

**OFFICE OF THE WASHINGTON STATE
LIQUOR CONTROL BOARD MEETING**

July 7, 2004

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Wednesday, July 7, 2004 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.

Board – Approval of Minutes

Board Member Ing reviewed the minutes of April 21, May 4, May 5, May 18, May 19, June 1, and June 22 for approval. Board Member Hoen seconded the motion, and it was carried.

Policy, Legislative and Media Relations Division – Approval for Rule Making – Rules Regarding General Requirements for Liquor Licensees

Teresa Berntsen, Rules Coordinator

Ms. Berntsen recommended Board approval for final rule making for technical changes to rules in chapter 314-11 WAC, which outlines general requirements for liquor licensees.

Liquor Enforcement Officers have discovered wording errors in four WACs that can be corrected

through technical changes (please see attached). These changes will help clarify the rules for staff and for licensees.

WAC 314-11-015: What are my responsibilities as a liquor licensee?

WAC 314-11-020: What are the guidelines regarding sales to persons under twenty-one years of age and where persons under twenty-one are allowed on a licensed premises?

WAC 314-11-070: During what hours can I sell or serve liquor?

WAC 314-11-065: What type of liquor is allowed on a licensed premises?

BACKGROUND

The agency filed an expedited rule making notice on the proposed changes and sent a notice to stakeholders on May 11, 2004. The comment period ended June 25, 2004. No public comments were received.

RECOMMENDATION AND PROCESS

Staff recommended that the Board approve final rule making on the proposed rules as written. If approved, Ms. Berntsen would file the attached language with

the Office of the Code Reviser, and the revised rules would become effective 31 days after.

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

Retail Services Division – Lease Proposal, Liquor Store #81, Renton (Highlands)

Suzanne Lewis, Property Specialist

The lease for the temporary site of Store No. 081, located at 2806 NE Sunset Boulevard, Renton, has been extended several times and will now expire on December 31, 2004.

BACKGROUND

Store No. 081 was formerly located in a stand-alone building on the east side of Sunset Boulevard. The store had been there for many years and the lease was renewed for 5 years in 2000 when no suitable new location could be found. Subsequently the property was sold to Walgreen's Pharmacy, along with several neighboring parcels, and the liquor store lease was terminated as of December 31, 2002. Following an exhaustive search for a new permanent space for this busy store, our landlord offered a 3,000 square foot "temporary" space on the west side of Sunset Boulevard so that we could maintain service to our customers in the area. Most of the licensee accounts were transferred either to Store #025 in downtown Renton or to Store #114 in Newcastle. Although staff has evaluated several possible sites, the site being proposed was identified many months ago as the preferred long-term site. Negotiations with the landlord in California have been very slow.

PROPOSAL #1 – SUNSET PLAZA SHOPPING CENTER

The Lessor, Louis Family LLC, represented by Lee Shephard of R. J. Hallissey Co., Inc., has proposed a ten (10) year lease in 4,550 square foot space at 3176 NE Sunset Boulevard in Renton. The new

per month, or \$23.25 per square foot per year, during Years 4-6, and \$9,574.00 per month, or \$25.25 per square foot per year, during Years 7-10. It is anticipated that the space will be ready for fixturing in September 2004.

The Lease may not be terminated during the initial five (5) 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. If the Board terminates the Lease, the remaining portion of the then unamortized improvement costs, based on an initial amount of \$90,000.00, will be due the Lessor.

If the Lessor terminates the Lease during the second five (5) years, 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 a further period of 5 years with rent to be negotiated at the time the option is exercised. Additional repairs and/or improvements may be required for lease renewal.

The Lessors have agreed to remodel the premises per the Board's "General Specifications..." and a floor plan provided by Store Development, including the exterior store sign. Although there is not currently space for the liquor store on the shopping center pylon sign, Lessors have agreed that the liquor store will be included in 3rd position if they are able to renovate the existing pylon sign.

Lessors have agreed that the Board will have the "first right of opportunity" to obtain additional space if any adjacent space becomes available. They have also agreed to the provisions of Appendix A, "Areas of Responsibility", as attached.

Summary

Recent sales history for Store No. 081 is as follows:

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2003	\$2,079,901	\$409,891	\$2,489,792
FY2002	\$2,442,164	\$716,942	\$3,159,106
FY2001	\$2,311,710	\$658,694	\$2,970,404

Sales/sq ft: FY03 = \$622 (average for all state liquor stores was \$607 for FY03)

NOTE: Retail sales actually decreased by more than 17% in 2003 due to the small temporary space and poor parking. It is anticipated that sales will again increase when the store moves into the larger, more visible site with better parking.

Profitability: FY02 = 10.5% while the average profit for all state stores was 8.8%.

NOTE:2002 was the last full year the store was in its previous permanent location. Lease renewal = 9% without any of the anticipated sales increase.

ADDITIONAL DATA:

A busy independent grocery store, Saars Marketplace, anchors Sunset Plaza Shopping Center and Goodwill is moving into the shopping center. Current rental rates in Sunset Plaza are \$15 to \$17 per square foot range + over \$4.00/sq ft triple net charges. Rates in other spaces in the area ranged from \$14.50 per square foot, triple net, in a non-anchored center to nearly \$25.00 per square foot in a small, new non-anchored center with poor ingress/egress.

Other liquor store lease rates in area:

#114 Newcastle – 4,500 sq ft @ \$7,500.00/mo, or \$20.00/sq ft/yr, in Yrs 1-5
\$8,250.00/mo, or \$22.00/sq ft/yr, in Yrs 6-10

#115 Bellevue-Eastgate – 5,068 sq ft @ \$8,636.72/mo, or \$20.45/sq ft/yr, in Yrs 1-3
\$9,270.22/mo, or \$21.95/sq ft/yr, in Yrs 4-6
\$10,114.88/mo, or \$23.95/sq ft/yr, in Yrs 7-10

NOTE: Store #114 is in a Safeway-anchored center and Store #115 is in a busy Albertson's-anchored, along with many other neighborhood tenants.

Summary

Summary of the lease proposals for Store #081:

<u>Current Rent</u>	<u>Proposed Rent-#1</u>	<u>Change</u>
3,000 sq ft	4,550 sq ft	
\$4,937.50	\$7,963.00 Yrs 1-3	+61%
\$19.75/sq ft/yr	\$21.00/sq ft/yr	
	\$8,816.00 Yrs 4-6	+10.7%
	\$23.25/sq ft/yr	
	\$9,574.00 Yrs 7-10	+8.6%
	\$25.25/sq ft/yr	

Ms. Lewis recommended approval of Lease Proposal to relocate Store #081 to Sunset Plaza.

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

Retail Services Division – Lease Extension, Liquor Store #154, Puyallup (Summit Canyon); Suzanne Lewis,
Property Specialist

The 10-year lease for Store No. 154, located at 10417 Canyon Road East, Puyallup, WA, will expire on August 31, 2004.

The Lessor, Roger Miller of Summit Development Company Puyallup LLC, has agreed to a six (6) month extension of our current lease, effective September 1, 2004. During this extension period, the rent will be \$3,600.00 per month, or \$10.57 per square foot per year, a 17% increase. All other terms and conditions of the current lease shall remain the same.

We currently pay \$3,066.00 per month, or \$9.00 per square foot per year, for a 4,088 square foot space. Gross sales for FY 2003 were \$2,347,279 with Class H Sales at 16.3%.

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

Purchasing Services Division – Potential New Listings/Rejections

Steve Burnell, Wine Program Manager

Based on presentations made by supplier representatives on June 24, 2004, 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.

<u>Description</u>	<u>Recommendations</u>
Absolut Raspberri Raspberry Flavored Vodka, 750 ml (\$20.95)	List as M
Burnett's Lime Flavored Vodka, 750 ml (\$9.95)	List as L
Burnett's Citrus Flavored Vodka, 750 ml (\$9.95)	List as L
Salvador's Blue Margarita with Tequila Cocktail, 1.75 liter (\$16.95)	List as M
Marie Brizard Manzanita Green Apple Liqueur, 750 ml (\$15.95)	List as M
Marie Brizard Parfait Amour Liqueur, 750 ml (\$15.95)	List as M
Vikingfjord Vodka, 750 ml (\$15.95)	List as L
Yazi Ginger Flavored Vodka, 750 ml (\$19.95)	Reject
Danzka Cranberryraz Cranberry & Raspberry Flavored Vodka, 750 ml (\$17.95)	Reject
Machsoon Plum Liqueur, 375 ml (\$8.95)	Reject
Yipsejoo Korean Soju, 375 ml (\$5.35)	Reject
Achaia Clauss Ouzo Traditional Greek Aperitif Anise, 750 ml (\$18.95)	Reject
Burnett's Cranberry Flavored Vodka, 750 ml (\$9.95)	Reject
Burnett's Orange Flavored Vodka, 750 ml (\$9.95)	Reject
Sol Dios 100% De Puro Agave Anejo Tequila Aged 3 Years, 750 ml (\$49.95)	Reject
Mazama Infused Pepper Flavored Vodka, 750 ml (\$22.95)	Reject
Juarez Gold Tequila, 750 ml (\$14.75)	Reject
Basilica Creamaretto Amaretto Cream Liqueur, 750 ml (\$15.95)	Reject
Pinnacle Vodka, 750 ml (\$14.95)	Reject

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

Purchasing Services Division – Potential New Wine Listings/Delistings

Steve Burnell, Wine Program Manager

The Wine Advisory committee has reviewed the following wines. Criteria for selections made by this panel include outstanding taste, good value, consumer interest, and other factors.

From blind tastings, the following selections and recommendations were made by the Committee and the Purchasing Division. Mr. Burnell recommended the Board approve the following listing actions.

<u>Wine</u>	<u>Region</u>	<u>Vintage</u>	<u>Retail</u>	<u>Recom</u>	
Ravenswood Shiraz		Australia	2003	\$ 8.99	List as M
Penfolds "Rawson's Retreat" Chardonnay		Australia	2002	\$ 6.99	List as M
Penfolds "Rawson's Retreat" Shiraz-Cabernet		Australia	2002	\$ 6.99	List as M
Franzia Sangreia	5.0 Liter	California	NV	\$10.99	List as M

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>
Pacific Peaks Chardonnay	Washington	2000	\$ 2.49	885 Cases
Vinewood Creek Red	Washington	2000	\$ 2.99	345 Cases
Crane Lake White Zinfandel	California	2003	\$ 3.99	56 Cases
Camelot Merlot	California	2000	\$ 5.99	112 Cases
Camelot Chardonnay	California	2002	\$ 5.99	112 Cases
Columbia Crest Cote du Columbia Grenach	Washington	1999	\$ 3.99	224 Cases
Chateau Ste Michelle Cabernet Sauvignon, Canoe Ridge	Washington	2000	\$18.88	112 6/pks
Eroica Riesling	Washington	2003	\$15.99	56 6/pks
Chateau Ste Michelle Merlot, Indian Wells	Washington	2001	\$13.99	168 6/pks
Northstar Stella Maris Red	Washington	2001	\$20.72	56 Cases
Caymus Conundrum	California	2002	\$21.99	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.

Wine	Region	Vintage	Retail	# of Cases
Graham’s Six Grapes Port	Portugal	NV	\$17.99	28 Cases
Dow’s LBV Port	Portugal	1997	\$17.59	7 Cases
Penfolds Grange	Australia	1999	\$217.92	4 6/pks
Penfolds Bin 707 Cabernet Sauvignon	Australia	2001	\$58.52	6 6/pks
Penfolds Magill Estate Shiraz	Australia	2001	\$48.87	6 6/pks
Penfolds RWT Shiraz	Australia	2001	\$77.44	4 6/pks
Penfolds St Henri Shiraz	Australia	1999	\$39.20	6 6/pks

The Board currently lists the following wines. Based on the blind tasting OR other criteria Mr. Burnell recommended the Board DELIST the following items:

Wine	Region	Brand Code	Reason
Farron Ridge Merlot	Washington	464335	Discontinued by Supplier
Heritage Road Merlot	Australia	901311	Discontinued by Supplier
Reserve St Martin Red	France	295030	Supply Issues

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

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

Purchasing Services Division – Listing Review

Steve Burnell, Wine Program Manager

The 38 items on the attached list have been identified as products which have not met sales and profit expectations. Mr. Burnell recommended that the Board approve delisting all of the items on the list and close them out effective September 1, 2004.

2004

BRAND CODE	DESCRIPTION	SIZE	SUPPLIER
005332	Johnnie Walker Gold 18 Year Scotch	750 ml	Schieffelin & Somerset Co.
006096	Something Special Scotch	750 ml	Heaven Hill Distilleries, Inc.
004801	Cutty Sark Scotch	375 ml	Skyy Spirits Inc.
013636	Lord Calvert 3 Year Canadian	750 ml	Future Brands LLC
011914	Campbell & Cooper 4 Year Canadian	375 ml	Frank-Lin Distillers Products, Ltd.
020244	Old Crow 3 Year Bourbon	375 ml	Future Brands LLC
022786	Beam's 8 Star Blend	750 ml	Future Brands LLC
026156	Western American Blend	750 ml	Frank-Lin Distillers Products, Ltd.
032018	Royal Sovereign Gin	1.75 L	McCormick Distilling Company
028636	Juniper Green Organic Dry Gin	750 ml	Maison Jomere, Ltd.

034883	Stolichnaya Vanilla Vodka	1.75 L	Allied Domecq Spirits USA
034869	Stolichnaya Razberi Vodka	1.75 L	Allied Domecq Spirits USA
034346	Finlandia Lime Fusion Vodka	750 ml	Brown-Forman Corporation
042536	Cockspur Rum	750 ml	MHW, Ltd.
044526	Cruzan Estate Single Barrel Rum	750 ml	Todhunter International, Inc.
042941	Tropico Rum	750 ml	Bacardi USA, Inc.
042589	Kuya Fusion Spiced Rum	750 ml	Allied Domecq Spirits USA
044536	Cruzan Orange Flavored Rum	750 ml	Todhunter International, Inc.
046076	Cabana Boy Banana Flavored Rum	750 ml	White Rock Distilleries, Inc.
046095	Cabana Boy Raspberry Flavored Rum	750 ml	White Rock Distilleries, Inc.
047546	Ansac VS Cognac	750 ml	Heaven Hill Distilleries, Inc.
056876	Bartenders Original Bananas Over You Cocktail	750 ml	Jacquin, Charles et Cie Inc.
056992	Alize Red Passion Cocktail	375 ml	Kobrand Corporation
057001	Alize De France – Fruit & Cognac Cocktail	375 ml	Kobrand Corporation
085796	Old Mr. Boston Rock & Rye Whiskey Liqueur	750 ml	Barton Brands, Ltd.
065265	Jinro Soju Vodka Liqueur	375 ml	Jinro America, Inc.
080416	Paul Masson Mocha Caramel Cream Liqueur	750 ml	Canandaigua Wine Company, Inc.
080406	Paul Masson Chocolate-Hazelnut Cream Liqueur	750 ml	Canandaigua Wine Company, Inc.
080300	Just Desserts Chocolate Chip Cookie Cream Liqueur	750 ml	Grant, William & Sons

077056	Potter's Coffee Liqueur	750 ml	Frank-Lin Distillers Products, Ltd.
076134	Monarch Coffee Liqueur	375 ml	Monarch Import Company
078164	Dekuyper Crème de Cacao Brown Liqueur	375 ml	Future Brands LLC
078704	Dekuyper Crème de Cacao White Liqueur	375 ml	Future Brands LLC
064836	Dooley's Toffee Liqueur	750 ml	MHW, Ltd.
074466	Hiram Walker Fruja Tangerine Liqueur	750 ml	Allied Domecq Spirits USA
084980	White Fang Cinnamon/Peppermint Schnapps	750 ml	Monarch Import Company
082841	Dekuyper Peachtree Schnapps	50 ml	Future Brands LLC
089316	Gusano Rojo Mezcal w/Agave Worm	750 ml	Frank-Lin Distillers Products, Ltd.

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

The Meeting was adjourned at 10:45 A.M.