Levy** held the distribution centers first CFD event with a bake sale.

Tricia Currier led the divisions of HR, PLMR, and Administration in their soup and bread luncheon. This is a very popular yearly event.

Monika Taylor organized Enforcements Bowlerama, this event is not only a great fundraiser it provides us the opportunity to spend some fun time with our co-workers outside the workplace.

Monika with the assistance of **Julie Norton** and **State Patrol** hosted their annual cakewalk.

The best divisional fundraiser trophy will go to the Licensing Division for the creativity and success of their cookbook. (Barbara Raak)

Retail Services Division – Lease Proposal, Store #097, Shoreline-Gateway

Suzanne Lewis, Property Specialist

The lease for Store No. 097, located in Gateway Plaza at 19336 Midvale Avenue North, Shoreline, expired on June 30, 2002, and has been on a month-to-month extension since then, pending redevelopment plans for the shopping center.

BACKGROUND

Liquor Store No. 097 has been located in Gateway Plaza since 1968. While the current shopping center is very near Aurora Avenue North, site lines are blocked by a row of very old, small businesses. The current owners of Gateway Plaza have been working on a redevelopment plan for several years. After exhaustive study and negotiation, they have determined that they need to demolish the current square-shaped shopping center and build a new center with better frontage for all tenants.

QFC had a small supermarket in the center that closed several months ago due to competition from their parent company, Fred Meyer, across Aurora Avenue, and a new Top Foods supermarket a few blocks south. Most other tenants in the center are either closed or in the process of closing. The liquor store and the bank will remain open until approximately August 1.

The new Gateway Plaza is to be anchored by a new 15,000 sq ft pharmacy, and an 8,000 sq ft regional real estate office. The rest of the center will consist of neighborhood services such as a hair salon, coffee, food, financial/business, etc. There is also space for one other major tenant.

Several other well-known, successful businesses in this growing area are in the process of remodeling and/or expanding. This includes Fred Meyer, which is in for permits for a major remodel.

The City of Shoreline is ready to proceed on their portion of the Aurora Corridor Project that will widen Aurora Avenue and include new safety features. The row of small businesses between Aurora Avenue and Midvale Avenue will be demolished and the Interurban Trail, which will eventually run from Seattle to Everett, will be constructed on that piece of property. This results in an unobstructed view from Aurora Avenue to the new Gateway Plaza.

PROPOSAL

The Lessor, Jim Abbott, Managing Member of Gateway Plaza Tenants in Common, has proposed a ten (10) year lease in a new 6,002 square foot space. The new rental rate will be \$12,504.00 per month, or \$25.00 per square foot per year, during Years 1-3, \$13,254.50 per month, or \$26.50 per square foot per year, during Years 4-6, and \$14,004.50 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 shopping center will be completed by May 2005.

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. He has also agreed to the provisions of Appendix A, "Areas of Responsibility", with no exceptions.

SALES HISTORY

Recent sales history for Store No. 097 is as follows:

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2003	\$2,713,567	\$ 997,399	\$3,710,966
FY2002	\$2,615,564	\$1,040,568	\$3,656,132
FY2001	\$2,551,357	\$1,064,750	\$3,616,107

Sales/sq ft: FY03 = \$658 (average for all state liquor stores was \$607 for FY03)

NOTE: Retail sales increased another 3.7% in 2003 and are anticipated to increase further as the area grows and the visibility of the shopping center is improved.

Profitability: FY02 = 10.1% while the average profit for all state stores was 8.8%.

NOTE: Lease proposal = 7.6% without any sales increase. However, retail sales increased by 3.7% in 2003 and are anticipated to increase further with area growth and the realignment of stores.

ADDITIONAL DATA:

Current rental rates in the new Gateway Plaza are averaging \$26 – 30 per square foot + triple net charges that are anticipated to be in the \$4 – 5 per sq ft range.

Comparable liquor store lease rates:

#078 Shoreline (South) – 5,000 sq ft @	\$8,125.00/mo, or \$19.50/sq ft/yr, in Yrs 1-2
	\$8,646.00/mo, or \$20.75/sq ft/yr, in Yrs 3-4
	\$9,062.50/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
#168 Vancouver (SE) – 4,852 sq ft @	\$10,512.67/mo, or \$26.00/sq ft/yr, in Yrs 1-3
	\$11,301.12/mo, or \$27.95/sq ft/yr, in Yrs 4-6
	\$12,148.70/mo, or \$30.05/sq ft/yr, in Yrs 7-10

NOTE: Store #078 is our new south Shoreline store in a busy shopping center with Safeway just north of the center. This store will absorb a majority of Store #097's sales during the closure. Store #168 is new construction and will be located in a QFC-anchored center in Vancouver. Other tenants include a bank and many neighborhood services.

SUMMARY

Summary of the lease proposals for Store #097:

<u>Current Rent</u>	<u>Proposed Rent</u>	<u>Change</u>
5,638 sq ft	\$10.38/sq ft/yr	
\$4,879.89	\$12,504.00 Yrs 1-3	+140%
\$10.38/sq ft/yr	\$25.00/sq ft/yr	
	\$13,254.50 Yrs 4-6	+6.0%
	\$26.50/sq ft/yr	
	\$14,004.50 Yrs 7-10	+5.7%
	\$28.00/sq ft/yr	

Ms. Lewis recommended approval of the Lease Proposal for a new Store #097.

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

Retail Services Division – Lease Extension, Store #081, Renton

Suzanne Lewis, Property Specialist

The lease for Store No. 081, located at 2806 NE Sunset Boulevard, Renton, expired on October 31, 2003 and was extended through May 31, 2004. This is a temporary site while negotiations proceed on a permanent site. We're expecting an updated proposal for a long-term site next week.

The Lessor, Greater Hilands LLC, represented by Rob Bensussen, has agreed to extend the current lease through August 30, 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 passed unanimously.

Licensing & Regulation Division – Expedited Rule Making on Proposed Changes to Price Posting Rules; Lorraine Lee, Director

Ms. Lee requested Board approval to file expedited rule making for changes to the beer and wine price posting rules (WAC 314-20-100, 314-20-105, 314-24-190, and 314-24-200). The purpose of this rule making is to implement a law change made during the 2004 Legislation Session (ESB 6737).

BACKGROUND

This issue was discussed with the Board at the April 20 Board Work Session.

RULE MAKING PROCESS

Staff is requesting using the expedited rule making process, as the proposed changes implement legislation and make technical changes for clarity. If the Board approves this filing, the Rule Coordinator will file the proposed rules with the Office of the Code Reviser and send a notice to stakeholders. Stakeholders will be notified we are using the expedited process, which means we do not send an initial rule making notice (CR-101) or hold a public hearing. If there are no objections to the expedited process, we will be able to adopt the rule changes 45 days after filing with the Code Reviser and sending a notice to stakeholders.

Following the 45-day comment period, staff will bring the issue back to the Board for discussion.

Following is an approximate timeline for rule making:

June 2	Next deadline to file proposed rule with Code Reviser
June 16	Code Reviser publishes notice, LCB sends notice to stakeholders
July 31	End of comment deadline
early August	Board decides to 1) adopt rule as written or with minor changes, OR 2) to make substantive changes (if #2, must send out new language)
early August	Agency sends out notice to persons who gave comment
mid August	Agency files adopted rules with Code Reviser
mid September	Rules effective (31 days after filing)

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 were selected by the Washington Wine month committee to offer as a One-Time-Only purchases for Washington Wine Month 2004. The purchasing department and Mr. Burnell recommended the Board approve the following One-Time-Only listings.

<u>Wine</u>	<u>Region</u>	<u>Vintage</u>	<u>Price</u>	<u># of Cases</u>
Badger Mt. NSA Chardonnay	Washington	2003	\$ 6.99	Surveyed
Hyatt Reserve Chardonnay	Washington	2000	\$ 8.99	Surveyed
Kiona Estate Reserve Chardonnay	Washington	2000	\$12.99	Surveyed
Silver Lake Reserve Chardonnay	Washington	2001	\$ 9.99	Surveyed
Sockeye Chardonnay	Washington	2001	\$ 7.99	Surveyed
Tagaris Chardonnay	Washington	2001	\$ 3.96	Surveyed
Terra Blanca Chardonnay	Washington	2001	\$10.99	Surveyed
White Heron Piper Frmn Chardonnay	Washington	2002	\$ 7.97	Surveyed
Barnard Griffin Semillon	Washington	02/03	\$ 5.90	Surveyed
San Juan Vyds Semillon/Chardonnay	Washington	2002	\$ 7.99	Surveyed
Silver Lake Chenin Blanc	Washington	2002	\$ 5.49	Surveyed
Tucker Cellars Chenin Blanc	Washington	2000	\$ 4.46	Surveyed
Powers Pinot Gris	Washington	2002	\$ 7.99	Surveyed
Vin du Lac Pinot Gris	Washington	2002	\$ 8.43	Surveyed
Don Quixote Gewurztraminer	Washington	2002	\$ 7.93	Surveyed
Gold Digger Gewurztraminer	Washington	2002	\$ 8.99	Surveyed
Kiona Late Harvest Gewurztraminer	Washington	2003	\$ 7.15	Surveyed

375ml

Sockeye Gewurztraminer	Washington	2002	\$ 3.99	Surveyed
Tucker Cellars Late Harvest Gewurtz	Washington	2002	\$ 9.69	Surveyed
Don Quixote Riesling	Washington	2002	\$ 7.56	Surveyed
Gold Digger Winter Harvest Riesling 375ml	Washington	2002	\$15.59	Surveyed
Hyatt Late Harvest Riesling 375ml	Washington	2002	\$ 8.90	Surveyed
Latah Creek Johannisberg Riesling	Washington	2003	\$ 5.44	Surveyed
Latah Creek Huckleberry d'Latah Riesling	Washington	NV	\$ 6.70	Surveyed

<u>Wine</u>	<u>Region</u>	<u>Vintage</u>	<u>Price</u>	<u># or Cases</u>
Tucker Cellars Riesling	Washington	2001	\$ 4.46	Surveyed
Tucker Cellars Late Harvest Riesling	Washington	2000	\$ 9.69	Surveyed
Avery Lane Sauvignon Blanc	Washington	2002	\$ 4.99	Surveyed
Gordon Brothers Sauvignon Blanc	Washington	2002	\$ 8.43	Surveyed
Gold Digger Later Harvest Sauvignon Blanc 375ml	Washington	2002	\$ 8.99	Surveyed
Silver Lake Late Harvest Sauvignon Banc 375ml	Washington	2002	\$18.91	Surveyed
Sunset Road Sauvignon Blanc	Washington	2002	\$ 6.99	Surveyed
Latah Creek Maywine	Washington	NV	\$ 5.44	Surveyed
Latah Creek Muscat Canelli	Washington	2003	\$ 7.39	Surveyed
Paul Thomas White Table	Washington	NV	\$ 2.99	Surveyed
Barnard Griffin Rose of Sangiovese	Washington	2003	\$ 7.91	Surveyed
Badger Mt NSA Cabernet Sauvignon	Washington	2002	\$ 8.99	Surveyed
Columbia Otis Vyd Cabernet Sauv.	Washington	1998	\$14.99	Surveyed
Kiona Washington Cabernet Sauv.	Washington	2001	\$14.29	Surveyed
Powers Washington Cabernet Sauv.	Washington	2001	\$ 7.99	Surveyed
Sockeye Cabernet Sauvignon	Washington	2002	\$ 9.99	Surveyed
Avery Lane Merlot	Washington	2001	\$ 5.80	Surveyed
Kiona Merlot Estate Bottled Red Mountain Reserve	Washington	2000	\$19.81	Surveyed
Powers Merlot	Washington	2000	\$ 8.99	Surveyed
Sagelands Merlot	Washington	2001	\$ 9.99	Surveyed
Sockeye Merlot	Washington	2001	\$ 9.99	Surveyed
Sunset Road Merlot	Washington	2002	\$ 6.99	Surveyed
Tamarack Cellars Merlot	Washington	2002	\$18.99	Surveyed
Terra Blanca Merlot	Washington	2000	\$12.66	Surveyed
Avery Lane Syrah	Washington	2001	\$ 5.80	Surveyed
Barnard Griffin Reserve Syrah	Washington	2002	\$19.99	Surveyed
Covey Run Syrah	Washington	2001	\$ 8.99	Surveyed
Gordon Brothers Syrah	Washington	2001	\$12.50	Surveyed
Kiona Syrah	Washington	2002	\$12.99	Surveyed
Powers Syrah	Washington	2000	\$ 8.99	Surveyed
Gold Digger Pinot Noir	Washington	2001	\$11.49	Surveyed
Cascade Cliffs Barbera	Washington	2002	\$14.97	Surveyed
Kiona Zinfandel Estate Bottled Red Mountain Reserve	Washington	2002	\$14.29	Surveyed
Arbor Crest Sangiovese	Washington	2001	\$10.58	Surveyed
Kiona Sangiovese Estate Bottled Red Mountain Reserve	Washington	2002	\$14.29	Surveyed
Arbor Crest Cliff House Red	Washington	NV	\$ 6.93	Surveyed
Canoe Ridge Red Table	Washington	2001	\$13.99	Surveyed
Forgeron Cellars Red Table	Washington	NV	\$15.99	Surveyed

<u>Wine</u>	<u>Region</u>	<u>Vintage</u>	<u>Price</u>	<u># of Cases</u>
Hedges Three Vineyard Red	Washington	2001	\$14.98	Surveyed
Paul Thomas Red Table	Washington	NV	\$ 2.99	Surveyed
Ryan Patrick Rock Island Red	Washington	2002	\$11.30	Surveyed
Salishan Red Table	Washington	2000	\$ 6.99	Surveyed
Tamarack Firehouse Red	Washington	2002	\$14.99	Surveyed
Waterbrook Melange	Washington	2002	\$12.80	Surveyed
Maison de Padgett "Sleeping Giant" Port 375ml	Washington	1998	\$11.45	Surveyed
Powers Port 500ml	Washington	2000	\$12.99	Surveyed
Horizons Edge "Sweet Surrender" Ice Wine 375ml	Washington	2002	\$14.21	Surveyed
Maison de Padgett Cabernet Sauvignon Res. Ice Wine 375ml	Washington	2003	\$14.21	Surveyed
Northern Lights Chardonnay Ice Wine 375ml	Washington	2000	\$14.21	Surveyed
Pasek Cranberry Wine	Washington	NV	\$ 9.99	Surveyed
Pasek Blackberry Wine	Washington	NV	\$ 9.99	Surveyed
Pasek Raspberry Wine	Washington	NV	\$ 9.99	Surveyed
Pasek Raspberry Dessert Wine 375ml	Washington	NV	\$ 9.99	Surveyed
Pasek Blackberry Desert Wine 375ml	Washington	NV	\$ 9.99	Surveyed
Spire Mountain Apple Cider 650ml	Washington	NV	\$ 1.99	Surveyed
Spire Mountain Pear Cider 650ml	Washington	NV	\$ 1.99	Surveyed

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.

<u>Wine</u>	<u>Region</u>	<u>Vintage</u>	<u>Retail</u>	<u># of Cases</u>
Dr Beckermann Riesling	Germany	2001	\$ 9.98	120 Cases
Barnard Griffin Reserve Chardonnay	Washington	02/03	\$12.91	56 Cases
Forgeron Cabernet Sauvignon	Washington	2001	\$30.68	56 Cases
Patit Creek Cabernet Sauvignon	Washington	2001	\$31.09	28 Cases
Patit Creek Merlot	Washington	2001	\$28.61	28 Cases
Portteus "Rattlesnake" Red	Washington	2002	\$ 9.99	56 Cases
Novilty Hill Chardonnay	Washington	2002	\$19.56	28 Cases
Novilty Hill Cabernet Sauvignon	Washington	2001	\$19.56	28 Cases
Novilty Hill Sauvignon Blanc	Washington	2002	\$17.63	28 Cases
Novilty Hill Merlot	Washington	2001	\$17.63	28 Cases
Trey Marie Trutina Meritage	Washington	2000	\$22.99	28 Cases
Mezzacorona Cabernet Sauvignon	Italy	2001	\$ 3.99	448 Cases
Mezzacorona Chardonnay	Italy	2002	\$ 3.99	192 Cases

Mezzacorona Pinot Grigio 1.5L	Italy	2002	\$ 8.99	288 Cases
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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.

<u>Wine</u>	<u>Region</u>	<u>Vintage</u>	<u>Retail</u>	<u># of Cases</u>
Hogue “Genesis” Viognier	Washington	2001	\$ 8.94	28 Cases
Hogue “Terroir” Unoaked Chardonnay	Washington	2003	\$ 8.77	28 Cases
Hogue “Terroir” Sangiovese Rose	Washington	2003	\$ 8.77	28 Cases
Cascade Cliffs Syrah	Washington	2001	\$17.73	14 Cases
Dunhan Cabernet Sauvignon	Washington	2000	\$43.96	7 Cases

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

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

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.